2013 **ANNUAL REPORT**

Ray Sigorta is 55 years old

www.raysigorta.com.tr

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RAY SİGORTA
VIENNA INSURANCE GROUP

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Ray Sigorta A.Ş.

01.01 - 31.12.2013 Annual Report

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RAY SİGORTA
VIENNA INSURANCE GROUP

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General Information

Always add on the trust and peace...

Multiply the beauties offered by life...

Substract the risks from our lives...

And never divide happiness...

We have been working for 55 years to...

CORPORATE PROFILE

Leaving 55 years behind in the insurance industry, Ray Sigorta generated premiums of TRY 354.298.992 in 2013, ranking 16 among the companies operating in the elementary branch, with a market share of 1,70%.

By the end of 2013, Ray Sigorta is running its operations with 242 employees at 7 Regional Directorates, 1 Regional Representative Office and 1 Call Center.

Ray Sigorta has successfully sustained its vision of being a value-creating company in its field by providing services through a network of 980 agencies, 77 bank branches, 60 brokers, 6 leasing companies as well as 776 contracted car services in 73 provinces, and 91 glazing service providers and 2727 contracted healthcare institutions in 76 provinces in 2013.

Ray Sigorta has achieved all of its targets set for the year 2013. We, as Ray Sigorta, set all our strategies considering that our development is driven by a customer-oriented approach, and will continue to apply our productivity-and customer-focused strategy in order to achieve further success in 2014; and we will sustain our efforts to enhance the brand awareness of Ray Sigorta and satisfaction level of our customers.

General Information on Ray Sigorta:

Trade Name : Ray Sigorta Anonim Şirketi
Trade Registry Number : 297257
Central Registration System (MERSIS) Nr. : 3984 - 5318 - 6248 - 4904
Electronic Mail Address : info@raysigorta.com.tr
Web Site : www.raysigorta.com.tr
Head Office / Principal Office Address : Cumhuriyet Mahallesi Haydar Aliyev Cad. No: 28 Sarıyer / İstanbul
Contact : Ray Sigorta A.Ş. Genel Müdürlük Cumhuriyet Mahallesi Haydar Aliyev Caddesi No: 28 34457 Sarıyer / İstanbul
Phone : 0212 363 25 00
Fax : 0212 299 48 49

Regional Offices / Branches:

Istanbul Anatolian Regional Office:
Sahrayıcedit Mah. Halk Sokak No: 33
Golden Plaza İş Merkezi F Blok Kat: 1 Kozyatağı
34734 Kadıköy / Istanbul
Phone : 0216 411 16 06
Fax : 0216 411 16 19

Istanbul European Regional Office:
Istanbul Dünya Ticaret Merkezi B-1 Blok Kat: 9
No: 319 - 320 Yeşilköy / Istanbul
Phone : 0212 465 40 45
Fax : 0212 465 40 75

Central Anatolia Regional Office:
Farabi Sokak No: 40 / A 06690 Kavaklıdere / Ankara
Phone : 0312 428 50 50
Fax : 0312 428 50 49

Aegean Regional Office:
Halit Ziya Bulvarı No: 72 Taner İşhanı A Blok Kat: 2
35210 İzmir
Phone : 0232 483 72 46
Fax : 0232 489 86 05

Marmara Regional Office:
Lefkoşe Cad. A Blok Kat: 3 No: 34 - 36
Nilüfer / Bursa
Phone : 0224 211 28 27
Fax : 0224 211 28 37

Southeastern Anatolia Regional Office:
Çınarlı Mah. Atatürk Cad. No: 15 İdeal Plaza Kat: 7
01120 Seyhan / Adana
Phone : 0322 457 06 83
Fax : 0322 454 77 61

Mediterranean Regional Office:
Konyaaltı Cad. Antmarin İş Merkezi No: 24 Kat: 6
07050 Konyaaltı / Antalya
Phone : 0242 247 20 25
Fax : 0242 247 39 59

TRNC Branch:
Bedrettin Demirel Cad. Arabacıoğlu - 7 Apt.
No: 123 / 7 Lefkoşa / KKTC
Phone : 0392 227 03 80
Fax : 0392 227 03 83

Always add on the trust and peace...

OUR VISION;

To become a value creating company which leads the insurance business. To be one of the Top 5 companies of the non-life insurance segment by 2015.

OUR MISSION;

To enhance constantly our know-how, product base, reliable service approach and strong technology and human resources with an innovative perspective; and to become a preferred company for our customers, business partners, stakeholders and employees thanks to the value we create.

Our Agencies and Brokers are the most valuable business partners to our company, and they will receive from us the best service in the insurance industry.

OUR VALUES;

As Ray Sigorta,

We are a family,

We are honest,

We respect ethical values,

We are fair,

We are transparent and collaborative,

We are strong together,

We are creative and productive,

We care people.

Multiply the beauties offered by life...

RAY SIGORTA FROM PAST TO PRESENT

- Established in 1958 by the common initiative of national transportation companies [Turkish Airlines, Turkish Maritime Transportation Company, Turkish State Railways, PTT (Turkish Mail Administration).
- Privatized in 1992 by Dogan Holding.
- Stocks of Ray Sigorta were listed on Istanbul Stock Exchange in 1997.
- TBIH Financial Services Group, a subsidiary of VIG, acquired 74.26% of the company shares in 2007.
- Ray Sigorta added the Vienna Insurance Group to its logo in 2008.
- The shareholding structure of the company in 2009: 84.26% owned by VIG, 10% owned by Dogan Group and 5.74% publicly offered to more than 4000 persons.
- The shareholders structure of the company in 2011: 81.59% owned by TBIH Services Group N.V, 12.67% owned by Vienna Insurance Group (VIG), 5.7% publicly hold.
- The total premium generation of Ray Sigorta in 2013: TRY 354.298.992.
- The market share of Ray Sigorta among other non-life insurance companies in 2013: 1.70%.
- Ray Sigorta ranked 16 among the non-life insurance companies in 2013.

MEETING DATE : 28.02.2014
MEETING NO : 1451
RESOLUTION NO : 6070 and 6071

STATEMENT OF RESPONSIBILITY PURSUANT TO FINANCIAL REPORTS FOR THE PERIOD OF January 1, 2013 and December 31, 2013

RESOLUTION OF BOARD OF DIRECTORS TO APPROVE THE FINANCIAL REPORTS

We declare that we are responsible for the disclosed of,

The Balance Sheets, Statement of Income, Statement of Cash Flows, Statement of Changes in Shareholders' Equity and Annual Report, were included the accompanying notes, of Ray Sigorta A.Ş. for the year of 2013 which have been prepared and audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in accordance with the Capital Markets Board's Communique Series II No:14-1, the Financial Reporting Standards published by Public Oversight Accounting and the insurance legistration,

a) Has been examined,

b) Within the framework of information available in so far as its duties and responsibilities; the financial statements and annual report do not contain any misrepresentation of the facts on major issues, or any omissions that may be construed as misleading as of the date of the disclosure,

c) Within the framework of information available in so far as its duties and responsibilities; The financial statements prepared in accordance with applicable financial reporting standards truthfully reflect the facts about the assets, liabilities, financial condition and profit and loss of the Company and also truthfully reflects, along with major risks and uncertainties that might be occurred, the progress and performance of the Company.

RAY SİGORTA ANONİM ŞİRKETİ
HEAD OFFICE

M. Levent ŞİŞMANOĞLU	İsmail Hakkı ERGENER	Reinhard PICHLER	Koray ERDOĞAN
Member, Board of Directors and General Manager	Chairman, Audit Committee	Member, Audit Committee	Assistant General Manager, CFO

CONVENIENCE TRANSLATION OF THE COMPLIANCE OPINION ON THE ANNUAL REPORT PRESENTED TO THE GENERAL ASSEMBLY

To the General Assembly of
Ray Sigorta A.Ş.,

We have been assigned to audit the accompanying annual report prepared to be presented to the General Assembly of Ray Sigorta A.Ş. ("the company") as 31 December 2013. Management is responsible for the preparation of the annual report subject to the audit report. Our responsibility, as the independent auditor of the Company, is to express an opinion on the compliance of the financial information included in the annual report with respect to the audited financial statements subject to our independent audit report dated 28 February 2014.

We conducted our audit in accordance with the regulations related to the principles on the preparation and publication of annual reports as set out in accordance with the Insurance Law numbered 5684. Those regulations require that we perform the audit to obtain reasonable assurance whether the financial information included in annual report is free from material misstatement with respect to the audited financial statements. We believe that the audit we have performed is sufficient and appropriate to provide a basis for our compliance opinion.

In our opinion, the financial information included in the accompanying annual report comply, in all material respects, with the information included in audited financial statements of Ray Sigorta A.Ş. as of 31 December 2013.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Talar Gül, SMMM
Partner

Istanbul, 28 February 2014

Karl Fink
Chairman of the Board
of Directors of Ray Sigorta

Dear Ladies and Gentlemen,

As the Chairman of Ray Sigorta, I am pleased to be able to underline many positive developments when I look back to the year of 2013.

The Turkish insurance market has achieved an increasing growth this year again as in previous years. This ongoing positive progress indicates the need for modern insurance solutions. Also, an increased level of transparency has been introduced to motor and private health insurances upon the latest amendments to statutory regulations. Such regulations have contributed to reinforce people's trust in insurance companies.

Ray Sigorta, too, has taken advantage of these developments and managed to sustain our profitable growth. Realignment of our product portfolio strategically, that is, increased focus on non-motor insurance segment has been successfully rolled out as a long-term initiative. Successful implementation of our strategy has also been felt through the considerable increases in premiums and outcomes.

Despite the harsh competition in the Turkish insurance market, we have seen once again a steady and profitable ongoing progress in our operations within the organization of Vienna Insurance Group, a prominent international company, thanks to our attractive products, customer-oriented organizational structure and excellent service quality. Turkey, with is future potential, is becoming an increasingly dynamic locomotive for the Group's business.

Also, I would like to take this opportunity to mention just a few of the contributions, Ray Sigorta has made in cultural life. As part of the support provided by the Esslys, an Australian family interested in art collection, to the prospective art students in the Central and Eastern Europe, the Essl Art Award CEE has been awarded in Turkey this year for the first time. VIG Holding and its main shareholder have long been supporting this initiative, and awarding their specific reward "VIG Special Invitation". A young Turkish video artist, Volkan Kızıltunç, won this award in 2013 and he will be attending an exhibition to be held at the principal office of Vienna Insurance Group in Vienna next year.

I would like to thank our all employees who have build the main pillars of our success by providing services to our customers with a great effort and energy every day at our Company.

I also owe a debt of gratitude to our successful agencies for trusting in the assurance of reliability and productivity of our company.

Best Regards,
Karl Fink

Levent Şişmanoğlu
Member of the Board of Directors and
General Manager

Dear Esteemed Shareholders;

2013 has been a successful year which has added many achievements to the well-established history of Ray Sigorta. Our corporate strategy, which we have been committed to implement as of 2010, keeps paying off, sustaining our steady and profitable growth.

We have achieved our targets and closed the year with a premium generation of TRY 354.298.992. thanks to the superior efforts of our 242 employees at our Head Office and 7 regional directorates as well as the efforts of our 60 brokers and 980 agencies in 70 provinces.

I am honored to extend my gratitudes to each and every individual of this great family for their productive and devoted efforts in 2013. Throughout the entire year, we have worked side by side and demonstrated a remarkable performance in line with our targets and strategies, and now we are proud to close our 55th year together. We have formed a great team with our business partners and employees, who all together have "squared the circle" with a portfolio distribution of motor and non-motor segment across the industry. We are all the most down-to-earth, strong and successful insurers of the industry.

These outcomes which are crafted through the efforts of each of us enable to look towards the future with much more confidence. I would like to take this opportunity to express in particular that I am very pleased and proud to be the leader of this great team, who work devotedly and efficiently in everything we do.

As the 55-year-old evergreen company of the insurance industry, we have always been and we will always be a preferred company among our customers and distribution channels with our distinctive products and services which make a difference in insurance industry. We take our greatest strength, that we need to accomplish this, from our shareholders, agencies and employees.

We will remain committed to our priority of constantly improving our service quality and always looking for the best, in light of our strong and well-established corporate culture, innovative spirit and the synergy arising from the aligned and harmonized efforts of every member of our Great Family.

I clearly see that we, as its stakeholders, will all move this company further in the following years. We have all the motivation, wisdom, capabilities and vision that it takes to create a stronger Ray Sigorta.

What we have achieved so far encourages and assures us that we can even do better. And in 2014, we will keep moving forward with fast and steady steps towards our targets, which gets more and more ambitious every year, and pursuing our vision of being the value-creating insurance company of Turkey.

Respectfully Yours,
Levent Şişmanoğlu

SHAREHOLDER STRUCTURE

The shareholding structure of the Company is as follows as of December 31, 2013:

NAME OF THE SHAREHOLDER	SHAREHOLDING	NUMBER OF SHARES	AMOUNT OF SHARES (TRY)
TBIH Financial Services Group N.V.(*)	81,59%	13.304.862.688	133.048.626.88
Vienna Insurance Group - Wiener Staedtische Versicherungs AG	12,67%	2.066.352.811	20.663.528.11
Other (Publicly-Traded)(**)	5,74%	935.770.101	9.357.701.01
TOTAL			**163.069.856.00**

(*) TBIH Financial Services Group NV, is a subsidiary of Wiener Staedtische Versicherungs AG.
(**) All of our publicly-traded shares are traded on Borsa Istanbul A.S.

Our company is in the context of Authorised Capital System as per the Capital Market Legislation. The Capital Markets Board had granted permission to the upper limit of TRY 200.000.000 for the Authorised Capital of our Company for the years 2009-2013. Which is expired expired by the end of 2013. Our Company filed a new application with the Capital Markets Board to extend the term of the upper limit of TRY 200.000.000, set for our Authorised Capital for the years 2014-2018. The Capital Markets Board granted such permission on January 7, 2014. Upon grant of permissions by the Undersecretariat of Treasury and the Ministry of Customs and Commerce, the matter will be presented to the shareholders at the General Assembly meeting to be held in 2014 for obtaining their opinion and approval.

As of December 31, 2013, the shares which represent the capital of the company do not include any privileged shares.

The Chairman and members of the Board of Directors as well as the general manager and the deputy general managers of the Company do not have any share in the Company.

CAPITAL INCREASE

The paid-up capital of our Company remained unchanged throughout 2013. The latest capital increase of our Company was in 2011. Our capital was increased by TRY 26.000.000 from TRY 137.069.856.- to TRY 163.069.856.-, which has all been paid in cash.

VIENNA INSURANCE GROUP

COMPANY PROFILE

Vienna Insurance Group (VIG) has been one of the leading listed insurance groups in Austria and Central and Eastern Europe for years. Approximately 23,000 employees in around 50 Group companies in 24 countries generated about EUR 9.2 billion in premiums in 2013. As the leading insurance company in its core markets, Vienna Insurance Group provides its customers with an outstanding portfolio of products and services in all segments of life and non-life insurance.

At home in both Austria and Central and Eastern Europe
During a long history steeped in tradition-the Company's roots reach back to the year 1824 in Austria-VIG has successfully overcome all of the challenges of history, and has often taken on a pioneering role. This was the case in 1990, when Wiener Städtische became one of the first Western European insurance companies to recognise the exciting growth opportunities in Central and Eastern Europe and take a chance on entering the market in the former Czechoslovakia. That was the starting point for further expansion. Hungary followed in 1996, Poland in 1998, Croatia in 1999 and Romania in 2001-to mention just a few examples. VIG now operates in 24 markets and is proud of its broad geographical orientation.

Number one in its core markets
In addition to Austria, VIG's core markets are the Czech Republic, Slovakia, Poland, Romania, Bulgaria, Croatia, Hungary, Serbia and the Ukraine. VIG's market share of approximately 18% makes it the number one insurance company in these markets, and VIG is working continuously to further consolidate this position.

More than half of all premiums written in 2013 came from markets in the CEE region, which provides impressive proof of VIG's successful expansion strategy. Indeed, given the economic convergence process taking place in Central and Eastern Europe and the increased need for insurance coverage it brings, this region will continue to grow in importance. VIG RE, the reinsurance company that was established by VIG in 2008, has its registered office in the Czech Republic, thereby stressing the importance of the CEE region as a growth market for VIG.

24 markets, one objective: to continue the mutual success
In spite of the wide range of customer requirements and conditions in its individual markets, VIG has one common objective everywhere: to continue its business success by providing customers with the best possible insurance protection. This places a great responsibility on VIG, and the VIG Group companies are fully dedicated to meeting this responsibility, using professional, forward-looking advisory services and a flexible product portfolio. The use of a broad network of service centres and a variety of distribution channels ensures the customer proximity that this requires. At the same time the Group relies on established regional brands that are brought under the Vienna Insurance Group umbrella without losing their own identity or individual strengths. This is because it is the individual strengths and advantages of these companies that make VIG a strong family.

Stability based on binding values and a focus on core competences
Vienna Insurance Group is a progressive and highly risk-conscious insurer. Its activities are fully focused on its core business-the insurance business. However, Vienna Insurance Group offers various forms of security to more than its customers. Security in the form of reliability, trustworthiness and solidarity also receives top priority in dealings with business partners, employees and shareholders. Ethical values such as honesty, integrity, leadership in matters large and small, diversity, equal opportunity and customer-orientation form the basis for all business decisions.

This fundamental approach is confirmed not only by a strategy of continuous sustainable growth, but also excellent creditworthiness. In June 2013, the rating agency Standard & Poor's confirmed its rating of A+ with a stable outlook, making VIG the best rated company in the ATX leading index of the Vienna Stock Exchange.

VIG and Erste Group-two strong partners
In 2008, two leading financial service providers in Central and Eastern Europe-VIG and the Erste Group-decided to further increase their success by working together. They therefore entered into a long-term strategic partnership that benefits both of them: Erste Group branches distribute VIG insurance products, and in return VIG companies offer Erste Group bank products.

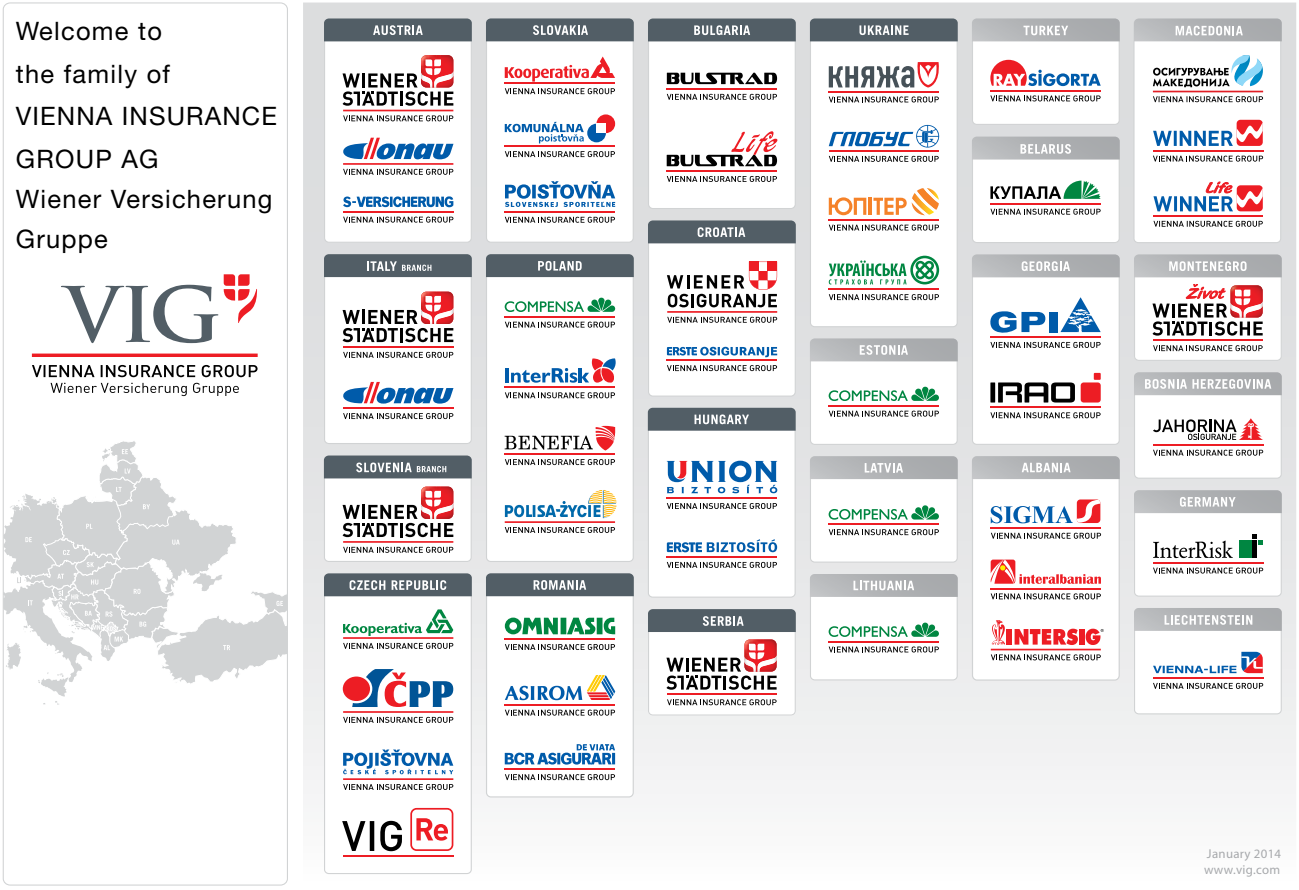
Strong stock exchange presence, long-term principal shareholder

VIG's shares have been listed on the Vienna Stock Exchange since 1994. Its market capitalisation of more than EUR 4.6 billion at the end of 2013 makes it one of the largest listings on the exchange. It has also had a secondary listing on the Prague Stock Exchange since February 2008, which once again emphasises the great importance the Central and Eastern European region has for the Group.

Around 70% of VIG's shares are held by Wiener Städtische Versicherungsverein, a stable principal shareholder with a long-term orientation. The remaining shares are in free float.

Strong team, attractive employer

"Our success is based on people"-in addition to forming the basis for VIG's business success, this concept also guides its people management and thereby determines its position as an attractive employer. VIG develops and supports the know-how of its approximately 23,000 employees and their readiness to provide top performance. Identifying and developing the individual skills that each person brings to VIG's large team is particularly important, and a wide variety of training and advanced training opportunities, international exchange programmes and international cooperations exist within the Group to ensure that this happens.



HUMAN RESOURCES' PRACTICES

The value, we attach to our employees, and the value, our employees add to our company, are in a cycle, which constantly reinforces and fosters one another. Our goal is to ensure effective planning, management, constant development and improvement of the human resources potential, which is directly related to the value created by the human resources within this cycle, environment, conditions, system and the potential of the system as well as to release and shape the potential energy to serve such goals.

In line with the mission, vision and goals of our company, we implement an objective and competency-oriented recruitment and placement process, which aims at placing the right person to the right position, within the framework of our core values. In this respect, we organize orientation and development trainings to speed up the adaptation process of newly recruited employees to our corporate structure and to provide them with the background knowledge required for their profession.

Our "Performance Management" process, which helps the employees work in line with the corporate goals and focus on a common goal, consists of goal-setting, monitoring, evaluation and feedback stages. By such a performance management process, we aim to evaluate the employees objectively, and plan the outputs of the system such as promotion, wages, development and career planning in an effective and accurate way.

The ever changing and evolving needs of our employees and customers show us in which aspect we should improve our specialties and competences. In line with such needs, we offer trainings that provide constant development opportunities for our employees and business partners.

During the management of all these activities, the following points constitute our Human Resources policy:

- To bring up customer-oriented leaders, who can plan the present and future of our Company within the framework of our vision and core values, in a strong and accurate manner,
- To act in compliance with the principle of equal opportunity, which eliminates racial, ethnic, national, religious and sexual discrimination,
- To provide a secure, transparent, participatory, flexible environment for our employees, which also allows for their constant development,
- To protect the rights and social security of our employees, and maintain the balance between professional and private lives,
- To raise productivity of our employees by means of an accurate career plan within an objective performance management system,
- To ensure the ultimate development of our employees through internal and external trainings in accordance with our vision and core values,

NUMBER OF EMPLOYEES AS OF DECEMBER 31, 2013	NUMBER
HEAD OFFICE + BROKER SALES DIRECTORATE	163
ALTERNATIVE DISTRIBUTION CHANNELS CALL CENTER	6
ISTANBUL ANATOLIAN REGION	8
ISTANBUL EUROPEAN REGION	9
CENTRAL ANATOLIA REGION	29
AEGEAN REGION	9
MEDITERRANEAN REGION	5
SOUTHEASTERN ANATOLIA REGION	8
MARMARA REGION	4
TRNC BRANCH	1
TOTAL	**242**

SUMMARIZED FINANCIAL INFORMATION:

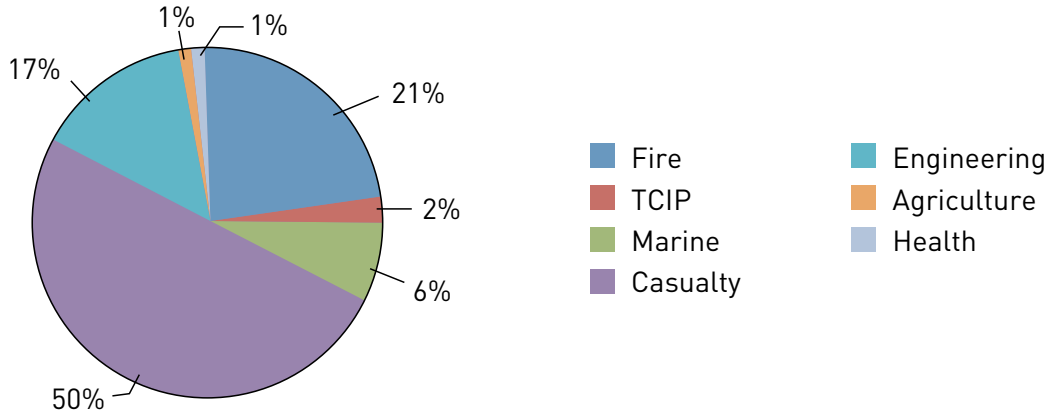
SUMMARIZED FINANCIAL INDICATORS	2013	2012
Total Assets	381.275.823	322.604.991
Paid - In Capital	163.069.856	163.069.856
Shareholders' Equity	98.394.114	90.198.223
Premiums Written	354.298.992	304.400.258
Premiums Earned - Net	167.707.643	152.216.874
Claims Incurred - Net	-114.674.814	-100.603.727
Other Technical Income / Expenses - Net	2.748.187	-4.039.179
Operating Expenses	-49.746.766	-45.852.033
Changes in Other Technical Reserves	-876.910	-398.840
Investment Income Transferred to Technical Division	7.541.540	8.324.843
Balance of Technical Profit	12.698.880	9.647.939
Net Profit / Loss	**8.565.429**	**3.737.122**

(THOUSAND TL)	PREMIUMS WRITTEN		PREMIUMS CHANGE %	SHARE %	
	2013	2012		2013	2012
FIRE	74.858	68.826	8.8%	21.1%	22.6%
TCIP	8.328	7.429	12.1%	2.4%	2.4%
MARINE	21.557	21.998	-2.0%	6.1%	7.2%
CASUALTY	178.059	154.112	15.5%	50.3%	50.6%
ENGINEERING	61.894	43.864	41.1%	17.5%	14.4%
AGRICULTURE	4.570	3.483	31.2%	1.3%	1.1%
HEALTH	5.033	4.689	7.3%	1.4%	1.5%
TOTAL	**354.299**	**304.400**	**16.4%**	**100.0%**	**100.0%**

(THOUSAND TL)	RETENTION PREMIUM		PREMIUMS CHANGE %	RETENTION RATIO %	
	2013	2012		2013	2012
FIRE	10.431	9.292	12.3%	13.9%	13.5%
TCIP	0	0	0.0%	0.0%	0.0%
MARINE	6.987	8.553	-18.3%	32.4%	38.9%
CASUALTY	152.209	139.128	9.4%	85.5%	90.3%
ENGINEERING	9.144	7.404	23.5%	14.8%	16.9%
AGRICULTURE	0	0	0.0%	0.0%	0.0%
HEALTH	1.188	1.015	17.0%	23.6%	21.7%
TOTAL	**179.959**	**165.391**	**8.8%**	**50.8%**	**54.3%**

TECHNICAL RESULTS

The premiums generated by the Company have amounted to TL 354.298.992 in 2013. Thanks to such premium amount, Ray Sigorta has achieved to rank as the 16th with a market share of 1.70% among the companies operating at the non-life segments.



Fire Insurance Segment

The premiums of the Company in the Fire Insurance Segment have amounted to TL 74.858.012 by an increase of 8.8% compared with the previous year. The technical profit earned at this segment, for which a total amount of TL 15.437.604 has been paid for the claims, corresponds to TL 4.298.153 at some 5.7% of the premiums. The portion of TL 30.230.014 of the outstanding claims amounting to TL 35.160.153 corresponds to the share of our reinsurers. The share of such amount at the total amount of the premiums generated is 21.1%, and the share of the same at the technical profit is 11.3%. In addition, considering the number of the policies, a growth of 16.6% has been accomplished when compared with the previous year.

Casualty Insurance Segment

The premiums of the Company in the Casualty Insurance Segment have amounted to TL 178.059.147 by an increase of 15.5% compared with the previous year. The technical profit earned at this segment, for which a total amount of TL 92.885.629 has been paid for the claims, corresponds to TL 19.264.229 at some 10.8% of the premiums. The portion of TL 42.251.289 of the outstanding claims amounting to TL 121.759.234 corresponds to the share of our reinsurers. The share of such amount at the total amount of the premiums generated is 50.3%, and the share of the same at the technical profit is 50.7%. Thus, this segment stands as the one providing the major contribution to the technical profit. In addition, considering the number of the policies, a growth of 14.7% has been accomplished when compared with the previous year.

Engineering Insurance Segment

The premiums of the Company in the Engineering Insurance Segment have amounted to TL 61.893.535 by an increase of 41.1% compared with the previous year. The technical profit earned at this segment, for which a total amount of TL 20.112.178 has been paid for the claims, corresponds to TL 7.992.545 at some 12.9% of the premiums. The portion of TL 21.011.639 of the outstanding claims amounting to TL 23.793.433 corresponds to the share of our reinsurers. The share of such amount at the total amount of the premiums generated is 17.5%, and the share of the same at the technical profit is 21%. In addition, considering the number of the policies, a growth of 29.5% has been accomplished when compared with the previous year.

Marine Insurance Segment

The premiums of the Company in the Shipping Insurance Segment have amounted to TL 21.556.619 by a decrease of 2% compared with the previous year. The technical profit earned at this segment, for which a total amount of TL 6.831.835 has been paid for the claims, corresponds to TL 6.284.841 at some 29.2% of the premiums. The portion of TL 5.227.333 of the outstanding claims amounting to TL 6.352.213 corresponds to the share of our reinsurers. The share of such amount at the total amount of the premiums generated is 6.1%, and the share of the same at the technical profit is 16.5%. In addition, considering the number of the policies, a growth of 7.9% has been accomplished when compared with the previous year.

Health Insurance Segment

The premiums of the Company in the Health Insurance Segment have amounted to TL 5.033.399 by an increase of 7.3% compared with the previous year. The technical result of this segment, for which a total amount of TL 2.986.547 has been paid for the claims, has ended up with loss. The portion of TL 427.235 of the outstanding claims amounting to TL 530.751 corresponds to the share of our reinsurers.

Agriculture Insurance Segment

The premiums of the Company in the Agriculture Insurance Segment have amounted to TL 4.570.070 by an increase of 31.2% compared with the previous year. The technical profit earned in this segment amounts to TL 181.011 corresponding to some 4% of the premiums.

TECHNICAL PROFIT

The Technical Profit, which has been recorded as TL 32.212.026 in 2012, amounted to TL 38.002.166 in 2013 by an increase of 17.9%. The breakdown of our premium generation as compared to the 2012 as per the segments, and the percentages of increase as well as the technical profit amounts are shown on the below table:

	2013		2012		
	PREMIUM	TECHNICAL PROFIT	PREMIUM	TECHNICAL PROFIT	PERCENTAGE CHANGE IN PREMIUMS
Fire	74.858.012	4.298.153	68.826.163	3.291.364	8.8%
TCIP	8.328.211	533.228	7.428.570	347.574	12.1%
Marine	21.556.619	6.284.841	21.997.977	5.762.107	-2.0%
Casualty	178.059.147	19.264.229	154.111.544	13.290.485	15.5%
Engineering	61.893.535	7.992.545	43.863.595	8.338.991	41.1%
Agriculture	4.570.070	181.011	3.482.990	344.446	31.2%
Health	5.033.399	-551.841	4.689.419	837.059	7.3%
Total	**354.298.992**	**38.002.166**	**304.400.258**	**32.212.026**	**16.4%**

Result of the Technical Transactions

- In 2013, Ray Sigorta; has generated premiums amounting to TL 354.298.992, and has transferred TL 174.340.213 of such amount to the reinsurers. Considering the number of the policies, a growth of 15% has been accomplished; and a growth of 16.4% has been recorded considering the premiums written. Taking into account some various income and expense items, the technical profit before the operating income and expense has been recorded as TL 38.002.166.

- In return for such premiums generated, Ray Sigorta has paid a commission amount of TL 49.116.355, including the changes at the deferred commissions paid; and earned a commission amount of TL 32.214.414, including the changes at the deferred commissions receivable in return for the premiums transferred to the reinsurers.

- Ray Sigorta has paid claims amounting to TL 138.253.792 in total, and has recovered TL 39.053.705 of such amount as the share of the reinsurers. The provision/reserve for the outstanding claims has amounted to TL 187.595.972, and TL 99.147.508 has accrued to the share of the reinsurers.

- The technical profit, corresponding to TL 38.002.166 upon addition of the operating expenses and the financial revenue derived from the non-technical division, amounts to TL 12.698.880. While our Company has earned a technical profit amounting to TL 9.647.939 in 2012, it has escalated its such profit to TL 12.698.880 in 2013 by an increase of 31.6%; and has thereby outpaced a prosperous operating period when compared with the previous year.

- The investment income has been recorded as TL 15.260.388 this year, while it was TL 10.789.917 in 2012. Considering the investment income, income from the time deposits appears as the major income item with an amount of TL 9.826.181. A profit at the amount of TL 131.583 has been earned through liquidation of the financial investment comprising of the government bonds and stock certificates sold by our Company. However, a loss amounting to TL 310.160 has occurred due to the valuation of such financial investments in line with the fluctuations at the financial markets.

The major figure, other than the foreign exchange losses, among the investment costs, is the asset management costs with an amount of TL 2.539.136; and such costs principally comprise of the commissions and expenses incurred due to the transactions performed with the banks. On the other hand, the amounts of both the demand and the time deposits, of our Company, at the banks, have increased 24% in line with the boost at the collection turnover ratio.

CAMPAIGNS AND PROJECTS OF RAY SIGORTA IN 2013

Ray Sigorta, serving with its 55-year experience in the insurance industry, continued its pioneering activities in the industry with its pathbreaking and innovate approaches in 2013. The R&D activities performed at Ray Sigorta in 2013 are as follows:

ADVERTISING CAMPAIGN

The advertising campaign themed "Nazar Boncuğu (amulet)", which contributes to the brand awarenes and corporate image of Ray Sigorta was carried out during May-June-November and December through several channels including national and local radio stations, the internet, economy and airline magazines as well as outdoor activities in 7 provinces.

MILAN CAMPAIGN

An offshore campaign was held in 2013 in order to promote the non-motor production activities in line with the portfolio distribution strategy of Ray Sigorta. The campaign was held between February 1, 2013 and March 31, 2013; and the winning agencies visited Milan, the city of art, fashion and design in Italy.

CORPORATE WEBSITE RENEWAL PROJECT

Corporate Website of Ray Sigorta (www.raysigorta.com.tr) has been renewed and aligned with the vision and corporate culture of Ray Sigorta. A user-friendly website has been created based on the principles of simplicity, easy access, transparency and innovation.

Our corporate website has been made accessible through portable and desktop computers, tablet PCs and mobile devices (IOS and Android). "Webapp" application has been released for mobile device access; and Internet branch and mobile application activities have been completed.

RAYPLUS CARD PROJECT

"RAYPLUS", the loyalty card program designed for Ray Sigorta employees and insurance customers, who have been collaborating with Ray Sigorta for many years, offers privileged service for our insurance customers.

Also, a dedicated micro site has been constructed on the home page of our corporate website for easier access to the privileges of "RAYPLUS CARD", which provide customized discounts and opportunities thanks to the partnership agreements executed with numerous brands and organizations. This dedicated website allows the users to access services, discount details and make reservations easily.

UCC PROJECT

UCC (Umbrella Customer Card) project, developed as part of the segmentation activities of Ray Sigorta is designed to allow recording at every point of contact with customers, gather data in various formats, and standardize and enter such data to "RAYPort" system.

PRODUCT ACTIVITIES

Ray Sigorta has introduced the "İşim Rahat (Happy at Work)" policy, a fire insurance product which covers risks incurred by small business owners under no. 121, as part of the new product activities. The coverages of SME products available in the industry have been streamlined and simplified according to the market research regarding small business owners.

"MEDIRAY", a private health insurance product accepted in contracted Medical Park healthcare group and drugstores only, has been introduced.

The profession groups defined for AURA product have been extended and Small package has been launched as of 01.10.2013 in addition to Medium, Large and X-Large packages.

The Undersecretariat of Treasury amended the General Terms and Conditions for Motor Insurance for Land Vehicles on April 1, 2013; and accordingly, coverage structure of our motor insurance products has been aligned with the current general terms and conditions. The amended General Terms and Conditions for Motor Insurance also provides the print format for publication of policies; and our policy

design and wording of clauses have been aligned with the format and content required by such general terms and conditions.

RADAR PROJECT

The Radar Project, rolled out by the Agency Operation unit of Ray Sigorta, is designed to follow-up the records of candidate agencies systematically on Region and/or Customer Representative basis, and scale the processes. Also, as the system shows the current status of the candidate agency and by whom it is being processed, it is expected to reduce turnaround times and provide saving on time.

As an online platform, Radar allows carrying out the processes through completion of the application forms by Customer Representative before the Candidate Agency, printing the application form by any printer and also informing the concerned persons by e-mail over the system.

ACTIVITIES OF MOTOR CLAIMS and SUBROGATION DEPARTMENT

We have carried out several activities, intended to control claims costs and improve the quality of services provided to our insurance customers, ensuring customer satisfaction, in line with the company strategy in 2013. The arrangements and activities carried out to that end have significantly contributed to the profitability of our Company.

Actions have been taken to increase the number and coverage of Quick Repair Centers, which provide privileged services, in response to the extensive requests received from our agencies and customers. Also, actions have been taken to expand our contracted service network and savings have been provided through special discounts granted under such contracts, in order to increase satisfaction level of our insurance customers as regards the service they receive as well as to control our claims costs.

Motor Field Supervision team carried out cost controlling and supervision activities on claims processes, and took actions to increase the effectiveness of such processes in 2013; which is observed to result in substantial contributions to claims cost figures as of the end of the year.

CORPORATIVE SOCIAL RESPONSIBILITY ACTIVITIES AT RAY SIGORTA

We, at Ray Sigorta, have always been committed to carrying out all of our business processes with a focus on "human", and adding value to the lives of our employees, customers and all stakeholders since the day when our Company was founded; and we remain committed to our social responsibilities and maintain social responsibility projects in order to serve to the future of our country and the communities where we operate. Ray Sigorta measures success not only against financial outcomes achieved, but also against its vision of being a value-creating company.

We have rolled out the project "Gönüllüyüm Yanındayım (I Volunteer to Stand By You) in line with the principle of making a positive influence on people's lives. The "Gönüllüyüm Yanındayım" project of Ray Sigorta, developed as part of the "Social Active Day" project of our parent company Vienna Insurance Group (VIG), which is one of the most prominent insurance companies of the Central and Eastern Europe, is intended to contribute to the education of children with "Mental Disabilities", an important problem of our country, on a business day every year, on voluntary basis, making a positive contribution to the social development.

The project enables Ray Sigorta employees to contribute to the education of children with mental disabilities and to the development of their roles in social life as well as to provide solutions to social problems with common efforts and common sense.

MANAGEMENT AND CORPORATE GOVERNANCE

Always add on the trust and peace...

Multiply the beauties offered by life...

Substract the risks from our lives...

And never divide happiness...

We have been working for 55 years to...

BOARD OF DIRECTORS

Karl Fink / Chairman of the Board of Directors / Member of the Corporate Governance Committee and Early Identification of Risk Committee

2012 - present / Wiener Staedtische Wechselseitiger Versicherungsverein - Vermögensverwaltung, Vienna Insurance Group AG / Member of the Managing Board
2009 - 2012 / Vienna Insurance Group AG / Member of the Extended Managing Board
2007 - 2009 / Vienna Insurance Group AG / Deputy General Manager
2004 - 2007 / Wiener Staedtische Allgemeine Versicherungs AG / Deputy General Manager
1987 - 2004 / Wiener Staedtische Allgemeine Versicherungs AG / Member of the Managing Board
1979 - 1987 / Interrisk Internationale Versicherungs Aktiengeselleschaft / Chairman of the Board of Directors
1975 - 1979 / Wiener Staedtische Wechselseitige Versicherungsanstalt / Industrial Risks
1971 - 1975 / Marubeni Corporation / Authorized Representative in Berlin

Dr. Martin Simhandl / Deputy Chairman of the Board of Directors / Member of the Corporate Governance Committee and Early Identification of Risk Committee

2004 - present / Vienna Insurance Group AG / Member of the Managing Board, CFO
1985 - 2004 / Vienna Insurance Group AG / Various Positions

Mehmet Levent Şişmanoğlu / Member of the Board of Directors and General Manager

2007 - present / Ray Sigorta A.Ş.
2006 - 2007 / Brian Tracy / Sales Organization Consultant and Instructor
2003 - 2005 / Genel Sigorta and Genel Yasam Insurance Agency
1997 - 2003 / Garanti Sigorta A.Ş. / Regional Manager
1996 - 1997 / Arpas Kuyumculuk / Sales Manager
1995 - 1996 / Polisan A.Ş. / Sales Manager
1994 - 1995 / Rotopas A.Ş. / Product Manager

Dr. İsmail Hakkı Ergener / Independent Member of the Board of Directors, Chairman of the Corporate Governance Committee, the Audit Committee and the Early Identification of Risk Committee

2012 - 2013 / EurocityBank AG / CEO
2009 - present / SK Danube AG / General Manager
1997 - 2008 / DenizBank AG / CEO
1995 - 2007 / Express Trade Bank / General Manager
1991 - 1995 / Deutsch Türkische Bank / Credit Marketing Manager
1989 - 1991 / Turkish Development Bank / Germany Representative
1987 - 1989 / İktisat Bankası / Branch Marketing Manager
1986 - 1987 / Cerrahgil A.Ş. / Export Manager
1984 - 1985 / İnterbank / Credit Analyst

Dr. Josef Aigner / Member of the Board of Directors

2007 - present / Vienna Insurance Group AG / Head of Corporate Business Department
2006 - 2007 / Wiener Staedtische Versicherung / Head of Corporate BusinessClaims Department
2000 - 2006 / Wiener Staedtische Versicherung / Assistant to the Managing Board
1999 - 2000 / Allianz Versicherung / Allianz Riziko Service
1995 - 1999 / Allianz Elementarversicherung / Risk Management Department, Risk Manager

Reinhard Pichler / Independent Member of the Board of Directors and Member of the Audit Committee

2011 - present / OMV POAS / Chief Financial Officer
2005 - 2010 / OMV SC PETROM SA, Representative / Chief Financial Officer
2003 - 2004 / OMV Controlling / Corparate Controlling and Accounting Department / Senior Vice President
2000 - 2002 / OMV Service Network / Executive Director
1996 - 2000 / OMV Controlling / Deputy Head of Corparate Controlling
1991 - 1995 / OMV Controlling / Controller
1990 - 1991 / OMV IT / IT Department, System Engineer
1989 - 1990 / Ministry of Labor and Social Affairs / Analyst
1986 - 1988 / NIXDORF Computer GMBH / IT Department / Programmer and Analyst

Dr. Hilmar Kroat - Reder / Independent Member of the Board of Directors and Member of the Audit Committee*

2013 - present / Econgas / CEO
2012 - 2013 / OMV Petrol Ofisi A.Ş. / Member of the Executive Board
2012 / OMV Gaz ve Enerji Holding A.Ş. / Deputy CEO
2012 / Enerco Enerji Sanayi ve Ticaret A.Ş. / Member of the Board of Directors
2011 / OMV Petrom S.A. / Member of the Executive Board in charge of Gasoline, Energy and Chemicals
2009 - 2010 / RespACT / Member of the Executive Board
2008 - 2010 / OMV Aktiengesellschaft / Senior Vice President-Corporate Relations and Sustainability
2008 - 2010 / Austria Corporate Governance Committee /Member
2006 / OMV Aktiengesellschaft / Senior Vice President - Chairman of the Executive Board
2002 / OMV Aktiengesellschaft / Head of Corporate Development, Legal Mergers and Acquisitions Department
2000 - 2002 / Haarmann Hemmelrath Hügel / Minority Partner
1996 - 1999 / Hügel Dallmann & Partner / Partner and Senior Partner

Vladimir Mraz / Member of the Board of Directors and Chairman of the Audit Committee*

2008 - present / TBIH Financial Services Group N.V / Member of the Executive Board
1999 - 2008 / Kooperativa Pojist Ovna. A.Ş.- Vienna Insurance Group AG / Chairman of Executive Board and Chief Executive Officer
1993 - 1999 / Ceska Kooperativa A.Ş. / CEO
1991 - 1993 / Kooperativa / Branch Manager
1987 - 1991 / State Insurance Company, Czech Republic / General Insurance Department Manager
1980 - 1987 / State Insurance Company, Czech Republic / Motor Car Insurance Department Manager
1972 - 1980 / State Insurance Company, Czech Republic / Senior Insurance Specialist
1968 - 1972 / State Insurance Company, Czech Republic / Claims Assessment Officer

* **The Members of the Board of Directors Who Resigned During the Period**
Hilmar KROAT-REDER, Independent Member (Resigned on 05.07.2013.)
Vladimir MRAZ, Member (Resigned on 29.03.2013.)

MANAGEMENT BOARD & MANAGEMENT TEAM

Mehmet Levent Şişmanoğlu / Member of the Board of Directors and General Manager

2007 - present / Ray Sigorta A.Ş.
2006 - 2007 / Brian Tracy / Sales Organization Consultant and Trainer
2003 - 2005 / Genel Sigorta ve Genel Yaşam Sigorta Agency
1997 - 2003 / Garanti Sigorta A.Ş. / Regional Manager
1996 - 1997 / Arpaş Kuyumculuk / Sales Manager
1995 - 1996 / Polisan A.Ş. / Sales Manager
1994 - 1995 / Rotopas A.Ş. / Product Manager

Metin Akgün / Member of the Management Board - Deputy General Manager, Motor Technical and Claims and Subrogation

1998 - present / Ray Sigorta A.Ş.
1996 - 1998 / Botaş / Member of the Board of Directors and Deputy - General Manager
1992 - 1996 / Ray Sigorta A.Ş. / İzmir Regional Manager
1982 - 1992 / Petrol Ofisi A.Ş. / Factories Manager
1972 - 1982 / Petrol Ofisi A.Ş. / İzmir Regional Directorate / Assistant Regional Manager

Koray Erdoğan / Member of the Management Board, - Deputy General Manager - Financial and Administrative Affairs

2011 - present / Ray Sigorta A.Ş.
2010 - present / Lecturer / Hacettepe University, Deputy General Manager - Financial and Administrative Affairs
2009 - 2011 / Deputy Chairman of the Board / Insurance Auditing Board of the Undersecretariat of Treasury
1997 - 2009 / Insurance Auditing Specialist / Insurance Auditing Board of the Undersecretariat of Treasury

Eyüp Kemal Daldal / Member of the Management Board, Non-Motor Technical and Claims, Reinsurance Director

1993 - present / Ray Sigorta A.Ş.
1989 - 1993 / T. Halk Bank A.Ş. / Control Chief
1987 - 1989 / Anadolu Endustri Holding / Assistant Worksite Chief

Anıl Rasih Gülcen / Member of the Management Board, Sales Director

2010 - present / Ray Sigorta A.Ş.
2006 - 2010 / Eureko Sigorta A.Ş. Head Office / Corporate - Commercial - SME - Direct Business Sales Director
2005 - 2005 / Eureko Sigorta A.Ş. Head Office / Sales Coordination Unit Manager
2002 - 2005 / Eureko Sigorta A.Ş. Ankara Region / Central Anatolia Regional Manger
2000 - 2002 / Eureko Sigorta A.Ş. Ankara Region / Regional Deputy Manager
1999 - 2000 / Garanti Sigorta A.Ş. Ankara Region / Technical Expert
1998 - 1999 / Garanti Sigorta A.Ş. Ankara Region / Claims Expert
1997 - 1998 / Garanti Sigorta A.Ş. Ankara Region / Agencies Collection Specialist
1995 - 1997 / Oyak Sigorta A.Ş. / Accounting - Financial Specialist

Feridun Art / Marketing Director

2011 - present / Ray Sigorta A.Ş.
2009 - 2010 / Ankara Sigorta A.Ş. / Deputy General Manager Responsible for Sales, Marketing and Regions
2003 - 2009 / Ankara Emeklilik A.Ş. / Deputy General Manager
1994 - 2002 / Garanti Sigorta A.Ş. / Unit Manager Responsible for all Regions (Rumeli Regional Manager & Agencies Manager)

Gil Shuchman / International Key Accounts Director

2011 - present / Ray Sigorta A.Ş.
2010 - 2011 / TBIH Financial Services Group N.V. / Insurance Analyses and Business Development Specialist
2007 - 2009 / Phoenix International Ltd. / Insurance Specialist - USA

Banu Şensöz / Internal Control and Risk Management Manager

2010 - present / Ray Sigorta A.Ş.
2007 - 2009 / Finans Emeklilik ve Hayat A.Ş. / Deputy Manager for Financial Control and Planning
2006 - 2007 / Moore Stephens Turkey / Senior Auditor
2005 - 2006 / Kiska Group LTD. New York / Finance and Reporting Specialist
2000 - 2005 / Consulate General of Culture and Tourism of Turkey, New York / Accounting Expert

Mihriban Karu / Human Resources Manager

2009 - present / Ray Sigorta A.Ş.
2007 - 2009 / Efesan Grup A.Ş. / Human Resources Group Manager
2002 - 2004 / Ernst & Young / Human Resources Manager
1998 - 2002 / Arthur Andersen / Human Resources Manager
1991 - 1998 / Arthur Andersen / Staff Management Expert

Derya Öztürk / Secretary General & Control and Planning

2012 - present / Ray Sigorta A.Ş.
2008 - present / Vienna Insurance Group AG

INDEPENDENT AUDIT OF OUR COMPANY

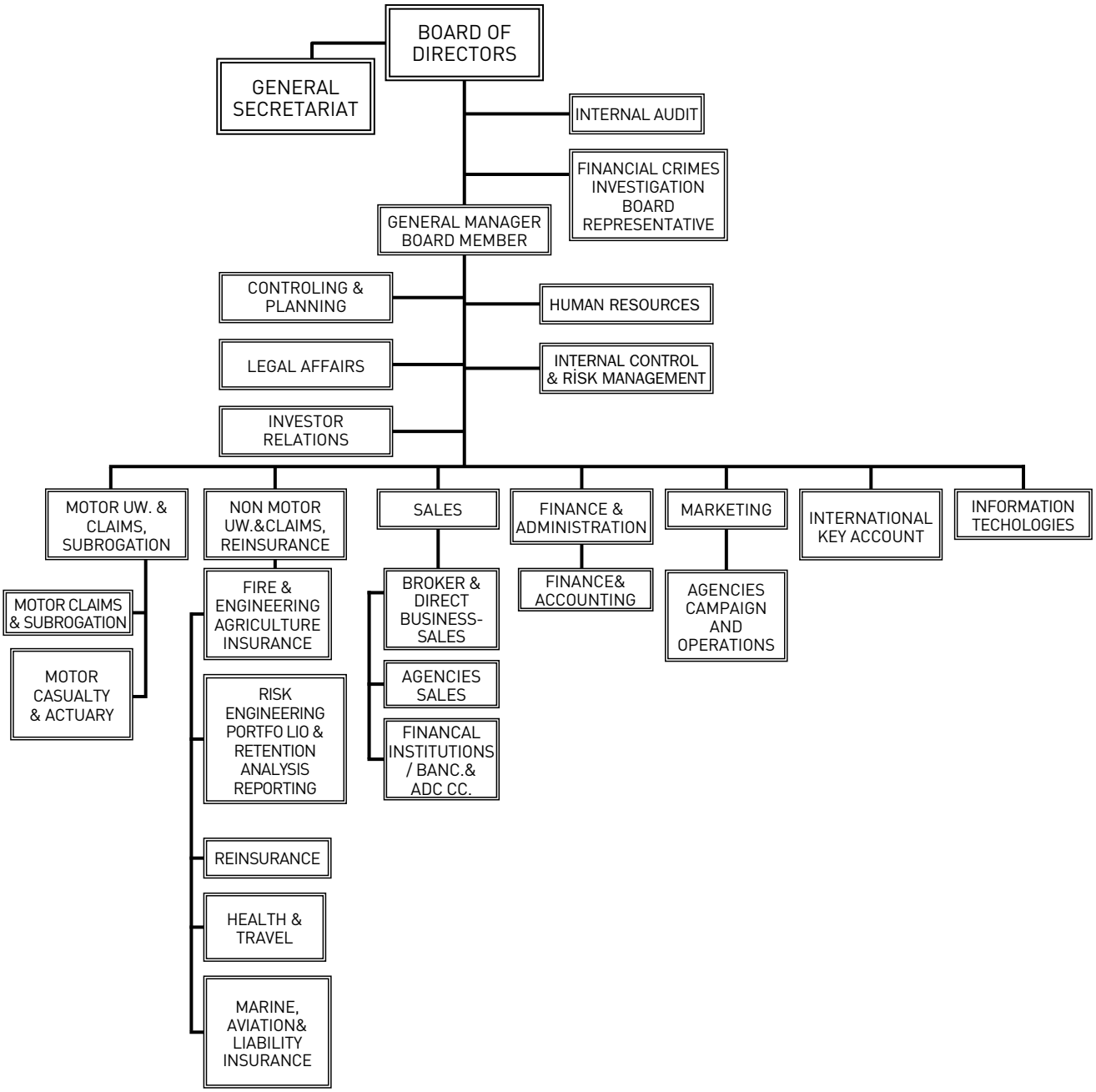
The Firm which is responsible conduct an Independent Audit on the financial statements of our Company for 2013 was determined at our Ordinary General Assembly meeting held on March 29, 2013. Accordingly, the details of such Independent Auditor are as follows:

Period : 01.01.2013 - 31.12.2013
Trade Name : Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Trade Registry Number : 201465
Address : BJK Plaza Süleyman Seba Cad. No: 48 B Kat: 9 BEŞİKTAŞ / ISTANBUL

INTERNAL AUDIT

INTERNAL AUDITING				
Full Name	**Position**	**Date of Employment**	**Education**	**Professional Experience**
Kubilay Bolayır	Internal Auditing Manager	03.05.2005	Bachelor's Degree / Finance	2005 - present / Ray Sigorta A.Ş. 2002 - 2005 / Savings Deposits Insurance Fund / Commissioned Inspector 2002 / Bayındırbank A.Ş. / Inspector 2001 - 2002 / Etibank A.Ş. / Inspector 2000 - 2001 / Etibank A.Ş. / Authorized Assistant Inspector 1998 - 2000 / Etibank A.Ş. / Assistant Inspector

RAY SIGORTA ORGANIZATION CHART



REPORT OF THE BOARD OF DIRECTORS

Pursuant to our Articles of Association, the Board of Directors of our Company must convene minimum 4 times in a calendar year. Our Board of Directors has convened 4 times in 2013, meeting the minimum number of attendants as provided in the articles of association.

Our Board of Directors has been organized in accordance with the Corporate Governance Principles published by the CMB. The Board consists of 6 members, two of them being the independent members. All members of our Board of Directors are non-executive members, except for the General Manager.

The following committees have been formed at our Company to assist the Board of Directors in performance of its duties and obligations properly, in accordance with the applicable regulations of the CMB:

1) Audit Committee,
2) Corporate Governance Committee,
3) Early Identification of Risk Committee.

1) Audit Committee: The Audit Committee consists of our two independent members. The Committee is obliged to convene four times in a year on minimum basis. The Committee is responsible for supervision of the operation of accounting and financial reporting mechanisms, disclosure of financial information and reports, and effectiveness of the operation of independent audit and internal control systems. It is also responsible for preliminary selection of the Independent Audit Company and submission thereof to the Board of Directors for opinion. The Committee is also responsible for preliminary review of the quarterly disclosed financial statements, and for submitting the same to the Board of Directors for approval to disclose.

2) Corporate Governance Committee: The Corporate Governance Committee consists of 3 members, the chairman being one of the Independent Members of the Board of Directors. It also serves as Nomination Committee and Remuneration Committee. It convenes once a year on minimum basis. The Committee is responsible for monitoring compliance with the corporate governance principles across the Company, identifying potential risks that might arise due to non-compliance with applicable rules and providing recommendations to improve compliance with such rules. The committee reviews any progress on compliance with Corporate governance principles at the Company throughout the year and submits reports to the Board of Directors on any required actions.

3) Early Identification of Risk Committee: The committee has been formed in 2013 upon the amendments made to the applicable legislation in the same year. It consists of 3 members, the chairman being one of the Independent Members of the Board of Directors. The committee is responsible for identification of any risks that might threaten "the existence, development and sustainability of the Company at an early stage, and taking necessary actions and managing risks in case of any such risks are identified." Accordingly, it convenes bimonthly. The committee obtains information from various internal functions about their fields of activity. It reports the results to our Board of Directors.

RELATED PARTY REPORT

Our Company is identified as a subsidiary of VIG Group and any shareholders, subsidiaries and senior management thereof are defined as affiliated companies in respect of these financial statements, in accordance with the provisions of the Turkish Commercial Code (TCC).

Pursuant to Article 199 of the TCC, the Board of Directors of our Company has made the following statement in the conclusion section of the commitment report issued on its relations with the controlling company and any affiliates thereof.

Primary transactions conducted with affiliated companies comprise transfer of premiums as part of the insurance operations. We have quota-share and surplus reinsurance treaties in effect with the affiliated companies, and transfers of facultative reinsurance are also possible depending on market conditions. Besides the insurance operations, we receive consultancy service on IT, actuary, reinsurance areas where necessary, and such services are procured in consideration of the amount or price determined in accordance with the arm's length principle.

Such transactions are the required transactions due to the nature of the business of our Company; none of the following transactions are conducted between the VIG Group companies and shareholders, subsidiaries and senior management of the Company:

- Any transfer of receivables, debts or property assets,
- Any encumbering legal actions such as granting of surety, warranty or guarantee,
- Any legal actions, which may lead to the transfer of earnings.

Consequently, based on such report issued in accordance with Article 199 of the Turkish Commercial Code, we hereby represent that our Company has not incurred any losses with respect to the activity year of 2013, to our best knowledge, due to any transactions conducted with VIG Group companies, its shareholders, subsidiaries, and senior management in 2013 in accordance with the recognized terms and conditions.

The transactions conducted in 2013 with the risk group, in which our company is involved, are detailed and explained in the footnote no. 45 to our financial statements included in the annual report.

FINANCIAL AND OTHER BENEFITS PROVIDED TO THE MEMBERS OF THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

Financial Benefits

The sum of the remuneration and similar benefits paid to the chairman and members of the board of directors as well as to general manager and the members of the management board during the accounting period ending as of December 31, 2013 is TRY 3,181,870.00-.

Other Benefits

The cost of the total expenses incurred as part of other benefits provided to the chairman and members of the board of directors as well as to general manager and the members of the management board including representation and travel expenses is TRY 143,789.49.

ORDINARY AND EXTRAORDINARY GENERAL ASSEMBLY MEETINGS FOR 2013

Our Company held two General Assembly Meetings- one being ordinary and one being extraordinary-in 2013.

1) The Ordinary General Assembly Meeting of Ray Sigorta A.Ş. was held on Friday on 29.03.2013 at 13:00, at the Head Office.

At such meeting, the ordinary agenda was discussed according to the provisions of the Turkish Commercial Code and the Capital Market Law. Accordingly,

a) The financial statements for 2012 were adopted.
b) The Members of the Board of Directors and Audit Committee were severally acquitted.
c) It was resolved that the dividends realized in 2012 shall not be distributed in order to offset the losses from previous years.
d) The new Members of the Board of Directors, assigned by the Board Resolution in 2012, were approved.
e) It was resolved that Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. be assigned as the independent auditor for auditing of the interim and annual financial statements and annual report of our Company for 2013 in accordance with the provisions of the Turkish Commercial Code, the Insurance Law and the Capital Market Law as well as other applicable legislation.
f) The Internal Bylaws On Operating Procedure of the General Assembly was adopted by the General Assembly.
g) Remuneration, compensations, bonuses and premiums to be paid to the members of the Board of Directors were determined.

2) The Extraordinary General Assembly Meeting of our Company was held on 05.07.2013, Friday at 10.00, at the Head Office.

At such meeting;

a) A new independent member of the board of directors has been elected upon resignation of the existing independent member of the board of directors.
b) It has been resolved that the articles of association of the Company shall be amended in line with the amended Turkish Commercial Code and the Capital Market Law. Such amendments are detailed under the section "Amendments to the Articles of Association".

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

As is known, the Turkish Commercial Code and the Capital Markets Law were entirely modified and entered into force in 2012. Accordingly, adoption of significant amendments to the Articles of Association of our Company was deemed necessary.

Consequently, it was resolved by the Resolution, numbered 6040 dated 17.05.2013, of the Board of Directors to amend the Articles no. 4, 5, 6, 7, 8, 9, 10, 14, 15, 16, 17, 18, 19, 20, 21,22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34 and 35 of the Articles of Association; to incorporate Articles no. 11,12,13 therein, and to repeal Articles no. 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47 and Provisional Article 1 thereof,

for harmonization of our Articles of Association with the provisions of the new Turkish Commercial Code numbered 6102. Necessary applications have been filed with the Undersecretariat of Treasury, Capital Markets Board and the Ministry of Customs and Commerce of the Republic of Turkey for such amendments; and the amended text of the Articles of Association has been approved by the letter numbered 5816 dated 29.05.2013 by the Capital Markets Board, and letter numbered 4393 dated 31.05.2013 of the Ministry of Customs and Commerce of the Republic of Turkey.

The amended Articles of Association were unanimously adopted by the Extraordinary General Assembly held on 05.07.2013. The amendments to the Articles of Association were registered with the Trade Registry Office of Istanbul on July 15, 2013 and published on Trade Registry Gazette of Turkey, dated July 19, 2013, issue 8367.

The current version of our Articles of Association is available on our corporate website under the sections "Information Society Service" and "About Us/Investor Relations".

AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING OF RAY SİGORTA ANONİM ŞİRKETİ

1. Opening of the General Assembly Meeting and election of the Chairman of the Meeting,

2. Reading and discussing Independent Audit Report which were prepared for the year 2013,

3. Reading, discussing and approval of the Activity Report of the Board of Directors and the Financial Statements of the year 2013,

4. Release of each of the members of the Board of Directors from their liabilities with respect to the activities and accounts of 2013,

5. Discussing and resolving on the proposal of the Board of Directors pertaining to dividend distribution for the year 2013,

6. Appointment of the independent auditor for year 2014,

7. Determination of the number of the members of the Board of Directors, appointment of members of the Board of Directors and determination of their terms of office,

8. Amendment of the Articles of Association with respect to its Article 7 "Share Capital and Transfer of Shares", to the General Assembly's approval,

9. Submission of the Dividend Distribution Policy of the Company to the approval of the General Assembly,

10. As per Corporate Governance Principles, submitting information to the General Assembly regarding important transactions of (i) Controlling Shareholders, (ii) Board Members, (iii) Senior Executives, (iv) their spouses and their relatives by blood and marriage up to the second degree executed with the Company and with the subsidiaries of the Company in 2013 in a manner that may cause conflict of interest; submitting information to the General Assembly regarding transactions falling under the scope of activity of the Company or of the subsidiaries of the Company executed by the abovementioned persons for their own accounts and for the account of third parties in 2013, and submitting information to the General Assembly on whether or not abovementioned persons participate in other companies dealing with similar business as unlimited liability shareholders,

11. Determination of the remuneration to be paid to members of the Board of Directors in the year 2014,

12. Wishes and Closing.

DIVIDEND DISTRIBUTION POLICY OF RAY SIGORTA A.Ş.

The principles regarding our Dividend Distribution Policy are provided below:

(1) Our dividend practices shall be subject to the applicable provisions of the Turkish Commercial Code, the Capital Markets Law and the Tax Law, as well as provisions of our Articles of Association on dividend procedures.

(2) No dividend shall be distributed unless all losses from previous years, if any, are completely offset from the net profit for the said period.

(3) In case of distribution of any dividends, the amount of dividends to be distributed may be minimum 20% and maximum 100% of the amount remaining after losses from previous years, if any, and the legal reserve amount as per the applicable statutory regulations are offset from the net profit for the said period.

(4) The dividends may be distributed fully in cash, or fully as no-par shares, or partially in cash and partially as no-par shares.

(5) The dates for dividend distribution shall be determined by the General Assembly in accordance with the regulations under the Capital Markets Law.

This Dividend Distribution Policy shall come into effect upon approval by the General Assembly. Any amendments to such policy shall be subject to the approval by the General Assembly.

REPORT ON COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

1. Statement of Compliance with Corporate Governance Principles

Ray Sigorta A.Ş. has truly adopted the concepts of equality, transparency, accountability and responsibility of the Principles of Corporate Governance, and aims to ensure maximum compliance with those principles at all of its activities and operations. Accordingly, all except for the first three articles of our Articles of Association has been amended in accordance with the amended Turkish Commercial Code and the Capital Markets Law at the Extraordinary General Assembly Meeting held on July 5, 2013. Thus, compliance with all mandatory principles and some optional principles of corporate governance have been assured. Actions for ensuring compliance with optional principles are also in progress.

A Committee for Compliance with Corporate Governance Principles, composed of 7 members, has been formed to assist the Corporate Governance Committee of the Board of Directors in compliance matters; and such committee meets bimonthly. The committee communicates the observations about corporate compliance to the Management Board.

The details of implementation of the principles are provided below:

PART I- SHAREHOLDERS

2. Investor Relations Department

Investor Relations Department has been established. The said department is led by one of our staff members who holds the Capital Markets Advanced Level License and Corporate Governance Rating Expert License. You can contact this department by the following e-mail address and phone numbers.

Contact Person : Erhan Subaşı
investor.relations@raysigorta.com.tr or
Yatirimci.iliskileri@raysigorta.com.tr
Phone : +90 (212) 363 26 86

The primary roles of the Investor Relations Department are:

a) To ensure that the records of correspondences between the investors and the Company as well as other relevant information and documents are kept properly, securely and up to date.

b) To respond to the written requests for information of the shareholders of the Company.

c) To prepare the documents to be submitted to the shareholders for information and review with respect to the General Assembly Meeting; and to take the necessary actions to make sure that the general assembly meetings are held in accordance with the applicable legislation, articles of association and other internal regulations.

d) To supervise and monitor performance of any obligations arising from the capital markets legislation including any matters related to corporate governance and public disclosure.

e) To administer the sections "Investor Relations " and "Information Society Service" on the official website of the Company to ensure that the shareholders can access to material and current information about the Company.

11 individual shareholders have requested information from the Company in 2013, and they were provided with the necessary information on the following day at the latest.

3. Exercise of the Right to Information by the Shareholders

The requests for information received by our company from the shareholders were responded on the following day at the latest in 2013. It is ensured through the Material Event Disclosures made to the Public Disclosure Platform in accordance with the Communique by the Capital Markets Board (CMB) that the shareholders are informed about the Company. Also, the official website of our Company was renewed in 2013 with a special focus on the "Investor Relations" section. Material and current information regarding our Company have been published and made accessible to everyone in a fair and fast manner.

Although the request for assignment of a dedicated auditor is not regulated as a right under the Articles of Association, such right may be exercised by the shareholders who hold minimum 5% of the company shares pursuant to the provisions of the Turkish Commercial Code. However, we have not received any request on this matter so far.

4. General Assembly Meetings

The Ordinary General Assembly of our Company for 2012 was held on March 29, 2013 during the said period. The invitation to the meeting was published on Milliyet, a nationwide daily newspaper, and the Trade Registry Gazette of Turkey in accordance

with our Articles of Association. Also, the Board of Directors invited the registered shareholders to the General Assembly in due time in accordance with the applicable provisions of the Turkish Commercial Code. The documents drawn up in relation to our Ordinary General Assembly as well as the Annual Report 2012, auditor's reports and proposal by the Board of Directors for the operating profit of 2012 were made available to our shareholders for review twenty one days prior to the date of the General Assembly. No proposals/ requests were submitted by the shareholders in respect of the agenda before the General Assembly.

Our shareholders submitted no proposals/inquiries at the Ordinary General Assembly Meeting. The agenda items were voted through open voting at the General Assembly. The meeting quorum for the resolutions adopted at the General Assembly is subject to the provisions of the Turkish Commercial Code, and such quorum was achieved with an attendance by 94% of the shareholders, and the resolutions were adopted unanimously. The minutes of the General Assembly were announced on the Public Disclosure Platform on the same day, and were released on our Official Corporate Website on the following business day.

The Articles of Association of the Company do not prescribe adoption of resolutions regarding demerger or sales, acquisition or lease of considerable amount of assets of the Company by the general assembly. In addition, the shareholders were informed about the grants and charitable contributions of the Company in 2012. As our Articles of Association contain no provisions regarding "Grants and Charitable Contributions", no "Grants and Charitable Contributions" were made by our Company in 2013.

An Extraordinary General Assembly Meeting was held on July 5, 2013 in the said period in order to amend the Articles of Association of the Company in line with the amended provisions of the Turkish Commercial Code and the Capital Markets Laws. The invitation to the meeting was published on Aksam, a nationwide daily newspaper, and the Trade Registry Gazette of Turkey in accordance with our Articles of Association. Also, the Board of Directors invited the registered shareholders to the General Assembly in due time in accordance with the applicable provisions of the Turkish Commercial Code.

All except the first three articles of our Articles of Association have been amended in accordance with the new Turkish Commercial Code and the Capital Markets Law pursuant to the permissions obtained from the the Capital Markets Board, the Directorate General of Insurance of the Undersecretariat of Treasury and the Ministry of Customs and Commerce of the Republic of Turkey. Accordingly, it has been resolved that Articles 4, 5, 6, 7, 8, 9, 10, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34 and 35 of the Articles of Association shall be amended; Articles 11, 12 and 13 shall be incorporated into the Articles of Association, and that Articles 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47 and Provisional Articles 1 shall be repealed from the Articles of Association of our Company.

5. Voting Rights and Minority Rights

There are no privileges granted on any shares of the Company whatsoever. Our shareholders have made no requests with regard to representation of their minority shares in the management. There is no cumulative voting practice.

6. Right to Dividends

There are no privileges granted in respect of participation in the profits of our Company.

The principles for distribution of dividends as prescribed by the Articles of Association of our Company have been released to public with our "Dividend Distribution Policy" approved by our General Assembly on March 29, 2013.

Principles for the "Dividend Distribution Policy" as determined by our General Assembly are provided below:

(1) Dividend distribution practices are subject to the relevant provisions of the Turkish Commercial Code, Capital Markets Legislation, Tax Legislation and Articles of Association of the Company.

(2) The dividend shall not be distributed as long as accumulated losses, if any, are not fully deducted from the net profit amount.

(3) In the event of a dividend distribution, the amount to be distributed shall not be less than 20% and can be up to 100% of the net profit reduced by accumulated losses, if any, and contribution to Company's reserves as requested by legal provisions in force.

(4) Dividends may be distributed as cash or as bonus shares or as a combination of cash and bonus shares.

(5) Dividend distribution dates shall be determined by the General Assembly in accordance with the capital markets legislation.

Any amendments to such policy shall be subject to the approval by the General Assembly.

7. Transfer of Shares

Our articles of association read: "Acquisition of shares corresponding to 10% or more of the Company's capital by any real or legal person; and any acquisition of shares by any shareholders so that the shareholding of such shareholder exceeds 10%, 20%, 33% or 50% of the Company's capital and any transfer of shares, which will cause the shareholding of any shareholder to decrease below the said percentages, shall be subject to permission by the Undersecretariat of Treasury. Any entries to the share register contrary to the provisions herein shall be null and void. The provisions of the foregoing paragraph shall also apply to the entitlement to the usufruct right and the right to vote."

Apart from such statutory obligations, the Articles of Association prescribe no limitations with regards to the transfer of shares.

PART II- PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy

Our Disclosure Policy aims disclosure of any relevant financial and non-financial information and data to the public in a timely, accurate, complete and comprehensible manner, except for those regarded as trade secret and confidential.

The following persons are authorized and responsible for implementation of our Disclosure Policy;

Mehmet Levent Şişmanoğlu
General Manager&Board Member
+90 (212) 363 26 46
levent.sismanoglu@raysigorta.com.tr

Koray Erdoğan
Deputy General Manager-Management Board Member -Finance & Administration
koray.erdogan@raysigorta.com.tr

Eyüp Kemal Daldal
Executive Director-Non-Motor Underwriting&Claims, Reinsurance
+90 (212) 363 26 97
eyuphan.daldal@raysigorta.com.tr

Pursuant to applicable Communiques, material disclosures about the Company shall first be released on the Public Disclosure Platform (PDP). Our Company released 75 disclosures of various nature through PDP in 2013.

9. Corporate Website and Its Contents

The official website of our Company is available on www.raysigorta.com.tr. The "Investor Relations" section on the website of our Company contains the Basic Company Information which also covers the Shareholding Structure of our Company, and details about the Articles of Association and the General Assembly Meetings, as well as the details about the Members of the Board of Directors and the Committees affiliated thereto, our Annual Reports, Financial Statements and Independent Auditor's Reports, Codes of Conduct, Company Policies, Report on Compliance with the Corporate Governance, the material dislosures submitted to the Public Disclosure Platform, and also the details about the Persons Authorized to Represent the Company. The website address is available on the company headed papers. Pursuant to Article 1524 of the Turkish Commercial Code, our website is accessible by anyone, and serves in accordance with the statutory obligations. Allocation to information society services in respect of our Company information has been conducted by the Central Registry Agency in accordance with the "Regulation on Websites" published by the Ministry of Customs and Commerce of the Republic of Turkey. The Company information provided by the Central Registry Agency can be accessed by visiting "Information Society Service" on our website. All information available on our website is also provided in English.

10. Annual Report

Ray Sigorta has covered the details specified under Corporate Governance Principles in its Annual Report 2013.

PART III- STAKEHOLDERS

11. Disclosure to Stakeholders

Our shareholders, investors, financial institutions, agencies and other suppliers, who all together constitute the stakeholders of Company have access to information and details about the Company through our web site in addition to public disclosures, statutory regulations and material event disclosures. Any mechanisms needed for communication by stakeholders of any non-compliant or unethical actions and transactions to the Corporate Governance Committee and Audit Committee of the Board of Directors are in place.

The employees have access to information about the company and industry, regulations and training activities through Company Portal.

"Agencies" and "Brokers", being our most important distribution channels, may also receive information about Company practices, regulation and products on Company Portal. Also, technical and marketing meetings are conducted at regular intervals to receive their input for our regulations in line with their request.

12. Stakeholders' Participation to the Management

The Articles of Association do not contain any provisions requiring shareholder's participation to the management of the company.

13. Human Resources Policy

Our goal is to ensure effective planning, management, constant development and improvement of the human resources potential as well as to release and drive the potential energy to serve such goals. For this purpose;

In line with the mission, vision and goals of our company, we implement an objective and competence-oriented recruitment and placement process, which aims at placing the right person to the right position, within the framework of our fundamental values. In this respect, we organize orientation and development trainings to speed up the adaptation process of recently recruited employees to our corporate structure and to provide them with the background knowledge required for their profession.

We help our employees work in line with the corporate goals, and focus on a common goal through our Goal-Oriented and Competency-Based "Performance Management" process. This process, which is announced to our employees through "Performance Management Regulation", comprises the stages of goal-setting, monitoring, evaluation and feedback. By such a performance management process, we aim to evaluate the employees objectively, and plan the outputs of the system such as promotion, wages, development and career planning in an effective and accurate way.

Our corporate strategies as well as the changing and evolving needs of our employees and customers show us in which aspect we should improve our specialties and competences. In line with such needs, we offer trainings that provide constant development specialities for our employees and business partners. Our Human Resources Department carries out these activities in accordance with the following HR policies:

- Any racial, ethnic, national, religious and sexual discrimination is against our HR policy; we provide equal opportunities to people with equal conditions; our compensation and promotion processes are based on performance and efficiency, and open door policy is applied across the company.
- The employees who hold the professional qualifications required for performance of the assigned duties are selected for managerial positions.
- A safe and healthy working environment and career development opportunities are provided to the employees.

The details of our human resources policy are also provided under our codes of conduct/ethics disclosure to the public.

There is no practice of appointing a representative to manage employee relations. The Human Resources Department manages the relationship between the Company officials and employees, and ensures that all employees work in an environment of open and transparent communication with their managers and Company officials. The roles and responsibilities of all employees are determined with job descriptions and communicated to employees.

No complaints of discrimination have been filed by any employees.

14. Codes of Conduct/Ethics and Social Responsibility

Our Codes of Conduct/Ethics have been announced on our website.

Ray Sigorta summaries its fundamental values as follows:

As Ray Sigorta,

We are a family,

We are honest,

We respect ethical values,

We are fair,

We are transparent and collaborative,

We are strong together,

We are creative and productive,

We value people.

Our managers and employees observe these fundamental values in everything we do, and pay their best efforts to optimize the reputation of our company and shareholders. As part of our corporate governance policy, we operate with organizational models which support management of our individual and corporate risks with a constantly increasing level of efficiency.

All employees of the company perform their duties in accordance with the codes of conduct/ethics approved by our Board of Directors. Our codes of conduct/ethics are provided below; implementation of such codes of conduct/ethics approved by our Board of Directors is supervised, reviewed and assessed constantly by our Ethics Committee in accordance with the rules designated under the corporate Regulation of the Ethics Committee.

Our Codes of Conduct/Ethics:

- Our operations are carried out on the basis of the applicable statutory legislation, the articles of association, internal regulations and policies set by the Company.
- Any off-the-record transactions are strictly forbidden; it is essential to keep business records in an accurate and consistent manner.
- Any company information of confidential nature as well as trade secrets and customer information shall be kept confidential.
- We provide employee personal rights in a complete and proper manner; and aim to offer a healthy, safe and productive working environment to our employees.
- We are committed to initiatives for protection of democracy, human rights and environment, and try to take part in appropriate initiatives.
- We provide timely, accurate and complete information about our strategies, investments, risk profile and financial statements to our shareholders and in our public disclosures.
- We treat fairly and respect our business partners, suppliers and other persons and organizations with whom we are engaged in business relationship; we pay due care to perform our obligations in a timely fashion.
- We aim to establish a long-term and steady collaboration with the persons and organizations we do business with and pay attention to protect their confidential information.
- We avoid unfair competition, and compete only within a legal and ethical framework.

Our Company supervise fulfillment of our responsibilities in relation to protection of environmental pollution and conservation of natural resources during the course of its operations.

No actions have been filed against our Company due to any damage to environment within the said period.

PART IV- BOARD OF DIRECTORS
The Members of the Board of Directors of our Company:

BOARD OF DIRECTORS				
Name & Surname	**Position**	**Date of Appointment**	**Education**	**Work Experience**
Karl Fink	Chairman of the Board of Directors / Member of the Corporate Governance Committee and Early Identification of Risk Committee	29.07.2009	University / Bussiness Administration	2012 - present / Wiener Staedtische Wechselseitiger Versicherungsverein Vermögensverwaltung / Vienna Insurance Group AG / Member of the Managing Board 2009 - 2012 / Vienna Insurance Group AG / Member of the Extended Managing Board 2007 - 2009 / Vienna Insurance Group AG / Deputy General Manager 2004 - 2007 Wiener Staedtische, Allgemeine Versicherungs AG / Deputy General Manager 1987 - 2004 / Wiener Staedtische, Allgemeine Versicherungs AG / Member of the Managing Board 1979 - 1987 / Interrisk Internationale Versicherungs Aktiengeselleschaft / Chairman of the Board of Directors 1975 - 1979 / Wiener Staedtische Wechselseitige Versicherungsanstalt / Industrial Risks 1971 - 1975 / Marubeni Corporation / Authorized Representative in Berlin
Dr. Martin Simhandl	Deputy Chairman of the Board of Directors / Member of the Corporate Governance Committee and Early Identification of Risk Committee	12.04.2011	University / Law	2004 - present / Vienna Insurance Group AG / Member of the Managing Board, CFO 1985 - 2004 / Vienna Insurance Group AG / Various Positions
Mehmet Levent Şişmanoğlu	Member of the Board of Directors and General Manager	01.08.2010	University / Economy	2007 - present / Ray Sigorta A.Ş. 2006 - 2007 / Brian Tracy / Sales Organization Consultant and Instructor 2003 - 2005 / Genel Sigorta and Genel Yasam Insurance Agency 1997 - 2003 / Garanti Sigorta A.Ş. / Regional Manager 1996 - 1997 / Arpas Kuyumculuk / Sales Manager 1995 - 1996 / Polisan A.Ş. / Sales Manager 1994 - 1995 / Rotopas A.Ş. / Product Manager

BOARD OF DIRECTORS				
Name & Surname	**Position**	**Date of Appointment**	**Education**	**Work Experience**
Dr. İsmail Hakkı Ergener	Independent Member Chairman of the Audit Committee Chairman of the Corporate Governance Committee Chairman of the Early Identification of Risk Committee	18.09.2012	PhD / Economic and Administrative Sciences	2012 - 2013 / EurocityBank AG / CEO 2009 - present / SK Danube AG / General Manager 1997 - 2008 / DenizBank AG / CEO 1995 - 2007 / Express Trade Bank / General Manager 1991 - 1995 / Deutsch Türkische Bank / Credit Marketing Manager 1989 - 1991 / Turkish Development Bank / Germany Representative 1987 - 1989 / İktisat Bankası / Branch Marketing Manager 1986 - 1987 / Cerrahgil A.Ş. / Export Manager 1984 - 1985 / İnterbank / Credit Analyst
Dr. Josef Aigner	Member	29.03.2013	University / Chemistry	2007 - present / Vienna Insurance Group AG / Head of Corporate Business Department 2006 - 2007 / Wiener Staedtische Versicherung / Head of Corporate BusinessClaims Department 2000 - 2006 / Wiener Staedtische Versicherung / Assistant to the Executive Board 1999 - 2000 / Allianz Versicherung / Allianz Riziko Service 1995 - 1999 / Allianz Elementarversicherung / Risk Management Department, Risk Manager
Reinhard Pichler	Independent Member Member of the Audit Committee	05.07.2013	University / Business Economics	2011 - present / OMV POAS / Chief Financial Officer 2005 - 2010 / OMV SC PETROM SA, Representative/ Chief Financial Officer 2003 - 2004 / OMV Controlling / Corparate Controlling and Accounting / Senior Vice President 2000 - 2002 / OMV Service Network / Executive Director 1996 - 2000 / OMV Controlling / Deputy Head of Controlling 1991 - 1995 / OMV Controlling / Deputy Head of Corparate Controlling 1990 - 1991 / OMV IT / IT Department, System Engineer 1989 - 1990 / Ministry of Labor and Social Affairs / Analyst 1986 - 1988 / NIXDORF Computer GMBH / IT Department / Programmer and Analyst

THE MEMBERS OF THE BOARD OF DIRECTORS WHO RESIGNED DURING THE PERIOD

Vladimir MRAZ Member
(Resigned on 29.03.2013.)

Hilmar KROAT-REDER Independent Member
(Resigned on 05.07.2013.)

15. Structure and Composition of the Board of Directors

The Office of Chairman of the Board of Directors and the Office of General Manager are held by different persons in our Company.

Article 15 of our Articles of Association provides that the maximum term of office for our Members of the Board of Directors shall be 3 years and such Members shall be determined by the General Assembly every 3 years. The Insurance Law numbered 5684 reads "Boards of Directors of Insurance and Reinsurance Companies may not have less than five members, including the General Manager; the General Manager is a natural member of the Board of Directors." The Company and its business are managed and carried out by the Board of Directors, which consists of six members elected by the General Assembly as prescribed by the applicable provisions of the Turkish Commercial Code and the Capital Markets Law.

One of our independent members of the Board of Directors resigned in 2013. Our Corporate Management Committee, which also serves as the Nomination Committee, nominated eligible candidates, who meet the independence criteria required under the Communique, on May 15, 2013, to our Board of Directors. Our Board of Directors nominated Mr. Reinhard PICHLER for such seat at its meeting on May 17, 2013; and our General Assembly elected such candidate as independent member at the Extraordinary General Assembly meeting on July 5, 2013. Our new Independent Member of the Board of Directors submitted his statement of independence on May 2, 2013 to our Corporate Governance Committee.

All members of the Board of Directors are non-executive members, except for the General Manager. (Pursuant to the Insurance Law, the General Manager of a Company is necessarily a natural member of the Board of Directors), assumption of other roles by the members of the Board of Directors externally is not subject to any regulations, and non-executive members of the Board of Directors have external roles in the other companies of the group.

16. Principles of Operation of the Board of Directors

Article 18 of our Articles of Association prescribes that the Board of Directors must convene minimum 4 times in a year.

Venue of the meeting shall be the principal office of the Company. As per the Turkish Commercial Code, where no member calls the board for a meeting, the resolutions of the board of directors may be adopted by affirmative votes of minimum majority of all members for a letter of proposal written in the form of a resolution, by one of the board of members on a certain matter, with¬out holding a meeting physically.¬ The Board of Directors may resolve to convene elsewhere. The items to be discussed during the meetings shall be served to the members through an agenda before the meeting.

As all resolutions have been adopted unanimously at the meetings of the Board of Directors so far, no reasons for voting were expressed for different opinions on the issues discussed at the meeting. Also, no inquiries, which should be recorded, were made by the members, who constantly exchange opinions with each other.

No member of the Board of Directors is granted with the right to weighted vote or veto power.

Any VIG Group companies, and its shareholders, subsidiaries and senior management are defined as affiliated companies in respect of these financial statements. The primary transactions conducted with the affiliated companies comprise transfer of premiums as part of the insurance operations. We have quota-share and surplus reinsurance treaties in effect with the affiliated companies, and transfers of facultative reinsurance are also possible depending on market conditions. Besides the insurance operations, we receive consultancy service on IT, actuary, reinsurance areas where necessary, and such services are procured in consideration of the amount or price determined in accordance with the arm's length principle.

No transactions of material nature as provided under Article 23 of the Capital Markets Law were effectuated.

17. Number, Organization and Independent Status of Committees of the Board of Directors

The Audit Committee, Corporate Governance Committee and Early Identification of Risk Committee

have been formed at our Company to assist the Board of Directors in performance of its duties and obligations properly, in accordance with the applicable regulation of the CMB.

As per the Communiques of the CMB, members of the Audit Committee shall have the qualifications required by their roles; and they are selected among the independent members of our Board of Directors who do not have executive functions or the capacity of executive member. The Audit Committee is composed of two independent members.

The Audit Committee is responsible for supervision of the operation of accounting and financial reporting mechanisms, disclosure of financial information and reports and effectiveness of the operation of independent audit and internal control systems.

The Audit Committee carries out its operations in accordance with the "Directive for Audit Committee" which sets out the procedures and principles for its operations; it convenes 4 times a year on minimum basis and submits its meeting resolutions to the Board of Directors in writing.

The members of the Corporate Governance Committee are appointed by the resolution of the Board of Directors among its non-executive members in accordance with the regulations of the Capital Markets Board provided that the Chairman of the Committee is an independent member. The committee consists of 3 members.

The Corporate Governance Committee is responsible for supervising the compliance with the "Corporate Governance Principles" published by the Capital Markets Board and determining the reason for any non-compliance, if any, as well as for identification of any possible risks that might arise from and/or in connection with any non-compliance with such principles by the Company, including the risk of conflict of interests, for submitting recommendations to improve compliance with such principles and any practices in relation thereto, and for carrying out the functions of the Nomination Committee and Remuneration Committee governed by the Corporate Governance Principles published by the CMB, in accordance with the operating procedures and principles set out by the Directive for Corporate Governance Committee.

The Corporate Governance Committee meets as required for effective performance of its duties.

The amendments in 2013 made formation of an Early Identification of Risk Committee mandatory. This committee is composed of three members at our company subject to the condition that the chairman is an independent member. The duties of such Company are set out under its respective directive. The committee is responsible for "identification of any risks that might threaten the existence, development and sustainability of the Company at an early stage, and taking necessary actions and managing risks in case that any such risks are identified." Thereby, it is intended to advise to the Board of Directors. The Committee meets bimonthly.

18. Risk Management and Internal Control Mechanism

The "Regulation on the Internal Systems of the Insurance, Reinsurance and Pension Companies", numbered 26913, dated June 21, 2008, and issued by the Undersecretariat of Treasury of the Republic of Turkey, sets out and regulates the procedures and principles for the operations and mechanism of the Internal Control, Risk Management and Internal Auditing systems to be created within the insurance and reinsurance companies, which are established in Turkey, as well as the local branches of foreign-based insurance and reinsurance companies and the pension companies.

Pursuant to such regulation, the Companies are responsible for establishment, operation and improvement of adequate and effective internal systems in conformity with the scope of activities and structure thereof and with the changing conditions, in accordance with the principles and procedures set out by the regulations brought into effect by all regional directorates and departments, in order to ensure that any risks, to which they are exposed, are followed-up and controlled.

The Internal Control and Risk Management Department carries out risk management activities, which ensure identification, measurement, follow-up and control of the risks incurred, by means of policies, implementation procedures and limitations set out for monitoring, controlling and changing, where necessary, the risk and income structure brought along with the internal control activities and future cash flows of the company and therefore, the nature and level of the activities, intended for the effective, adequate and proper functioning and development of the internal control system in accordance with the said regulation.

19. Strategic Targets of the Company

Our mission is to enhance constantly our know-how, product base, reliable service approach and strong technology and human resources with an innovative perspective; and to become a preferred company for our customers, business partners, stakeholders and employees thanks to the value we create.

Our Agencies and Brokers are the most valued business partners to our company, and they will receive from us the best service in the insurance industry.

Our vision is "to become a value creating company which leads the insurance business and, to be one of the Top 5 companies of the non-life insurance industry by 2015."

Our Strategic Targets;

- To be value-creating company for our insurance customers, distribution channels, shareholders and employees through our strong and reliable capital structure and professional human resources, and to always be a preferred company thanks to added value we create.

- To constantly improve knowledge, product base, reliable service approach and human resources, which we have gained during our more than a half century long track record in the industry, with an innovative approach.

- To further increase our profitable and sustainable growth through our approach based on a balance portfolio distribution across motor and non-motor insurance services, risk-based pricing approach and productivity.

- To increase customer loyalty and brand awareness by offering customized solutions for the existing and future needs of our customers with our quality service approach, which combines experience and innovation.

Our strategic targets which are set by our managers in line with our corporate plans are submitted to our Board of Directors for assessment and approval.

Our Board of Directors assesses that whether our company has achieved such targets or not, and reviews our corporate performance and the results of our operations by reviewing detailed reports at its meetings.

20. Financial Benefits

As provided under the Articles of Association of the Company, the remuneration and other allowances paid to the members of the Board of Directors due to their such capacity are determined by the General Assembly. Remuneration amounts for previous years were submitted to the General Assembly for information; and are also included in the annual report.

Overall performance of the company is taken into account in determination of the financial benefits provided to the Board of Directors.

No stock options or performance-based payment plans are used for remuneration of the Independent Members of the Board of Directors. Remuneration of the independent members is based on the criterion of protection of independent status.

The Company may not lend or extend loans to any Member of the Board of Directors.

The Members of the Board of Directors may not receive any cash or non-cash loans from the Company directly or indirectly, and no guarantees such as surety etc. are provided by the Company in favor of the members.

The remuneration and bonuses paid to the Senior Managers/Executives by the Company are determined by the Board of Directors. Overall performance of the company is taken into account in determination of the financial benefits provided to the Senior Managers/ Executives of the Company.

RISK MANAGEMENT, AUDIT AND COMPLIANCE

Always add on the trust and peace...

Multiply the beauties offered by life...

Substract the risks from our lives...

And never divide happiness...

We have been working for 55 years to...

RISK MANAGEMENT POLICIES

INFORMATION ON RISK TYPES AND RISK MANAGEMENT POLICIES IN PLACE

The risks assessed in the measurements and modeling used in the risk management process of our company are as follows:

1. Insurance Risk

The risks in connection with the insurance contracts are the inability to exactly know the possibility of occurrence of the event, being the subject matter of the insurance, as well as the amount of claim to result therefrom. By nature of the insurance contracts, the risk in question is incidental and therefore, it cannot be estimated exactly.

When considered on the basis of branches and/or segments, the most significant criteria for determining risks for the motor vehicle casualty insurance are the factors such as type and age of the vehicle, the intended use, service costs, profession, age and gender of the owner. In respect of other casualty insurances, we may speak of three areas. These are risks included in the scope of liability insurance, personal casualty and casualty insurances. The important aspects for determining the risks of liability are the scope of insurance, annual turnover, risk types, statistical information pertinent to the previous years, scope and similar factors specific to the region. The criteria that need to be taken into consideration before determining the risks for the cargo insurances include stocks and product/goods types, type of vessel or the carrier and information and details about from and to where the goods are transported. In respect of hull insurances, risks are generally determined and announced by the head office. The reason as to why this methodology is appropriate is that usages are few and risk determination is specific. Fire insurances may be assessed under two separate categories, namely the industrial and personal fire insurances. The insured physical loss and fire are secured and guaranteed against damages due to any lighting, explosion or any other reason covered by the policy. Insurance risk acceptance criteria are aligned with the contracted articles and market conditions. Engineering insurances are assessed as contracts covering permanent risks and such other risks of provisional nature that are not chronic. In the first group, the mechanic and electronic equipment and unexpected sudden losses are taken into consideration. As for the second group, the scope of the contract is limited with the warranty period. The insuring is aligned with market conditions, risk acceptance criteria and the clauses of the reinsurance agreements.

The most important risk for the Company in respect of insurance contracts is the possibility that paid claim and compensations realize more than the allocated reserves. Ray Sigorta determines the underwriting in line with the type of accepted insurance risks and claims incurred. The Company manages the said risks by the underwriting strategy embodied and reinsurance agreements, to which the company is a party considering all branches/segments.

2. Financial Risks

The primary components of financial risk are market risk (including the currency risk, interest rate risk, and price risk), the credit risk and the liquidity risk. Financial risk management activities of the Company concentrate on the variability of the financial markets and minimizing possible negative impacts thereof on the financial performance of the Company. Financial risk management is handled by the Company management in line with the procedures and limits approved by the Board of Directors.

(a) Market Risk

i. Interest Rate Risk

The interest rate risk refers to the risk that may be faced as a result of any possible changes to occur in the interest rate; such risk may affect the expected return on any investment negatively or positively or may be influential on the borrowings by the company. The interest rate directly affects the cash flows to be gained at the end of the maturity date or to be exported. Ray Sigorta manages such interest rate risk in accordance with the procedures as approved by the Board of Directors through assessing the market conditions.

ii. Currency Risk

Ray Sigorta incurs currency risk, which arises from the fluctuations at the foreign exchange rate due to the conversion of its receivables and debts in foreign currencies to Turkish Lira. Such risks are being monitored and limited by analyzing the foreign exchange exposure. Ray Sigorta manages such currency risk in accordance with the procedures as approved by the Board of Directors through assessing the market conditions.

iii. Price Risk

Price risk refers to a negative change in the current market value of a security with a fixed interest depending on the changes in the market interest rates.

Ray Sigorta manages such price risks in accordance with the procedures as approved by the Board of Directors through assessing the market conditions.

(b) Credit Risk

The ownership of financial assets bears the risk of default by the other party to fulfill the terms and conditions of the contract. The credit risk of Ray Sigorta arises from cash and cash equivalents and bank deposits, financial instruments, the reinsurance shares due from the insurance business liabilities, receivables from the reinsurance companies and the premium receivables due from the insured and the intermediary firms/agents.

Ray Sigorta follows and limits the credit risk of the financial assets that are classified as credits and receivables, and the receivables resulting from insurance activities (including reinsurance receivables) by the procedures implemented for the received guarantees and for selection of the counter party.

(c) Liquidity Risk

The liquidity risk is the risk of inability of a company to meet its funding needs.

Ray Sigorta manages the liquidity risk through performing a continuous follow-up on the sum and term inconsistencies between the liabilities and assets.

3. Strategic Risks

Strategic risk refers to the threat and the risk faced by the company in accomplishing its goals.

The Company manages its strategic risks at the level of the Board of Directors under the strategic planning and by aligning the risk management policies and procedures created within the company in accordance with the corporate goals.

4. Operational Risks

Operational risks refer to direct or indirect damages to be suffered, as may result from human, system, process and external factors. Our company manages its operational risks through considering risk-based process examination results and historical operational risk data as part of the internal control activities, and through developing effective controls throughout the company accordingly.

RISK MANAGEMENT AND INTERNAL CONTROL ACTIVITIES

Pursuant to "the Regulation on the Internal Systems of the Insurance, Reinsurance and Pension Companies", a member has been assigned from the Company's Board of Directors, who will be responsible for the Internal Systems, also covering the Risk Management and Internal Control systems.

Additionally, "Early İdentification of Risk Committee" has been formed by the Board of Directors, which will serve in order to conduct regular reviews on Company Risk Management System, identify risks at an early stage and take necessary actions accordingly.

Besides, a Corporate Risk Management Committee has been created under the chair of the General Manager and in coordination with the Risk Management and Internal Control Manager so as to observe the effectiveness of the practices of the risk management process, and to adopt common decisions in respect of the risk profile, risk strategy of the Company as well as the risk level and risk limitations tolerable by the Company.

The Risk Management Activities are intended to integrate the Risk Management System into the existing functions and processes of the company and to ensure its implementation throughout the company as well as to protect the capital structure, ensure efficient and productive capital management, proper management of the risk identified on the way to achieving company goals, to reinforce planning and decision-making processes and enhance the added value of the activities by means of creating a risk culture throughout the company.

In line with these goals, the risk management activities

of our Company are conducted in accordance with the below-given criteria by the Risk Management and Internal Control Department in compliance with the statutory regulations.

- To identify risk management policies and procedures of implementation on the basis of risk management strategies,
- To ensure the implementation of risk management policy and other procedures of implementation as well as the compliance therewith,
- To ensure the clarification of the risks, and ensure that adequate assessment is made before taking any actions in relation thereto,
- To participate in the process of designing, choosing and activating risk measurement models and providing preliminary approval as well as to regularly review such models and apply required changes thereto,
- To produce reports out of the risk measurement models used by the company and to analyze such reports,
- To ensure that the risks, which can be digitized, remain within the identified limits and to monitor the use of such limits,
- To monitor the compliance with identified limits throughout the whole company through aggregation of identified limits on the basis of each risk,
- To ensure timely and regular reporting of the results of risk measurement and risk monitoring to the Board of Directors or the official responsible for the relevant internal systems and to the General Manager,

All internal processes of our company are reviewed and work flow charts are revised, process specific risk and control points are identified and sufficiency of the controls is tested by the Internal Control and Risk Management department as part of the risk management and internal control system in order to improve the current internal control systems and to run the operational risk management process of our company. The work flows are revised in line with the in-process control matrix and risk map created in accordance with the results of the process specific risks and related controls. Documentation, findings and recommendations developed in relation to each process are communicated to the process owners and the Company Management.

INTERNAL AUDIT

The term Internal Audit is internationally defined as "independent, objective assurance and consulting activity designed to improve an organization's operations and add value thereto." It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

Internal Audit Department of Ray Sigorta was formed and started its operation in accordance with the statutory regulations in 2004. Establishment and improvement of the internal audit system and procedures and principles regarding functioning thereof underwent a comprehensive revision upon adoption of the internal systems regulation in 2008. In addition to the existing statutory regulations, a systematic, consistent and disciplined approach in compliance with generally recognized auditing standards determined the framework of our Internal Audit practices. In this respect, we attempt to ensure performance of independent, objective assurance and consultancy activities in order to assess whether the sources are managed in accordance with the principles of economy, effectiveness and productivity and provide guidance, thereby adding value to and improving the business of our Company.

The Internal Auditing Department of Ray Sigorta A.Ş. aims to assure that our operations are carried out in line with the laws and other applicable legislation as well as internal strategies, policies, principles and objectives; and to assess and improve the effectiveness of managerial, control and risk management processes. The purpose, scope and standards of Internal Audit and the organization, duties, powers, responsibilities, activities and operational principles of the Internal Audit Department are set out under the Internal Auditing Regulation of Ray Sigorta.

As per the legislation to which Ray Sigorta, as a publicly traded company, is subject, the process for compliance with corporate governance principles which are expressed under the topics of rights of shareholders, disclosure to public and transparency, governing relations between the company and stakeholders and functions of the board of directors, gained importance. Such principles comprise any approaches and principles that assure effectiveness and productivity of corporate operations, reliable reporting, legal compliance, protection of the rights and interests of shareholders through a fair, accountable, transparent and responsible approach to corporate governance, business processes and stakeholder relations. Corporate governance principles apply to any and all business of Companies, and progress of such targets depend on effectiveness of internal control systems.

In this respect, the Internal Audit Department of Ray Sigorta A.Ş. aims to provide assurance to the Board of Directors with regards to the effectiveness of internal control and risk management system and submit recommendations for early identification of risks.

The Internal Audit Department operates as reporting to our Board of Directors as per the principles of functional independence, and reports to the Audit Committee organized under our Board of Directors. Thereby, the Audit Committee supervises functioning of internal control and risk management system together with the Internal Auditing function, embodying the understanding of corporate governance.

The Internal Audit activities at Ray Sigorta A.Ş. are carried out as part of annual and quarterly Internal Audit Plans approved by the Board of Directors. The audit reports issued in consequence of the activities performed in line with the risk-based audit plan are submitted to the Board of Directors and senior management, and thereupon, to the Undersecretariat of Treasury.

The results and findings of the Internal Audit activities are assessed under the annual internal audit activity report and finding follow-up list. Our Internal Audit activities are reviewed by the Undersecretariat of Treasury.

Internal audit activities cover the operations of the head office, regional directorates, representatives and all agencies of our Company. With respect to the opinions and recommendations submitted on the Internal Audit reports, any actions that are deemed necessary by our Company are regularly followed up by the Internal Audit Department. We thereby try to adopt a systematic approach to assess and improve the effectiveness of our Internal Control and Risk Management system.

The Internal Audit Department of Ray Sigorta A.Ş. holds CIA and CRMA certificates, an internationally recognized proof of professional excellence.

COMPLIANCE WITH THE REGULATION ON PREVENTION OF LAUNDERING OF PROCEEDS OF CRIME AND FINANCING OF TERRORISM

The "Regulation on Measures Regarding Prevention of Laundering of Proceeds of Crime and Financing of Terrorism" was published as part of the execution of Law on Prevention of Laundering of Proceeds of Crime, numbered 5549 and dated 11.10.2006 by the Financial Crimes Investigation Board which has been formed by the same Law. The "Principles for Due Diligence" and "Principles for Detection and Announcement of Suspicious Transactions" are provided under the related Regulation.

All required details on our obligations and reporting of suspicious transactions are provided under the Corporate Policy of Ray Sigorta A.S.

In line with the principles regarding the Due Diligence, retroactive operations were performed and compliance with the related legislation was ensured by our Company. The monetary limit required in respect of due diligence in relation to the foreign real and legal persons has been removed, and the legal limits with respect to other real and legal persons are maintained. It has been checked that whether the due diligence processes are duly performed or not, under a periodic follow-up.

Our Company, which believes in the importance and continuity of information in the industrial field, offers computer-based distance learning opportunity to facilitate access to and updating of information. Accordingly, under the scope of "Program for Compliance with the Obligations with respect to the Laundering of Proceeds of Crime and Prevention of Terrorism Financing", which was drawn up in 2013, the e-learning program was communicated to our staff members and agencies, and participation to the training and assessment process was made obligatory for all staff members and agencies.

Collaborative activities were carried out with the information technology and technical staff members in order to conduct risk analysis and reporting.

As part of our obligation to report suspicious transactions, internal reporting practices have been implemented in a systematic way in line with "Procedure for Suspicious Transaction Reporting" in accordance with the applicable Laws and Regulations.

The contact information of the real and legal persons, for the measures in respect of due diligence are required to be taken, has been collected to fulfill such obligation; and "Contact Info and Original Signature Card" has been prepared and use, maintenance and presentation thereof has been made obligatory at our Company and agencies, as part of the obligation to obtain original signature of persons.

RAY SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF STATUTORY FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2013 AND THE INDEPENDENT AUDITOR'S REPORT (ORIGINALLY ISSUED IN TURKISH)

We have been working for 55 years to...

CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT OF RAY SİGORTA A.Ş. FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2013 (ORIGINALLY ISSUED IN TURKISH)

To the Board of Directors of
Ray Sigorta A.Ş.,

1. We have audited the accompanying balance sheet of Ray Sigorta A.Ş. ("the Company") as of 31 December 2013 and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles and standards as set out in Turkish Insurance Legislation (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 misstatement, whether due to fraud or error; making accounting estimates that are reasonable in the circumstances; and selecting and applying appropriate accounting policies.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulations related to the principles on auditing as set out in the insurance legislation. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free 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 the auditor's 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, the auditor considers internal systems relevant to the Company'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 Company's internal systems. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's 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 audit opinion.

Opinion

4. In our opinion, the accompanying financial statements give a true and fair view of the financial position of Ray Sigorta A.Ş. as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with the accounting principles and standards as set out in the insurance legislation (Note 2).

Additional Paragraph for Convenience Translation into English

5. As discussed in Note 2.25 to the accompanying financial statements, the effects of differences between the accounting principles as set out by the related insurance laws and accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations and changes in financial position and cash flows in accordance with accounting principles generally accepted in such countries and IFRS.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of
PricewaterhouseCoopers

Talar Gül, SMMM
Partner

Istanbul, 28 February 2014

CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON THE FINANCIAL STATEMENT PREPARED AS AT 31 DECEMBER 2013

We confirm that the accompanying financial statements and notes to these financial statements as of 31 December 2013 are prepared in accordance with the accounting principles and standards as set out in the insurance legislation and in conformity with the related regulations and the Company's accounting records.

Head Office of Ray Sigorta A.Ş.

Istanbul, 28 February 2014

M. Levent ŞİŞMANOĞLU	Koray ERDOĞAN	Özlem ÇAYDAŞI	Banu GÖNENÇ
Member of Board of Directors, General Manager	Member of Executive Board Vice General Manager	Finance Manager	Actuary

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

ASSETS	Note	Audited 31 December 2013	Audited 31 December 2012
I- Current Assets			
A- Cash and Cash Equivalents	**14**	**180.930.170**	**146.965.116**
1- Cash	2.12 and 14	34.501	37.833
2- Cheques received	14	5.352	24.018
3- Banks	2.12 and 14	146.374.111	117.631.652
4- Cheques Given and Payment Orders (-)		-	-
5- Bank Guaranteed Credit Card Receivables with Maturities less than Three Months	2.12 and 14	34.516.206	29.271.613
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments at Insurees' Risk	**2.8 and 11**	**15.243.061**	**3.946.361**
1- Available for Sale Investments		-	-
2- Held to Maturity Financial Assets	2.8 and 11	4.974.236	-
3- Trading Investments	2.8 and 11	10.268.825	3.946.361
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Financial Assets at Insuree's Risk		-	-
7- Company's Shares		-	-
8- Provision for Impairment of Financial Assets (-)		-	-
C- Receivables from Operations	**2.8, 11.1 and 12.1**	**113.565.167**	**107.270.660**
1- Due from Insurance Operations	12.1 and 12.5	114.728.694	109.128.862
2- Provision for Due from Insurance Operations (-)	12.1 and 12.5	(1.172.740)	(1.867.415)
3- Due from Reinsurance Operations		-	-
4- Provision for Due from Reinsurance Operations (-)		-	-
5- Premium Reserves	12.1 and 12.5	9.213	9.213
6- Loans to Insurees		-	-
7- Provision for Loans to Insurees (-)		-	-
8- Due from Private Pension Fund Operations		-	-
9- Doubtful Receivables from Main Operations	12.1	41.848.035	32.930.755
10- Provision for Doubtful Receivables from Main Operations (-)	12.1	(41.848.035)	(32.930.755)
D- Due from Related Parties		**18.798**	**36.795**
1- Due from Shareholders		-	-
2- Due from Subsidiaries		-	-
3- Due from Equity Investments		-	-
4- Due from Joint-Ventures		-	-
5- Due from Personnel		18.798	36.795
6- Due from Other Related Parties		-	-
7- Rediscount on Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
E- Other Receivables		**749.928**	**1.014.337**
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		229.872	213.378
4- Other Receivables	47.1	520.056	800.959
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
F- Deferred Expenses and Income Accruals		**32.657.938**	**26.938.200**
1- Deferred Acquisition Expenses	17.15 - 17.19	30.627.911	25.928.531
2- Accrued Interest and Rent Income		-	-
3- Deferred Income		-	-
4- Other Deferred Expenses	47.1	2.030.027	1.009.669
G- Other Current Assets		**1.542.120**	**1.634.232**
1- Prepaid Office Supplies		-	-
2- Prepaid Taxes and Funds	2.18 and 35	1.542.120	1.634.232
3- Deferred Tax Assets		-	-
4- Job Advances		-	-
5- Advances to Personnel		-	-
6- Count Shortages		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		**344.707.182**	**287.805.701**

The accompanying notes form an integral part of the financial statements.

RAY SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

ASSETS	Note	Audited 31 December 2013	Audited 31 December 2012
II- Non-Current Assets			
A- Receivables from Operations	**-**	**-**	**-**
1- Due from Insurance Operations		-	-
2- Provision for Due from Insurance Operations (-)		-	-
3- Due from Reinsurance Operations		-	-
4- Provision for Due from Reinsurance Operations (-)		-	-
5- Premium Reserves		-	-
6- Loans to Insurees		-	-
7- Provision for Loans to Insurees (-)		-	-
8- Due from Private Pension Fund Operations		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations (-)		-	-
B- Due from Related Parties		**-**	**-**
1- Due from Shareholders		-	-
2- Due from Subsidiaries		-	-
3- Due from Equity Investments		-	-
4- Due from Joint-Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
C- Other Receivables		**-**	**-**
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
D- Financial Assets	**45.2**	**140.125**	**140.125**
1- Investment Securities	45.2	140.125	140.125
2- Associates		-	-
3- Associates Capital Commitments (-)		-	-
4- Subsidiaries		-	-
5- Subsidiaries Capital Commitments (-)		-	-
6- Joint-Ventures		-	-
7- Joint-Ventures Capital Commitments (-)		-	-
8- Financial Assets and Financial Investments at Insurees' Risk		-	-
9- Other Financial Assets		-	-
10- Provision for Impairment of Financial Assets (-)		-	-
E- Tangible Assets	**2.5 and 6**	**32.703.446**	**33.163.475**
1- Investment Property		-	-
2- Provision for Impairment in Value of Investment Property (-)		-	-
3- Property for Operational Use	6	32.599.305	32.599.305
4- Machinery and Equipment		-	-
5- Furniture and Fixtures	6	2.993.294	3.107.617
6- Motor Vehicles	6	1.871.888	989.757
7- Other Tangible Assets (Including Leasehold Improvements)	6	2.281.345	2.281.345
8- Leased Assets	6	914.348	1.425.981
9- Accumulated Depreciation (-)	6	(7.956.734)	(7.240.530)
10- Advances Given for Tangible Assets (Including Construction in Progress)		-	-

The accompanying notes form an integral part of these financial statements.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

ASSETS	Note	Audited 31 December 2013	Audited 31 December 2012
F- Intangible Assets	**2.7 and 8**	**787.405**	**615.635**
1- Rights	8	5.026.300	4.399.861
2- Goodwill		-	-
3- Start-up Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortization (-)	8	(4.238.895)	(3.784.226)
7- Advances Given for Intangible Assets		-	-
G- Deferred Expenses and Income Accruals		**-**	**-**
1- Prepaid Expenses		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses and Income Accruals		-	-
H- Other Non-Current Assets		**2.937.665**	**880.055**
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Prepaid Office Supplies		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	2.18, 21 and 35	2.937.665	880.055
6- Other Non-Current Assets		-	-
7- Other Non-Current Assets Depreciation (-)		-	-
8- Provision for Other Non-Current Assets		-	-
II- Total Non-Current Assets		**36.568.641**	**34.799.290**
TOTAL ASSETS (I+II)		**381.275.823**	**322.604.991**

The accompanying notes form an integral part of these financial statements.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

LIABILITIES	Note	Audited 31 December 2013	Audited 31 December 2012
III- Current Liabilities			
A- Financial Liabilities		**55**	**12.485**
1- Due to Credit Institutions		-	-
2- Leasing Payables	2.22 and 4	353	12.688
3- Deferred Leasing Costs (-)	2.22	(298)	(203)
4- Short Term Installments of Long Term Borrowings		-	-
5- Issued Debt Securities		-	-
6- Other Issued Debt Securities		-	-
7- Value Differences of Other Issued Debt Securities (-		-	-
8- Other Financial Payables (Liabilities)		-	-
B- Payables from Operations	**19**	**48.253.804**	**26.793.647**
1- Payables from Insurance Operations	19	1.391.654	875.563
2- Payables from Reinsurance Operations	19	46.631.492	25.896.948
3- Premium Reserves	4, 10 and 19	230.658	21.136
4- Payables from Private Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties		**-**	**19.492**
1- Due to Shareholders		-	6.975
2- Due to Subsidiaries		-	-
3- Due to Equity Investments		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel		-	12.517
6- Due to Other Related Parties		-	-
D- Other Payables	**19**	**8.355.497**	**12.217.697**
1- Deposits and Guarantees Received	19	1.159.473	692.085
2- Payables to SSI regarding Medical Expenses	4 and 19	6.460.740	8.473.635
3- Other Payables	4 and 47.1	735.284	3.051.977
4- Rediscount on Other Payables (-)		-	-
E- Insurance Technical Provisions	**2.24**	**182.508.148**	**155.141.957**
1- Unearned Premium Reserve-Net	2.24, 4 and 17	90.059.002	81.944.294
2- Unexpired Risks Reserve-Net	2.24, 4 and 17	4.000.684	223.928
3- Life Mathematical Reserve-Net		-	-
4- Outstanding Claim Provision-Net	2.24, 4 and 17	88.448.462	72.973.735
5- Bonus Provision-Net		-	-
6- Other Technical Reserves-Net		-	-
F- Taxes and Other Fiscal Liabilities		**4.678.107**	**4.317.242**
1- Taxes and Funds Payable		4.377.943	4.043.438
2- Social SecurityWithholdings Payable		300.164	273.804
3- Overdue, Deferred or Restructured		-	-
Taxes and Other Fiscal Liabilities		-	-
4- Other Taxes and Fiscal Liabilities		-	-
5- Corporate Tax Provision and Other Fiscal Liabilities		-	-
6- Prepaid Corporate Tax and Other Fiscal Liabilities (-)		-	-
7- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks		**1.890.639**	**2.345.090**
1- Provision for Employment Termination Benefits		-	-
2- Provision for Social Aid Fund Asset Shortage		-	-
3- Provision for Expense Accruals	2.20 and 23	1.890.639	2.345.090
H- Deferred Income and Expense Accruals		**23.744.612**	**19.625.374**
1- Deferred Comissions Income	17.15 - 17.19 and 19	23.744.612	19.625.374
2- Deferred Expenses		-	-
3- Other Deferred Income		-	-
I- Other Current Liabilities		**840.011**	**730.574**
1- Deferred Tax Liabilities		-	-
2- Count Overages		-	-
3- Other Current Liabilities	23 and 47.1	840.011	730.574
III - Total Current Liabilities		**270.270.873**	**221.203.558**

The accompanying notes form an integral part of these financial statements.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

LIABILITIES	Note	Audited 31 December 2013	Audited 31 December 2012
IV- Long-term Liabilities			
A- Financial Liabilities		**-**	**1.141**
1- Due to Credit Institutions		-	-
2- Leasing Payables	2.22 and 4	-	1.474
3- Deferred Leasing Costs (-)	2.22	-	(333)
4- Issued Debt Securities		-	-
5- Other Issued Debt Securities		-	-
6- Value Differences of Other Issued Debt Securities (-)		-	-
7- Other Financial Payables		-	-
B- Payables from Operations		**-**	**-**
1- Payables from Insurance Operations		-	-
2- Payables from Reinsurance Operations		-	-
3- Premium Reserves		-	-
4- Payables from Private Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
C- Due to Related Parties		**-**	**-**
1- Due to Shareholders		-	-
2- Due to Subsidiaries		-	-
3- Due to Equity Investments		-	-
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 SSI regarding Medical Expenses		-	-
3- Other Payables		-	-
4- Rediscount on Other Payables (-)		-	-
E- Insurance Technical Provisions	**2.24**	**11.203.677**	**9.967.095**
1- Unearned Premium Reserve-Net	2.24, 4 and 17	6.983.657	6.623.985
2- Unexpired Risks Reserve-Net		-	-
3- Life Mathematical Reserve-Net		-	-
4- Outstanding Claim Provision-Net		-	-
5- Bonus Provision-Net		-	-
6- Other Technical Reserves-Net	2.24, 4, 17 and 47.1	4.220.020	3.343.110
F- Other Liabilities and Related Provisions		**-**	**-**
1- Other Payables		-	-
2- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
3- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks		**1.407.159**	**1.234.974**
1- Provision for Employee Termination Benefits	2.19 and 22	1.407.159	1.234.974
2- Provision for Social Aid Fund Asset Shortage		-	-
H- Deferred Income and Expense Accruals		**-**	**-**
1- Deferred Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Non-Current Liabilities		**-**	**-**
1- Deferred Tax Liabilities		-	-
2- Other Non-Current Liabilities		-	-
IV- Total Non-Current Liabilities		**12.610.836**	**11.203.210**

The accompanying notes form an integral part of these financial statements.

RAY SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2013 AND 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

EQUITY	Note	Audited 31 December 2013	Audited 31 December 2012
V- Equity			
A- Share Capital	**2.13**	**163.069.856**	**163.069.856**
1- (Nominal) Capital	2.13 and 15	163.069.856	163.069.856
2- Unpaid Capital (-)		-	-
3- Adjustments to Share Capital		-	-
4- Adjustments to Share Capital (-)		-	-
5- Registered Expected Capital		-	-
B- Capital Reserves		**2.070.152**	**2.070.152**
1- Share Premiums		2.070.152	2.070.152
2- Share Premiums of Cancelled Shares		-	-
3- Sales Profit Addition to the Capital		-	-
4- Foreign Currency Translation Differences		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves	**15**	**23.967.502**	**24.798.986**
1- Legal Reserves		-	-
2- Statutory Reserves		-	-
3- Extraordinary Reserves		-	-
4- Special Reserves		-	-
5- Valuation of Financial Assets		-	-
6- Other Profit Reserves	15	23.967.502	24.798.986
D- Retained Earnings		**-**	**-**
1- Retained Earnings		-	-
E- Accumulated Deficit (-)		**(99.278.825)**	**(103.477.893)**
1- Previous Years' Losses		(99.278.825)	(103.477.893)
F- Net Profit (Loss) for the Period		**8.565.429**	**3.737.122**
1- Net Profit for the Period		8.565.429	3.737.122
2- Net Loss for the Period (-)		-	-
3- Profit not subject to Distribution		-	-
V- Total Equity		**98.394.114**	**90.198.223**
TOTAL LIABILITIES AND EQUITY (III+IV+V)		**381.275.823**	**322.604.991**

The accompanying notes form an integral part of these financial statements.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2013 AND 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

I- TECHNICAL PART	Note	Audited 01.01.2013 - 31.12.2013	Audited 01.01.2012 - 31.12.2012
A- Non-Life Technical Income		**177.997.370**	**156.502.538**
1- Earned Premiums – (Net of Reinsurers' Share)	5	167.707.643	152.216.874
1.1- Written Premiums – (Net of Reinsurers' Share)	2.21, 5 and 24	179.958.779	165.391.315
1.1.1- Gross Written Premiums (+)	24	354.298.992	304.400.258
1.1.2- Reinsurer's Share of Gross Written Premium (-)	10 and 24	(168.149.276)	(133.689.538)
1.1.3- Premiums Ceded to SSI (-)	2.14, 19 and 24	(6.190.937)	(5.319.405)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers' Share)(+/-)	5 and 17.15	(8.474.380)	(15.010.432)
1.2.1- Unearned Premiums Reserve (+)	17.15	(31.139.510)	(35.254.656)
1.2.2- Reinsurers' Share of Unearned Premiums Reserve (-) 10 and	17.15	19.693.479	17.697.566
1.2.3- SSI Share of Unearned Premium Reserve (+/-)	17.15	2.971.651	2.546.658
1.3- Change in Unexpired Risks Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	5 and 17.15	(3.776.756)	1.835.991
1.3.1- Unexpired Risks Reserve (-)	17.15	(19.058.839)	1.918.821
1.3.2- Reinsurers' Share of Unexpired Risks Reserve (+) 10 and	17.15	15.282.083	(82.830)
2- Investment Income Transferred from Non-Technical Part		7.541.540	8.324.843
3- Other Technical Income - (Net of Reinsurers' Share)		(3.546.244)	(5.774.270)
3.1- Gross Other Technical Income (+)		(3.546.244)	(5.774.270)
3.2- Reinsurers' Share of Other Gross Technical Income (-)		-	-
4- Claim Recovery and Salvage Income Accruals		6.294.431	1.735.091
B- Non-Life Technical Expense (-)		**(165.298.490)**	**(146.854.599)**
1- Incurred Losses - (Net of Reinsurers' Share)	5	(114.674.814)	(100.603.726)
1.1- Paid Claims – (Net of Reinsurers' Share)	5	(99.200.087)	(104.247.366)
1.1.1- Gross Paid Claims (-)		(138.253.792)	(150.117.749)
1.1.2- Reinsurers' Share of Paid Claims (+)	10	39.053.705	45.870.383
1.2- Change in Outstanding Claims (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	5	(15.474.727)	3.643.640
1.2.1- Outstanding Claims (-)		(44.465.856)	5.116.039
1.2.2- Reinsurers' Share of Outstanding Claims Provision (+)	10	28.991.129	(1.472.399)
2- Change in Bonus Provision (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		-	-
2.1- Bonus Provision (-)		-	-
2.2- Reinsurers' Share of Bonus Provisions (+)		-	-
3- Change in Other Technical Reserves (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	5 and 17.15	- (876.910)	- (398.840)
4- Operating Expenses (-)	31 and 32	(49.746.766)	(45.852.033)
5- Change in Mathematical Reserve (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		-	-
5.1- Mathematical Reserve (-)		-	-
5.2- Net of Reinsurer's Share and Reserves Carried Forward (+)		-	-
6- Other Technical Expenses (-)		-	-
6.1- Gross Other Technical Expenses (-)		-	-
6.2- Reinsurer's Share of Other Gross Technical Expenses (+)		-	-
C- Net Technical Income- Non-Life (A - B)		**12.698.880**	**9.647.939**
D- Life Technical Income		**-**	**-**
1- Earned Premiums - (Net of Reinsurers' Share)		-	-
1.1- Written Premiums – (Net of Reinsurers' Share)		-	-
1.1.1- Gross Written Premiums (+)		-	-

The accompanying notes form an integral part of these financial statements.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2013 AND 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

I- TECHNICAL PART	Note	Audited 01.01.2013 - 31.12.2013	Audited 01.01.2012 - 31.12.2012
D- Life Technical Income		**-**	**-**
1.1.2- Reinsurers' Share of Gross Written Premiums (-)		-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers' Share and Returned Reserve) (+/-)		- -	- -
1.2.1- Unearned Premiums Reserve (-)		-	-
1.2.2- Reinsurers' Share of Unearned Premiums Reserve (+)		-	-
1.3- Change in Unexpired Risks Reserve - (Net of Reinsurers' Share and Returned Reserve) (+/-)		-	-
1.3.1- Unexpired Risks Reserve (-)		-	-
1.3.2- Reinsurers' Share of Unexpired Risks Reserve (+)		-	-
2- Life Investment Income		-	-
3- Unrealised Gain Generated from Investments		-	-
4- Other Technical Income - Net of Reinsurers' Share		-	-
4.1- Other Technical Income(-)		-	-
4.2- Gross Other Technical Income Reinsurer's Share (+)		-	-
5- Claim Recovery Income Accruals		-	-
E- Life Technical Expense		**-**	**-**
1- Incurred Losses - (Net of Reinsurers' Share)		-	-
1.1- Paid Claims (Net of Reinsurers' Share)		-	-
1.1.1- Gross Paid Claims (-)		-	-
1.1.2- Reinsurers' Share of Gross Paid Claims (+)		-	-
1.2- Change in Outstanding Claims (Net of Reinsurers' Share and Returned Reserve) (+/-)		-	-
1.2.1- Outstanding Claims Provision (-)		-	-
1.2.2- Reinsurers' Share of Outstanding Claim Provisions (+)		-	-
2- Change in Bonus and Rebate Provision (Net of Reinsurers' Share and Returned Reserve) (+/-)			-
2.1- Bonus and Rebate Provision (-)		-	-
2.2- Reinsurers' Share of Bonus and Rebate Provision (+)		-	-
3- Change in Life Mathematical Reserves (Net of Reinsurers' Share and Returned Reserve) (+/-)		- -	- -
3.1- Life Mathematical Reserves (-)		-	-
3.1.1- Actuarial Mathematical Reserves (+/-)		-	-
3.1.2- Profit Share Reserve (For Permanent Life Insurance Policies)		-	-
3.2- Reinsurers' Share of Life Mathematical Reserves (+)		-	-
3.2.1- Reinsurer's Share of Actuarial Mathematical Reserves (+)		-	-
3.2.2- Reinsurer's Share of Profit Share Reserve (for Permanent Life Insurance Policies) (+)		-	-
4- Change in other technical reserves - (Net of Reinsurers' Share and Returned Reserve) (+/-)		-	-
5- Operating Expenses (-)		-	-
6- Investment Expenses (-)		-	-
7- Unrealised Investment Expense (-)		-	-
8- Investment Income Transferred to Non-Life Technical Part (-)		-	-
F- Net Technical Income - Life (D - E)		**-**	**-**

The accompanying notes form an integral part of these financial statements.

RAY SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2013 AND 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

I- TECHNICAL PART	**Note**	**Audited 01.01.2013 - 31.12.2013**	**Audited 01.01.2012 - 31.12.2012**
G- Private Pension Technical Income		**-**	**-**
1- Fund Management Income		-	-
2- Management Expense Charge		-	-
3- Entrance Fee Income		-	-
4- Management Expense Charge in case of Suspension		-	-
5- Special Service Expense Charge		-	-
6- Capital Allowance Value Increase Income		-	-
7- Other Technical Income		-	-
H- Private Pension Technical Expense		**-**	**-**
1- Fund Management Expense (-)		-	-
2- Capital Allowance Value Decrease Expense (-)		-	-
3- Operating Expenses (-)		-	-
4- Other Technical Expenses (-)		-	-
I- Net Technical Income - Private Pension (G - H)		**-**	**-**

The accompanying notes form an integral part of these financial statements.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2013 AND 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

II- NON-TECHNICAL PART	Note	Audited 01.01.2013 - 31.12.2013	Audited 01.01.2012 - 31.12.2012
C- Net Technical Income-Non-Life (A-B)		**12.698.880**	**9.647.939**
F- Net Technical Income-Life (D-E)		**-**	**-**
I- Net Technical Income-Pension Funds (G-H)		**-**	**-**
J- Total Net Technical Income (C+F+I)		**12.698.880**	**9.647.939**
K- Investment Income		**15.260.388**	**10.789.917**
1- Income from Financial Investments		9.826.181	10.482.416
2- Income from Liquidation of Financial Investments		131.583	-
3- Valuation of Financial Investments	11	-	129.779
4- Foreign Exchange Gains	5 and 36	5.302.624	-
5- Income from Subsidiaries		-	-
6- Income from Equity Investments and Joint-Ventures		-	-
7- Income from Property, Plant and Equipment		-	-
8- Income from Derivatives		-	-
9- Other Investments		-	177.722
10- Investment Income Transferred from Life Technical Part		-	-
L- Investment Expense (-)		**(12.461.872)**	**(14.624.255)**
1- Investment Management Expenses - Interest included (-)		(2.539.136)	(2.395.406)
2- Impairment in Value of Investments (-)	11	(310.160)	-
3- Loss from Realization of Financial Investments (-)		-	-
4- Investment Income Transferred to Non-Life Technical Part (-)		(7.541.540)	(8.324.843)
5- Loss from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	5 and 36	-	(1.466.669)
7- Depreciation Expenses (-)	5 and 6.1	(2.071.036)	(2.437.337)
8- Other Investment Expenses (-)		-	-
M- Income and Expenses from Other Operations and Extraordinary Operations (+/-)		**(6.931.967)**	**(2.076.479)**
1- Provisions (+/-)	47.5	(8.088.378)	(2.072.935)
2- Rediscounts (+/-)		-	-
3- Special Insurance Account (+/-)		-	-
4- Inflation Adjustment (+/-)		-	-
5- Deferred Tax Assets (+/-)	21 and 35	1.965.225	864.814
6- Deferred Tax Liabilities Expenses (-)		-	-
7- Other Income		377.750	84.781
8- Other Expenses and Losses (-)	47.1	(1.186.564)	(960.810)
9- Prior Year's Income	47.4	-	7.671
10- Prior Year's Expenses (-)		-	-
N- Net Profit/(Loss) for the Period	**5 and 37**	**8.565.429**	**3.737.122**
1- Profit/(Loss) for the Period		8.565.429	3.737.122
2- Corporate Tax Provision and Other Fiscal Liabilities (-)		-	-
3- Net Profit/(Loss) for the Period		8.565.429	3.737.122
4- Inflation Adjustment		-	-

The accompanying notes form an integral part of these financial statements.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2013 AND 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Note	Audited 01.01.2013 - 31.12.2013	Audited 01.01.2012 - 31.12.2012
A- CASH GENERATED FROMMAIN OPERATIONS			
1- Cash flows from insurance operations		288.464.003	270.149.532
2- Cash flows from reinsurance operations		79.506.596	82.724.884
3- Cash flows from pension fund operations		-	-
4- Cash outflows from insurance operations (-)		(144.966.067)	(172.657.841)
5- Cash outflows from reinsurance operations (-)		(153.089.578)	(143.491.094)
6- Cash outflows from pension fund operations (-)		-	-
7- Net cash from main operations (A1+A2+A3-A4-A5-A6)		**69.914.954**	**36.725.481**
8- Interest payment (-)		-	-
9- Income tax payment (-)		-	-
10- Other cash inflows		-	-
11- Other cash outflows (-)		(29.048.355)	(36.326.202)
12- Net cash flows from operating activities		40.866.599	399.279
B- CASH FLOWS FROM INVESTING OPERATIONS			
1- Sale of tangible assets		298.796	177.722
2- Tangible asset acquisitions (-)		(1.820.766)	(880.441)
3- Financial asset acquisitions (-)		(11.606.860)	(1.978.030)
4- Sales of financial assets		-	-
5- Interest received		9.957.764	10.612.195
6- Dividends received		-	-
7- Other cash inflows		-	-
8- Other cash outflows (-)		-	-
9- Net cash from investing activities		(3.171.066)	7.931.446
C- CASH FLOWS FROMFINANCING OPERATIONS			
1- Issue of shares		-	-
2- Cash flows due to the borrowings		-	-
3- Leasing payments (-)		(13.571)	(64.815)
4- Dividends paid (-)		-	-
5- Other cash inflows		-	-
6- Other cash outflows (-)		-	-
7- Net cash generated from financing activities		(13.571)	(64.815)
D- EFFECT OF EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		**912.136**	**(399.831)**
E- Net increase/(decrease) in cash and cash equivalents		**38.594.098**	**7.866.079**
F- Cash and cash equivalents at the beginning of the period		**110.022.451**	**102.156.372**
G- Cash and cash equivalents at the end of the period (E+F)	**2.12**	**148.616.549**	**110.022.451**

The accompanying notes form an integral part of these financial statements.

RAY SİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2013 AND 2012
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Statements of Changes in Equity – Audited (*)											
	Capital	Own Shares of the Company (-)	Valuation Increase in Assets	Inflation Adjustment to Share Capital	Foreign Currency Translation Differences	Legal Reserves	Statutory Reserves	Other Reserves and Retained Profit	Net Income/ (Loss) for Period	Retained Earnings/ (Previous Years' Losses)	Total
I - Balances at the Previous Period End (31/12/2011)	**163.069.856**	**-**	**15.997.013**	**-**	**-**	**-**	**-**	**11.335.555**	**340.377**	**(104.281.700)**	**86.461.101**
A- Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash (Note 2.13)	-	-	-	-	-	-	-	-	-	-	-
2- From internal resources	-	-	-	-	-	-	-	-	-	-	-
B- Own shares of the Company	-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not included in the income statement	-	-	-	-	-	-	-	-	-	-	-
D- Value increase in the Assets	-	-	-	-	-	-	-	-	-	-	-
E- Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-
F- Other income and Losses	-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net loss for the period (Note 37)	-	-	-	-	-	-	-	-	3.737.122	-	3.737.122
I- Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	(463.430)	-	-	-	-	-	(340.377)	803.807	-
II- Balances at the Period End (31/12/2012) (I+ A+B+C+D+E+F+G+H+I+J)	**163.069.856**	**-**	**15.533.583**	**-**	**-**	**-**	**-**	**11.335.555**	**3.737.122**	**(103.477.893)**	**90.198.223**
I - Balances at the Previous Period End (31/12/2012)	**163.069.856**	**-**	**15.533.583**	**-**	**-**	**-**	**-**	**11.335.555**	**3.737.122**	**(103.477.893)**	**90.198.223**
A- Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From internal resources	-	-	-	-	-	-	-	-	-	-	-
B- Own shares of the Company	-	-	-		-	-	-	-	-	-	-
C- Gain and losses not included in the income statement	-	-	-	-	-	-	-	(369.538)	-	-	(369.538)
D- Value increase in the assets	-	-	-	-	-	-	-	-	-	-	-
E- Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-
F- Other Income and Losses	-	-	-	-	-	-	-	-	-	-	-
G- Inflation Adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net income for the period (Note 37)	-	-	-	-	-	-	-	-	8.565.429	-	8.565.429
I- Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	(461.946)	-	-	-	-	-	(3.737.122)	4.199.068	-
II- Balances at the Period End (31/12/2013) (I+ A+B+C+D+E+F+G+H+I+J)	**163.069.856**	**-**	**15.071.637**	**-**	**-**	**-**	**-**	**10.966.017**	**8.565.429**	**(99.278.825)**	**98.394.114**

(*) Detailed explanations for the Equity items are disclosed in Note 15.

The accompanying notes form an integral part of these financial statements.

1. General Information

1.1. Name of the parent company: The immediate parent of Ray Sigorta A.Ş. (the "Company") is TBIH Financial Services Group N.V. ("TBIH") and the ultimate parent is Vienna Insurance Group AG ("VIG") as of 31 December 2013 and 2012. 5,74% of the shares of the Company are quoted in Borsa Istanbul A.Ş. ("BIST").

1.2. Legal residence of the Company, its legal structure, the country of incorporation and the address of its registered office: The headquaters of the Company is at Cumhuriyet Mahallesi Haydar Aliyev Caddesi No: 28 Tarabya-İstanbul. The Company has regional head offices, two in İstanbul (Europe and Asia), and one at each city of Ankara, İzmir, Antalya, Adana and Bursa and one branch at Northern Cyprus Turkish Republic.

1.3. Nature of operations: The Company is established in order to perform all legally permitted insurance transactions in Turkey or abroad regarding illness, fire, accident, financial liability, land, air and sea transportation and technical faults related to machinery erection; to insure persons, animals, commodities, products, goods, vehicles and values; to operate all types of insurance, coinsurance, reinsurance and retrocession transactions; and operate as a representative of Turkish or foreign companies performing such transactions.

1.4. Explanation of the activities and characteristics of main operations of the corporation: Disclosed in Notes 1.2 and 1.3.

1.5. Average number of employees during the period by category:

	31 December 2013	31 December 2012
Top and middle management	35	36
Other personnel	207	210
	242	**246**

1.6. Total salaries and benefits paid to the members of the Board of Directors, General Manager, General Coordinator, Assistant General Managers and other executive management during the current period: TL 3.326.083 (1 January - 31 December 2012: TL 2.776.344).

1.7. Criteria set for the allocation of investment income and operating expenses (personnel, management, research and development, marketing and sales, outsourcing utilities and services and other operating expenses) in the financial statements: All investment income generated by investment of assets backing non-life technical provisions of the Company, is transferred from non-technical to technical part of the income statement. The Company allocates general expenses transferred to technical part to branches based on the weighted average of the number of policies, amount of premium and number of claim notifications in last three years.

1.8. Whether financial statements include only one firm or group of firms: Financial statements include one company (Ray Sigorta A.Ş.).

1.9. Name and other identification information of the reporting firm and changes in this information since the previous balance sheet date: Name and other identification information of the Company are disclosed in Notes 1.1, 1.2 and 1.3.

1.10 . Events occurred after the balance sheet date: Financial statements for the period between 1 January 2013 and 31 December 2013 are authorized by Board of Directors on 28 February 2014 and signed by General Manager M. Levent Şişmanoğlu, Vice General Manager Koray Erdoğan and Finance Manager Özlem Çaydaşı on behalf of Board of Directors. Events occurred after the balance sheet date are explained in Note 46.

2. Summary of Significant Accounting Policies

2.1. Basis of Preparation

In accordance with Article 5 of Section VIII clause 136 of the Capital Markets Law, insurance companies are subject to their specific legislation in respect of establishment, surveillance, accounting and independent audit standards. Therefore, the Company prepares its financial statements in accordance with the Insurance Law numbered 5684 and the regulations issued for insurance and reinsurance companies by the Undersecretariat of Treasury (the "Treasury").

The financial statements are prepared in accordance with the Insurance Chart of Accounts included in the communiqué issued by the Treasury regarding the Insurance Chart of Accounts and Prospects, published in the Official Gazette (No: 25686) dated 30 December 2004 (Insurance Accounting System Communiqué No.1) and 27 December 2011 dated and 2011/14 numbered Notice regarding to the Opening of New Account Codes In Insurance Account Plan. Content and the format of the financial statements prepared and explanations and notes thereof are determined in accordance with the Communiqué on Presentation of Financial Statements published in the Official Gazette numbered 26851 dated 18 April 2008 and numbered 2012/7 and dated 31 May 2012 Notice regarding to the Presentation of the New Account Codes and Financial Statements.

The Company accounts and recognizes its insurance technical provisions in its unconsolidated financial statements as of 31 December 2013 in accordance with the "Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested" ("Regulation on Technical Reserves") dated 28 July 2010 published in official gazette numbered 27655 and changes on this regulation on 17 July 2012 and numbered 28356 and other regulations issued for insurance and reinsurance companies by the Treasury (Note 2.24).

According to the "Regulation on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies" issued on 14 July 2007 and effective from 1 January 2008, except for the communiqués which may be issued by the Treasury, operations of insurance companies shall be accounted for in accordance with the Turkish Accounting Standards ("TAS") and the Turkish Financial Reporting Standards ("TFRS") as issued by the Public Oversight Accounting and Auditing Standards Authority ("KGK") (previously called the Turkish Accounting Standards Board ("TASK") and other regulations, communiqués and explanations issued by the Treasury regarding accounting and financial reporting issues. With reference to the notice of the Treasury No. 9 dated 18 February 2008, "TAS 1- Financial Statements and Presentation", "TAS 27- Consolidated and Non-consolidated Financial Statements", "TFRS 1- Transition to TFRS" and "TFRS 4- Insurance Contracts" have been scoped out of this application. In addition, starting from 31 March 2009, insurance companies are obliged to comply with the Communiqué on the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Pension Companies published in Official Gazette dated 31 December 2008 and numbered 27097. The Company is not required to prepate consolidated financial statements as the Company does not have any subsidiaries to be consolidated in this context.

Financial statements were prepared on a TL and historical cost basis, being adjusted for inflation until 31 December 2004, other than the financial assets measured at their fair value and property for operational use measured at revalued amount.

It was announced with the article of the Treasury numbered 19387, dated 4 April 2005, insurance companies are required to restate their financial statements as of 31 December 2004 in accordance with "Financial Reporting in Hyperinflationary Economies" included in the regulations of Capital Markets Board (''CMB'') Communiqué XI No.25 (which came into force as published in the Official Gazette No:25290 dated 15 January 2003). In line with the decree of CMB dated 17 March 2005, the Treasury also announced that inflation accounting is not required effective from 1 January 2005. Based on the above mentioned notification of the Treasury, the Company has restated its financial statements as of 31 December 2004 in accordance with the regulations regarding "Financial Reporting in Hyperinflationary Economies" and not continued to apply TAS 29 "Financial Reporting in Hyperinflationary Economies".

2.1. Basis of Preparation (Continued)

Where necessary, comparative figures have been reclassified to conform to the presentation of the current year financial statements.

Accounting policies and measurement principles that are used in the preparation of the financial statements are explained in the notes from 2.4 to 2.24 below.

Changes in Turkish Financial Reporting Standards:

Changes and interpretations in TAS/TFRS those are effective for the year starting from 1 January 2013 and not relevant for the financial statements of the Company:

- TAS 1 (revised), 'Financial statement presentation', regarding other comprehensive income; is effective for annual periods beginning on or after 1 July 2012.
- TAS 19 (revised), 'Employee benefits'; is effective for annual periods beginning on or after 1 January 2013.
- TFRS 10, 'Consolidated financial statements'; is effective for annual periods beginning on or after 1 January 2013.
- TFRS 11, 'Joint arrangements'; is effective for annual periods beginning on or after 1 January 2013.
- TFRS 12, 'Disclosures of interests in other entities'; is effective for annual periods beginning on or after 1 January 2013.
- TFRS 10, 11 and 12 on transition guidance; is effective for annual periods beginning on or after 1 January 2013.
- TFRS 13, 'Fair value measurement' ; is effective for annual periods beginning on or after 1 January 2013.
- TAS 27 (revised 2011), 'Separate financial statements'; is effective for annual periods beginning on or after 1 January 2013.
- TAS 28 (revised 2011), 'Associates and joint ventures'; is effective for annual periods beginning on or after 1 January 2013.
- TFRS 7 (revised), 'Financial instruments: Disclosures', on asset and liability offsetting, is effective for annual periods beginning on or after 1 January 2013.
- TFRS 1 (revised), 'First time adoption', on government loans; is effective for annual periods beginning on or after 1 January 2013.
- Annual improvements 2011; is effective for annual periods beginning on or after 1 January 2013.These annual improvements, address six issues in the 2009-2011 reporting cycle. It includes changes to: TFRS 1, 'First time adoption', TAS 1, 'Financial statement presentation', TAS 16, 'Property plant and equipment', TAS 32, 'Financial instruments; Presentation' and TAS 34, 'Interim financial reporting'.
- TFRIC 20, 'Stripping costs in the production phase of a surface mine' is effective for annual periods beginning on or after 1 January 2013.

Changes and interpretations published as of 31 December 2013 and to be effective starting from 1 January 2014.

- TAS 32 (revised), 'Financial instruments: Presentation', on asset and liability offsetting is effective for annual periods beginning on or after 1 January 2014.
- TFRS 9 'Financial instruments' - classification and measurement; is effective for annual periods beginning on or after 1 January 2015.
- TAS 36 (revised), 'Impairment of assets' on recoverable amount disclosures is effective for annual periods beginning on or after 1 January 2014.
- TAS 39 (revised) 'Financial Instruments: Recognition and Measurement' - 'Novation of derivatives is effective for annual periods beginning on or after 1 January 2014.
- TFRS 10, 11, 12 and TAS 27 (revised) on consolidation for investment entities is effective for annual periods beginning on or after 1 January 2014.
- TFRIC 21, 'Levies' is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of IAS 37,

- Amendment to TAS 19 regarding defined benefit plans; ; is effective for annual periods beginning on or after 1 July 2014.

The Company management is of the view that applying these standards and interpretations above will not materially affect the financial statements in future periods.

2.2. Consolidation

The Company does not have any subsidiaries in the scope of the "TMS 27- Consolidated and Unconsolidated Financial Statements.

2.3. Segment Reporting

Reporting segments are determined to conform to the reporting made to the Company's chief operating decision maker. The chief operating decision maker is responsible for making decisions about resources to be allocated to the segment and assess its performance. Details related to the segment reporting are disclosed in the Note 5.

2.4. Foreign Currency Translation

The functional currency of the Company is Turkish Lira. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

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

Foreign exchange differences arising from the translation of non monetary financial assets and liabilities are considered as part of the fair value changes and those differences are accounted for in the accounts in which the fair value changes are accounted for.

2.5. Tangible Assets

All tangible assets except for buildings for operational use are carried at cost less accumulated depreciation. Buildings for operational use are carried at their revalued amount on the basis of a valuation made by an independent valuation expert less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net carrying amount is restated to the revalued amount.

Increases in the carrying amounts arising on revaluation of land and buildings, net of tax effects, are credited to "Other Profit Reserves" under shareholders' equity. Any subsequent decrease in value offsetting previous increases in the carrying value of the same asset is charged against the funds in the equity; and all other decreases are charged to the income statement. At each accounting period, the difference between depreciation based on the revalued carrying amount of the asset (charged to the income statement) and the depreciation based on the asset's original cost is transferred from "Other Profit reserves" to retained earnings.

Depreciation on tangible assets is calculated using straight-line method to allocate their cost or revalued amounts over their estimated useful lives. The depreciation periods estimated considering useful lives of tangible assets are as follows:

Properties for operational use (Buildings)	25-50 years
Furniture and fixture	3-17 years
Motor vehicles	5 years
Leasehold improvements	5 years

If there are indicators of impairment on tangible assets, a review is made in order to determine possible impairment and as a result of the review, if an asset's carrying amount is greater than its estimated recoverable amount, the asset's carrying amount is written down immediately to its recoverable amount by accounting for a provision for impairment. Gains and losses on disposals of property and equipment are included in the other investment expenses account.When revalued assets are sold, the amounts included in "Other Profit Reserves" are transferred to the retained earnings (Note 6).

2.6. Investment Property

None (31 December 2012: None).

2.7. Intangible Assets

Intangible assets consist of the acquired information systems and software. Intangible assets are recognised at acquisition cost and amortised by the straight-line method over their estimated useful lives after their acquisition date. If impairment exists, carrying amounts of the intangible assets are written down immediately to their recoverable amounts (Note 8).

The amortisation periods of intangible assets vary between 3 to 5 years.

2.8. Financial Assets

The Company classifies and accounts for its financial assets as "Loans and Receivables (Receivables from Main Operations)" and "Financial Assets at Fair Value Through Profit or Loss (Held-for-trading Investments)" in the financial statements. Receivables from main operations are the receivables arising from insurance agreements and they are classified as financial assets in the financial statements.

Loans and receivables (Receivables from main operations):

Loans and receivables are financial assets which arise in return, for providing money or other services to debtors. Loans and receivables are recognised initially at fair value and subsequently measured at cost. Fees and other charges paid related to the assets obtained as guarantee for the above mentioned receivables are not deemed as transaction costs and charged as expenses to income statement.

The Company accounts for a provision for its receivables based on evaluations and estimations of the management. The mentioned provision is classified under "Provision for due from insurance operations" on the balance sheet. The Company sets its estimations in accordance with the risk policies and the principle of prudence by considering the structure of current receivable portfolio, financial structure of policyholders and intermediaries, non-financial data and economical conditions.

In addition to the provision for due from insurance operations, in accordance with the Tax Procedure Law article No: 323, the Company accounts for a "Provision for doubtful receivables under legal follow-up" regarding its doubtful receivables which are not included in provision for due from insurance operations stated above, by considering the amount and nature of these receivables. This provision is classified as "Provision for doubtful receivables from main operations" on the balance sheet.

Provision for doubtful receivables is charged to the income statement for the related year. Recoveries from doubtful receivables previously provided for are treated as a reduction from related provision and accounted for

in the "Provisions" account (Note 47.5). Such receivables are written off after all necessary legal proceedings have been completed (Note 12).

Financial assets at fair value through profit or loss (Held-for-trading financial assets):

The financial assets measured at fair value through profit or loss by the Company are classified as held-for-trading in the financial statements.

Financial assets at fair value through profit or loss consist of financial instruments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin, formed as a part of a portfolio of financial assets that are managed together for which there is evidence of short-term profit taking, and classified as financial assets designated at fair value through profit or loss at inception since they are managed and their performance is evaluated on a fair value basis.

Financial assets at fair value through profit or loss are accounted for at their fair values at initial recognition, and these financial assets are also subsequently measured at their fair values. Gains or losses as a result of fair valuation are recognised directly in the income statement (Note 11).

2.9. Impairment of Assets

The details about the impairment of assets are explained in the notes in which the accounting policies of the relevant assets are explained.

Total amount of mortgages or guarantees on assets are explained in Note 43, provisions for doubtful receiveables are explained in Note 12.1 and current period's provision expenses are explained in Note 47.5.

2.10. Derivative Financial Instruments

None (31 December 2012: None).

2.11. Offsetting Financial Instruments

Financial assets and liabilities are offset only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or when the realisation of the asset and the settlement of the liability take place simultaneously.

2.12. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, bank deposits and other identified short-term highly liquid investments which are subject to an insignificant risk of changes in value with original maturities of three months or less.
Cash and cash equivalents included in the statements of cash flows are as follows:

	31 December 2013	31 December 2012
Cash (Note 14)	34.501	37.833
Banks Deposits (Note 14)	146.374.111	117.631.652
Bank guaranteed credit card receivables with maturities less than three months (Note 14)	34.516.206	29.271.613
Less: Interest accrual	(1.211.930)	(807.835)
Less: Restricted bank deposits (Note 43)	(31.096.339)	(36.110.812)
Total cash and cash equivalents	**148.616.549**	**110.022.451**

2.13. Capital

The composition of the Company's share capital at 31 December 2013 and 2012 is as follows:

	31 December 2013		31 December 2012	
Name of Shareholders	**Share**	**Share Amount**	**Share**	**Share Amount**
TBIH	%81,59	133.048.627	%81,59	133.048.627
VIG	%12,67	20.663.528	%12,67	20.663.528
Publicly quoted shares	%5,74	9.357.701	%5,74	9.357.701
Total	**%100,00**	**163.069.856**	**%100,00**	**163.069.856**

In the context of "Share Purchase and Shareholding Agreement" signed at 19 March 2007 between Doğan Şirketler Grubu Holding A.Ş., one of the shareholders of the Company as of 31 December 2010, and TBIH, the investment company of VIG, the total shares of the Doğan Şirketler Grubu Holding A.Ş., which constitutes 10% the Company shares, were decided to be sold out on 28 September 2010 to TBIH and VIG before the anticipated share selling option to be used in 2011; and a "Share Sale Agreement" was signed. The sale of total 1.370.698.561 shares, with a nominal value of 1 Kuruş per share, of Doğan Şirketler Grubu Holding A.Ş., constituting 10% of total nominal Capital of the Company amounting to TL137.069.856, was completed on 2 February 2011 at a price of USD 22.907.030. 2 of the shares were sold to TBIH and the remaining 1.370.698.559 shares were sold to the VIG.

The Company's capital was increased by TL 26.000.000 from TL137.069.856 to TL 163.069.856, in the context of the registered capital amounting to TL200.000.000, in accordance with the Board of Directors decision dated 23 March 2011 and numbered 5867. TL 1.492.000 of the increase was contributed by the owners of publicly traded shares and remaining amount of TL 24.508.000 was contributed by the other shareholders. The Document Related to the Completion of Capital Increase dated 21 December 2011 and numbered 2191 indicating the proper completion of capital increase in accordance with the principles determined by Capital Markets Law numbered 2499 and related legislation has been obtained from Capital Markets Board and registered at İstanbul Trade Registry.

The upper limit of registered capital of the Company as of 31 December 2013 and 2012 is TL 200.000.000.

As of 31 December 2013 and 2012, no privileges are granted to any class of shares representing the share capital.

Other information about the Company's share capital is explained in Note 15.

2.14. Insurance and Investment Contracts - Classification

The insurance contracts are those contracts that transfer insurance risk. Insurance contracts protect policyholders against the adverse financial consequences of loss event under the terms and conditions stipulated in the insurance policy.

The main insurance contracts produced by the Company, as stated below, are insurance contracts in non-life branches such as fire, marine, motor and personal accident, other accident, engineering and health.

Fire insurance contracts provide mainly fire and theft coverage for houses and offices, and additional coverages for earthquake, financial liability, loss of rent, plate glass and loss of profit. The risks of cargo, hull, hull construction and marine liability are accepted under the coverage of marine branch. Construction all risk, erection all risk, machinery breakdown, electronic equipment and loss of profit coverages are provided under engineering branch whereas motor own damage, motor third party liability, non-auto accident, auto and non-auto accident, miscellaneous liability, fidelity, plate glass, theft and credit insurance coverages are given under accident branch. The aviation risks are also insured under miscellaneous accident branch. Under health branch, group and individual policies are issued. Diagnosis and treatment expenses are covered by such contracts that

have also domestic and foreign distinctions. Besides, the Company underwrites the agriculture policies that are produced by Agricultural Insurance Pool ("TARSİM") and obligatory earthquake insurance contracts that are produced by Turkish Catastrophe Insurance Pool ("DASK"). The basis of calculation of the income and liabilities arising from the insurance contracts is explained in Notes 2.21 and 2.24.

Reinsurance Agreements

Reinsurance agreements are the agreements enforced by the Company and the reinsurer, in exchange for a certain compensation, to cede the losses which may occur in relation to one or more insurance policies produced by the Company.

The Company has excess of loss, surplus and proportional quota-share agreements in accordance with the branches in which it operates. Within the framework of excess of loss agreements, the premiums paid are accounted for on accrual basis over the relevant period. The revenues and liabilities due to premium and claim ceded under other annual reinsurance agreements are also accounted for on the same basis.

The Company has surplus reinsurance treaty for fire, marine, engineering and other accident branches. Also the Company has excess of loss agreements for fire, marine and engineering branches. The agreements mentioned confronts the claims occurred in the period that agreements are in effect and reinsurers' responsibility ends for the claims occurred after the agreements are terminated. Besides, the Company has yearly proportional quota share reinsurance treaties with stated turnover rate for professional indemnity, third party liability, electronic device, machinery breakdown, compulsory bus seat, health and individual accident branches. Treaties mentioned are run-off agreements that reinsurers' responsibility holds even after agreements end. The Company has proportional reinsurance agreements for traffic and auto accident branches. In these branches, guarantee is provided for natural disasters such as, earthquake and flood via catastrophic excess of loss reinsurance treaty.

Additionally, the Company has facultative reinsurance agreements signed separately for certain risks based on certain policies.

Premiums Transferred to Social Security Institution

The collection and settlement of expenses with respect to the medical care related services provided to the injured people due to the traffic accidents have been regulated by Article 98 of Road Traffic Act numbered 2918 altered by Article 59 of "The Law on Restructuring of Some Receivables and Changes in Social Security and General Insurance Law and Other Laws and Law Decrees" (the "Law") numbered 6111 published in the Official Gazette dated 25 February 2011. In this context, all the traffic accident related medical care services provided by any public or private health institution will be covered by Social Security Institution ("SSI") regardless of social security status of the injured. Besides, in accordance with the temporary Article 1 of the Law, all of the expenses with respect to the traffic accident related medical care services provided before enforcement of the Law, will also be covered by SSI.

The liability of the insurance companies with respect to the service costs to be incurred in the context of abovementioned articles has been determined in accordance with the provisions of "The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated 27 August 2011 ("The Regulation"), "The Communiqué on the Principles of the Implementation of the Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated 15 September 2011 and numbered 2011/17 (the "Communiqué numbered 2011/17") and "The Communiqué on the Accounting of Payments to Social Security Institution ("SSI") with respect to Treatment Expenses and Introduction of New Account Codes to Insurance Account Chart" dated 17 October 2011 (the "Communiqué numbered 2011/18"), the regulation("2012/3 numbered notice) making changes in "The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated 16 March 2012 and numbered 2012/3 and the communique about changes related "the Principles of Collection

of the Costs of the Health Services Provided due to the Traffic Accidents" dated 30 April 2012 and numbered 2012/6. (the "Communique numbered 2012/6").Within this framework, the Company is required to cede a certain amount of premiums to be determined in accordance with the Regulation and the Communiqué numbered 2011/17 to SSI in relation to policies issued as of 25 February 2011,the notice numbered 2012/3 and the communiqué numbered 2012/6 in "Compulsory Transportation", "Compulsory Traffic" and "Compulsory Motor Personal Accident" branches regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law. Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI in 1 January - 31 December 2013 account period as TL 6,190,937 (31 December 2012: TL 5,319,045) under the account of "Premiums ceded to SSI" (Note 19.)

2.15. Insurance Contracts and Investment Contracts With Discretionary Participation Feature

None (31 December 2012: None).

2.16. Investment Contracts Without Discretionary Participation Feature

None (31 December 2012: None).

2.17. Borrowings

None (31 December 2012: None).

2.18. Taxes on Income

Corporate Tax

Corporate tax for 2013 is payable at a rate of 20% in Turkey (2012: 20%). Corporate tax rate is applied on tax base which is the income of the Company adjusted for certain disallowable expenses, exempt income (such as dividend income) and other deductions in accordance with tax legislation. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance Tax is declared by 14th of the second month following and payable by the 17th of the second month following each calendar quarter end. Advance Tax paid by corporations is credited against the annual Corporation Tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

A 75% portion of profits from sale of participation shares and property which have been in assets for at least two years is exempt from corporate tax provided that these profits are added to share capital or are not withdrawn from the equity within 5 years, as prestated in Corporate Tax Law.

According to Turkish tax legislation, tax losses on the returns can be offset against period income for up to 5 years. However, tax losses cannot be offset against retained earnings.

In accordance with Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law numbered 5024 ("Law No. 5024") published in the Official Gazette on 30 December 2003, effective from 1 January 2004 income and corporate taxpayers are required to adjust the financial statements for the changes in the general purchasing power of the Turkish lira. In accordance with the Law in question, the cumulative

inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10%, respectively (TÜİK TEFE increase rate). Since these conditions in question were not fulfilled in 2011 and 2012, no inflation adjustments were performed (Note 35).

Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are determined using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised (Note 21).

2.19. Employee Benefits

The Company accounts for its liability related to employment termination and vacation benefits in accordance with TMS 19, "Employee Benefits" and classifies under the account "Provision for employment termination benefits" and "Other current liabilities" on the balance sheet.

According to the Turkish labour legislation, the Company is required to pay termination benefits to each employee whose jobs are terminated except for the reasons such as resignation, retirement and attitudes determined in the Labour Law. The provision for employment termination benefits is calculated over present value of the possible liability in accordance with the Labour Law by considering determined actuarial estimates.

As a result of the revision in the TAS 19 which is effective for annual periods starting on or after 1 January 2013, actuarial gain and loss that occurs from calculation regarding the liability of employee benefits shall be directly accounted for under equity. Within this context, the services and interest costs regarding the calculations of provision for employment termination benefits that occurs in the interim accounting period of 1 January-31 December 2013 are accounted for under income statements and the actuarial gain and loss are accounted for under equity as "Other Profit Reserves". The actuarial gain and loss generated as a result of the calculations regarding the provision for Employment Termination Benefits in the interim accounting period of 1 January-31 December 2012, since they has no material effect to financial statements, no restatement is made in the prior year's financial statements and all services and interest costs and actuarial gain and loss related to the mentioned period have been accounted under income statement (Note 22).

2.20. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provision amounts are estimated over expenditures expected to be required to settle the obligation at the balance sheet date by considering the risks and uncertainties related to the obligation. When the provision is measured by using the estimated cash outflows that are required to settle the obligation, the carrying value of the provision is equal to the present value of the related cash outflows.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised as an asset if and only it is virtually certain that reimbursement will be received and the reimbursement can be reliably estimated.

Liabilities 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 entity are classified as contingent liabilities and not included in the financial statements (Note 23).

2.21. Accounting for Revenues

Written Premiums

Written premiums represent premiums on policies written during the year, net of cancellations. As disclosed in Note 2.24, premium income is recognised in the financial statements on accrual basis by allocating the unearned premium provision over written premiums.

Reinsurance Commissions

Commission income received in relation to ceded premiums to reinsurance companies is accrued in the related period and classified in technical part under operating expenses in the income statement. As disclosed in Note 2.24, reinsurance commission income is recognised in the financial statements on an accrual basis by allocating the deferred commission income over commissions received.

Claim Recovery and Salvage Income

In accordance with "The Circular on Salvage and Subrogation Income" issued by the Treasury, dated 20 September 2010 and numbered 2010/13, in the financial statements prepared as of 31 December 2013 and 2012, the Company recognizes the subrogation receivables, as limited to the coverage amount of the debtor insurance company, provided that the claim payment has been performed, the acquittance or the statement of payment has been received from the policyholders; and related individuals or insurance companies have been notified. A provision is recorded for those receivables which are not collected from insurance companies after six months and from individuals after four months following the payment of claim. Accordingly, as of 31 December 2013, accrued subrogation receivables, net of reinsurance share, and the provision amount for such receivables are TL 5.102.432 (31 December 2012: TL 5.678.190) (Notes 12 and 17.15-17.19) and TL 1.726.261 (31 December 2012: TL 1.226.784), respectively (Note 12).

Interest Income

Interest income is recognised by using the effective interest rate method on an accrual basis.

Dividend Income

Dividend income is recognised as an income in the financial statement when the right to receive payment is established.

2.22. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lesser are classified as financial leases while other leases are classified as operational leases.

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The liability to lesser is classified as the leasing payables in the balance sheet. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost except for capitalised portion is charged to
the income statement.

The payment of the operational lease is charged to the income statement on a straight-line basis over the lease period (The incentives received or to be received from the lessor are also charged to the income statement on a straight-line basis over the lease period).

2.23. Dividend Distribution

Dividend liabilities are recognised as a liability in the financial statements in the period in which the dividends are declared as a component of profit distribution.

2.24. Technical Provisions

Unearned Premium Reserve

An unearned premium reserve is calculated on a daily basis for all policies in force as of the balance sheet date for unearned portions of premiums written, except for marine premiums. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12:00 noon and finish at 12:00 noon again. In accordance with the Regulation on Technical Reserves, unearned premium reserve and the reinsurers' share of the unearned premium reserve for policies issued after 1 January 2008, are calculated and recorded as the deferred portion of the accrued premiums related to the policies in force and ceded premiums to reinsurers without deducting commissions or any other deduction, on a daily and gross basis. The Company has continued to deduct the commissions from the premiums for the calculation of unearned premium reserve regarding the policies issued before 1 January 2008. For marine policies with an uncertain end date, unearned premium reserve is calculated as 50% of the premiums written in the last three months (Note 17).

Deferred Commission Expense, Other Expense and Deferred Commission Income

Within the framework of the Circular numbered 2007/25 and dated 28 December 2007 published by Treasury, the unearned portion of commissions paid to agencies for the written premiums and commissions received from reinsurers for the ceded premium, are recorded as in deferred commission expenses and deferred commission income, respectively on the balance sheet, and as operating expenses on a net basis in the income statement (Note 17).

The Company has deferred TL 1.347.663 of the general expenses originating from premium production in the current period under other miscellaneous receivables account on the balance sheet as of 31 December 2013 as they relate to the future period (31 December 2012: TL 939.203) (Note 47.1).

Unexpired Risks Reserve

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected loss ratios. Expected loss ratio is calculated by dividing the current year incurred losses to current year earned premiums. With respect to the "Communiqué regarding the Change in the Calculation of Unexpired Risk Reserve" dated 3 December 2012 and numbered 2012/15 (the "Communiqué numbered 2012/15") published by Treasury, the mentioned expected loss ratio calculation is performed based on main branches as of 31 December 2013 and 2012. If the loss ratio for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch; and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross and net amounts is considered as the reinsurance share.

The Company has calculated and accounted for a net unexpired risk reserve amounting to TL 4.000.684 as of 31.December 2013 (31 December 2012: TL 223.928). (Note 17).

Outstanding Claims Provision

The Company accounts for outstanding claim provision for ultimate cost of the claims incurred, but not paid in the current or previous periods or, for the estimated ultimate cost if the cost is not certain yet, and for the incurred but not reported claims. Claim provisions are accounted for based on reports of experts or initial assessments of policyholders and experts, and in the calculations related to the claim provisions, claim recoveries, salvage and similar gains are not deducted.

The difference between the reported outstanding claims; and the ultimate amount determined with actuarial chain ladder calculations as determined in the Regulation on Technical Reserves and the framework of the "Communiqué related to the Actuarial Chain Ladder Method" ("Communiqué") dated 20 September 2010 and numbered with 2010/12 is accounted for as incurred but not reported claim amount.

In accordance with the Communiqué which is effective from 30 September 2010, the insurance companies has to make the calculations on each branch based on actuarial chain ladder method ("ACLM") with using 5 methods which are mentioned in the Communiqué which are all based on incurred loss (total of outstanding and paid claims). The right of selecting one of the methods is given to the insurance companies which will determine the method for each branch as at 31 December 2010 by evaluating the best adequate method for the Company portfolio which shall not be changed for 3 years. According to Sector Announcement No. 2013/8 which is published by Treasury at 5 April 2013 ,For those the Companies which wants to change in accordance with Circular, instead of changing method end of 2013, imply these changes to prevent fluctuate between periods, after on 31 March 2013. Company, did not change ACLM Method as of 31 December 2013.

The peak claims which are mentioned as big claims are eliminated in a separate file by using prescribed statistical methods in the Communiqué in order to make the ACLM calculations with a more homogeneous data set. Additionally, the ACLM calculations are performed on gross basis and the net amounts are determined according to in-force or related reinsurance treaties of the Company. The method which was selected by the Company for each branch for the ACLM, the results of related calculations as of 31 December 2013 and 2012, the methods to calculate net of reinsurance results and the limits which are used for the big claims eliminations are represented in Note 17.

In accordance with the "Communiqué on Calculation of the Incurred but not Reported (IBNR) Claim Provision" dated 26 December 2011 and numbered 2011/23 (the "Communiqué numbered 2011/23"), the data related to accrued claim recovery and salvage income in the balance sheet was included in the ACLM calculation performed as of 31 December 2013 and 2012. In addition, in accordance with the Communiqué numbered 2012/23, for the branches with a negative ACLM result, the incurred but not reported claim provision was calculated considering the total amount of the negative ACLM result.

As discussed in Note 2.14, in accordance with the Communiqué numbered 2011/18, since the Company does not have any liabilities for the medical care coverage for the policies in "Compulsory Transportation Liability", "Compulsory Traffic", "Compulsory Motor Personal Accident", outstanding claim files regarding the claims dated before the enforcement of the Law and the related incurred but not reported claims amount calculated are closed and has been classified under "Paid Claims". Besides, in accordance with the Communiqué numbered 2011/18, the paid and outstanding claims; and salvage and claim recovery income related to the treatment expenses in the context of the Law shall be excluded from the statistical data used in ACLM development triangles to calculate the incurred but not reported claim provision and the calculations performed to test the adequacy of this amount as of 31 December 2013 and 2012. Within this framework, the Company has excluded its paid claims, outstanding claims and accrued recovery, salvage and similar income related to medical treatment expenses, in the context of the Law from the statistical data for 2008 and the following years used in the calculation of incurred but not reported claim provision; however, the systematical elimination cannot be made for 2007 and the previous years for the related calculations. In accordance with "The Communiqué on the Use of Equalization Reserve and Additional Explanations Related to Some Communiqués", dated 13 February 2012 and numbered 2012/1 (the "Communiqué numbered 2012/1"), in the cases where a systematical split of

the treatment expenses in the context of Law may not be performed, the companies which are able to make such a split in the paid claims; but not able to do so for outstanding claims, are allowed to use the implicit ratios realized in the paid claims for the split of outstanding claims. The companies which are not able to eliminate the treatment expenses also from the paid claims are allowed to calculate the share of treatment expenses using the data related to the incurred claims in March, June, September and December months of the year 2008 and use this rate calculated in the incurred but not reported claims provision related calculations. Within this context, the Company has eliminated the treatment expenses in the context of Law from the realized claims in March, June, September and December months of the year 2008 and as a result of this calculation, determined the share of treatment expenses rates for the compulsory motor liability branch, and used this rate for the split of the data related to 2007 and the previous years included in the calculation of incurred but not reported claims provision.

With respect to the Communique, 80% of result the incurred but not reported claim calculations may be taken into account for only year 2010 for the determination of the amount to be accounted for in the financial statements. The amounts will be taken into account at minimum 90% of the result of the new incurred but not reported claims for 2011, and all of the amount has to be taken into account in 2012. In this respect, the Company has taken 100% (31 December 2012: 100%) of the provision for claims incurred but not reported into account and has accounted for a net additional outstanding claim provision amounting to TL 14.354.221 at 31 December 2013 (31 December 2012: TL 11.615.490).

The Company evaluated the claim development in compulsory motor third party liability and general losses branches statistically with other actuarial methods and models as of 31 December 2013 and accounted for a net additional reserve amounting to TL 2.926.755 (31 December 2012: TL 2,497,933) for compulsory motor third party liability branch and TL 1.545.817 (31 December 2012: 2.030.687) for general lossess branch as an addition to the incurred but not reported claim provision.

In accordance with the rules regarding the new branches, imposed by the Regulation on Technical Reserves and the Communiqué numbered 2011/16, for the new branches, during five years after the start of the operations, the incurred but not reported claims provision and claim adequacy provision are based on the calculations performed by the actuary of the Company. In accordance with the related regulations, for sickness/health, fidelity, legal protection, air vehicles, air vehicles liability and rail vehicles branches with insufficient data, the incurred but not reported claims provision is calculated by the Company actuary. For this calculation, incurred but not reported claims are considered as claims occurred before the date of the end of the period of last 12 months but reported after that date. In the calculation of incurred but reported claims amount, weighted average of the the rates calculated by dividing the claims occurred in the last 5 years, but notified after that date, deducted by related the salvage, subrogation and other similar collections; by the premium income of the respective years, are considered. In addition; Company has used sector average rate which is published at 30 June 2013 for IBNR Calculation of financial losses branch cause of the avoid a requirement statistical data requirement. In this respect, for the mentioned branches, the Company accounted for an additional incurred but not reported claims provision amounting to TL 172.983 as of 31 December 2013 (31 December 2012: TL 30.472).

Besides, for the purpose of assessing the adequacy of outstanding claims provisions for branches in which operations have recently started, an outstanding claims provisions adequacy table is prepared on a branch basis at the end of each accounting year. While preparing the adequacy table and calculating the outstanding claims provision; outstanding claims accrued and realized and incurred but not reported claims provision as well as all expense charges are taken into account. Within this framework, the ratio of outstanding claims provision to the total of amounts of paid claims, including all expense charges with regards to the files, indicates the outstanding claims provisions adequacy ratio. In case the outstanding claims provisions adequacy ratio relating to these branches is lower than 100%, the difference between this rate and 100% is multiplied by outstanding claims provisions for the current period and the outstanding claims adequacy provision amount is determined. The final outstanding claims provision to be allocated in the current year is calculated after addition of the outstanding claims adequacy provision amount separately for each branch. As a result of the calculation of outstanding claims provision adequacy performed as of 31 December 2013, the Company allocated a net

additional provision amounting to TL 84.257 for related branches with an outstanding claims provision adequacy rate of above 100% (31 December 2012: TL 105.352).

In accordance with "The Communiqué on the Calculation of Provision for Incurred But Not Reported Claims (IBNR)" dated 26 December 2011 and numbered 2011/23 (the "Communiqué numbered 2011/23"), insurance companies are allowed to calculate a winning ratio over the amounts of legal cases opened against the Company which are closed in the past 5 years on a sub-branch basis and to reduce a certain portion of the outstanding claim files under legal follow-up using the calculated winning ratio as of 31 December 2013 and 2012. The Company has calculated the winning ratio on a sub-branch basis by dividing the amount of the cases closed in favour of the Company to the total amount of the legal cases of which legal processes have been completed in the past 5 years time as of 31 December 2013 and 2012. The principal amounts have been taken into consideration and interest and other charges have been excluded from winning ratio calculations. In accordance with the Communiqué numbered 2011/23, the deduction from the outstanding claims under legal follow-up has been made using the ratio 25% for the branches with winning ratios over 25%. The Company has calculated win ratio over gross amounts and has determined reinsurance share of discount amount considering reinsurance share of related files. The net deduction amount from outstanding claim files using the winning ratios calculated on a sub-branch basis is TL 9.245.903 as of 31 December 2013 (31 December 2012: TL 6.863.836). Besides, in accordance with the Communiqué numbered 2011/23, claim amounts are taken into consideration without any deduction for all calculations performed to determine incurred but not reported claim provision (Note 17).

Equalisation Reserve

In accordance with the Regulation on Technical Reserves, insurance companies are required to record an equalisation reserve for the insurance contracts including earthquake and credit coverage, in order to cover the catastrophic risks and in order to equalise the fluctuations within the claim ratios that may occur during the following accounting periods. Such reserve is calculated over 12% of net earthquake and credit premiums corresponding to each year. In the calculation of the net premium, the amounts paid for the non-proportional reinsurance agreements are regarded as ceded premiums.

The insurance companies are allowed to deduct claim payments and outstanding claims evidenced by expertise reports or official documents received from public institutions due to earthquake losses from the equalisation reserve, provided that no deduction has been made from current year charge to the reserve. In this respect, the Company has deducted TL 7.695 as of 31 December 2013 (31 December 2012: 433.513) of paid and outstanding claim from equalisation reserve. The Company accounted for an equalisation reserve amounting to TL 220.020 as of 31 December 2013 (31 December 2012: TL 3.343.110) (Notes 17 and 47.1).

2.25. Convenience Translation Into English

The effects of differences between the accounting principles as set out by the Turkish insurance legislation and accounting principles generally accepted in countries in which the financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these financial statements. Accordingly, the financial statements are not intended to present the financial position and results of operations and changes in financial position and cash flows in accordance with accounting principles generally accepted in such countries and IFRS.

3. Critical Accounting Estimates and Judgments

Preparation of financial statements requires the use of estimations and assumptions which may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the balance sheet date and reported amounts of income and expenses during the financial period. Accounting estimates and assumptions are continuously evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Although the

estimations and assumptions are based on the best knowledge of the management for existing events and operations, they may differ from the actual results.

The estimation of the ultimate liability for technical expenses that can be incurred for the existing insurance contracts is the one of the most critical accounting estimates. Estimation of the insurance liabilities, by nature, includes the evaluation of several uncertainties.

Income taxes

Use of significant judgment is necessary in several situations, for transactions and calculations during the normal course of business which may impact the ultimate taxation amount. The Company recognizes deferred tax assets for carry forward tax losses or to be realised through future taxable income and liabilities for anticipated tax expenses based on estimates of whether additional taxes will be due. In case where the ultimate tax consequences are different from the amounts recorded currently, such differences may have an impact on the income taxes and deferred tax assets and liabilities (Note 21).

4. Management of Insurance and Financial Risk

Insurance risk

The risk under any one insurance contact is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of the insurance contracts, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The Company determines its insurance underwriting strategy based on the type of insurance risk accepted and the claims incurred.

The Company manages the aforementioned risks by its overall underwriting strategy and via reinsurance agreements, which the Company is a party to.

The concentration of insurance risk (maximum insured loss) in relation to the branches is summarized below:

	31 December 2013	31 December 2012
Motor third party liability	554.774.765.342	510.521.416.769
Fire and catastrophic losses	47.572.133.002	39.277.560.732
General liability	27.299.226.892	23.602.512.855
General losses	25.917.457.406	20.574.251.940
Marine	15.782.780.029	78.504.005.684
Accident	12.964.060.255	15.958.438.685
Motor vehicles	3.317.372.799	3.135.658.307
Air vehicles liability	3.164.423.850	3.406.746.708
Financial losses	1.277.944.336	1.574.480.739
Water vehicles	1.089.962.126	789.406.242
Legal protection	954.095.226	866.323.662
Health/Sickness	267.435.300	167.828.661
Air vehicles	106.710.720	135.003.651
Breach of trust	104.091.356	84.548.751
Rail vehicles	-	50.290.084
Total	**694.592.458.639**	**698.648.473.470**

Sensitivity analysis

Financial risk

The Company is exposed to financial risk through its financial assets, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of the financial risk are market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential negative effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge certain risk exposure. Risk management is carried out by management under policies approved by the Board of Directors.

(a) Market risk

i. Cash flow and market interest rate risk

The Company does not have variable rate financial assets and liabilities; and therefore is not exposed to interest rate risk.

ii. Foreign currency risk

The Company is exposed to foreign exchange risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated assets and liabilities. These risks are monitored and limited by the analysis of the foreign currency position.

At 31 December 2013, if EUR appreciated/depreciated by 10% against TL with all other variables held constant, profit before tax would be higher/lower by TL 1.486.141 (31 December 2012: TL 1.470.380), as a result of foreign exchange gains/losses on the translation of Euro denominated assets and liabilities.

At 31 December 2013, if USD appreciated/depreciated by 10% against TL with all other variables held constant, profit before tax would be higher/lower by TL 1.984.372 (31 December 2012: TL 1.177.799) as a result of foreign exchange gains/losses on the translation of USD denominated assets and liabilities.

The company's foreign assets and liabilities are disclosed in related notes.

iii. Price risk

The Company's financial assets expose the Company to price risk. The Company is not exposed to commodity price risk.

At 31 December 2013, if the unit prices of the Company's common stocks which are classified as available for-sale financial assets increased/decreases by 5% with all other variables held constant, the net profit before tax would be higher/lower by TL 513.441 (31 December 2012: TL 197.318).

(b) Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. The Company's exposure to credit risk arises mainly from cash and cash equivalents and deposits in banks, financial assets, reinsurers' share of insurance liabilities, amounts due from reinsurers, premium receivables from policyholders and intermediaries. The Company management deems these risks as total credit risk to the counterparty.

The Company monitors the credit risk of financial assets and receivables from insurance operations (including reinsurance receivables) by limiting the aggregate risk to any individual counterpart and covered by collaterals. Other explanations in relation to these receivables are included in Note 12.

The Company's financial assets except for loans and receivables which are subject to credit risk are generally composed of domestic government bonds and time and demand deposits kept in banks and other financial institutions in Turkey and such receivables are not deemed to have high credit risk.

(c) Liquidity risk

The Company uses its available cash resources to pay claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Management sets limits on the minimum portion of funds available to meet such claims.

The table below analyses the Company's financial liabilities and insurance liabilities into relevant maturity groups based on the expected remaining period at the balance sheet or contractual maturity date. The amounts disclosed in table are the undiscounted cash flows:

	Contractual cash flows				
31 December 2013	**Up to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Payables to insurance and reinsurance companies	26.741.782	21.281.364	-	-	48.023.146
Payables to SSI regarding to medical expenses	1.927.382	4.533.358	-	-	6.460.740
Other Payables	735.284	-	-	-	735.284
Premium reserves	-	230.658	-	-	230.658
Payables from leasing operations	353	-	-	-	353
Total	**29.404.801**	**26.045.380**	**-**	**-**	**55.450.181**

	Expected cash flows				
31 December 2013	**Up to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Unearned premium reserve - net (*)	5.822.560	84.236.442	6.871.355	112.302	97.042.659
Outstanding claim provision - net (*)	43.694.080	25.344.962	15.320.348	4.089.072	88.448.462
Equalisation reserve - net	-	-	-	4.220.020	4.220.020
Unexpired risks reserve - net (*)	240.041	3.472.734	283.279	4.630	4.000.684
Total	**49.756.681**	**113.054.138**	**22.474.982**	**8.426.024**	**193.711.825**

	Contractual cash flows				
31 December 2012	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Payables to insurance and reinsurance companies	11.012.169	15.760.342	-	-	26.772.511
Payables to SSI regarding to medical expenses	1.868.245	6.605.390	-	-	8.473.635
Other Payables	3.051.977	-	-	-	3.051.977
Premium reserves	21.136	-	-	-	21.136
Payables from leasing operations	7.922	4.766	1.474	-	14.162
Total	**15.961.449**	**22.370.498**	**1.474**	**-**	**38.333.421**

	Expected cash flows				
31 December 2012	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Unearned premium reserve - net (*)	6.128.580	75.815.714	6.517.744	106.241	88.568.279
Outstanding claim provision - net (*)	36.049.471	20.910.669	12.639.937	3.373.658	72.973.735
Equalisation reserve -	-	-	-	3.343.110	3.343.110
Unexpired risks reserve - net (*)	15.495	191.686	16.479	268	223.928
Total	**42.193.546**	**96.918.069**	**19.174.160**	**6.823.277**	**165.109.052**

(*) The Company expects to make payment of outstanding claims under legal follow-up in a period more than one year. Besides, the Company estimates the payment terms of other outstanding claims by considering previous years' payment terms. Unearned premium reserve calculated on the long-term policies are shown as long-term in the table above. Outstanding claim provisions and unearned premium reserves are classified as short-term in the balance sheet.

The Company foresees to fulfil the above-explained liabilities by its financial assets and cash or cash equivalents included in the assets.

Fair value of the financial assets

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. In fact, analysis of market information needs interpretation and judgement.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at year end exchange rates, are considered to approximate carrying values. The fair values of certain financial assets carried at amortised cost, including cash and cash equivalents are considered to approximate their respective carrying values carried at amortised cost due to their short-term nature. The fair value of premiums receivable along with related provision for overdue receivables is considered to approximate respective carrying values carried at amortised cost. The cost of the financial assets that are not quoted in an active market, less impairment if any, are considered to approximate carrying value.

Financial liabilities

The fair values of liabilities on main operations and other financial liabilities are considered to approximate to their respective carrying values.

Capital Management

The Company's objectives when managing the capital are:

- to comply with the capital requirements required by Treasury,
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders.

As of 31 December 2013, the minimum required shareholders' equity amount is calculated as TL 96.940.522 (31 December 2012: TL 84.993.733) within the framework of the related regulations on capital adequacy. Based on the regulation issued on 19 January 2009 related to the "Evaluation and Assessment of the Capital Adequacy of the Insurance, Reinsurance and Pension Companies", the shareholders' equity calculated as at 31 December 2013 is higher than the minimum required shareholders' equity by TL 5.673.614 (31 December 2012: TL 8.547.599 higher).

5. Segment Information

Information related to the operational reporting made by the Company to the chief operating decision-maker in the accordance with the "TFRS 8 - Operating Segments" is disclosed in this part.

Fire Insurance

With fire insurance, physical damages occured from fire, explosion, lightning or fire and explosion resulting from smoke, steam and heat are guaranteed up to insurance amount.

Marine Insurance

This segment contains insurance of commodities, valuable goods and domestic transportation liability. The Company guarantees insurer's goods against the possible losses during the shipping by the commodity insurance; insures valuable papers (such as cheques, bonds, share certificates), precious metals and jewels moved by transport vehicles by insurance of valuable goods. The Company insures the liabilities arising from legal rights while domestic transportation of goods, belongs to the third parties, carried by shipping companies and/or individuals by insurance of domestic transportation.

Accident Insurance

This segment contains line of businesses such as motor own damage, motor third party liability, rail vehicles, liability, branches of financial liability, branches of compulsory liability, personal accident and legal protection. The company guarantees material damages consequences of benefits arising from motor, non-motor vehicles, trailers or caravans, suitable for use at the road, caterpillars and rubber track type tractors; in case of accidents with other suitable motor, nonmotor vehicles; accidents related with impacts (hit, rollover, drop, tumble) of stationary or moving objects result of sudden and external effects out of the insured's or driver's will to the moving or stable vehicles; behaviours of third parties cause of malicious intentions or prankishness; fire risk, stealing or attempt of stealing the vehicle risks by motor own damage insurance.

The Company guarantees legal liabilities due to a person's death or injury or a damage of any good during operation of the motor vehicles stated in the policy, with respect to Road Traffic Act numbered 2918 up to the compulsory insurance limits.

Damages, depending on the vehicle, towed away trailers or semi-trailers (including light trailers) or caused by towed away vehicle, are covered by insurance of tow truck. However, for the trailers used to transport people, involves to the assurance with provided supplementary liability insurance which has special conditions specified in the policy.

In order to prevent or minimize the losses of an accident, the Company fulfils reasonable and necessary expenses, paid by policy holder. This also provides a sort of defense of the operator (policy holder) against unjustified requests.

Engineering Insurance

This segment contains line of business about machinery breakdowns, erection, construction and electronic devices. The company provides coverage for the cases of breakdown or failure of any type of machine by machinery breakdown insurance; and insures risks due to technical and human faults during the erection of machinery and equipment in the the constructions completed by erection insurance. All construction activities may be covered by construction insurance and all electronic devices are covered for user omissions, theft, faulty design, electrical disturbances, fire, flooding, lightning, landslide, earthquake, alternative usage by the electronic device insurance.

Other Lines of Businesses

This segment contains health, agriculture and compulsory earthquake insurance. Health insurance provides coverage for necessary expenses for treatments and daily indemnity, if applicable, due to illness and/or accidental injuries, up to the amounts stated in the policy, under general conditions or applicable specific conditions. Territorial limits of the insurance are stated in the policy. Compulsory earthquake insurance provides guarantee against material damages of buildings and groundings directy due to earthquake; and fire, explotion and landslides due to earthquake.

Segment results for the period 1 January - 31 December 2013:

	Accident	Fire	Engineering	Marine	Other	Unallocated	Total
NON-LIFE TECHNICAL INCOME	**148.660.601**	**18.496.583**	**18.809.754**	**10.267.199**	**3.687.920**	**-**	**199.922.057**
1- Earned Premiums (Net of Reinsurers' Share)	144.290.333	8.556.676	6.690.433	6.995.546	1.174.655	-	167.707.643
1.1- Written Premiums (Net of Reinsurers' Share)	152.208.879	10.430.510	9.144.444	6.986.905	1.188.041	-	179.958.779
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers' Share)	(4.379.341)	(1.654.154)	(2.454.011)	26.512	(13.386)	-	(8.474.380)
1.3 - Unexpired Risks Reserve (Net of Reinsurers' Share)	(3.539.205)	(219.680)	-	(17.871)		-	(3.776.756)
2- Reinsurance Commissions Income (Note 32)	4.370.268	9.939.907	12.119.321	3.271.653	2.513.265	-	32.214.414
NON-LIFE TECHNICAL EXPENSE (-)	**(129.396.373)**	**(14.198.430)**	**(10.817.209)**	**(3.982.357)**	**(3.525.523)**	**-**	**(161.919.892)**
1- Incurred Losses (Net of Reinsurers' Share)	(102.962.297)	(5.846.921)	(4.011.652)	(1.232.363)	(621.581)	-	(114.674.814)
1.1- Paid Claims (Net of Reinsurers' Share)	(89.136.291)	(4.850.426)	(2.991.921)	(1.643.067)	(578.382)	-	(99.200.087)
1.2- Change in Outstanding Claims Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	(13.826.006)	(996.495)	(1.019.731)	410.704	(43.199)	-	(15.474.727)
2- Change in Other Technical Reserves (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	(161.992)	(536.524)	(178.394)	-	-	-	(876.910)
3- Other Technical Expenses Net of Accrued Claim Recovery	890.672	2.059.150	(187.722)	840.677	(854.590)	-	2.748.187
4- Production Commission Expenses (Note 32)	(27.162.756)	(9.874.135)	(6.439.441)	(3.590.671)	(2.049.352)	-	(49.116.355)
TECHNICAL BALANCE– NON-LIFE	**19.264.228**	**4.298.153**	**7.992.545**	**6.284.842**	**162.397**	**-**	**38.002.165**
Personnel Expenses (Note 32)	-	-	-	-	-	(18.038.208)	(18.038.208)
Other Operating Expenses (-)	-	-	-	-	-	(14.806.617)	(14.806.617)
Investment Income (Note 26)	-	-	-	-	-	9.173.637	9.173.637
Investment Expenses (-) (Note 34)	-	-	-	-	-	(2.065.169)	(2.065.169)
Net Foreign Exchange Expenses (Note 36)	-	-	-	-	-	5.302.624	5.302.624
Depreciation Expenses (-) (Note 6.1)	-	-	-	-	-	(2.071.036)	(2.071.036)
Profits and Losses from Other Operations (+/-)	-	-	-	-	-	(6.931.967)	(6.931.967)
NET INCOME FOR THE PERIOD							**8.565.429**

Şirket varlıklarını bölümlere ayırmamakta olup bir bütün olarak ele almaktadır.

Segment results for the period 1 January - 31 December 2012:

	Accident	Fire	Engineering	Marine	Other	Unallocated	Total
NON-LIFE TECHNICAL INCOME	**131.196.168**	**18.527.892**	**16.239.984**	**11.135.097**	**4.043.101**	**-**	**181.142.242**
1- Earned Premiums (Net of Reinsurers' Share)	127.770.120	9.485.018	5.565.686	8.431.496	964.554	-	152.216.874
1.1- Written Premiums (Net of Reinsurers' Share)	139.127.641	9.291.660	7.403.998	8.552.696	1.015.320	-	165.391.315
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers' Share)	(13.193.512)	193.358	(1.838.312)	(121.200)	(50.766)	-	(15.010.432)
1.3 - Unexpired Risks Reserve (Net of Reinsurers' Share)	1.835.991	-	-	-	-	-	1.835.991
2- Reinsurance Commissions Income (Note 32)	3.426.048	9.042.874	10.674.298	2.703.601	3.078.547	-	28.925.368
NON-LIFE TECHNICAL EXPENSE (-)	**(117.905.683)**	**(15.236.528)**	**(7.900.993)**	**(5.372.989)**	**(2.514.022)**	**-**	**(148.930.215)**
1- Incurred Losses (Net of Reinsurers' Share)	(89.889.509)	(5.899.349)	(2.965.794)	(1.281.025)	(568.049)	-	(100.603.726)
1.1- Paid Claims (Net of Reinsurers' Share)	(92.361.135)	(7.386.286)	(2.780.264)	(1.073.261)	(646.420)	-	(104.247.366)
1.2- Change in Outstanding Claims Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	2.471.626	1.486.937	(185.530)	(207.764)	78.371	-	3.643.640
2- Change in Other Technical Reserves (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	(177.495)	(68.555)	(152.790)	-	-	-	(398.840)
3- Other Technical Expenses Net of Accrued Claim Recovery	(4.712.946)	506.945	509.245	(179.244)	(163.179)	-	(4.039.179)
4- Production Commission Expenses (Note 32)	(23.125.733)	(9.775.569)	(5.291.654)	(3.912.720)	(1.782.794)	-	(43.888.470)
TECHNICAL BALANCE– NON-LIFE	**13.290.485**	**3.291.364**	**8.338.991**	**5.762.108**	**1.529.079**	**-**	**32.212.027**
Personnel Expenses (Note 32)	-	-	-	-	-	(17.998.437)	(17.998.437)
Other Operating Expenses (-)	-	-	-	-	-	(12.890.494)	(12.890.494)
Investment Income (Note 26)	-	-	-	-	-	10.071.812	10.071.812
Investment Expenses (-) (Note 34)	-	-	-	-	-	(1.855.024)	(1.855.024)
Net Foreign Exchange Expenses (Note 36)	-	-	-	-	-	(1.466.669)	(1.466.669)
Depreciation Expenses (-) (Note 6.1)	-	-	-	-	-	(2.437.337)	(2.437.337)
Profits and Losses from Other Operations (+/-)	-	-	-	-	-	(1.898.756)	(1.898.756)
NET INCOME FOR THE PERIOD							**3.737.122**

Şirket varlıklarını bölümlere ayırmamakta olup bir bütün olarak ele almaktadır.

6. Tangible Assets

6.1. Depreciation and amortisation expenses for the period: TL 2.071.036 (1 January - 31 December 2012: TL 2.437.337).

6.1.1. Depreciation expense: TL 1.616.367 (1 January - 31 December 2012: TL 1.747.156).
6.1.2. 6.1.2 Amortisation expense: TL 454.669 (1 January - 31 December 2012: TL 690.181).

6.2. Changes in depreciation calculation methods and effect of such changes on depreciation expenses for the year: None (1 January - 31 December 2012: None).

6.3. Movements of property and equipment in the current period:

6.3.1. Cost of property and equipment purchased: TL 1.194.327 (1 January - 31 December 2012: TL 732.755).
6.3.2. Cost of property and equipment sold or used as scrap: TL 938.152 (1 January - 31 December 2012: TL 353.463).
6.3.3. Revaluation increases in the current period:
6.3.3.1. Cost of fixed assets (+): None (1 January - 31 December 2012: None).
6.3.3.2. Accumulated depreciation (-): None (1 January - 31 December 2012: None).
6.3.4. Nature, amount, beginning and ending dates of construction-in-progress: None (31 December 2012: None).

Movement table of tangible assets is as follows:

	1 January 2013	Additions	Revaluation Increase	Disposals	31 December 2013
Cost/Revalued Amount:					
Property for operational use	32.599.305	-	-	-	32.599.305
Furniture and fixtures	3.107.617	264.202	-	(378.525)	2.993.294
Motor vehicles	989.757	930.125	-	(47.994)	1.871.888
Other tangible assets (Leasehold improvements included)	2.281.345	-	-	-	2.281.345
Leased assets	1.425.981	-	-	(511.633)	914.348
Total Cost/ Revalued Amount	**40.404.005**	**1.194.327**	**-**	**(938.152)**	**40.660.180**
Accumulated depreciation:					
Property for operational use	(946.134)	(920.448)	-	-	(1.866.582)
Furniture and fixtures	(2.717.313)	(215.787)	-	376.287	(2.556.813)
Motor vehicles	(233.859)	(305.133)	-	47.994	(490.998)
Other tangible assets (Leasehold improvements included)	(2.054.681)	(99.916)	-	-	(2.154.597)
Leased assets	(1.288.543)	(75.083)	-	475.882	(887.744)
Total depreciation	**(7.240.530)**	**(1.616.367)**	**-**	**900.163**	**(7.956.734)**
Net book value	**33.163.475**				**32.703.446**

6. Tangible Assets (Continued)

	1 January 2012	Additions	Revaluation Increase	Disposals	31 December 2012
Cost/Revalued Amount:					
Property for operational use	32.599.305	-	-	-	32.599.305
Furniture and fixtures	2.986.299	121.318	-	-	3.107.617
Motor vehicles	545.689	533.544	-	(89.476)	989.757
Other tangible assets (Leasehold improvements included)	2.203.452	77.893	-	-	2.281.345
Leased assets	1.689.968	-	-	(263.987)	1.425.981
Total Cost/ Revalued Amount	**40.024.713**	**732.755**	**-**	**(353.463)**	**40.404.005**
Accumulated depreciation:					
Property for operational use	(25.686)	(920.448)	-	-	(946.134)
Furniture and fixtures	(2.474.518)	(242.795)	-	-	(2.717.313)
Motor vehicles	(184.670)	(138.665)	-	89.476	(233.859)
Other tangible assets (Leasehold improvements included)	(1.829.098)	(225.583)	-	-	(2.054.681)
Leased assets	(1.279.634)	(219.665)	-	210.756	(1.288.543)
Total depreciation	**(5.793.606)**	**(1.747.156)**	**-**	**300.232**	**(7.240.530)**
Net book value	**34.231.107**				**33.163.475**

The Company's buildings for operational use are revalued. "Headquarter Building" located in İstanbul and "İzmir Office" building are presented in financial statements at the amounts determined in the expertise report dated 27 October 2011 and 26 October 2011, respectively, prepared by the independent professional valuation firm, TSKB Gayrimenkul Değerleme A.Ş., via comparison of sales method:

	31 December 2013	31 December 2012
Headquarter Building	31.450.000	31.450.000
İzmir Office	1.070.000	1.070.000
Other	79.305	79.305
Total	**32.599.305**	**32.599.305**

Revaluation increases arising from valuation of land and buildings, net of deferred tax effects, are credited to "Other Profit Reserves" under shareholders' equity. Revaluation decreases arising from valuation of land and buildings are charged against "Other Profit Reserves" for the corresponding asset under shareholders' equity. Revaluation decreases regarding the assets without balances in "Other Profit Reserves" under shareholders' equity are charged to the income statement.

There is no valuation increase in properties for operational use for the period 1 January - 31 December 2013 (1 January -31 December 2012: None).

Cost and accumulated depreciation amounts of the buildings measured at revalued amounts before revaluation as of 31 December 2013 and 2012 are stated below:

	31 December 2013	31 December 2012
Cost	17.057.975	17.057.975
Accumulated depreciation (-)	(5.164.799)	(4.823.638)
Net book value	**11.893.176**	**12.234.337**

The movement of the revaluation increases for the buildings accounted for using revaluation model, for the year ended 31 December 2013 and 2012, is as follows:

	31 December 2013	31 December 2012
Revalued amount	32.599.305	32.599.305
Accumulated depreciation (-)	(1.866.582)	(946.134)
Accumulated depreciation deducted revalued amount	**30.732.723**	**31.653.171**
Net book value calculated based on cost	(11.893.176)	(12.234.337)
Revaluation fund before tax	**18.839.547**	**19.418.834**
Calculated deferred tax liability (-)	(3.767.910)	(3.885.251)
Revaluation fund - net) (Note 15)	**15.071.637**	**15.533.583**

7. Investment Properties

None (31 December 2012: None).

8. Intangible Assets

	1 January 2013	Additions	Disposals	31 December 2013
Cost:				
Rights	4.399.861	626.439	-	5.026.300
	4.399.861	**626.439**	**-**	**5.026.300**
Accumulated depreciation:				
Rights	(3.784.226)	(454.669)	-	(4.238.895)
	(3.784.226)	**(454.669)**	**-**	**(4.238.895)**
Net book value	**615.635**			**787.405**

8. Intangible Assets (Continued)

	1 January 2012	Additions	Disposals	31 December 2012
Cost:				
Rights	4.252.175	147.686	-	4.399.861
	4.252.175	**147.686**	**-**	**4.399.861**
Accumulated depreciation:				
Rights	(3.094.045)	(690.181)	-	(3.784.226)
	(3.094.045)	**(690.181)**	**-**	**(3.784.226)**
Net book value	**1.158.130**			**615.635**

9. Investments in Associates

In 7 June 2012, Risk Ekspert Risk ve Hasar Danışmanlık Hizmetleri Limited Company has been founded with 30% partnership of the company as it was registered in Trade Register Newspaper. As of 31 December 2013 and 2012,the company's share amount is accounted with acquisition cost as it has been predicted in accordance with Consolidation communiqué. Since the mentioned affiliate's total asset amount is lower than 1% of the Company's total asset amount (Notes 2.1 and 45.2).

	31 December 2013	31 December 2012
Risk Ekspert	15.000	15.000
	15.000	**15.000**

10. Reinsurance Assets

	31 December 2013	31 December 2012
Reinsurers' share of unearned premium reserve (Note 17)	102.718.184	80.053.054
Reinsurers' share of outstanding claims provision (Note 17)	99.147.509	70.156.380
Reinsurers' share of unexpired risks reserves (Note 17)	15.958.410	676.327
Premium reserves received from insurance and reinsurance companies (Note 19)	(230.658)	(21.136)
Deferred reinsurance commission income (Notes 17 and 19)	(23.744.612)	(19.625.374)
Payables to reinsurance companies - net	(42.839.626)	(19.663.163)

10. Reinsurance Assets (Continued)

	1 January - 31 December 2013	1 January - 31 December 2012
Reinsurance income/(expenses)		
Reinsurers' share of paid claims	39.053.705	45.870.383
Commissions received from reinsurers (gross)	36.333.654	33.376.323
Reinsurers' share of change in outstanding claim reserves	28.991.129	(1.472.399)
Reinsurers' share of change in unearned premiums reserve (SSI share excluded)	19.693.479	17.697.566
Reinsurers' share of change in unexpired risks reserve (Note 17)	15.282.083	(82.830)
SSI share of change in unearned premiums reserve (Note 17)	2.971.651	2.546.658
Change in deferral of commissions received from reinsurers	(4.119.240)	(4.450.955)
Premiums ceded to SSI (Notes 2.14 and 24)	(6.190.937)	(5.319.405)
Ceded premiums to reinsurers (SSI share excluded)	(168.149.276)	(133.689.538)

Information about reinsurance agreements is disclosed in note 2.14.

11. Financial Assets

11.1. The Company's financial assets by measurement category:

	31 December 2013		
	Blocked(*)	**Non-Blocked**	**Total**
Marketable Securities			
Financial assets held for trading			
- Government bonds (**)	-	10.010.615	10.010.615
- Share certificates (***)	-	258.210	258.210
Held to Maturity Financial Assets			
- Government bonds (****)	4.974.236	-	4.974.236
Total	**4.974.236**	**10.268.825**	**15.243.061**

	31 December 2012		
	Blocked(*)	**Non-Blocked**	**Total**
Marketable Securities			
Financial assets held for trading			
- Government bonds (**)	-	3.658.171	3.658.171
- Share certificates (***)	-	288.190	288.190
Total	**-**	**3.946.361**	**3.946.361**

(*) This amounts have been blocked in favor of the Treasury.
(**) Interest rates of government bonds in the trading portfolio vary between 5,69% and 10,73% (31 December 2012: 6,08% and 11,46%).
(***) All share certificates included in the trading portfolio are quoted in İstanbul Stock Exchange Market.
(****) Interest rate of held to maturity financial assets is 9,30% (31 December 2012: None).

Loans and Receivables	31 December 2013	31 December 2012
Loans and Receivables	113.565.167	107.270.660
Total	**113.565.167**	**107.270.660**

11.2. Marketable securities issued during the year other than share certificates: None (31 December 2012: None).

11.3. Debt securities issued during the year: None (31 December 2012: None).

11.4. Market value of marketable securities and financial assets carried at cost and carrying value of marketable securities and financial assets shown at market value:

Marketable Securities	31 December 2013		31 December 2012	
	Cost	Fair Value	Cost	Fair Value
Government bonds	15.108.338	14.984.851	3.580.631	3.658.171
Share certificates	305.389	258.210	264.744	288.190
Total	**15.413.727**	**15.243.061**	**3.845.375**	**3.946.361**

The detailed information about non-current financial assets is disclosed in Note 45.2.

11.5. Marketable securities under "Marketable Securities and Investment Securities" account group and issued by the Company's shareholders, investments or subsidiaries and the issuers: None (31 December 2012: None).

11.6. Value increase on financial assets in the last three years: None (31 December 2012: None).

11.7 - 11.9. Other information about financial assets:

The fair value loss from financial assets held-for-trading is TL 310.160 (1 January - 31 December 2012: TL 129.779 fair value income) accounted under investment expense in the income statement.

The income from saling of financial assets held for trading is TL 131.583 (1 January - 31 December 2012: None) accounted under investmen income in the income statement.

Financial assets maturity analysis:

	31 December 2013						
	No stated maturity	0 - 3 months	3 - 6 months	6 months - to 1 year	1-3 years	More than 3 years	Total
Government bonds	-	189.076	266.699	352.816	14.176.260	-	14.984.851
Share certificates	258.210	-	-	-	-	-	258.210
Total	**258.210**	**189.076**	**266.699**	**352.816**	**14.176.260**	**-**	**15.243.061**

	31 December 2012						
	No stated maturity	0 - 3 months	3 - 6 months	6 months - to 1 year	1-3 years	More than 3 years	Total
Government bonds	-	105.559	389.042	1.791.352	1.372.218	-	3.658.171
Share certificates	288.190	-	-	-	-	-	288.190
Total	**288.190**	**105.559**	**389.042**	**1.791.352**	**1.372.218**	**-**	**3.946.361**

Financial assets are denominated in TL in both 31 December 2013 and 2012.

12. Loans and Receivables

12.1. Classification of the receivables as receivables from main customers, receivables from interested parties, receivables for the advance payment (short-term and long-term prepayment) and the others

	31 December 2013	31 December 2012
Receivables from intermediaries	82.190.848	75.407.201
Receivables from bank guaranteed credit card	18.694.551	16.574.592
Receivables from reinsurance companies	3.791.866	6.233.785
Receivables from policyholders	4.948.997	5.235.094
Claim recovery and salvage receivables - net	5.102.432	5.678.190
Due from insurance operations	**114.728.694**	**109.128.862**
Premium reserve from reinsurance and insurance companies	**9.213**	**9.213**
Receivables from reinsurance and insurance companies	114.737.907	109.138.075
Claim recovery receivables under legal follow-up - gross	31.453.921	22.430.315
Doubtful receivables from main operations - gross	10.394.114	10.500.440
Receivables from main operations - gross	**156.585.942**	**142.068.830**
Provision for receivables from insurance operations (*)	(446.479)	(640.631)
Provision for claim recovery and salvage receivables (*)	(726.261)	(1.226.784)
Provision for doubtful receivables from policyholders and intermediaries (**) (	10.394.114)	(10.500.440)
Provision for net claim recovery receivables under legal follow-up (**)	(31.453.921)	(22.430.315)
Provision for overdue and not overdue receivables	**(43.020.775)**	**(34.798.170)**
Receivables from main operations – net (Note 11.1)	**113.565.167**	**107.270.660**

(*) Disclosed under provision for receivables from insurance operations in the balance sheet.
(**) Disclosed under provision for doubtful receivables from main operations in the balance sheet.

12.2. Due from/due to shareholders, investments and subsidiaries:

Balances and transactions with the related parties are disclosed in Note 45.

12.3. Total mortgages and collateral obtained for receivables:

The details of guarantees and collaterals obtained are as follows:

	31 December 2013	31 December 2012
Real estate mortgages	21.589.508	24.179.797
Letters of guarantee	9.858.491	7.900.010
Collateral bills	3.771.497	525.011
Collateral cheques	1.799.296	2.121.328
Other guarantees	1.348.397	1.595.800
Cash	911.020	822.020
Public securities	70.977	104.577
Total	**39.349.186**	**37.248.543**

The Company has no real estate mortagage and letter of guarantees denominated in foreign currency as of 31 December 2013 and 2012.

12.4. Receivables and payables denominated in foreign currencies having no foreign exchange rate guarantees, assets in foreign currencies and conversion rates:

Loans and Receivables:

	31 December 2013		
Currency Type	**Foreign Currency Amount**	**Exchange Rate**	**Amount TL**
USD	9.204.116	2,1343	19.644.345
EUR	5.671.373	2,9365	16.653.987
CHF	85.146	2,3899	203.490
JPY	336.136	0,0202	6.790
GBP	1.407	3,5114	4.941
SEK	535	0,3278	175
Total			**36.513.728**

	31 December 2012		
Currency Type	**Foreign Currency Amount**	**Exchange Rate**	**Amount TL**
USD	8.696.395	1,7826	15.502.194
EUR	6.458.254	2,3517	15.187.876
CHF	104.853	1,9430	203.729
JPY	1.158.468	0,0207	23.980
GBP	606	2,8708	1.740
DKK	109	0,3152	34
Total			**30.919.553**

12.5. - 12.7. Other information about loans and receivables:

The aging of due from insurance operations is as follows:

	31 December 2013	31 December 2012
Overdue	3.633.781	3.784.650
Up to 3 months	34.782.044	32.687.138
3 to 6 months	44.807.982	37.063.796
6 months to 1 year		25.522.432
29.723.137		
Over 1 year (*)	5.982.455	5.870.141
Receivables from insurance operations - gross	**114.728.694**	**109.128.862**
Premium reserves from reinsurance and insurance companies	9.213	9.213
Provision for receivables from insurance operations (**)	(446.479)	(640.631)
Premium reserves from claim recovery and salvage receivables (-) (**)	(726.261)	(1.226.784)
Receivables from insurance operations - net	**113.565.167**	**107.270.660**

(*) It is disclosed in current assets in the balance sheet.
(**) It is disclosed in premium reserves from receivables from insurance operations in the balance sheet.

12.5. - 12.7. Other information about loans and receivables (Continued):

The movement of provision for receivables from insurance operations is as follows:

	2013	2012
Opening balance - 1 January	640.631	508.705
Net change for the period (Note 47.5)	(194.152)	131.926
Closing balance - 31 December	**446.479**	**640.631**

The movement of provision for net claim recovery receivables under legal follow-up is as follows:

	2013	2012
Opening balance - 1 January	22.430.315	21.163.153
Net change for the period (Note 47.5)	9.023.606	1.267.162
Closing balance - 31 December	**31.453.921**	**22.430.315**

The movement of provision for doubtful receivables from main operations is as follows:

	2013	2012
Opening balance - 1 January	10.500.440	11.192.952
Net change for the period (Note 47.5)	(106.326)	(692.512)
Closing balance - 31 December	**10.394.114**	**10.500.440**

The aging of the overdue but not impaired receivables from policyholders and agencies are as follows:

	31 December 2013	31 December 2012
Up to 1 month	278.232	653.055
1-2 months	157.105	650.103
Over 2 months	2.751.965	1.840.861
Total	**3.187.302**	**3.144.019**

Total guarantee amounts received for receivables disclosed above are as follows:

	31 December 2013	31 December 2012
Real estate mortgage	3.099.700	5.327.100
Letters of guarantee	418.000	282.005
Other guarantees	131.082	187.920
Total	**3.648.782**	**5.797.025**

Considering the intermediaries from which collaterals received are higher than receivable amounts, utilisable collaterals for overdue receivables are calculated as TL 1.089.174 (31 December 2012: TL 2.911.176).

13. Derivative Financial Instruments

None (31 December 2011: None).

14. Cash and Cash Equivalents

Cash and cash equivalents that are included in the statements of cash flows for the periods 1 January - 31 December 2013 and 2012 are disclosed in Note 2.12 and the details of bank deposits of the Company are as follows:

	31 December 2013	31 December 2012
Cash	34.501	37.833
Cheques received	5.352	24.018
Bank deposits	146.374.111	117.631.652
Bank guaranteed and less than 3 months maturity credit card receivables	34.516.206	29.271.613
Total	**180.930.170**	**146.965.116**

	31 December 2013	31 December 2012
Bank deposits in TL		
- demand deposits	2.494.645	3.258.171
- time deposits	132.811.479	109.798.049
	135.306.124	**113.056.220**
Foreign currency denominated bank deposits		
- demand deposits	3.432.080	287.456
- time deposits	7.635.907	4.287.976
	11.067.987	**4.575.432**
Total	**146.374.111**	**117.631.652**

The maturities of the Company's time deposits as of 31 December 2013 and 2012 are less than 3 months.

As of 31 December 2013, deposits amounting to TL 29.905.358 (31 December 2012: TL 34.994.993) and TL 1.190.981 (31 December 2012: TL 1.115.819) are blocked in favor of the Treasury and TARSİM, respectively (Notes 43 and 17).

Weighted average interest rates of time deposits:

	31 December 2013 (%)	31 December 2012 (%)
TL	9,24	8,32
USD	0,75	0,63
EUR	0,75	0,68

Foreign currency denominated time and demand deposits are as follows:

	31 December 2013			
	Foreign currency		TL	
	Time	Demand	Time	Demand
USD	1.221.240	209.490	2.606.492	447.115
EUR	1.713.249	982.064	5.029.41	2.883.832
CHF	-	19.940	-	47.714
GBP	-	10.222	-	35.895
JPY	-	869.175	-	17.584
Total			**7.635.907**	**3.432.080**

Foreign currency denominated time and demand deposits are as follows (Continued):

	31 December 2012			
	Foreign currency		TL	
	Time	Demand	Time	Demand
USD	785.905	76.859	1.400.954	137.009
EUR	1.227.632	63.974	2.887.022	150.447
Total			**4.287.976**	**287.456**

15. Capital

As of 31 December 2013, the Company's total amount of nominal shares is 16.306.985.600 which has all been paid. The face value of the Company's common stocks is Kr 1 each and the total nominal amount is TL163.069.856 (31 December 2012: TL163.069.856).

Movement of common stocks at opening balance and closing balance is as follows:

	1 January 2013		Issued Capital		Amortised		31 December 2013	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid	16.306.985.600	163.069.856	-	-	-	-	16.306.985.600	163.069.856
Total	**16.306.985.600**	**163.069.856**	**-**	**-**	**-**	**-**	**16.306.985.600**	**163.069.856**

	1 January 2012		Issued Capital		Amortised		31 December 2012	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid	16.306.985.600	163.069.856	-	-	-	-	16.306.985.600	163.069.856
Total	**16.306.985.600**	**163.069.856**	**-**	**-**	**-**	**-**	**16.306.985.600**	**163.069.856**

Profit Reserves:

Details of the profit reserves are explained below:

	31 December 2013	31 December 2012
Revaluation fund (Note 6)	15.071.637	15.533.583
Earthquake provision transferred to profit reserve	9.265.403	9.265.403
Actuerial losses, net of tax effect (-)	(369.538)	-
Total	**23.967.502**	**24.798.986**

The movement of the revaluation fund is as follows:

	31 December 2013	31 December 2012
Beginning of the period - 1 January	15.533.583	15.997.013
Revaluation increase/decrease in property for operational use (net) (*)	(461.946)	(463.430)
End of period- 31 December	**15.071.637**	**15.533.583**

(*) In accordance with "TAS 16 - Tangible Assets", the Company accounts for property for operational use using the revaluation model. Increases in the carrying amounts arising on revaluation of properties, net of tax, are accounted for in "Other profit reserves" under shareholders' equity. At each accounting period, the difference between depreciation based on the revalued carrying amount of the asset (charged to the statement of income) and the depreciation based on the asset's original cost is transferred from "Other profit reserves" to retained earnings. In accordance with the current regulation, revaluation increases arising from the revaluation of property for operational use are not allowed to be used in capital increases (Note 6).

16. Other Reserves and Equity Component of Discretionary Participation Feature

Information about other reserves classified in share capital is explained in Note 15.

17. Insurance Liabilities and Reinsurance Assets

17.1. Guarantees to be provided and guarantees provided for life and non-life branches:

	31 December 2013	31 December 2012
Required guarantee amount to be provided for non-life branches (*)	32.313.507	28.331.244
Guarantees provided for non-life branches (Notes 11 and 14)	34.879.594	34.994.993

(*) Under the article 4 of the "The Communiqué on the Financial Structure of Insurance, Reinsurance and Pension Companies", published in accordance with the Insurance Law, in the Official Gazette dated 7 August 2007 and numbered 26606, the insurance companies and private pension companies operating in life and personal accident branches are required to provide guarantees that equal to one third of required capital amount as determined by capital adequacy calculation, as Minimum Guarantee Fund, in each capital adequacy calculation period.

17.2. Number of life policies, the number and mathematical reserve amount of the life policies that enter and exit during the year and current status: None (1 January - 31 December 2012: None).

17.3. Guarantee amount to be provided for life branch: Disclosed in Note 4.

17.4. Unit prices of pension funds and savings founded by the Company: None (31 December 2012: None).

17.5. Units and amounts of share certificates in portfolio and in circulation: None (31 December 2012: None).

17.6. Numbers and portfolio amounts of the individual and group pension funds' participants (entered, left, cancelled during the period and the current participants): None (1 January - 31 December 2012: None).

17.7. Valuation methods of profit share calculation for life insurance: None (1 January - 31 December 2012: None).

17.8. Number of units and individual/group allocation of gross/net contribution amounts of the private pension fund participants at the Company during the period: None (1 January - 31 December 2012: None).

17.9. Number of units and individual/group allocation of gross/net contribution amounts of the private pension fund participants transferred from another company during the period: None (1 January - 31 December 2012: None)

17.10. Number of units and individual/group allocation of gross/net contribution amounts of the private pension fund participants transferred from the life insurance portfolio to the private pension fund portfolio during the period: None (1 January - 31 December 2012: None).

17.11. Number of units and individual/group allocation of gross/net contribution amounts of the private pension fund participants that left the Company and transferred to another company or that left the Company but did not transfer to another company: None (1 January - 31 December 2012: None).

17.12. Number of units, gross/net premiums and individual/group allocation for life policyholders that joined the portfolio during the period: None (1 January - 31 December 2012: None).

17.13. Number of units, gross/net premiums and individual/group allocation of mathematical reserves for life policyholders that left the portfolio during the period: None (1 January - 31 December 2012: None).

17.14. Profit share allocation rate to the life policyholders: None (1 January - 31 December 2012: None).

17.15 - 17.19. Other required information about liabilities from insurance agreements:

Outstanding claims provision:

	2013		
	Gross	**Reinsurer's Share**	**Net**
Opening reported outstanding claim provision - 1 January	128.059.147	(64.501.520)	63.557.627
Paid Claims	(38.392.724)	11.780.672	(26.612.052)
Increase			
- Current period outstanding claims	54.130.780	(25.186.845)	28.943.935
- Prior years outstanding claims	15.446.773	(2.725.951)	12.720.822
Closing reported outstanding claim provision - 31 December	**159.243.976**	**(80.633.644)**	**78.610.332**
Incurred but not reported claims (Note 2.24)	46.745.562	(27.745.786)	18.999.776
Claim adequacy provision (Note 2.24)	2.464.362	(2.380.105)	84.257
Deduction amount calculated in accordance with winning ratio (Note 2.24)	(20.857.929)	11.612.026	(9.245.903)
Total	**187.595.971**	**(99.147.509)**	**88.448.462**

	2012		
	Gross	**Reinsurer's Share**	**Net**
Opening reported outstanding claim provision - 1 January	129.550.516	(72.860.596)	56.689.920
Paid Claims	(44.057.846)	14.360.578	(29.697.268)
Increase			
- Current period outstanding claims	32.594.566	(14.164.283)	18.430.283
- Prior years outstanding claims	9.971.911	8.162.781	18.134.692
Closing reported outstanding claims provision - 31 December	**128.059.147**	**(64.501.520)**	**63.557.627**
Incurred but not reported claims (Note 2.24)	29.074.392	(12.899.810)	16.174.582
Claim adequacy provision (Note 2.24)	3.111.810	(3.006.458)	105.352
Deduction amount calculated in accordance with winning ratio (Note 2.24)	(17.115.234)	10.251.408	(6.863.826)
Total	**143.130.115**	**(70.156.380)**	**72.973.735**

Unearned Premium Reserve:

	2013		
	Gross	Reinsurer's Share	Net
Opening balance - 1 January	168.621.333	(80.053.054)	88.568.279
Net change (*)	31.139.510	(22.665.130)	8.474.380
Closing balance - 31 December	**199.760.843**	**(102.718.184)**	**97.042.659**

	2012		
	Gross	Reinsurer's Share	Net
Opening balance - 1 January	133.366.677	(59.808.830)	73.557.847
Net change (*)	35.254.656	(20.244.224)	15.010.432
Closing balance - 31 December	**168.621.333**	**(80.053.054)**	**88.568.279**

(*) As discussed in Note 2.14, reinsurance share of unearned premium reserve as of 31 December 2013 includes SSI share of unearned premium reserve amounting to TL 2.971.651(1 January - 31 December 2012: TL 2.546.658 calculated on a daily basis over premiums ceded to SSI.

The deferred commission expense and deferred commission income amount to TL 30.627.911 (31 December 2012: TL 25.928.531) and TL 23.744.612 (31 December 2012: TL 19.625.374) as of 31 December 2013 and classified under "Deferred Acquisition Expenses" and "Deferred Comissions Income", respectively (Note 19).

Unexpired Risks Reserve:

	2013		
	Gross	Reinsurer's Share	Net
Opening balance - 1 January	900.255	(676.327)	223.928
Net change (*)	19.058.839	(15.282.083)	3.776.756
Closing balance -31 December	**19.959.094**	**(15.958.410)**	**4.000.684**

	2012		
	Gross	Reinsurer's Share	Net
Opening balance - 1 January	2.819.076	(759.157)	2.059.919
Net change (*)	(1.918.821)	82.830	(1.835.991)
Closing balance -31 December	**900.255**	**(676.327)**	**223.928**

Equalisation Reserve (*):

	2013		
	Gross	Reinsurer's Share	Net
Opening balance - 1 January	3.343.110	-	3.343.110
Provision deducted (**)	(7.695)	-	(7.695)
Net change (*)	884.605	-	884.605
Closing balance -31 December	**4.220.020**	**-**	**4.220.020**

Equalisation Reserve (*) (Continued):

	2012		
	Gross	Reinsurer's Share	Net
Opening balance - 1 January	2.944.270	-	2.944.270
Provision deducted (**)	(433.513)	-	(433.513)
Net change (*)	832.353	-	832.353
Closing balance - 31 December	**3.343.110**	**-**	**3.343.110**

(*) The reserve is calculated on a net basis as disclosed in Note 2.24.
(**) As of 31 December 2013,the company has deducted TL 7.695 (31 December 2012: TL 433.513) amount of accrued earthquake claim from its equlisation eserve. TL 7.105 (31 December 2012: TL 355.608) of the amount is form from paid claims and TL 590 (31 December 2012: TL 77,905) is form from claims which exist in outstanding claim provision records as of 31 December 2013 (Note 2.24).

Foreign currency denominated claims provisions are as follows:

	31 December 2013		
Foreign Currency Type	Foreign Currency Amount	Foreign Currency Rate	Amount TL
EUR	87.267	2,9418	256.722
USD	76.029	2,1381	162.558
Total			**419.280**

	31 December 2012		
Foreign Currency Type	Foreign Currency Amount	Foreign Currency Rate	Amount TL
EUR	94.035	2,3630	222.205
USD	283.504	1,7912	507.812
Total			**730.017**

Claim recovery income:

The amounts of the net salvage and subrogation income which are collected and the accrued income amounts from salvage and subrogation receivables with respect to the claims paid by the Company are as follows:

	Claim Recovery Accrual					
	31 December 2013			31 December 2012		
	Gross	Reinsurers Share	Net	Gross	Reinsurers Share	Net
Motor own Damage	3.933.002	-	3.933.002	3.905.546	-	3.905.546
Motor Third Party Liability	483.370	-	483.370	769.071	-	769.071
Marine	488.084	(171.727)	316.357	542.041	(387.297)	154.744
Fire and Catasrophic Losses	204.093	(39.020)	165.073	5.488.360	(4.643.649)	844.711
General Liability	118.790	-	118.790	8.781	(6.146)	2.635
General Losses	637.254	(553.045)	84.209	9.103	(7.620)	1.483
Water Vehicles	19.000	(17.480)	1.520	-	-	-
Health/Illness	567	(456)	111	-	-	-
Total	**5.884.160**	**(781.728)**	**5.102.432**	**10.722.902**	**(5.044.712)**	**5.678.190**

Claim Recovery Accrual

	31 December 2013			31 December 2012		
	Gross	Reinsurers Share	Net	Gross	Reinsurers Share	Net
Motor own Damage	25.036.681	(15.352)	25.021.329	24.381.886	(38.149)	24.343.737
Motor Third Party Liability	963.469	(19.310)	944.159	831.116	(19.499)	811.617
Marine	694.285	(483.384)	210.901	672.306	(339.814)	332.492
Fire and Catasrophic Losses	323.794	(157.229)	166.565	935.712	(575.953)	359.759
General Losses	504.489	(416.708)	87.781	114.171	(96.164)	18.007
Rail Vehicles	20.660	-	20.660	9.855	-	9.855
General Liability	61.422	(48.594)	12.828	950	(665)	285
Breach of Trust	-	-	-	37.795	(33.881)	3.914
Non-Life Accident	-	-	-	5.340	(5.340)	-
Voluntary Third Party Liability	-	-	-	5.300	-	5.300
Health/Illness	-	-	-	111	(89)	22
Total	**27.604.800**	**(1.140.577)**	**26.464.223**	**26.994.542**	**(1.109.554)**	**25.884.988**

Winning Rate Calculations Related to Outstanding Claims Under Legal Follow Up:

In accordance with the Communiqué numbered 2011/23, the Company has calculated a winning ratio as of 31 December 2013 and 2012 by dividing the amounts of legal cases closed in favour of the Company to the total amount of legal claims opened against the Company and closed in the past 5 years on a sub-branch basis. In accordance with the article 6 of the Communiqué, when the calculated winning ratio is over 25%, 25% is used if there is a sufficient number of closed claim files whereas 25% is used if there is insufficient number of closed claim files to reduce the respective portion outstanding claims provision. Winning rates as sub branches basis which have been calculated by the Company as 31 December 2013 and 2013 are described below:

Sub-branch	31 December 2013 Winning Rate %	31 December 2012 Winning Rate %
Compulsory third party liability	7	7
Financial liability (traffic)	13	13
Construction	8	10
Compulsory Traffic	14	13
Personal Accident	18	5
Other	25	25

17.15 - 17.19. Other required information about liabilities from insurance agreements (Continued):

The Company prepares the claim development table in accordance with the Regulation on Technical Reserves:

Claim development table on gross incurred claims basis as of 31 December 2013:

Accident year	1 January 2007 31 December 2007	1 January 2008 31 December 2008	1 January 2009 31 December 2009	1 January 2010 31 December 2010	1 January 2011 31 December 2011	1 January 2012 31 December 2012	1 January 2013 31 December 2013	Total Incurred Gross Claims
Claim incurred in the year of accident	138.441.003	141.758.178	148.059.817	134.647.786	113.665.455	126.589.649	129.681.901	932.843.789
1 year later	38.018.999	34.774.727	32.999.306	30.284.400	31.096.882	33.028.130	-	200.202.444
2 year later	8.234.576	6.055.568	39.206.794	9.587.090	16.159.233	-	-	79.243.261
3 year later	6.834.723	6.548.076	11.718.153	8.873.279	-	-	-	33.974.231
4 year later	6.481.451	5.142.370	7.077.475	-	-	-	-	18.701.296
5 year later	4.506.057	5.439.901	-	-	-	-	-	9.945.958
6 year later	4.534.847	-	-	-	-	-	-	4.534.847
Total incurred gross claims	**207.051.656**	**199.718.820**	**239.061.545**	**183.392.555**	**160.921.570**	**159.617.779**	**129.681.901**	**1.279.445.826**

Claim development table on gross incurred claims basis as of 31 December 2012:

Accident year	1 January 2006 31 December 2006	1 January 2007 31 December 2007	1 January 2008 31 December 2008	1 January 2009 31 December 2009	1 January 2010 31 December 2010	1 January 2011 31 December 2011	1 January 2012 31 December 2012	Total Incurred Gross Claims
Claim incurred in the year of accident	162.898.998	138.215.114	141.998.047	147.668.459	134.849.736	113.869.259	127.101.497	966.601.110
1 year later	42.046.194	38.199.628	35.051.302	33.276.407	30.631.863	31.925.812	-	211.131.206
2 year later	8.918.589	8.334.246	6.203.874	9.056.844	10.121.922	-	-	42.635.475
3 year later	8.302.872	6.947.909	6.549.589	10.247.573	-	-	-	32.047.943
4 year later	8.128.050	6.592.703	5.456.611	-	-	-	-	20.177.364
5 year later	7.245.188	4.601.988	-	-	-	-	-	11.847.176
6 year later	6.837.842	-	-	-	-	-	-	6.837.842
Total incurred gross claims	**244.377.733**	**202.891.588**	**195.259.423**	**200.249.283**	**175.603.521**	**145.795.071**	**127.101.497**	**1.291.278.116**

17.15 - 17.19. Other required information about liabilities from insurance agreements (Continued):

In accordance with the Communique, as of 31 December 2010, the Company selected the most appropriate method for the ACLM calculation for each branch considering the aspects of the related branch, the structure of portfolio of the Company and in accordance with the decision of the Actuary of the Company and the selected methods have been used for the calculations as of 31 December 2013 and 2012. The methods used in ACLM calculations as of 31 December 2013 and 2012 for each branch, additional gross and net provision amounts and amounts to be deducted when the results are negative are as follows:

		31 December 2013		31 December 2012	
Branch	**Applied Method**	**Gross Additional 100%) (*)**	**Net Additional Provision (100%)**	**Gross Additional 100%) (*)**	**Net Additional Provision (100%)**
Compulsory Motor Third Party Liability (*)	Standart	10.771.781	10.655.344	16.015.926	15.731.327
General Liability	Cape Code	30.549.909	7.649.212	9.273.426	2.321.100
Financial Liability	Standart	1.556.265	1.524.061	891.674	864.379
Accident	Standart	1.014.853	497.778	1.134.721	424.937
Water Vehicles	Standart	687.595	65.940	279.153	32.628
Fire and Catasrophic Losses	Standart	(1.475.596)	(507.540)	798.651	(739.865)
Marine	Standart	(1.417.703)	(757.783)	(271.459)	(128.821)
General Losses	Standart	(7.619.364)	(1.107.792)	(11.763.022)	(1.771.132)
Motor Vehicles	Standart	(3.674.271)	(3.664.999)	(5.104.663)	(5.119.063)
		30.393.469	**14.354.221**	**11.254.407**	**11.615.490**
Additional Provision for Compulsory Motor Third Party Liability (**)		2.958.738	2.926.755	2.494.665	2.497.933
Additional Provision for General Losses (**)		12.678.287	1.545.817	14.649.526	2.030.687
Total		**46.030.494**	**18.826.793**	**28.398.598**	**16.144.110**

(*) As of 31 December 2013 and 2012, according to the principles no: 2012/13 Sector Anouncement, the data about legal follow-up claims in compulsory motor branch is taking into account by revising past oriented ACLM calculations in accordance with the company's actuary judgement.If the revision about the mentioned claim files didn't happened as of 31 December 2012 net incurred bu not reported provision would be TL 2.853.051 (31 December 2012: TL 1.825.012 TL) less than the actual amount..

(**) The Company evaluated the claim development in compulsory motor third party liability and general losses branches statistically with other actuarial methods and models and accounted for a net additional reserve amounting to TL 2.926.755 (31 December 2012: TL 2.497.933) for compulsory motor third party lisability and TL 1.545.817 (31 December 2012: TL 2.030.687) for general losses as an addition to the incurred but not reported claim provision (Note 2.24).

As discussed in Note 2.24, the Company has used the results calculated in accordance with test of the adequacy of the results of ACLM calculations to determine the incurred but not reported claims provision for the branches without proper and adequate data as of 31 December 2013 and 2012:

	31 December 2013	31 December 2012
Breach of Trust	143.850	(4.835)
Legal Protection	14.669	4.172
Financial Losses (***)	8.181	3.548
Health	6.283	4.223
Rail Vehicles	-	23.364
Total	**172.983**	**30.472**

(***) Company has used sector average rate which is published at 30 June 2013for IBNR Calculation of financial losses branch cause of the avoid a requirement statistical data requirement. In this respect, for the mentioned branches, the Company accounted for an additional incurred but not reported claims provision amounting to TL 8.181 as of 31 December 2103 (31 December 2012: TL 3.548).

17.15 - 17.19. Other required information about liabilities from insurance agreements (Continued):

The ACLM calculations are performed on a gross basis and the net amounts are determined in accordance with in-force or related reinsurance agreements of the Company. The Company has used the rate of reinsurance share of paid claims for the last 12 months and period-end outstanding claims as the method to calculate the net amounts on a sub-branch basis.

The peak claims which are accepted as big claims are eliminated in a seperate calculation file by using prescribed statistical methods in the Circular to calculate ACLM with a more homogeneous set of data. Big claim limits used for determination of big claims eliminated in related calculations for each branch are as follows as of 31 December 2013 and 2012:

Branch	31 December 2013	31 December 2012
Fire and Catasrophic Losses	633.300	558.494
Compulsory Motor Third Party Liability	84.061	88.583
Motor Own Damage	-	258.203
General Losses	-	5.284.032

The box-plot elimination has not been performed for the branches other than described above during the ACLM calculations.

18. Investment Contract Liabilities

None (31 December 2012: None).

19. Trade and Other Payables, Deferred Income

	31 December 2013	31 December 2012
Payables to reinsurance companies	46.631.492	25.896.948
Other payables due to main operations	1.391.654	875.563
Premium reserves received from insurance and reinsurance companies (Note 10)	230.658	21.136
Payables due to main operations	**48.253.804**	**26.793.647**
Payables to SSI regarding medical expenses (*)	6.460.740	8.473.635
Received deposits and guarantee letters	1.159.473	692.085
Payables to suppliers	567.985	2.810.954
Payables to contractors	167.299	241.023
Other Payables	**8.355.497**	**12.217.697**
Deferred commission income (Note 17)	23.744.612	19.625.374
Total trade and other payables, deferred income	**80.353.913**	**58.636.718**

(*) Payables to SSI regarding to treatment expenses are as follows:

	2013	2012
Opening Balance - 1 January	**8.473.635**	**6.922.774**
Premiums ceded to SSI (1) (**)	6.190.937	5.022.159
Correction notified in 2012 related to premium ceded to SSI between 25 February 2011 - 26 August 2011 (1) (2) (**)	-	297.246
The difference between notified liabilities for the year 2012 and the amount calculated (3)	1.352.098	567.843
Notified correction for the period before regulation	252.874	12.723
Premium payments to SSI	(9.808.804)	(4.349.110)
Closing Balance - 31 December	**6.460.740**	**8.473.635**

(**) Ceded Premimums to SSI have been shown in the income statement.

(1) As disclosed in Note 2.14, the Group is required to cede a certain amount of premiums to be determined in accordance with the Regulation and the Communiqué numbered 2011/17 and Sector Announcement numbered 2012/6 to SSI in relation to policies issued after 25 February 2011, regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law. Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI as TL 6.190.937 as 1 January - 31 December 2013 (1 January - 31 December 2012: TL 5.022.159) The remaining part of ceded premiums to SSI is classified under the account "Payables to SSI regarding medical expenses - short term",payments until the end of period has reduced from this account.

(2) In accordance with the Communique numbered 2012/3, the Company has recalculated the certain amount of premiums to be ceded to SSI in relation with the policies issued after 25 February 2011 and before the effective date of the regulation 26 August 2011 in "Compulsory Transportation", "Compulsory Traffic" and "Compulsory Motor Personal Accident" branches according to the fixed prices determined accordance to the vehicle types in the Communique numbered 2012/3. Based on the aforementioned regulations, the Group has recorded the additional amount of the premiums to be ceded to SSI as TL 297.246 as ceded premium to SSI as of 31 December 2012 .

(3) In accordance with the Communiqué numbered 2011/17 and 2012/4, the difference between the respective liability amount notified by Treasury to the companies and the amount calculated as a result of the abovementioned calculations with respect to the related period is accounted for under "Payables to SSI regarding medical expenses" in balance sheet and charged to other technical income or expense account in income statement. In this context, the Group has deducted TL 1.352.098 (1 January - 31 December 2012: TL 567.843) from the related liability account by considering the 1 January - 31 December 2013 liability and recognized the corresponding amount of income in the current period "Other Technical Expense".

The related party balances are explained at Note 45.

Amounts of foreign currency denominated payables are as follows:

Payables to reinsurance companies:

	31 December 2013		
Foreign currency Amount	**Foreign Currency Amount**	**Foreign Currency Rate**	**Amount TL**
EUR	3.305.205	2,9365	9.705.734
USD	1.337.294	2,1343	2.854.187
Total			**12.559.921**

Payables to reinsurance companies **(Continued):**

	31 December 2012		
Foreign currency Amount	**Foreign Currency Amount**	**Foreign Currency Rate**	**Amount TL**
Euro	1.404.794	2,3517	3.303.654
ABD Doları	2.682.121	1,7826	4.781.149
Total			**8.084.803**

20. Borrowings

None (31 December 2012: None).

21. Deferred Income Tax

The Company calculates deferred income tax assets and liabilities for the temporary differences in the balance sheet items arising due to the measurement in these financial statements and measurement in accordance with Tax Procedure Law.

The enacted tax rate used for the calculation of deferred income tax assets and liabilities on temporary differences that are expected to be realised in the following periods under the liability method is 20%.

As of 31 December 2013 and 2012 the temporary differences giving rise to deferred income tax assets and liabilities with using appropriate tax rates are as follows:

	Cumulative temporary differences		**Deferred income tax assets/(liabilities)**	
	31 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**
Deferred income tax assets:				
Accumulated losses	18.850.868	11.410.574	3.770.174	2.282.115
Unexpired risk reserve	4.000.684	223.928	800.137	44.786
Equalisation reserve	3.732.436	3.027.957	746.487	605.591
Incurred but not reported outsanding claims provision	2.926.755	2.494.665	585.351	498.933
Personnel bonus provision	1.740.150	2.140.150	348.030	428.030
Provision for employee termination benefit	1.407.159	1.234.974	281.432	246.995
Unused vacation provision	840.011	730.574	168.002	146.115
Claim recovery receivables provision	726.261	1.226.784	145.252	245.357
Premium recevable provision	446.479	640.631	89.296	128.126
Other	149.560	1.082.754	29.912	216.551
Total deferred income tax assets			**6.964.073**	**4.842.599**

21. Deferred Income Tax (Continued)

	Cumulative temporary differences		Deferred income tax assets/(liabilities)	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Deferred income tax liabilities:				
Fixed assets	(18.784.377)	(18.873.515)	(3.756.875)	(3.774.703)
Deferred acquisition costs	(1.347.663)	(939.203)	(269.533)	(187.841)
Total deferred tax liabilities			**(4.026.408)**	**(3.962.544)**
Deferred tax assets - net (Note 35)			**2.937.665**	**880.055**

The movement of deferred tax assets in the period is as follows:

	2013	2012
Opening balance - 1 January	880.055	15.241
Deferred tax (expense)/income (Note 35)	1.965.225	864.814
Accounted for under equity		
deffered tax effect of actuarial losses	92.385	-
Closing Balance - 31 December (Note 35)	**2.937.665**	**880.055**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are determined using tax rates and tax legislation that have been enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Accordingly, the Company, based on its best estimates, calculated a deferred tax asset based on the tax losses to be utilized with the budgeted profits.

In this respect, as of 31 December 2013, the Company has calculated a deferred tax asset amounting to TL 3.770.174 (31 December 2012: TL 2.282.115) over deductible tax losses amounting to TL 18.850.868 (31 December 2012: TL 11.410.574). In addition, the Company has TL 14.384.728 (31 December 2012: TL 40.782.995) of tax losses, out of which the Company has not recognized a deferred tax asset amounting to TL 2.876.946 (31 December 2012: TL 8.156.599) as of 31 December 2013. The maturity analysis of the deductible tax losses out of which the deferred tax asset has not been recognized is as follows:

	31 December 2013	31 December 2012
2014	-	26.189.376
2015	10.788.150	10.997.041
2016	3.596.578	3.596.578
Total	**14.384.728**	**40.782.995**

22. Retirement Benefit Obligations

	31 December 2013	31 December 2012
Provision for employee termination benefits	1.407.159	1.234.974
	1.407.159	**1.234.974**

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). After the changes made on 23 May 2002 in the legislation, some process of transition clauses related to the length of service before retirement have been omitted.

The amount payable consists of one month's salary limited to a maximum of TL 3.254,44 (31 December 2012: TL 3.033,98) for each year of service at 31 December 2013.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

TMS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2013	31 December 2012
Discount rate per annum (%)	3,74	2,50
Turnover rate to estimate the probability of retirement (%)	89	89

The principal assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 3.438,22 (1 December 2013: TL 3.129,25) which is effective from 1 January 2014, has been taken into consideration in calculating the provision for employment termination benefits.

Movement in the provision for employment termination benefits is as follows:

	2013	2012
Opening balance - 1 January	1.234.974	1.059.816
Service and interest costs	17.719	1.078.589
Actuarial losses (*)	461.923	-
Payments	(307.457)	(903.431)
End of period - 31 December	**1.407.159**	**1.234.974**

(*) As of 31 December 2013, it has been account for under "Other Capital Reserve" as net of tax. The actuarial gain and loss generated as a result of the calculations regarding the provision for Employment Termination Benefits in the interim accounting period of 1 January - 31 December 2012, since they has no material effect to financial statements, no restatement is made in the prior year's financial statements and all services and interest costs and actuarial gain and loss related to the mentioned period have been accounted under income statement (Note 2.19 and 15)

23. Provisions for Other Liabilities and Charges

Commitments and contingent liabilities not recognised as liabilities are disclosed in Note 43.

Guarantees and pledges received are disclosed in Note 12.3.

The details of provisions that are classified under provisions for expense accruals in balance sheet are as follows:

	31 December 2013	31 December 2012
Personnel bonus provision	1.740.150	2.140.150
Provision for lawsuits	150.489	204.940
Total provision for expense accruals	**1.890.639**	**2.345.090**
Unused vacation provision (**) (Note 47.1)	840.011	730.574
Total	**2.730.650**	**3.075.664**

(**) Classified under "Other Current Liabilities" account in balance sheet.

24. Net Insurance Premium Revenue

	1 January - 31 December 2013			1 January - 31 December 2012		
	Gross	Reinsurer's Share	Net	Gross	Reinsurer's Share	Net
Motor own damage	85.779.145	(3.941.410)	81.837.735	81.972.488	(13.347)	81.959.141
Fire and catastrophic losses	81.805.560	(71.443.739)	10.361.821	74.664.242	(65.427.173)	9.237.069
General losses	68.427.740	(58.360.040)	10.067.700	45.863.455	(38.193.694)	7.669.761
Motor third party liability (*)	66.672.297	(6.153.071)	60.519.226	54.259.145	(5.322.021)	48.937.124
General liability	14.567.327	(11.642.906)	2.924.421	10.084.551	(8.108.738)	1.975.813
Marine	13.125.606	(6.735.670)	6.389.936	14.373.013	(6.597.551)	7.775.462
Water vehicles	8.431.013	(7.834.044)	596.969	7.624.965	(6.847.731)	777.234
Accident	6.837.376	(2.104.607)	4.732.769	6.546.139	(1.977.666)	4.568.473
Health	5.033.399	(3.845.358)	1.188.041	4.689.419	(3.674.096)	1.015.323
Financial losses	1.380.663	(1.311.974)	68.689	1.590.491	(1.535.901)	54.590
Legal protection	1.125.727	(3)	1.125.724	1.077.993	(2)	1.077.991
Air vehicles	603.968	(603.968)	-	266.962	(266.962)	-
Breach of trust	379.794	(234.046)	145.748	420.168	(328.490)	91.678
Air vehicles liability	129.377	(129.377)	-	715.571	(715.571)	-
Rail vehicles	-	-	-	251.656	-	251.656
Total	**354.298.992**	**(174.340.213)**	**179.958.779**	**304.400.258**	**(139.008.943)**	**165.391.315**

(*) Reinsurance premiums for motor vehicles liability branch include premiums ceded to SSI amounting to TL 6.190.937 (1 January - 31 December 2013: TL 5.319.405) regarding the policies written through 1January - 31 December 2013 calculated in accordance with the Communiqué numbered 2011/17 (Notes 2.14 10 and 19).

25. Fee Income

None (1 January - 31 December 2012: None).

26. Investment Income

	1 January - 31 December 2013	1 January - 31 December 2012
Cash and cash equivalents		
Interest income	8.799.627	9.584.554
Held-for-trading financial assets		
Sales income and fair value changes	242.078	487.258
Held to maturity financial assets		
Interest income	131.932	-
Total	**9.173.637**	**10.071.812**

27. Net Realised Gains on Financial Assets

Information about realised gains and losses on held-for-trading and held to maturity financial assets is disclosed in Note 11.

28. Net Fair Value Gains on Assets at Fair Value through Income

Disclosed in Notes 11 and 26.

29. Insurance Benefits and Claims

Disclosed in Note 17.

30. Investment Contract Benefits

None (31 December 2012: None).

31. Other Expenses

	1 January - 31 December 2013	1 January - 31 December 2012
Operating expenses classified under technical part	49.746.766	45.852.033
Total (Note 32)	**49.746.766**	**45.852.033**

32. Expenses by Nature

	1 January - 31 December 2013	1 January - 31 December 2012
Commission expenses	49.116.355	43.888.470
Personnel expenses (Note 33)	18.038.208	17.998.437
Communication and data processing expenses	4.135.786	3.615.227
Advisory expenses	3.054.600	1.001.132
Marketing and sales expenses	2.162.260	1.390.085
Travel expenses	1.593.108	1.456.565
Fee expenses	1.462.817	1.193.004
Office expenses	1.152.603	1.182.898
Reinsurance commission income	(32.214.414)	(28.925.368)
Other	1.245.443	3.051.583
Total (Note 31)	**49.746.766**	**45.852.033**

33. Employee Benefit Expense

	1 January - 31 December 2013	1 January - 31 December 2012
Salary payments	13.557.841	13.151.644
Employer share of social security premium	2.018.013	1.906.928
Bonus payments	1.747.596	1.543.191
Private health insurance	232.537	463.793
Side benefits	27.334	29.101
Other	454.887	903.780
Total (Note 32)	**18.038.208**	**17.998.437**

Total salaries and benefits paid to the members of the Board of Directors, General Manager, General Coordinator, Assistant General Manager and other executive management are explained in Note 1.6.

34. Financial Costs

34.1. Total financial expenses for the period: TL 2.065.169 (1 January - 31 December 2012: TL 1.855.024).

34.1.1. Expenses related to production cost: None (1 January - 31 December 2012: None).
34.1.2. Expenses related to tangibles: None (1 January - 31 December 2012: None).
34.1.3. Direct expenses: TL 2.065.169 (1 January - 31 December 2012: TL 1.855.024).

34.2. Financial expenses related to shareholders, subsidiaries and investments (any amount exceeding 20% of total will be illustrated separately): None (1 January - 31 December 2012: None).

34.3. Sales to/purchases from shareholders, subsidiaries and investments (any amount exceeding 20% of total will be illustrated separately): Related party transactions and balances are disclosed in Note 45.

34.4. Interest, rent or other charges received from or paid to shareholders, subsidiaries and investments (any amount exceeding 20% of total will be illustrated separately): Related party transactions and balances are disclosed in Note 45.

35. Income Taxes

Tax assets/liabilites and tax income/expenses belongs to the accounting years 1January - 31 December 2013 and 2012 are summarized below as of 31 December 2013 and 2012.

	1 January - 31 December 2013	1 January - 31 December 2012
Deferred tax income (Note 21)	1.965.225	864.814
Total tax income	**1.965.225**	**864.814**

	31 December 2013	31 December 2012
Prepaid tax and funds	1.542.120	1.634.232
Prepaid tax and funds	**1.542.120**	**1.634.232**
Deferred tax asset	6.964.073	4.842.599
Deferred tax liability (-)	(4.026.408)	(3.962.544)
Deferred tax asset - net (Note 21)	**2.937.665**	**880.055**

35. Income Taxes (Continued)

The reconciliation of the actual taxation charge is as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Income before current and deferred income tax	6.600.204	2.872.308
Enacted tax rate	%20	%20
Tax calculated by enacted tax rate	(1.320.041)	(574.462)
Effect of disallowable expenses	(66.917)	(79.594)
Effect of income not subject to tax	-	45.020
Effect of accumulated financial losse for deferred tax at current year	3.352.183	1.473.850
Tax income for current period (Note 21)	**1.965.225**	**864.814**

36. Net Foreign Exchange Gains

	1 January - 31 December 2013	1 January - 31 December 2012
Related to deposits and accounts		
- Exchange gains	9.975.900	4.171.939
- Exchange losses	(4.673.276)	(5.638.608)
Total	**5.302.624**	**(1.466.669)**

37. Earnings per Share

Earnings per share is calculated by dividing net profit for the period into weighted average number of shares of the Company.

	1 January - 31 December 2013	1 January - 31 December 2012
Net profit for the period	8.565.429	3.737.122
Weighted average number of shares with nominal value of Kr 1 per share	16.306.985.600	16.306.985.600
Earnings per share (Kr)	0,0525	0,0229

38. Dividends per Share

None (31 December 2012: None).

39. Cash Generated from Operations

Disclosed in the statement of cash flows.

40. Convertible Bond

None (31 December 2012: None).

41. Redeemable Preference Shares

None (31 December 2012: None).

42. Risks

	31 December 2013	31 December 2012
Outstanding claims litigations against the Company - gross (*)	112.929.395	88.070.112
Lawsuits opened against the Company	150.489	204.940

(*) Related item is accounted for in outstanding claim provision and the movement table of outstanding claim provision is disclosed in Note 17. The retention amount for this provision is TL 55.352.707 (31 December 2012: TL 42.716.422). As disclosed in Notes 2.24 and 17.15, the Company made a deduction from the outstanding claim provision under legal follow up amounting to TL 20.857.929 (31 December 2012: TL 17.115.234) on gross basis and TL, 9.245.903 on net basis as of 31 December 2013 (31 December 2012: TL 6.863.826) on net basis as of 31 December 2013.

43. Guarantees

	31 December 2013			
	USD	EUR	TL	Total
Letters of guarantee given	571.841	-	9.967.257	10.539.098
Total	**571.841**	**-**	**9.967.257**	**10.539.098**

	31 December 2012			
	USD	EUR	TL	Total
Letters of guarantee given	1.587.055	-	8.404.430	9.991.485
Total	**1.587.055**	**-**	**8.404.430**	**9.991.485**

Mortgages or restrictions on assets:

	31 December 2013	31 December 2012
Bank deposits (Note 14)	31.096.339	36.110.812
Government bonds (Note 11)	4.974.236	-
Total	**36.070.575**	**36.110.812**

44. Business Combinations

None (31 December 2012: None).

45. Related-Party Transactions

VIG group companies; and the shareholders, investments and top management of the Company are considered as related parties in these financial statements.

	31 December 2013	31 December 2012
a) Payables to insurance and reinsurance companies net		
VIG Holding	8.991.965	5.636.738
VIG Re	3.418.337	728.649
Kooperativa	1.311.713	-
Other	195.701	610.867
Total	**13.917.716**	**6.976.254**
b) Reinsurers' share on unearned premium reserve		
VIG Holding	10.474.441	2.457.721
VIG Re	10.104.460	9.923.263
Kooperativa	1.341.622	-
Other	234.682	214.656
Total	**22.155.205**	**12.595.640**
c) Reinsurers' share on outstanding claim reserve		
VIG Re	6.666.855	6.785.675
VIG Holding	6.316.927	492.399
Other	250.914	12.642
Total	**13.234.696**	**7.290.716**
d) Deferred commission income		
VIG Re	2.918.857	2.858.867
VIG Holding	2.846.057	671.320
Other	102.213	31.763
Total	**5.867.127**	**3.561.950**

	1 January - 31 December 2013	1 January - 31 December 2012
e) Ceded Premiums		
VIG Holding	19.830.979	6.237.109
VIG Re	14.903.201	19.702.802
Other	761.972	907.192
Total	**35.496.152**	**26.847.103**
f) Commissions received		
VIG Holding	5.106.422	1.413.964
VIG Re	4.433.080	5.031.678
Other	61.517	66.838
Total	**9.601.019**	**6.512.480**

45. Related-Party Transactions (Continued)

	1 January - 31 December 2013	1 January - 31 December 2012
g) Reinsurers' share on paid claims		
VIG Re	5.893.583	5.746.891
VIG Holding	2.584.971	788.685
Other	23.869	797
Total	**8.502.423**	**6.536.373**
h) Operational expenses		
VIG Holding	182.963	212.936
Total	**182.963**	**212.936**

45.1. Doubtful receivables from shareholders, investments, subsidiaries: None (31 December 2012: None).

45.2. Breakdown of investments and subsidiaries having an indirect shareholding and management relationship with the Company, participation rates and amounts of these investments and subsidiaries; profit/loss, net profit/loss in the latest financials, the period of these financials and the opinion type of the independent audit report if the company is independently audited:

Financial non-current assets

31 December 2013

	%	Restated Cost	Book Value	Audit Opinion	Financial Statement Period	Total Asset	Total Liabilities	Net Sales	Net income / (loss)
TARSİM	4,16	125.125	125.125	-	31.12.2013	9.460.279	3.415.596	13.364.587	501.019
Risk Ekspert (*)	30	15.000	15.000	-	31.12.2013	30.108	36.188	181.729	(13.633)
		140.125	**140.125**	**-**	**-**	**9.490.387**	**3.451.784**	**13.546.316**	**487.386**

31 December 2012

	%	Restated Cost	Book Value	Audit Opinion	Financial Statement Period	Total Asset	Total Liabilities	Net Sales	Net income / (loss)
TARSİM	4,16	125.125	125.125	-	31.12.2012	8.141.168	1.617.973	12.199.842	743.049
Risk Ekspert (*)	30	15.000	15.000	-	31.12.2012	18.670	10.117	21.060	(41.447)
		140.125	**140.125**	**-**	**-**	**8.159.838**	**1.628.090**	**12.220.902**	**701.602**

(*) The foundation of Risk-Ekspert is declared in Trade Register Newspaper in7 July 2012 (Notes 2.1 and 9).

45.3. Bonus shares obtained through internally funded capital increases of equity investments and subsidiaries: None (31 December 2012: None).

45.4. Rights on immovable and their value: None (31 December 2012: None).

45.5. Guarantees, commitments and securities given for shareholders, investments and subsidiaries: None (31 December 2012: None).

46. Events After The Balance Sheet Date

a) The period of registered capital ceiling of the Company as TL 200,000,000 has been protracted to 31 December 2018 by CMB Approval Letter No. 110.03.02-39-167 at 7 January 2014.

b) The employment termination benefits ceiling has increased to TL 3.438,22 effective from 1 January 2014.

47. Other

47.1. Details of "Other" items in the balance sheet which exceed 20% of its respective account group or 5% of total assets:

	31 December 2013	31 December 2012
a) Other Receivables:		
Receivables from state-sponsored agricultural insurance	448.096	576.729
Receivables from compulsory earthquake insurance policies	58.484	212.570
Other	13.476	11.660
Total	**520.056**	**800.959**
b) Other Prepaid Expenses:		
Deferred acquisition costs	1.347.663	939.203
Prepaid expenses	682.364	70.466
Total	**2.030.027**	**1.009.669**
c) Other short term payable:		
Payables to suppliers	567.985	2.810.954
Payables to contractors	167.299	241.023
Total	**735.284**	**3.051.977**
d) Other Short-term Liabilities:		
Unused vacation provision (Note 23)	840.011	730.574
Total	**840.011**	**730.574**
e) Other Long-term Technical Provisions:		
Equalisation reserve (Note 17)	4.220.020	3.343.110
Total	**4.220.020**	**3.343.110**

47.1. Details of "Other" items in the balance sheet which exceed 20% of its respective account group or 5% of total assets (Continued):

	31 December 2013	31 December 2012
f) Other Losses and Expenses:		
Receivables written off	797.122	626.393
Disallowable expenses	312.752	198.039
Other	76.690	136.378
Total	**1.186.564**	**960.810**

47.2. Due from and due to personnel classified in "Other receivables" and "Other short-term or long-term payables" that exceed 1% of total assets: None (31 December 2012: None).

47.3. Receivables from claim recoveries followed under off-balance sheet items: None (31 December 2012: None).

47.4. Income and expenses related to prior periods and the amounts and sources of expenses and losses: None (The amount consists of reconciliation differences due to the reconciliations performed for the period 1 January - 31 December 2012 amounting to TL 7.671).

47.5. Other information required by treasury to be presented

Provision and rediscount expenses/(income) for the period:

	1 January - 31 December 2013	1 January - 31 December 2012
Provisions expenses/(income)		
Net claim recovery receivables provision under legal follow-up (Note 12.5-12.7)	9.023.606	1.267.162
Provision for unused vacation	109.437	238.330
Provisions for doubtful receivables from main operations (Note 12.5-12.7)	(106.326)	(692.512)
Provision for receivables from policyholders and intermediaries (Note12.5-12.7)	(194.152)	131.926
Provision for employment termination benefits	(289.738)	175.158
Performans prim karşılığı	(400.000)	940.150
Diğer	(54.449)	12.721
Total	**8.088.378**	**2.072.935**

		Note	Current Period	Previous Period
I.	**DISTRIBUTION OF PROFIT FOR THE PERIOD**			
1.1.	PROFIT FOR THE PERIOD		8.565.429	3.737.122
1.2.	TAXES PAYABLE AND LEGAL LIABILITIES		-	-
1.2.1.	Corporation Tax (Income Tax)		-	-
1.2.2.	Income Tax Deduction		-	-
1.2.3.	Other Taxes and Legal Liabilities		-	-
A.	**NET PROFIT FOR THE PERIOD (1.1 - 1.2)**		**8.565.429**	**3.737.122**
1.3.	PREVIOUS YEARS' LOSSES (-)		-	-
1.4.	FIRST LEGAL RESERVE		-	-
1.5.	LEGAL RESERVES KEPT IN THE COMPANY(-)		-	-
B.	**NET DISTRIBUTABLE PROFIT FOR THE PERIOD [(A - (1.3 + 1.4 + 1.5)]**		**-**	**-**
1.6.	FIRST DIVIDEND TO SHAREHOLDERS (-)		-	-
	1.6.1. To Common Shareholders		-	-
	1.6.2. To Preferred Shareholders		-	-
	1.6.3. To Owners of Participating Redeemed Shares		-	-
	1.6.4. To Owners of Profit-Sharing Securities		-	-
	1.6.5. To Owners of Profit and Loss Sharing Securities		-	-
1.7.	DIVIDENDS TO PERSONNEL (-)		-	-
1.8.	DIVIDENDS TO FOUNDERS (-)		-	-
1.9.	DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.10.	SECOND DIVIDENDS TO SHAREHOLDERS (-)		-	-
	1.10.1. To Common Shareholders		-	-
	1.10.2. To Preferred Shareholders		-	-
	1.10.3. To Owners of Participating Redeemed Shares		-	-
	1.10.4. To Owners of Profit-Sharing Securities		-	-
	1.10.5. To Owners of Profit and Loss Sharing Securities		-	-
1.11.	SECOND LEGAL RESERVE (-)		-	-
1.12.	STATUTORY RESERVES (-)		-	-
1.13.	EXTRAORDINARY RESERVES		-	-
1.14	OTHER RESERVES		-	-
1.15	SPECIAL FUNDS		-	-
II.	**DISTRIBUTION FROM RESERVES**			
2.1.	DISTRIBUTED RESERVES		-	-
2.2.	SECOND LEGAL RESERVE (-)		-	-
2.3.	DIVIDENDS TO SHAREHOLDERS (-)		-	-
	2.3.1. To Common Shareholders		-	-
	2.3.2. To Preferred Shareholders		-	-
	2.3.3. To Owners of Participating Redeemed Shares		-	-
	2.3.4. To Owners of Profit-Sharing Securities		-	-
	2.3.5. To Owners of Profit and Loss Sharing Securities		-	-
2.4.	DIVIDENDS TO EMPLOYEES (-)		-	-
2.5.	DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III.	**PROFIT PER SHARE**		**-**	**-**
3.1.	TO COMMON SHAREHOLDERS		-	-
3.2.	TO COMMON SHAREHOLDERS (%)		-	-
3.3.	TO PREFERRED SHAREHOLDERS		-	-
3.4.	TO PREFERRED SHAREHOLDERS (%)		-	-
IV.	**DIVIDENDS PER SHARE**		**-**	**-**
4.1.	TO COMMON SHAREHOLDERS		-	-
4.2.	TO COMMON SHAREHOLDERS (%)		-	-
4.3	TO PREFERRED SHAREHOLDERS		-	-
4.4.	TO PREFERRED SHAREHOLDERS (%)		-	-

The authorised body of the Company for the distribution of the current period profit is the General Assembly. As of the date of the preparation of the financial statements, Ordinary General Assembly of the Company has not been held, yet; therefore only net profit for the period has been stated on the statement of profit distribution.

Notes

Notes

Always add on the trust and peace...

Multiply the beauties offered by life...

Substract the risks from our lives...

And never divide happiness...

Head Office
Cumhuriyet Mah. Haydar Aliyev Cad. No: 28 34457 Sarıyer / İstanbul
Tel: 0212 363 25 00 Faks: 0212 299 48 99

Istanbul Anatolian Regional Office
Sahrayıcedit Mah. Halk Sk. No: 33 Golden Plaza İş Merkezi F-Blok Kat: 1 Kozyatağı 34734 Kadıköy / İstanbul
Tel: 0216 411 16 06 Faks: 0216 411 16 19

Istanbul European Regional Office
İstanbul Dünya Ticaret Merkezi B-1 Blok Kat: 9 No: 319-320 34149 Yeşilköy / İstanbul
Tel: 0212 465 40 45 Faks: 0212 465 04 75

Central Anatolia Regional Office
Farabi Sokak No: 40/A 06690 Kavaklıdere / Ankara
Tel: 0312 428 50 00 Faks: 0312 428 50 49

Aegean Regional Office
Halit Ziya Bulvarı No: 72 Taner İş Merkezi A-Blok Kat: 2 35210 / İzmir
Tel: 0232 483 72 46 Faks: 0232 489 86 05

Marmara Regional Office
Lefkoşe Caddesi A Blok Kat: 3 No: 34-36 Nilüfer / BURSA
Tel: 0224 211 28 27 Faks: 0224 211 28 37

Southeastern Anatolia Regional Office
Çınarlı Mahallesi Atatürk Cad. No: 15 İdeal Plaza Kat: 7 01120 Seyhan / Adana
Tel: 0322 457 06 83 Faks: 0322 454 77 61

Mediterranean Regional Office
Konyaaltı Cad. Antmarin İş Merkezi No: 24 K: 6 07050 Konyaaltı / Antalya
Tel: 0242 247 20 25 Faks: 0242 247 39 59

TRNC Branch
Bedrettin Demirel Cad. Arabacıoğlu 7 Apt. No: 123 / 7 Lefkoşa / KKTC
Tel: 0392 227 03 80-81-82 Faks: 0392 227 03 83

Ray Call Center: (0212 363 26 00 - 444 4 729)
www.raysigorta.com.tr