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

Ray Sigorta Anonim Şirketi

31 December 2014
Financial Statements
Together With
Independent Auditors' Report Thereon
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

24 February 2015

This report includes 2 page of independent auditors' report and 78 pages of financial information together with their explanatory notes.

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Ray Sigorta Anonim Şirketi

Introduction

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

Management's Responsibility for the Financial Statements

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

Independent Auditor's Responsibility

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

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

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

Opinion

In our opinion, nothing has come to our attention that causes us to believe that the accompanying financial statements give a true and fair view of the financial position of Ray Sigorta A.Ş. as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with the accounting principles and standards (see *Note 2*) in force as per the insurance legislation.

Other Matter

For the period ended 31 December 2013, the Company's financial statements was audited by another independent audit firm. The related independent audit firm expressed an unqualified opinion to the financial statements of the Company, in its audit report dated on 28 February 2014.

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 24 February 2015.

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

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

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

Alper Güvenç, SMMM
Partner
24 February 2015
İstanbul, TÜRKİYE

Additional paragraph for convenience translation to English:

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

RAY SİGORTA ANONİM ŞİRKETİ
FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2014

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

İstanbul, 24 February 2015

M.Levent ŞİŞMANOĞLU
Member of Board of Directors,
General Menager

Koray ERDOĞAN
Member of Executive Board
Assistant General Menager

Mustafa ÖNDER
Finance Manager

Banu GÖNENÇ
Aktuary

ASSETS			
I- Current Assets	**Note**	**Audited Current Period 31 December 2014**	**Audited Current Period 31 December 2013**
A- Cash and Cash Equivalents	**14**	**202.151.622**	**180.930.170**
1- Cash	14	39.326	34.501
2- Cheques Received	14	12	5.352
3- Banks	14	164.107.105	146.374.111
4- Cheques Given and Payment Orders		--	--
5- Bank Guaranteed Credit Card Receivables with Maturities Less ThanThree Months	14	38.005.179	34.516.206
6- Other Cash and Cash Equivalents		--	--
B- Financial Assets and Financial Investments with Risks on Policyholders	**11**	**19.893.909**	**15.243.061**
1- Available-for-Sale Financial Assets		-	-
2- Held to Maturity Investments	11	5.015.524	4.974.236
3- Financial Assets Held for Trading	11	14.878.385	10.268.825
4- Loans and Receivables		--	--
5- Provision for Loans and Receivables		--	--
6- Financial Investments with Risks on Saving Life Policyholders		--	--
7- Company's Own Equity Shares		--	--
8- Diminution in Value of Financial Investments		--	--
C- Receivables from Main Operations	**12**	**95.964.545**	**113.565.167**
1- Receivables from Insurance Operations	12	95.447.702	113.418.369
2- Provision for Receivables from Insurance Operations	12	(637.611)	(1.172.740)
3- Receivables from Reinsurance Operations		--	--
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited to Insurance and Reinsurance Companies	12	9.213	9.213
6- Loans to the Policyholders		--	--
7- Provision for Loans to the Policyholders		--	--
8- Receivables from Individual Pension Operations		--	--
9- Doubtful Receivables from Main Operations	12	46.248.752	43.158.360
10- Provision for Doubtful Receivables from Main Operations	12	(45.103.511)	(41.848.035)
D- Due from Related Parties	**12**	**34.047**	**18.798**
1- Due from Shareholders		--	--
2- Due from Associates		--	--
3- Due from Subsidiaries		--	--
4- Due from Joint Ventures		--	--
5- Due from Personnel	12	34.047	18.798
6- Due from Other Related Parties		--	--
7- Rediscount on Receivables from Related Parties		--	--
8- Doubtful Receivables from Related Parties		--	--
9- Provision for Doubtful Receivables from Related Parties		--	--
E- Other Receivables	**12**	**569.730**	**749.928**
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given		438.553	229.872
4- Other Miscellaneous Receivables		131.177	520.056
5- Rediscount on Other Miscellaneous Receivables		--	--
6- Other Doubtful Receivables		--	--
7- Provision for Other Doubtful Receivables		--	--
F- Prepaid Expenses and Income Accruals	**17**	**35.061.502**	**32.657.938**
1- Prepaid Expenses	17	33.648.322	30.627.911
2- Accrued Interest and Rent Income		--	--
3- Income Accruals		--	--
4- Other Prepaid Expenses	17	1.413.180	2.030.027
G- Other Current Assets		--	--
1- Stocks to be Used in the Following Months		--	--
2- Prepaid Taxes and Funds	19	2.312.725	1.542.120
3- Deferred Tax Assets		--	--
4- Job Advances		--	--
5- Advances Given to Personnel		--	--
6- Inventory Count Differences		--	--
7- Other Miscellaneous Current Assets		--	--
8- Provision for Other Current Assets		--	--
I- Total Current Assets		**355.988.080**	**344.707.182**

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

ASSETS			
II- Non-Current Assets	**Note**	**Audited Current Period 31 December 2014**	**Audited Prior Period 31 December 2013**
A- Receivables from Main Operations		**--**	**--**
1- Receivables from Insurance Operations		--	--
2- Provision for Receivables from Insurance Operations		--	--
3- Receivables from Reinsurance Operations		--	--
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited for Insurance and Reinsurance Companies		--	--
6- Loans to the Policyholders		--	--
7- Provision for Loans to the Policyholders		--	--
8- Receivables from Individual Pension Business		--	--
9- Doubtful Receivables from Main Operations		--	--
10- Provision for Doubtful Receivables from Main Operations		--	--
B- Due from Related Parties		**--**	**--**
1- Due from Shareholders		--	--
2- Due from Associates		--	--
3- Due from Subsidiaries		--	--
4- Due from Joint Ventures		--	--
5- Due from Personnel		--	--
6- Due from Other Related Parties		--	--
7- Rediscount on Receivables from Related Parties		--	--
8- Doubtful Receivables from Related Parties		--	--
9- Provision for Doubtful Receivables from Related Parties		--	--
C- Other Receivables		**--**	**--**
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given		--	--
4- Other Miscellaneous Receivables		--	--
5- Rediscount on Other Miscellaneous Receivables		--	--
6- Other Doubtful Receivables		--	--
7- Provision for Other Doubtful Receivables		--	--
D- Financial Assets	**9**	**226.320**	**140.125**
1- Investments in Equity Shares	9	226.320	140.125
2- Investments in Associates		--	--
3- Capital Commitments to Associates		--	--
4- Investments in Subsidiaries		--	--
5- Capital Commitments to Subsidiaries		--	--
6- Investments in Joint Ventures		--	--
7- Capital Commitments to Joint Ventures		--	--
8- Financial Assets and Financial Investments with Risks on Policyholders		--	--
9- Other Financial Assets		--	--
10- Impairment in Value of Financial Assets		--	--
E- Tangible Assets	**6**	**44.215.009**	**32.703.446**
1- Investment Properties		--	--
2- Impairment for Investment Properties		--	--
3- Owner Occupied Property	6	41.950.701	32.599.305
4- Machinery and Equipments		-	-
5- Furniture and Fixtures	6	3.480.497	2.993.294
6- Motor Vehicles	6	2.258.611	1.871.888
7- Other Tangible Assets (Including Leasehold Improvements)	6	2.281.345	2.281.345
8- Tangible Assets Acquired Through Finance Leases	6	841.069	914.348
9- Accumulated Depreciation	6	(6.597.214)	(7.956.734)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		--	--
F- Intangible Assets	**8**	**1.010.115**	**787.405**
1- Rights	8	5.856.146	5.026.300
2- Goodwill		--	--
3- Pre-operating Expenses		--	--
4- Research and Development Costs		--	--
5- Other Intangible Assets		--	--
6- Accumulated Amortization	8	(4.846.031)	(4.238.895)
7- Advances Paid for Intangible Assets		--	--
G- Prepaid Expenses and Income Accruals	**17**	**36.586**	**--**
1- Prepaid Expenses		--	--
2- Income Accruals		--	--
3- Other Prepaid Expenses and Income Accruals	17	36.586	--
H- Other Non-Current Assets	**21**	**--**	**2.937.665**
1- Effective Foreign Currency Accounts		--	--
2- Foreign Currency Accounts		--	--
3- Stocks to be Used in the Following Years		--	--
4- Prepaid Taxes and Funds		--	--
5- Deferred Tax Assets	21	--	2.937.665
6- Other Miscellaneous Non-Current Assets		--	--
7- Amortization on Other Non-Current Assets		--	--
8- Provision for Other Non-Current Assets		--	--
II- Total Non-Current Assets		**45.488.030**	**36.568.641**
TOTAL ASSETS		**401.476.110**	**381.275.823**

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

LIABILITIES			
III- Short-Term Liabilities	**Note**	**Audited Current Period 31 December 2014**	**Audited Prior Period 31 December 2013**
A- Financial Liabilities	**20**	**--**	**55**
1- Borrowings from Financial Institutions		--	--
2- Finance Lease Liabilities		--	353
3- Deferred Leasing Costs		--	(298)
4- Current Portion of Long Term Debts		--	--
5- Principal Instalments and Interests on Bonds Issued		--	--
6- Other Financial Assets Issued		--	--
7- Valuation Differences of Other Financial Assets Issued		--	--
8- Other Financial Liabilities		--	--
B- Payables Arising from Main Operations	**19**	**44.378.688**	**48.253.804**
1- Payables Arising from Insurance Operations	19	24.659.903	48.023.146
2- Payables Arising from Reinsurance Operations		--	--
3- Cash Deposited by Insurance and Reinsurance Companies	19	19.718.785	230.658
4- Payables Arising from Individual Pension Business		--	--
5- Payables Arising from Other Main Operations		--	--
6- Discount on Payables from Other Main Operations		--	--
C- Due to Related Parties		**--**	**--**
1- Due to Shareholders		--	--
2- Due to Associates		--	--
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		--	--
6- Due to Other Related Parties		--	--
D- Other Payables	**19**	**7.508.125**	**8.355.497**
1- Deposits and Guarantees Received		1.577.303	1.159.473
2- Medical Treatment Payables to Social Security Institution		4.715.133	6.460.740
3- Other Miscellaneous Payables		1.215.689	735.284
4- Discount on Other Miscellaneous Payables		--	--
E- Insurance Technical Provisions	**17**	**187.898.603**	**182.508.148**
1- Reserve for Unearned Premiums - Net	17	87.098.965	90.059.002
2- Reserve for Unexpired Risks - Net	2.25,17	2.109.126	4.000.684
3- Mathematical Provisions - Net		--	--
4- Provision for Outstanding Claims - Net	17	98.690.512	88.448.462
5- Provision for Bonus and Discounts – Net		--	--
6- Other Technical Provisions – Net		--	--
F- Provisions for Taxes and Other Similar Obligations	**19**	**4.951.287**	**4.678.107**
1- Taxes and Funds Payable		4.620.144	4.377.943
2- Social Security Premiums Payable		331.143	300.164
3- Overdue, Deferred or By Instalment Taxes and Other Liabilities		--	--
4- Other Taxes and Similar Payables		--	--
5- Corporate Tax Payable		--	--
6- Prepaid Taxes and Other Liabilities Regarding Current Period Income		--	--
7- Provisions for Other Taxes and Similar Liabilities		--	--
G- Provisions for Other Risks	**23**	**2.163.248**	**2.730.650**
1- Provision for Employee Termination Benefits		--	--
2- Provision for Pension Fund Deficits		--	--
3- Provisions for Costs	23	2.163.248	2.730.650
H- Deferred Income and Expense Accruals	**19**	**26.430.820**	**23.744.612**
1- Deferred Income	19	26.430.820	23.744.612
2- Expense Accruals		--	--
3- Other Deferred Income and Expense Accruals		--	--
I- Other Short-Term Liabilities		**--**	**--**
1- Deferred Tax Liabilities		--	--
2- Inventory Count Differences		--	--
3- Other Various Short-Term Liabilities		--	--
III – Total Short-Term Liabilities		**273.330.771**	**270.270.873**

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

LIABILITIES			
IV- Long-Term Liabilities	**Note**	**Audited Current Period 31 Decemeber 2014**	**Audited Prior Period 31 December 2013**
A- Financial Liabilities		--	--
1- Borrowings from Financial Institutions		--	--
2- Finance Lease Liabilities		--	--
3- Deferred Leasing Costs		--	--
4- Bonds Issued		--	--
5- Other Financial Assets Issued		--	--
6- Valuation Differences of Other Financial Assets Issued		--	--
7- Other Financial Liabilities		--	--
B- Payables Arising from Main Operations		--	--
1- Payables Arising from Insurance Operations		--	--
2- Payables Arising from Reinsurance Operations		--	--
3- Cash Deposited by Insurance and Reinsurance Companies		--	--
4- Payables Arising from Individual Pension Business		--	--
5- Payables Arising from Other Operations		--	--
6- Discount on Payables from Other Operations		--	--
C- Due to Related Parties		--	--
1- Due to Shareholders		--	--
2- Due to Associates		--	--
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		--	--
6- Due to Other Related Parties		--	--
D- Other Payables		--	--
1- Deposits and Guarantees Received		--	--
2- Medical Treatment Payables to Social Security Institution		--	--
3- Other Miscellaneous Payables		--	--
4- Discount on Other Miscellaneous Payables		--	--
E-Insurance Technical Provisions	**17**	**15.840.398**	**11.203.677**
1- Reserve for Unearned Premiums – Net	17	10.556.380	6.983.657
2- Reserve for Unexpired Risks - Net		--	--
3- Mathematical Provisions - Net		--	--
4- Provision for Outstanding Claims - Net		--	--
5- Provision for Bonus and Discounts – Net		--	--
6- Other Technical Provisions – Net	17	5.284.018	4.220.020
F-Other Liabilities and Relevant Accruals		--	--
1- Other Liabilities		--	--
2- Overdue, Deferred or By Instalment Taxes and Other Liabilities		--	--
3- Other Liabilities and Expense Accruals		--	--
G- Provisions for Other Risks	**23**	**2.205.630**	**1.407.159**
1- Provision for Employee Termination Benefits	23	2.205.630	1.407.159
2- Provision for Pension Fund Deficits		--	--
H-Deferred Income and Expense Accruals		--	--
1- Deferred Income		--	--
2- Expense Accruals		--	--
3- Other Deferred Income and Expense Accruals		--	--
I- Other Long-Term Liabilities	**21**	**452.709**	--
1- Deferred Tax Liabilities	21	452.709	--
2- Other Long-Term Liabilities		--	--
IV- Total Long-Term Liabilities		**18.498.737**	**12.610.836**

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

EQUITY			
V- Equity	**Note**	**Audited Current Period 31 December 2014**	**Audited Prior Period 31 December 2013**
A- Paid in Capital		**163.069.856**	**163.069.856**
1- (Nominal) Capital	2.13,15	163.069.856	163.069.856
2- Unpaid Capital		--	--
3- Positive Capital Restatement Differences		--	--
4- Negative Capital Restatement Differences		--	--
5- Register in Progress Capital		--	--
B- Capital Reserves	**15**	**2.070.152**	**2.070.152**
1- Share Premiums	15	2.070.152	2.070.152
2- Cancellation Profits of Equity Shares		--	--
3- Profit on Asset Sales That Will Be Transferred to Capital		--	--
4- Currency Translation Adjustments		--	--
5- Other Capital Reserves		--	--
C- Profit Reserves	**15**	**32.354.364**	**23.967.502**
1- Legal Reserves		--	--
2- Statutory Reserves		--	--
3- Extraordinary Reserves		--	--
4- Special Funds		--	--
5- Revaluation of Financial Assets		--	--
6- Other Profit Reserves	15	32.354.364	23.967.502
D- Retained Earnings		--	--
1- Retained Earnings		--	--
E- Accumulated Losses		**(90.224.506)**	**(99.278.825)**
1- Accumulated Losses		(90.224.506)	(99.278.825)
F-Net Profit/(Loss) for the Period		**2.376.736**	**8.565.429**
1- Net Profit for the Period		2.376.736	8.565.429
2- Net Loss for the Period		--	--
3- Profit not Available for Distribution		--	--
V- Total Equity		**109.646.602**	**98.394.114**
TOTAL EQUITY AND LIABILITIES		**401.476.110**	**381.275.823**

I-TECHNICAL SECTION	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
A- Non-Life Technical Income		**172.431.624**	**177.997.370**
1- Earned Premiums (Net of Reinsurer Share)		171.339.627	167.707.643
1.1- Written Premiums (Net of Reinsurer Share)	17	170.060.755	179.958.779
1.1.1- Written Premiums, gross	17	380.025.291	354.298.992
1.1.2- Written Premiums, ceded	10,17	(202.200.215)	(168.149.276)
1.1.3- Premiums Transferred to Social Security Institutions	17	(7.764.321)	(6.190.937)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(612.686)	(8.474.380)
1.2.1- Reserve for Unearned Premiums, gross	17	(16.157.601)	(31.139.510)
1.2.2- Reserve for Unearned Premiums, ceded	17	14.259.694	19.693.479
1.2.3 – Reserve for Unearned Premiums, Social Security Institution Share		1.285.221	2.971.651
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	1.891.558	(3.776.756)
1.3.1- Reserve for Unexpired Risks, gross		14.787.935	22.240.137
1.3.2- Reserve for Unexpired Risks, ceded		(12.896.377)	424.993
2- Investment Income - Transferred from Non-Technical Section		12.762.126	7.541.540
3- Other Technical Income (Net of Reinsurer Share)		(11.364.095)	(3.546.244)
3.1- Other Technical Income, gross		(11.364.095)	(3.546.244)
3.2- Other Technical Income, ceded		-	-
4- Accrued Salvage and Subrogation Income		(306.034)	6.294.431
B - Non-Life Technical Expense		**(164.164.805)**	**(165.298.490)**
1- Incurred Losses (Net of Reinsurer Share)	17	(113.047.821)	(114.674.814)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(102.805.771)	(99.200.087)
1.1.1- Claims Paid, gross	17	(184.524.174)	(138.253.792)
1.1.2- Claims Paid, ceded	10,17	81.718.403	39.053.705
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(10.242.050)	(15.474.727)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(69.020.883)	(44.465.856)
1.2.2- Change in Provisions for Outstanding Claims, ceded	17	58.778.833	28.991.129
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
2.1- Provision for Bonus and Discounts, gross		--	--
2.2- Provision for Bonus and Discounts, ceded		--	--
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	(1.063.998)	(876.910)
4- Operating Expenses	32	(50.052.986)	(49.746.766)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
5.1- Change in Mathematical Provisions, gross		--	--
5.2 - Change in Mathematical Provisions, ceded		--	--
6- Change in Other Technical Provisions (Net of Reinsurer and Less the Amounts Carried Forward)		--	--
6.1- Change in Other Technical Provisions, gross		--	--
6.2- Change in Other Technical Provisions, ceded		--	--
C- Net Technical Income-Non-Life (A – B)		**8.266.819**	**12.698.880**
D- Life Technical Income		--	--
1- Earned Premiums (Net of Reinsurer Share)		--	--
1.1- Written Premiums (Net of Reinsurer Share)		--	--
1.1.1- Written Premiums, gross		--	--
1.1.2- Written Premiums, ceded		--	--
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
1.2.1- Reserve for Unearned Premiums, gross		--	--
1.2.2- Reserve for Unearned Premiums, ceded		--	--
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
1.3.1- Reserve for Unexpired Risks, gross		--	--
1.3.2- Reserve for Unexpired Risks, ceded		--	--
2- Investment Income		--	--
3- Unrealized Gains on Investments		--	--
4- Other Technical Income (Net of Reinsurer Share)		--	--
4.1- Other Technical Income. gross		--	--
4.2- Other Technical Income. ceded		--	--
5- Accrued Salvage Income	17	--	--

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

I-TECHNICAL SECTION	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
E- Life Technical Expense		--	--
1- Incurred Losses (Net of Reinsurer Share)		--	--
1.1- Claims Paid (Net of Reinsurer Share)		--	--
1.1.1- Claims Paid, gross		--	--
1.1.2- Claims Paid, ceded		--	--
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
1.2.1- Change in Provisions for Outstanding Claims, gross		--	--
1.2.2- Change in Provisions for Outstanding Claims, ceded		--	--
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
2.1- Provision for Bonus and Discounts, gross		--	--
2.2- Provision for Bonus and Discounts, ceded		--	--
3- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
3.1- Change in Mathematical Provisions, gross		--	--
3.1.1- Change in Actuarial Mathematical Provisions, gross		--	--
3.1.2- Change in Profit Share Provisions (Provision for Financial Investments with Risks on Saving Life Policyholders), gross		--	--
3.2- Change in Mathematical Provisions, ceded		--	--
3.2.1- Change in Actuarial Mathematical Provisions, ceded		--	--
3.2.2- Change in Profit Share Provisions (Provision for Financial Investments with Risks on Saving Life Policyholders). ceded		--	--
4- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
5- Operating Expenses		--	--
6- Investment Expenses		--	--
7- Unrealized Losses on Investments		--	--
8- Investment Income Transferred to the Non-Life Technical Section		--	--
F- Net Technical Income- Life (D – E)		--	--
G- Pension Business Technical Income		--	--
1- Fund Management Income		--	--
2- Management Fee		--	--
3- Entrance Fee Income		--	--
4- Management Expense Charge in case of Suspension		--	--
5- Income from Private Service Charges		--	--
6- Increase in Value of Capital Allowances Given as Advance		--	--
7- Other Technical Expense		--	--
H- Pension Business Technical Expense		--	--
1- Fund Management Expense		--	--
2- Decrease in Value of Capital Allowances Given as Advance		--	--
3- Operating Expenses		--	--
4- Other Technical Expenses		--	--
I- Net Technical Income - Pension Business (G – H)		--	--

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

II-NON-TECHNICAL SECTION	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
C- Net Technical Income – Non-Life (A-B)		**8.266.819**	**12.698.880**
F- Net Technical Income – Life (D-E)		**--**	**--**
I - Net Technical Income – Pension Business (G-H)		**--**	**--**
J- Total Net Technical Income (C+F+I)		**8.266.819**	**12.698.880**
K- Investment Income		**21.345.895**	**19.933.664**
1- Income from Financial Assets	4.2	15.147.585	9.826.181
2- Income from Disposal of Financial Assets	4.2	614.863	131.583
3- Valuation of Financial Assets	4.2	458.860	--
4- Foreign Exchange Gains	4.2	5.124.587	9.975.900
5- Income from Associates		--	--
6- Income from Subsidiaries and Joint Ventures		--	--
7- Income from Property, Plant and Equipment		--	--
8- Income from Derivative Transactions		--	--
9- Other Investments		--	--
10- Income Transferred from Life Section		--	--
L- Investment Expense		**(23.633.211)**	**(17.135.148)**
1- Investment Management Expenses (inc. interest)	4.2	(3.139.242)	(2.539.136)
2- Diminution in Value of Investments		--	(310.160)
3- Loss from Disposal of Financial Assets		--	--
4- Investment Income Transferred to Non-Life Technical Section		(12.762.126)	(7.541.540)
5- Loss from Derivative Transactions		--	--
6- Foreign Exchange Losses	4.2	(5.401.691)	(4.673.276)
7- Depreciation and Amortization Expenses	6,8	(2.330.152)	(2.071.036)
8- Other Investment Expenses		--	--
M- Income and Expenses From Other and Extraordinary Operations		**(3.602.767)**	**(6.931.967)**
1- Provisions	47	(2.194.615)	(8.088.378)
2- Rediscounts		--	--
3- Specified Insurance Accounts		--	--
4- Monetary Gains and Losses		--	--
5- Deferred Taxation (Deferred Tax Assets)	35	--	1.965.225
6- Deferred Taxation (Deferred Tax Liabilities)	35	(1.171.436)	--
7- Other Income		265.410	377.750
8- Other Expenses and Losses		(502.126)	(1.186.564)
9- Prior Year's Income		--	--
10- Prior Year's Expenses and Losses		--	--
N- Net Profit for the Period		**2.376.736**	**8.565.429**
1- Profit for the Period		2.376.736	8.565.429
2- Corporate Tax Provision and Other Fiscal Liabilities		--	--
3- Net Profit for the Period		2.376.736	8.565.429
4- Monetary Gains and Losses		--	--

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

	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013
A - Cash flows from operating activities			
1- Cash provided from insurance activities		393.850.169	288.464.003
2- Cash provided from reinsurance activities		32.910.132	79.506.596
3- Cash provided from individual pension business		--	--
4- Cash used in insurance activities		(218.751.253)	(144.966.067)
5- Cash used in reinsurance activities		(106.670.253)	(153.089.578)
6- Cash used in individual pension business		--	--
7- Cash provided by operating activities		**101.338.795**	**69.914.954**
8- Interest paid		--	--
9- Income taxes paid		(770.605)	--
10- Other cash inflows		--	--
11- Other cash outflows		(86.685.589)	(29.048.355)
12-Net cash provided by operating activities		**13.882.601**	**40.866.599**
B - Cash flows from investing activities			
1- Proceeds from disposal of tangible assets		201.520	298.796
2- Acquisition of tangible assets	6, 8	(1.962.661)	(1.820.766)
3- Acquisition of financial assets	11	(135.595.928)	(43.327.943)
4- Proceeds from disposal of financial assets	11	131.403.940	31.721.083
5- Interests received		11.134.984	9.957.764
6- Dividends received		--	--
7- Other cash inflows		--	--
8- Other cash outflows		--	--
9- Net cash provided by investing activities		**5.181.855**	**(3.171.066)**
C- Cash flows from financing activities			
1- Equity shares issued		--	--
2- Cash provided from loans and borrowings		--	--
3- Finance lease payments	20	(55)	(13.571)
4- Dividends paid		--	--
5- Other cash inflows		--	--
6- Other cash outflows		--	--
7- Net cash used in financing activities	**20**	**(55)**	**(13.571)**
D- Effect of exchange rate fluctuations on cash and cash equivalents		**(105.354)**	**912.136**
E- Net increase in cash and cash equivalents		**18.959.047**	**38.594.098**
F- Cash and cash equivalents at the beginning of the year	**14**	**148.616.549**	**110.022.451**
G- Cash and cash equivalents at the end of the year	**14**	**167.575.596**	**148.616.549**

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

Shareholder's Equity – 31 December 2013 – Audited											
		Share	**Treasury**	**Value**	**Inflation**	**Currency**	**Legal**	**Statutory**	**Other Reserves**	**Net Profit for**	**Retained**	**Total**
I – Balance at 31 December 2012		**163.069.856**	**--**	**15.533.583**	**--**	**--**	**--**	**--**	**11.335.555**	**3.737.122**	**(103.477.893)**	**90.198.223**
A- Capital increase		--	--	--	--	--	--	--	--	--	--	--
1 – In cash		--	--	--	--	--	--	--	--	--	--	--
2 – From reserves		--	--	--	--	--	--	--	--	--	--	--
B- Treasury shares		--	--	--	--	--	--	--	--	--	--	--
C- Gain and losses not recognized in the		--	--	--	--	--	--	--	(369.538)	--	--	**(369.538)**
D- Change in the value of financial assets		--	--	--	--	--	--	--	--	--	--	--
E- Currency translation adjustments		--	--	--	--	--	--	--	--	--	--	--
F- Other gains or losses		--	--	--	--	--	--	--	--	--	--	--
G- Inflation adjustment differences		--	--	--	--	--	--	--	--	-	-	--
H- Net profit for the period		--	--	--	--	--	--	--	--	8.565.429	-	**8.565.429**
I- Other Reserves and Transfers from		--	--	--	--	--	--	--	--	--	--	--
J- Transfers		--	--	(461.946)	--	--	--	--	--	(3.737.122)	4.199.068	--
II – Balance at 31 December 2013		**163.069.856**	**--**	**15.071.637**	**--**	**--**	**--**	**--**	**10.966.017**	**8.565.429**	**(99.278.825)**	**98.394.114**

Shareholder's Equity – 31 December 2014 – Audited											
	Share	**Treasury**	**Value**	**Inflation**	**Currency**	**Legal**	**Statutory**	**Other Reserves**	**Net Profit for**	**Retained**	**Total**
I – Balance at 31 December 2013	**163.069.856**	**--**	**15.071.637**	**--**	**--**	**--**	**--**	**10.966.017**	**8.565.429**	**(99.278.825)**	**98.394.114**
A- Capital increase	--	--	--	--	--	--	--	--	--	--	--
1 – In cash	--	--	--	--	--	--	--	--	--	--	--
2 – From reserves	--	--	--	--	--	--	--	--	--	--	--
B- Treasury shares	--	--	--	--	--	--	--	--	--	--	--
C- Gain and losses not recognized in the	--	--	--	--	--	--	--	(821.608)	--	--	**(821.608)**
D- Change in the value of financial assets	--	--	9.697.360	--	--	--	--	--	--	--	**9.697.360**
E- Currency translation adjustments	--	--	--	--	--	--	--	--	--	--	--
F- Other gains or losses	--	--	--	--	--	--	--	--	--	--	--
G- Inflation adjustment differences	--	--	--	--	--	--	--	--	--	--	--
H- Net profit for the period	--	--	--	--	--	--	--	--	2.376.736	-	**2.376.736**
I – Other Reserves and Transfers from	--	--	--	--	--	--	--	--	--	--	--
J- Transfers	-	--	(488.890)	-	-	-	-	-	(8.565.429)	9.054.319	-
II – Balance at 31 December 2014	**163.069.856**	**-**	**24.280.107**	**-**	**-**	**-**	**-**	**10.144.409**	**2.376.736**	**(90.224.506)**	**109.646.602**

The accompaying notes are integral part of these financial statements.

	Note	Audited Current Period 31 December 2014	Audited Prior Period 31 December 2013(**)
I. PROFIT DISTRIBUTION			
1.1. CURRENT YEAR PROFIT(*)		2.376.736	8.565.429
1.2. TAX AND FUNDS PAYABLE		--	--
1.2.1. Corporate Income Tax(Income Tax)		--	--
1.2.2. Income tax deduction		--	--
1.2.3. Other taxes and Duties		--	--
A NET PROFIT(1.1 – 1.2)		**2.376.736**	**8.565.429**
1.3. PREVIOUS PERIOD LOSSES (-)		--	(8.565.429)
1.4. FIRST LEGAL RESERVE		--	--
1.5. STATUTORY FUND (-)		--	--
B NET PROFIT DISTRIBUTION [(A-(1.3 + 1.4 + 1.5)]		--	--
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		--	--
1.6.1. Holders of shares		--	--
1.6.2. Holders of Preferred shares		--	--
1.6.3 Holders of Redeemed shares		--	--
1.6.4 Holders of Participation Bond		--	--
1.6.5 Holders of Profit and Loss sharing certificate		--	--
1.7. DIVIDEND TO PERSONNEL (-)		--	--
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		--	--
1.9.1. Holders of shares		--	--
1.9.2. Holders of Preferred shares		--	--
1.9.3. Holders of Redeemed shares		--	--
1.9.4. Holders of Participation Bond		--	--
1.9.5. Holders of Profit and Loss sharing certificate		--	--
1.10. SECOND LEGAL RESERVE (-)		--	--
1.11. STATUTORY RESERVES (-)		--	--
1.12. EXTRAORDINARY RESERVES		--	--
1.13. OTHER RESERVES		--	--
1.14. SPECIAL FUNDS		--	--
II. DISTRIBUTION OF RESERVES		--	--
2.1. DISTRIBUTION OF RESERVES		--	--
2.2. SECOND LEGAL RESERVES (-)		--	--
2.3. COMMON SHARES (-)		--	--
2.3.1. Holders of shares		--	--
2.3.2 Holders of Preferred shares		--	--
2.3.3. Holders of Redeemed shares		--	--
2.3.4 Holders of Participation Bond		--	--
2.3.5 Holders of Profit and Loss sharing certificate		--	--
2.4. DIVIDENDS TO PERSONNEL (-)		--	--
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
III. PROFIT PER SHARE		--	--
3.1. HOLDERS OF SHARES		--	--
3.2. HOLDERS OF SHARES (%)		--	--
3.3. HOLDERS OF PREFERRED SHARES		--	--
3.4. HOLDERS OF PREFERRED SHARES (%)		--	--
IV. DIVIDEND PER SHARE		--	--
4.1. HOLDERS OF SHARES		--	--
4.2. HOLDERS OF SHARES (%)		--	--
4.3. HOLDERS OF PREFERRED SHARES		--	--
4.4. HOLDERS OF PREFERRED SHARES (%)		--	--

The accompanying notes are an integral part of these financial statements

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements
As at 31 December 2014

(Currency: Turkish Lira (TL))

1 General Information

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

The shareholding structure of Ray Sigorta Anonim Şirketi ("the Company") is presented below. As at 31 December 2014, the shareholder having direct control over the shares of Ray Sigorta Anonim Şirketi ("the Company") is TBIH Financial Services Group N.V ("TBIH") and the ultimate parent company is Vienna Insurance Group AG'dir ("VIG"). %5,04 of shares are being traded at Borsa İstanbul A.Ş. ("BIST").

	31 December 2014		31 December 2013	
Name	**Shareholding Amount (TL)**	**Shareholding Rate (%)**	**Shareholding Amount (TL)**	**Shareholding Rate (%)**
TBIH Financial Services Group N.V.	133.048.627	81,59	133.048.627	81,59
Vienna Insurance Group	20.663.528	12,67	20.663.528	12,67
LVP Holding Gmbh	1.145.734	0,70	-	-
Other	8.211.967	5,04	9.357.701	5,74
Paid in Capital	**163.069.856**	**100,00**	**163.069.856**	**100,00**

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

The Company was registered in Turkey and has the status of 'Incorporated Company'. The Company's address is "Cumhuriyet Mahallesi Haydar Aliyev Caddesi No:28 Tarabya-İstanbul" and the Company has seven regional offices; two of them established in İstanbul and others established in Antalya, İzmir, Adana, Ankara and Bursa, and a branch in Turkish Republic of Northern Cyprus.

1.3 Business of the Company

The Company operates in almost all non-life insurance branches consisting of mainly accident, health, motor vehicles, air vehicles, water vehicles, transportation, fire and natural disasters, general loss, credit, financial losses, and legal protection.

As at 31 December 2014, the Company serves through, 1.129 authorized agencies and 71 Alternatif Bank branches, 69 Fibabanka branches, 61 Burganbank branches, 67 broker, 6 leasing (31 December 2013: 980 authorized agencies and 71 Alternatif Bank branches, 69 Fibabanka branches, 61 Burganbank branches, 67 broker, 6 leasing) of which, 1.409 agencies (31 December 2013: 1.123 authorized).

1.4 Description of the main operations of the Company

The Company conducts its operations in accordance with the Insurance Law No.5684 (the "Insurance Law") issued in 14 June 2007 dated and 26552 numbered Official Gazette and the communiqués and other regulations in force issued by the Turkish Treasury based on the Insurance Law. The Company operates in insurance branches as mentioned above *Note 1.3 Business of the Company*.

The Company's shares have been listed on the Istanbul Stock Exchange ("ISE"). The company operates in their own specific laws and regulations for the matters of establishment, auditing, supervision/oversight, accounting and financial reporting in accordance Capital Market Law No:6362, part of VIII and paragraph of 5 of Article 136.

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

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

	31 December 2014	31 December 2013
Senior and middle level menagers	37	35
Other	206	207
Total	**243**	**242**

1.6 Wages and similar benefits provided to the senior management

For the year ended 31 December 2014, wages and similar benefits provided to the senior and middle level management including chairman is amounting to TL 3.664.768 (31 December 2013: TL 3.664.768).

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

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

In accordance with the above mentioned Communiqué, insurance companies are allowed to transfer technical section operating expense to insurance section through methods determined by Turkish Treasury or by the Company itself. Methods determined by the Company should be approved by the Turkish Treasury, Known and exactly distinguishable operating expenses are distributed to related branches directly, while operating expenses are distributed to the sub-branches in accordance with the average of 3 ratios calculated by dividing "number of the policies produced within the last three years", "gross premium written within the last three years", and "number of the claims reported within the last three years" to the "total number of the policies", "total gross written premiums" and the "total number of the claims reported", respectively.

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

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

The accompanying financial statements comprise only the financial information of the Company.

1 General information *(continued)*

1.9 Name or other identity information about the reporting entity and the changes in this information after previous reporting date

Trade name of the Company	: Ray Sigorta Anonim Şirketi
Registered address of the head office	: Haydar Aliyev Caddesi No:28 Tarabya 34457 Sarıyer / İstanbul
The web page of the Company	: **www.raysigorta.com.tr**

The information presented above has not any change since the end of the previous reporting period.

1.10 Events after the reporting date

There haven't been any change at services of the company, recording of this services and company policies after accounting date.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

In accordance with Article 136(5) in Section VIII of the Capital Markets Law, numbered 6362 insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting. Therefore, the Company maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), and other accounting and financial reporting principles, statements and guidance (collectively "the Reporting Standards") in accordance with the "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies" as promulgated by the Turkish Treasury based on Article 18 of the Insurance Law and Article 11 of the 4632 numbered Individual Pension Savings and Investment System Law (''Individual Retirement Law'').

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

Additional paragraph for convenience translation to English

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

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

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

Accounting in hyperinflationary countries

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

With respect to the declaration of the Turkish Treasury with the article dated 4 April 2005 and numbered 19387, financial statements as of 31 December 2004 are adjusted for the opening balances of 2005 in accordance with the section with respect to inflation accounting of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated 15 January 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Turkish Treasury. Accordingly, as at 31 December 2014, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded before 31 December 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded after 1 January 2005 are measured at their nominal values

Other accounting policies

Information regarding other accounting polices is disclosed above in *"*Note 2.1.1 - *Information about the principles and the specific accounting policies used in the preparation of the financial statements"* and each under its own caption in the following sections of this report.

2.1.3 Valid and presentation currency

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

2.1.4 Rounding scale of the amounts presented in the financial statements

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

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

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

2 Summary of significant accounting policies *(continued)*

2.1.6 Accounting policies, changes in accounting estimates and errors

There is not any change in accounting estimates or determined errors in current year. Critical accounting judgements used in applying the Company's accounting policies are explained in Note 3 – *Critical accounting estimates and judgments in applying accounting policies.*

2.2 Consolidation

The Company has not any associate or subsidiary to be consolidated as of the reporting period,so consolidated financial statements have not been prepared.

2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Since the main economic environment, where the Company operates, is Turkey, a geographical segment reporting has not been presented. A business segment reporting of the Company is presented in Note 5 in accordance with TFRS 8-*Operating Segments* standard.

2.4 Foreign currency transactions

Transactions are recorded in TL, which is the Company's functional currency. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates ruling at the reporting date and foreign currency exchange differences are offset and all exchange differences are recognized in the statement of income

2 Summary of significant accounting policies *(continued)*

2.5 Tangible assets

Except for buildings in use, tangible assets of the Company are recorded at their historical costs that have been adjusted for the effects of inflation until the end of 31 December 2004. There have been no other inflationary adjustments for these tangible assets for the following years and therefore they have been recorded at their costs restated for the effects of inflation until 31 December 2004. Tangible assets that have been purchased after 1 January 2005 have been recorded at their costs after deducting any exchange rate differences and finance expenses.

As of 31 December 2013, fair value of property for own use is appraised by independent appraisal experts authorized by Capital Markets Board of Turkey using sales comparison method.

Revaluation surplus arising from fair value measurement in buildings is recorded in "Other Capital Reserves" under equity by taking into account the effects of deferred tax. Decreases after revaluation arising from fair value measurement in buildings is subtracted from related assets "Other Capital Reserves" under Shareholders' Equity by comparing on the basis of account. Decreases after revaluation of the assets with no balances in "Other Capital Reserves" under Shareholders' Equity is associated with profit / loss accounts.

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

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

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

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

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

Depreciation rates and estimated useful lives are as follows:

Tangible Assets	Estimated Useful Lives (years)	Depreciation Rates (%)
Buildings	50	2,0
Machinery and equipments	3 – 16	6,3 – 33,3
Furniture and fixtures	4 – 16	6,3 – 25,0
Vehicles	5	20,0
Other tangible assets (including leasehold improvements)	5 – 10	10,0 – 20,0
Leased tangible assets	4 – 10	10,0 – 25,0

2.6 Investment properties

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

Investment properties are measured initially at cost including transaction costs.

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

The company does not have investment properties as of the reporting period (31 December 2013: None).

2 Summary of significant accounting policies *(continued)*

2.7 Intangible Assets

The Company's intangible assets consist of computer software, goodwill and advances paid for tangible assets.

Intangible assets are recorded at cost in compliance with "TAS 38 – *Accounting for intangible assets*". The cost of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs.

Amortization is charged on a straight-line basis over their estimated useful lives over the cost of the asset.

Intangible assets' useful lifes are 3 and 5 years.

2.8 Financial assets

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

Financial assets are classified in three categories; as financial assets fair value through profit or loss, held to maturity financial assets, and loans and receivables.

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

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

Held to maturity financial assets are the financial assets with fixed maturities and fixed or pre-determined payment schedules that the Company has the intent and ability to hold until maturity, excluding loans and receivables. Subsequent to initial recognition, held to maturity financial assets and loans and receivables are measured at amortized cost using effective interest rate method less impairment losses, if any. The Company has no financial assets that are not allowed to be classified as held to maturity financial assets for two years due to the tainting rules applied for the breach of classification rules.

Securities are recognized and derecognized at the date of settlement.

Associates; Associates are classified as available-for-sale financial assets in the financial statements and are recorded at their fair values since those shares are traded in an active market.

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

2.9 Impairment on assets

Impairment on financial asset

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

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

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

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

Impairment on tangible and intangible assets

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

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

2.10 Derivative financial instruments

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

Derivative financial instruments are initially recognized at their fair value.

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

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

2.11 Offsetting of financial assets

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

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

2 Summary of significant accounting policies *(continued)*

2.12 Cash and cash equivalents

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

2.13 Share capital

The shareholder having indirect control over the shares of the Company is Vienna Insurance Group, As at 31 December 2014 and 31 December 2013, the share capital and ownership structure of the Company are as follows:

	31 December 2014		31 December 2013	
Name	**Shareholding Amount (TL)**	**Shareholding Rate (%)**	**Shareholding Amount (TL)**	**Shareholding Rate (%)**
TBIH Financial Services Group N.V.	133.048.627	81,59	133.048.627	81,59
Vienna Insurance Group	20.663.528	12,67	20.663.528	12,67
LVP Holding Gmbh	1.145.734	0,70	-	-
Other	8.211.967	5,04	9.357.701	5,74
Paid in Capital	**163.069.856**	**100,00**	**163.069.856**	**100,00**

Sources of capital increases during the period

The company has not performed capital increase as at 31 December 2014. (31 December 2013: None).

Privileges on common shares representing share capital

As at 31 December 2014, the issued share capital of the Company is TL 163.069.856 (31 December 2013: TL 163.069.856) and the share capital of the Company consists of 16,306,985,600 (31 December 2013: 16,306,985,600 shares) issued shares with TL 0.01 nominal value each.

Registered capital system in the Company

The Company has accepted the registered capital system. As of 31 December 2014, the Company's registered capital is TL 200.000.000 (31 December 2013: TL 200.000.000).

Repurchased own shares by the Company

None.

2 Summary of significant accounting policies *(continued)*

2.14 Insurance and investments contracts – classification

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

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

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

2.15 Insurance contracts and investment contracts with discretionary participation feature

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

(i) that are likely to comprise a significant portion of the total contractual benefits;

(ii) whose amount or timing is contractually at the discretion of the Issuer; and

(iii) that are contractually based on:

(1) the performance of a specified pool of contracts or a specified type of contract;
(2) realized and/or unrealized investments returns on a specified pool of assets held by the Issuer; or

(3) the profit or loss of the Company, Fund or other entity that issues the contract.

As at the reporting date, the Company does not have any insurance or investment contracts that contain a DPF.

2.16 Investment contracts without DPF

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

2.17 Liabilities

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

2 Summary of significant accounting policies *(continued)*

2.18 Income taxes

Corporate tax

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

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

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

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. The company has deductible tax losses amounting to TL 14.593.619 as of 31 December 2014. (31 December 2013: TL 33.235.595).

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

Deferred taxes

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

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

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

Transfer pricing

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

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

2 Summary of significant accounting policies *(continued)*

2.19 Employee benefits

Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2014 is TL 3.438 (31 December 2013: TL 3.254).

In Accordance IAS 19 which published by Public Company Accounting Oversight Board (PCAOB) dated March 12,2013 is about "Benefits Employee Accounting Standard" and defined by beginning from December 31,2012 net defined benefit liability of the actuarial gains and losses arising on re-measurement should be recognized in other comprehensive income under shareholders' equity and this effect should be applied retrospectively. The company started to account current actuarial gains and losses under equity (other profit reserves) due to the fact that prior period actuarial gains and losses have remained below the materiality.

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

	31 December 2014	31 December 2013
Discount rate	%3,81	%3,74
Expected retirement turnover rate	%93	%89

Expected rate of salary/limit increase above was determined according to the government's annual inflation forecasts.

Other benefits

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

2 Summary of significant accounting policies *(continued)*

2.20 Provisions

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

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

2.21 Revenue recognition

Written premiums and claims paid

Written premiums represent premiums on policies written during the period net of taxes, premiums of the cancelled policies which were produced in prior periods and premium ceded to reinsurance companies,. Premiums ceded to reinsurance companies are accounted as "written premiums, ceded" in the statement of income.

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

2 Summary of significant accounting policies *(continued)*

2.21 Revenue recognition *(continued)*

Subrogation, salvage and quasi income

According to the Circular 2010/13 dated 20 September 2010; the Company may account for income accrual for subrogation receivables without any voucher after the completion of the claim payments made to the insure. If the amount cannot be collected from the counterparty insurance company, the Company provides provision for uncollected amounts due for six months. If the counter party is not an insurance Company, the provision is provided after four months. As at the reporting date, in accordance with the related circular the Company provided TL 3.728.324 TL (31 December 2013: TL 4.732.260) subrogation receivables and recorded TL 3.728.324 (31 December 2013: TL 5.102.432) (*Note 12*) net subrogation and salvage receivables under receivables from main operations. The Company provided allowance for uncollected subrogation receivables amounting to TL 456.051 (31 December 2013: TL 726.261) *(Note 12)* in accordance with circular.

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

	31 December 2014	31 December 2013
Motor Vehicles	19.661.270	25.021.329
Third Party liability for motor vehicles (MTPL)	1.168.713	944.159
Fire and natural disaster	291.383	166.565
Transportation	210.989	210.901
General Losses	22.905	87.781
General Responsibility	22.679	12.828
Health	317	-
Water Vehicles	182	-
Rail Vehicles	-	20.660
Total	**21.378.438**	**26.464.223**

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

	31 December 2014	31 December 2013
Motor Vehicles	2.627.297	3.933.002
Third Party liability for motor vehicles (MTPL)	611.597	483.370
Fire and natural disaster	203.890	165.073
Breach of Trust	125.090	-
General Losses	100.109	84.209
Transportation	59.528	316.357
General Responsibility	812	118.790
Water Vehicles	1	1.520
Health	-	111
Total	**3.728.324**	**5.102.432**

2 Summary of significant accounting policies *(continued)*

2.21 Revenue recognition *(continued)*

Commission income and expense

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

Interest income and expense

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

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

Trading income/expense

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

Dividends

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

2.22 Leasing transactions

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

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

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

2.23 Dividend distribution

Based on the guidelines and principals issued by the CMB dated 27 January 2010 for the distribution of dividends from the profit generated from operating activities in 2009, concerning public entities, the shares of which are quoted in public equity markets, it has been agreed upon not to set a mandatory minimum dividend payment quota. Furthermore, it has been agreed upon to let public entities perform dividend distributions.

2 Summary of significant accounting policies *(continued)*

2.23 Dividend distribution (continued)

Additionally, as stated within the aforementioned decision of CMB, for entities required to prepare consolidated financial statements, it has been agreed upon to require the net distributed profit calculations to be performed on the net profit for the period as stated on the consolidated financial statements, so long that the distribution can be funded through statutory resources.

The company did not perform dividend distribution in 2013 and 2014.

2.24 Reserve for unearned premiums

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 26606 numbered and 7 August 2007 dated Official Gazette and put into effect starting from 1 January 2008, the reserve for unearned premiums represents the proportions of the gross premiums written without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the reporting date for all short-term insurance policies. For commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves.

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

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

According to the 2009/9 Numbered Circular Related to Application of Technical Reserves issued on 27 March 2009 reserve for unearned premiums is calculated by taking into account that all polices become active at 12:00 at noon and end at 12:00 at noon.

According to the Communiqué on Technical Reserves, for the calculation of unearned premium reserves of foreign currency indexed insurance agreements, foreign currency selling exchange rates announced by Turkish Central Bank will be considered, unless there is a specified exchange rate in the agreement.

As at the reporting date, the Company has provided reserve for unearned premiums amounting to TL 215.918.488 (31 December 2013: TL 199.760.887) and reinsurer share in reserve for unearned premiums amounting TL 114.006.271 (31 December 2013: TL : 99.746.577). Furthermore, reserve for unearned premiums includes Social Security Instutition ("SSI") share amounting to TL 4.256.872 (31 December 2013: TL 2.971.651) as at 31 December 2014.

2 Summary of significant accounting policies *(continued)*

2.25 Reserve for unexpired risks

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

In accordance with Treasury circular numbered 2012/15, unexpired risk reserve started to be calculated over main branches as of December 31, 2012. The test is performed on branch basis and in case where the expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that specific branch is added to the reserves of that branch. Accordingly, as at the reporting date, the Company has provided net reserve for unexpired risk amounting to TL 5.171.159 (31 December 2013: TL 19.959.094) and unexpired risk amounting of reassurance to TL 3.062.033 (31 December 2013: TL: 15.958.410) in the accompanying unconsolidated financial statements.

As at 31 December 2014, reserve for unexpired risks at the beginning of the period is revised according to calculation method used in the current period in order to determine consistent claims / premium ratio.

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

2. Summary of significant accounting policies *(continued)*

2.26 Provision for outstanding claims

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

Claims incurred before the accounting periods but reported subsequent to those dates are considered as incurred but not reported ("IBNR") claims.

According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated 28 July 2010 and "Communiqué on Technical Reserves and Circular on Actuarial Chain Ladder Method" dated 20 September 2010 and numbered 2010/12, it is stated that the difference between the result of the actuarial chain ladder method and reported but not settled (IBNR calculation by ACLM method) is compared to test IBNR claims and greater amount is recorded to financial statements are accepted as IBNR claims. Requirement on test IBNR calculation is removed per Communiqué on Amendments to Aforementioned Communiqué is published in Official Gazette no 28356 17 July 2013 dated. It is stated that amount, content and implementation principals of incurred but not reported claims should be determined according to IBNR calculation by ACLM method specified by Turkish Treasury or other methods determined by Turkish Treasury.

As at 1 January 2012, 100% of the calculated negative IBNR balances per each insurance branch are taken into calculation in accordance with the Circular issued by the Turkish Treasury dated 26 December 2011 and numbered 2011/23. Accrued salvage, subrogation and similar income is taken into calculation with collections in ACLM method.

The Company recorded the IBNR calculated by ACLM method with additional provision explained below amounting to TL 40.897.912 (31 December 2013: TL 46.745.562) to the unconsolidated financial statements as IBNR and TL 23.778.883 (31 December 2013: TL 27.745.786) as reinsurer's share of IBNR.

In Accordance with the Circular issued by the Turkish Treasury dated 2010/12 and 2010/16, the Company eliminated severe damages by using Box-Plot method to make more homogeneous calculation in ACML. Also, according to Circular Article 7 issued in 2010/12, total number of files contained in the main branch, excluding the health branch of the total number of files no more than one thousand of damage or major damage under 300 remaining branches can be done by actuary. Company used IBNR method for branches that have insufficent files with evaluation of Company's Aktuary, there is no damage elemination for these branches.

According to Treasury Circular 2010/16, the amounts with ACML determined the minimum amount of provision. If Amounts which are determined the company's other tools or actuarial studies shows the company's statu better than methods recommended by the Treasury, the company reflect amount of provision which provided higher than Treasury to financial statements. In accordance with these judgments, as a result of actuarial studies, the Company made IBNR provision amounts to total TL 3.321.334 (31 December 2013: TL 2.926.755). The Company did not need to calculate additional IBNR provision for General Losses Branch (31 December 2013: TL 1.545.817).

2. Summary of significant accounting policies *(continued)*

2.26 Provision for outstanding claims *(continued)*

In accordance with "Circular Related to Information on Calculation of Incurred But Not Reported Claims Reserve" numbered 2011/23 and dated 26 November 2011, companies may decrease their outstanding claims reserve balances based on the winning ratio of the sub-branches calculated from the last five years claims. Winning ratio used for decrease in provision for outstanding claims could not exceed 25% (15% for the new sub-branches which do not have five year data). Based on the aforementioned regulation, the Company calculated winning ratio from the last five year data set and TL 26.213.913 (31 December 2013: TL 20.857.929) as IBNR and 14.495.325 TL (31 December 2013: TL 11.612.026) as reinsurer's share of IBNR is excluded from outstanding claims reserve balance.

The calculated winning ratio of the Company as at 31 December 2014 is within 3% - 25% range (31 December 2013:%6-%25), Winning ratios used in and amounts decreased from provision for outstanding claims are as follows:

31 December 2014 **Branch**	**Winning Ratios Used**	**Gross Amount Decreased**	**Net Amount Decreased**
Third party liability for motor vehicles (MTPL)	%15-%25	9.235.715	8.716.762
Fire and natural disasters	%25	8.481.528	1.075.724
General Losses	%25	2.939.813	212.310
General Responsibility	%3-%25	2.183.150	436.820
Water Vehicles	%25	1.219.289	223.610
Motor Vehicles	%25	859.929	829.711
Accident	%18-%25	79.520	46.988
Rail Vehicles	%25	29.916	29.916
Aircraft	%25	388.567	0
Transportation	%25	796.486	146.747
Total		**26.213.913**	**11.718.588**

31 December 2013 **Branch**	**Winning Ratios Used**	**Gross Amount Decreased**	**Net Amount Decreased**
Third party liability for motor vehicles (MTPL)	%13-%25	6.614.810	6.333.609
Motor Vehicles	%25	879.771	840.056
Accident	%18-%25	34.479	27.820
Water Vehicles	%25	284.559	130.687
General Losses	%8-%25	908.844	106.201
Rail Vehicles	%25	27.660	27.660
General Responsibility	%6-%25	2.751.516	493.472
Aircraft Liability	%25	371.634	-
Fire and natural disasters	%25	8.234.219	1.120.697
Transportation	%25	750.437	165.701
Total		**20.857.929**	**9.245.903**

2. Summary of significant accounting policies *(continued)*

2.26 Provision for outstanding claims *(continued)*

ACLM to be used is announced with "Communiqué on Technical Reserves" which is issued by the Turkish Treasury on 20 September 2010, Insurance and reinsurance companies are allowed to use five different methods which are "Standard Chain, Claim/Premium, Cape Code, Frequency/Volume and Munich Chain Ladder" to make ACLM calculations. The Company's method selections for each branch are presented below.

In accordance with the Circular of the Turkish Treasury No: 2013/8 dated 5 April 2013 "Circular on Actuarial Chain Ladder Method", according to the Circular numbered 2010/12, the ACLM calculation methods start to be changed at the end of 2013 that can be started as of first quarter of 2013 if minimal fluctuation between the periods is wanted. Accordingly, in General Responsibilty branch, for the purpose of additional IBNR need to be aimed to determine actuarial forecast works by the Company actuary for compatible with the branch's ACML calculation method has been changed as of 30 September 2013 and "Cape Code" method was disused to "Claim/Premium" method was started to carry out. General liability branch selected at the end of 2010, "Cape Cod" method and show many fluctuation as the IBNR results of the periods obtained in this branch of the nature of the damage in different amounts due to make major changes to the company leads in the experience of the differences are not compatible in the relevant branch of the results of the financial statements. In retrospective studies and stress test results, Claim/Premium method of the method has been found to be the most stable, and has also concluded that more consistent results can be achieved with the development of related industries. IBNR could not be calculated by reason of data could not be find enough in 2013, and for the Financial Losses branche so in 30 September 2014, the Company started to use 'Test IBNR' with calculating datas in 2014. General loss branch standard chain is too low and actuarial evaluation of the method is not considered to reflect the fact that the result of this calculation as IBNR calculation method at the end of 2013 test method was adopted for the industry. However, in 2014, the standard chain method result of the show extreme decline in 2013 and that general damages observed to draw conclusions reflect the results of the branch was reverted to standard chain method, legally liable owned ACML calculation method.

	31 December 2014	**31 December 2013**
Motor Vehicles	Standard Chain Ladder	Standard Chain Ladder
Water Vehicles	Standard Chain Ladder	Standard Chain Ladder
Third party liability for motor vehicles (MTPL)	Standard Chain Ladder	Standard Chain Ladder
Third party liability	Standard Chain Ladder	Standard Chain Ladder
Third party liability for air vehicles	Test IBNR	Test IBNR
Fire and natural disasters	Standard Chain Ladder	Standard Chain Ladder
Air crafts	Test IBNR	Test IBNR
Accident	Standard Chain Ladder	Standard Chain Ladder
General losses	Standard Chain Ladder	Test IBNR
Financial losses	Test IBNR	Sector Average
Health	Test IBNR	Test IBNR
Transportation	Standard Chain Ladder	Standard Chain Ladder
General Liability	Claim/Premium	Cape Cod
Legal Protection	Test IBNR	Test IBNR
Breach of Trust	Test IBNR	Test IBNR

Company made elamination with Box-Plot Method. Based on each branch, calculation amount of Net IBNR; reinsurance agreements' effect in force was to be reflected based on actual reinsurance rate.

2. Summary of significant accounting policies *(continued)*

2.26 Provision for outstanding claims *(continued)*

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 andrealized and incurred butnot reported claims provision as well asall expense chargesare taken ito account Within this framework, the ratio of outstandingclaims provision to the total of amounts of paid claims, including all expense charges withregards to the files, indicates the outstanding claims provisions adequacy retio. In case the outstanding claims provisions adequacy ratio relatin to these branches is lower than 100%, the difference between this rate and 100% is multiplied by outstanding claims provisions fort he current period and the outstanding claims adewuacy 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 seprately for each branch. As a result of the calculation of outstanding claims provision adequacy performed as of 31 December 2014 , the Company allocated a net additional provision amounting to TL 157.633 for related branches with an outstanding claims provision adequacy rate above 100% (31 December 2013: TL 84.257).

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

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

According to the Article 59 of the aforementioned law, starting from 25 February 2011, premiums written under compulsory motor third party liability insurance contracts providing health assurance will be transferred to SSI by the rate up to 15% which will be later defined by Turkish Treasury. By this premium transfer, all liabilities related to body injuries resulted from traffic accidents will be compensated by SSI.

According to the Provisional Article 1 and Article 59 of the Law, up to 20% of the transferred premium amount defined by the Turkish Treasury will also be transferred to SSI and treatment costs resulted from traffic accidents occurred before 25 February 2011 will also be compensated by SSI. As part of the aforementioned law, "Communiqué on Payment of Treatment Costs Resulted from Traffic Accidents" which was issued in Official Gazette numbered 28038 and dated 27 August 2011 has become effective. On 17 October 2011, the Turkish Treasury issued circular numbered 2011/18 "Circular Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from Traffic Accidents and New Accounts in the Insurance Chart of Accounts". In accordance with the related circular, the Company recognited outstanding claims reserve amounting to TL 7.764.321 (1 Jantuary – 31 December 2013: 6.190.937 TL) as "Premium Transferred to SSI"(Note 2.14).

2. Summary of significant accounting policies *(continued)*

2.26 Provision for outstanding claims *(continued)*

Total debt for treatment costs to pay to SSI;

	31 December 2014	31 December 2013
Opening Balance	6.460.740	8.473.635
Premiums Transfferred to SSI(*) (**)	7.764.321	6.190.937
Difference with current period and calculation(***)	483.361	1.352.098
Adjusment before regulation	-	252.874
Premium Paid to SSI	(9.993.289)	(9.808.804)
Closing Balance	**4.715.133**	**6.460.740**

(*) In statement of income, it is named Premiums Transfferred to SSI.

(**) As described in Note 2.14, as part of the aforementioned law, "Communiqué on Payment of Treatment Costs Resulted from Traffic Accidents" which was issued in Official Gazette numbered 28038 and dated 27 August 2011 has become effective. On 17 October 2011, the Turkish Treasury issued circular numbered 2011/18 "Circular Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from Traffic Accidents and New Accounts in the Insurance Chart of Accounts". In accordance with the related circular, the Company recognited outstanding claims reserve amounting to TL 7.764.321 (1 Jantuary – 31 December 2013: 6.190.937 TL), as "Debt for treartment cost to pay SSI- Short Term" account, payments are decreased till the end of period.

(***) In the event of differences between 2011/17 and 2012/4 Circular No. of provisions within the framework of companies reported liabilities and the portion corresponding to the relevant period, the amount found as a result of calculation stated, regarding the difference in the balance sheet as "SSI debt on treatment expenses" account in the income statement other technical income expenses or income statement. In this respect, the Company January 1 - December 31, taking into account the liability reported for the 2014 fiscal year TL 483.361 (1 January - 31 December 2013: TL 252,874) of debt in the amount of "SSI debt on treatment costs" whether additional account, "Other technical expenses" has registered account.

2.27 Equalization provision

In accordance with the Communiqué on Technical Reserves put into effect starting from 1 January 2008, the companies should provide equalization provision in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Equalization provision, started to be provided in 2008, is calculated as 12% of net premiums written in credit insurance and earthquake branches. In the calculation of net premiums, fees paid for un-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. The companies should provide equalization provision up to reaching 150% of the highest premium amount written in a year within the last five years.

In case where claims incurred, the amounts below exemption limits as stated in the contracts and the share of the reinsurance firms cannot be deducted from equalization provisions. Claims payments are deducted from first year's equalization provisions by first in first out method. Equalization provisions are presented under "other technical reserves" in the accompanying financial statements. As at the reporting date, the Company provided equalization provision amounting to TL 5.284.018 in the accompanying unconsolidated financial statements (31 December 2013: TL 4.220.020)

Net losses (after reinsurance) resulted from earthquake occurred in several cities amounting to TL 11.522 (31 December 2013: TL 7.695) are decreased from prior periods' equalization provision .

2 Summary of significant accounting policies *(continued)*

2.28 Related parties

Parties are considered related to the Company if;

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

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

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

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

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

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

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

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

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

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

2.29 Earnings per share

Earnings per share are determined by dividing the net income by the weighted average number of shares outstanding during the year attributable to the shareholders of the Company. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus shares issued are regarded as issued shares.

2 Summary of significant accounting policies *(continued)*

2.30 Events after the reporting date

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

2.31 New standards and interpretations not yet adopted

There are a number of new standards, updates related to the existing standards and interpretations which are not adopted in the preparation of the accompanying financial statements and have not yet entered into force for the accounting period 31 December 2014. TFRS 9 – *Financial instruments*, is published by International Accounting Standards Board in November 2009 as a part of a wider project that aims to bring new regulations to replace TAS 39 – *Financial Instruments: Recognition and Measurement* published by the Turkish Accounting Standards Board on Official Gazette dated 27 April 2010 and numbered 27564.

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

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

3 Critical accounting estimates and judgments in applying accounting policies

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

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

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

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

Note 4.1 – *Management of insurance risk*
Note 4.2 – *Financial risk management*
Note 10 – *Reinsurance assets/liabilities*
Note 11 – *Financial assets*
Note 12 – *Loans and receivables*
Note 17 – *Insurance liabilities and reinsurance assets*
Note 17 – *Deferred acquisition costs*
Note 19 – *Trade and other payables, deferred income*
Note 21 – *Deferred income taxes*
Note 23 – *Provisions for other liabilities and charges*

4 Management of insurance and financial risk

4.1 Management of insurance risk

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

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

Potential risks that may be exposed in transactions are managed based on the requirements set out in the Company's "Risk Management Policies" issued by the approval of the Board of Directors. The main objective of risk management policies is to determine the risk measurement, assessment, and control procedures and maintain consistency between the Company's asset quality and limitations allowed by the insurance standards together with the Company's risk tolerance of the accepted risk level assumed in return for a specific consideration. In this respect, instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

Risk tolerance is determined by the Company's Board of Directors by considering the Company's long-term strategies, equity resources, potential returns and economical expectations, and it is presented by risk limitations. Authorization limitations during policy issuing include authorizations for risk acceptances granted based on geographical regions in relation to unacceptable special risks or pre-approved acceptable special risks, insurance coverage to agencies, district offices, technical offices, assistant general managers and top management in the policy issuance period and authorizations for claim payment granted to district offices, claim management administration, automobile claims administration and Claim Committee established by the managing director and assistant managing director in the claim payment period.

Whatsoever, risk acceptance is based on technical income expectations under the precautionary principle. In determining insurance coverage, policy terms and fee, these expectations are based accordingly

It is essential that all the authorized personnel in charge of executing policy issuance transactions, which is the initial phase of insurance process, should ensure to gather or provide all the accurate and complete information to issue policies in order to obtain evidence on the acceptable risks that the Company can tolerate from the related insurance transactions. On the other hand, decision to be made on risk acceptance will be possible by transferring the coverage to the reinsurers and/or coinsurers and considering the terms of the insurance policy.

In order to avoid destructive losses over company's financial structure, company transfers the exceeding portion of risks assumed over the Company's risk tolerance and equity resources through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies. Insurance coverage and policy terms of reinsurance are determined by assessing the nature of each insurance branch.

4 Management of insurance and financial risk *(continued)*

4.1 Management of insurance risk *(continued)*

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

Sensitivity to insurance risk

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

The case of potential claims' arising from earthquake and other catastrophic risks exceeding the maximum limit of the excess of loss agreements, such risks are treated as the primary insurance risks and are managed based on the precautionary principle. Maximum limit of excess of loss agreements is determined based on the worst case scenario on the possibility of an earthquake that Istanbul might be exposed to in terms of its severity and any potential losses incurred in accordance with the generally accepted international earthquake models. The total amount of protection for catastrophic risks of the company is indentified taking into the compensation amount for an earthquake will occur in a 1000 years.

4 Management of insurance and financial risk *(continued)*

4.1 Management of insurance risk *(continued)*

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

Insurance risk concentration

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

Total claims liability 31 December 2014	**Gross total claims liability**	**Reinsurance share of total claims liability**	**Net total claims liability**
Motor vehicles liability (MTPL)	81.221.452	(7.903.973)	73.317.479
Motor vehicles	5.931.099	(86.404)	5.844.695
Accident	3.192.443	(1.667.799)	1.524.644
Legal Protection	77.199	-	77.199
Water Vehicles	15.747.809	(14.108.901)	1.638.908
Transportation	2.582.367	(2.068.591)	513.776
General Losses	22.610.064	(19.571.397)	3.038.667
Breach of Trust	648.658	(480.264)	168.394
Rail Vehicles	89.748	-	89.748
General Liability	34.692.377	(26.928.120)	7.764.257
Aircrafts	1.155.558	(1.155.558)	-
Aircrafts Liability	6.390.401	(6.390.401)	-
Financial Losses	9.194.511	(8.667.148)	527.363
Fire and natural disasters	71.856.527	(67.874.901)	3.981.626
Health	1.226.641	(1.022.885)	203.756
Total	**256.616.854**	**(157.926.342)**	**98.690.512**

Total claims liability 31 December 2013	**Gross total claims liability**	**Reinsurance share of total claims liability**	**Net total claims liability**
Motor vehicles liability (MTPL)			
Motor vehicles	61.462.822	(1.900.207)	59.562.615
Accident	7.551.364	(109.874)	7.441.490
Legal Protection	1.872.421	(987.673)	884.748
Water Vehicles	79.024	-	79.024
Transportation	4.088.020	(3.407.481)	680.539
General Losses	2.264.193	(1.819.851)	444.342
Breach of Trust	24.523.501	(21.642.440)	2.881.061
Rail Vehicles	1.025.538	(698.364)	327.174
General Liability	90.347	-	90.347
Aircrafts	44.342.179	(33.318.713)	11.023.466
Aircrafts Liability	1.629.869	(1.629.869)	-
Financial Losses	2.975.788	(2.975.788)	-
Fire and natural disasters	5.447.809	(5.010.565)	437.244
Health	29.712.344	(25.219.448)	4.492.896
Motor vehicles liability (MTPL)	530.751	(427.235)	103.516
Total	**187.595.971**	**(99.147.509)**	**88.448.462**

4 Management of insurance and financial risk *(continued)*

4.1 Management of insurance risk *(continued)*

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

Given insurance collateral amounts in respect to branches

	31 December 2014	31 December 2013
Motor vehicles liability (MTPL)	769.050.859.823	554.774.765.342
Fire and natural disasters	46.333.455.885	47.572.133.002
Health	637.412.519	267.435.300
General Liability	19.971.920.746	27.299.226.892
General Losses	28.742.965.802	25.917.457.406
Accident	6.501.286.479	12.964.060.255
Motor Vehicles	3.482.069.366	3.317.372.799
Transportation	15.862.848.668	15.782.780.029
Water Vehicles	763.751.404	1.089.962.126
Aircrafts	183.985.128	106.710.720
Breach of Trust	78.507.807	104.091.356
Financial Losses	1.222.681.775	1.277.944.336
Aircrafts Liabilty	3.855.089.761	3.164.423.850
Legal Protection	922.870.000	954.095.226
Total	**897.609.705.163**	**694.592.458.639**

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk

Introduction and overview

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

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Duties and responsibilities of the Risk Management and Internal Control Department include design and implementation of risk management system and identification and implementation of risk management policies. It is also responsible for ensuring that the Company implements all necessary risk management techniques. Activities of the Risk Management and Internal Control Department are managed directly by General Manager. The Board of Directors monitors the effectiveness of the risk management system through the internal audit department.

Risk management policies and guidelines are set by the Board of Directors and applied by the top management. These policies include organisation and scope of the risk management function, risk measurement and assessment methods, duties and responsibilities of the Board of Directors, top management and all of the employees, procedures followed in the case of limit extension and compulsory approval and confirmation processes for certain situations.

Credit Risk

Credit risk is most simply defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The balance sheet items that the Company is exposed to credit risks are as follows:

- Cash at banks
- Other cash and cash equivalents
- Available for sale financial assets (except equity-shares)
- Financial assets held for trading (except equity-shares)
- Held to maturity financial asset
- Premium receivables from policyholders
- Receivables from intermediaries (agencies)
- Receivables from reinsurance companies related to commissions and claims paid
- Reinsurance shares of insurance liability
- Receivables from related parties
- Other receivables

Reinsurance contracts are the most common method to manage insurance risk. This does not, however, discharge the Company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of the reinsurance contract.

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Credit risk *(continued)*

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

	31 December 2014	31 December 2013
Cash and cash equivalents *(Note 14)(*)*	202.112.296	180.895.669
Reinsurer share in provision for outstanding claims *(Note 10), (Note 17)*	157.926.342	99.147.509
Receivables from main operations *(Note 12)*	95.964.545	113.565.167
Other prepaid expenses *(Not 17)*	35.098.088	32.657.938
Financial assets *(Not 11)*(**)	19.197.245	14.984.851
Prepaid taxes and funds *(Not 12)*	2.312.725	1.542.120
Other receivables *(Not 12)*	131.177	520.056
Due from related parties *(Not 12)*	34.047	18.798
Total	**512.776.465**	**443.332.108**

(*) Cash balance amounting to TL 39.326 are not included (31 Aralık 2013:TL 34.501).

(**) Equity shares amounting to TL 696.664 are not included (31 December 2013: TL 258.210).

As at 31 December 2014 and 31 December 2013, the aging of the receivables from main operations is as follows:

	31 December 2014		31 December 2013	
	Gross Amount	**Provision**	**Gross Amount**	**Provision**
Not past due	75.916.612	-	90.822.593	-
Past due 0-30 days	11.682.732	-	5.615.456	-
Past due 31-60 days	4.676.514	-	4.995.504	-
Past due 61-90 days	49.429.809	45.741.122	55.152.389	43.020.775
Total	**141.705.667**	**45.741.122**	**156.585.942**	**43.020.775**

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

	31 December 2014	31 December 2013
Provision for receivables from insurance operations at the beginning of the period	43.020.775	34.798.170
Impairment losses provided for subrogation – salvage receivables during the period *(Note 47)*	2.720.347	8.222.605
Provision for receivables from insurance operations at the end of the period	**45.741.122**	**43.020.775**

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments.

Management of the liquidity risk

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

Maturity distribution of monetary assets and liabilities:

31 December 2014	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Unallocated
Cash and cash equivalents	202.151.622	95.584.911	19.305.783	87.260.928	-	-	-
Financial assets	19.893.909	-	14.878.385	5.015.524	-	-	-
Receivables from main operations	95.964.545	9.621.711	15.974.585	35.609.721	11.324.969	3.385.626	20.047.933
Due from related parties	34.047	34.047	-	-	-	-	-
Other receivables and current assets	2.443.902	131.177	-	2.312.725	-	-	-
Income accruals	1.449.766	-	-	-	1.413.180	36.586	-
Total monetary assets	**321.937.791**	**105.371.846**	**50.158.753**	**130.198.898**	**12.738.149**	**3.422.212**	**20.047.933**
Insurance technical provisions (*)	98.690.512	-	48.753.715	28.279.827	17.094.395	4.562.575	-
Payables arising from main operations	44.378.688	5.515.586	3.724.983	12.862.139	22.275.980	-	-
Other liabilities	7.508.125	3.546.236	1.593.696	2.368.193	-	-	-
Provisions for taxes and other similar obligations	4.951.287	4.951.287	-	-	-	-	-
Provisions for other risks and expense accruals	4.368.878	-	-	1.921.531	241.717	2.205.630	-
Total monetary liabilities	**159.897.490**	**14.013.109**	**54.072.394**	**45.431.690**	**39.612.092**	**6.768.205**	**-**

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

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Liquidity risk *(continued)*

Management of the liquidity risk (continued)

31 December 2013	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Unallocated
Cash and cash equivalents	180.930.170	5.966.579	34.516.206	140.447.385	-	-	-
Financial assets	15.243.061	-	15.243.061	-	-	-	-
Receivables from main operations	113.565.167	13.295.141	34.374.299	37.001.202	16.061.484	3.385.608	9.447.433
Due from related parties	18.798	18.798	-	-	-	-	-
Other receivables and current assets	2.062.176	520.056	-	-	1.542.120	-	-
Income accruals	2.030.027	-	1.347.663	-	682.364	-	-
Total monetary assets	**313.849.399**	**19.800.574**	**85.481.229**	**177.448.587**	**18.285.968**	**3.385.608**	**9.447.433**
Insurance technical provisions (*)	88.448.462	-	43.694.080	25.344.962	15.320.348	4.089.072	-
Payables arising from main operations	48.253.804	-	26.972.440	-	21.281.363	-	-
Other liabilities	8.355.497	3.693.810	-	-	4.661.687	-	-
Provisions for taxes and other similar obligations	4.678.107	4.678.107	-	-	-	-	-
Provisions for other risks and expense accruals	4.492.804	-	1.285.078	-	881.077	2.326.649	-
Total monetary liabilities	**154.228.674**	**8.371.917**	**71.951.598**	**25.344.962**	**42.144.475**	**6.415.721**	**-**

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

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Market risk

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

Currency risk

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

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

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

31 December 2014	US Dollar	Euro	Other currencies	Total
Receivables from main operations	14.068.755	12.699.867	163.261	26.931.883
Cash and cash equivalents	1.392.393	3.645.830	128.711	5.166.934
Total foreign currency assets	**15.461.148**	**16.345.697**	**291.972**	**32.098.817**
Insurance technical provisions	603.781	359.387	-	963.168
Payables arising from main operations	3.235.722	658.299	2.394	3.896.415
Total foreign currency liabilities	**3.839.503**	**1.017.686**	**2.394**	**4.859.583**
Net financial position	**11.621.645**	**15.328.011**	**289.578**	**27.239.234**

31 December 2013	US Dollar	Euro	Other currencies	Total
Receivables from main operations	19.644.345	16.653.987	215.396	36.513.728
Cash and cash equivalents	3.053.607	7.913.247	101.133	11.067.987
Total foreign currency assets	**22.697.952**	**24.567.234**	**316.529**	**47.581.715**
Insurance technical provisions	162.558	256.722	-	419.280
Payables arising from main operations	2.854.187	9.705.734	-	12.559.921
Total foreign currency liabilities	**3.016.745**	**9.962.456**	**-**	**12.979.201**
Net financial position	**19.681.207**	**14.604.778**	**316.529**	**34.602.514**

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

If technical provision denominated in any currency not specified, ıt is evaluated are evaluated by the Central Bank of the Republic of Turkey's spot sales rates as at 31 December 2014 and Foreign currency transactions are recorded at the foreign exchange rates ruling at the dates of the transactions and foreign currency denominated monetary items are evaluated by the Central Bank of the Republic of Turkey's spot purchase rates as at 31 December 2014.

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Market risk *(continued)*

Exposure to currency risk

Foreign currency rates used for the translation of foreign currency denominated assets and liabilities as at 31 December 2014 and 31 December 2013 are as follows:

	US Dollar	Euro
31 December 2014	2,3189	2,8207
31 December 2013	2,1343	2,9365

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

	31 December 2014		31 December 2013	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	1.162.165	1.162.165	1.968.121	1.968.121
Euro	1.532.801	1.532.801	1.460.478	1.460.478
Other	28.958	28.958	31.653	31.653
Total, net	**2.723.924**	**2.723.924**	**3.460.252**	**3.460.252**

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

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Market risk *(continued)*

Exposure to interest risk

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

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

	31 December 2014	31 December 2013
Financial assets with fixed interest rates:		
Cash at banks *(Note 14)*	159.447.210	140.447.386
Available for sale financial assets – Government bonds *(Note 11)*	14.181.721	10.010.615
Held to maturity investments – Government bonds *(Note 11)*	5.015.524	4.974.236
Financial assets with variable interest rates:	None	None

Interest rate sensitivity of the financial instruments

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

	Profit or loss		Equity (*)	
31 December 2014	**100 bp increase**	**100 bp decrease**	**100 bp artış**	**100 bp increase**
Financial assets held for trading	(141.817)	141.817	(141.817)	141.817
Total, net	**(141.817)**	**141.817**	**(141.817)**	**141.817**

(*) Equity effect also includes profit or loss effect.

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Market risk *(continued)*

Interest rate sensitivity of the financial instruments (continued)

	Profit or loss		Equity (*)	
31 December 2013	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets held for trading	(100.106)	100.106	(100.106)	100.106
Total, net	**(100.106)**	**100.106**	**(100.106)**	**100.106**

(*) Equity effect also includes profit or loss effect.

Fair value information

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

The Company has classified its financial assets as held for trading, available for sale or held to maturity. As at the reporting date, available for sale financial assets and financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying unconsolidated financial statements. Equity shares not traded in active markets are measured at cost less impairment losses if any. Held to maturity investments with a carrying amount of TL 5.015.524 (31 December 2013: TL : 4.974.236) are measured at amortised cost and their fair value amounting to TL 5.243.367 (31 December 2013: TL 4.990.075) as at 31 December 2014. The fair value of financial assets held to maturity are shown in the first level.

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

Fair value sensitivity of the equities

Equity price risk is the risk that the fair values of equities decrease as a result of the changes in the levels of equity indices and the value of individual stocks.

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

	31 December 2014		31 December 2013	
	Profit or loss	**Equity (*)**	**Profit or loss**	**Equity (*)**
Financial assets held for trading	(69.666)	(69.666)	(25.821)	(25.821)
Total, net	**(69.666)**	**(69.666)**	**(25.821)**	**(25.821)**

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

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Market risk *(continued)*

Classification of fair value measurements

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

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

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

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

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

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

	31 December 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets held for trading *(Note 11)*	14.878.385	-	-	**14.878.385**
Property for own use *(Note 6)*	-	41.950.701	-	**41.950.701**
Total financial assets	**14.878.385**	**41.950.701**	**-**	**56.829.086**

	31 December 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets held for trading *(Note 11)*	10.268.825	-	-	**10.268.825**
Total financial assets	**10.268.825**	**-**	**-**	**10.268.825**

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Gains and losses from financial assets

Gains and losses recognized in the statement of income:	31 December 2014	31 December 2013
Interest income from time deposits	14.225.833	9.572.266
Foreign exchange gains	5.124.587	9.975.900
Income from debt securities classified as held to maturity financial instruments	289.628	131.932
Income from equity shares classified as trading financial assets	119.107	1.470
Income from debt securities classified as held for trading financial assets	1.586.740	252.096
Investment income	**21.345.895**	**19.932.194**
Foreign exchange losses	(5.401.691)	(4.673.276)
Investment expenses – including interest	(3.139.242)	(2.539.136)
Investment expenses	**(8.540.933)**	**(7.212.412)**
Financial gains and losses recognized in the statement of income, net	**195.426.171**	**136.088.681**
Financial gains and losses recognized in equity:	**12.804.962**	**12.721.252**

Capital management

The Company's capital management policies include the following:

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

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies" issued by Turkish Treasury on 19 January 2008 dated and 26761 numbered; the Company measured its minimum capital requirement as TL 91.772.888 as at 30 June 2014. As at 31 December 2014, the capital amount of the Company presented in financial statements are above the minimum capital requirement amounts calculated according to the communiqué.

5 Segment reporting

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

Business segment

A business segment reporting of the Company is presented in accordance with TFRS 8 – *Operating Segments* standard in this section.

Insurance Fire and Natural Disaster

Insurance on fire and natural disasters covers material damages occurred due to fire, lightining, explotion or smoke, steam and temperature resulted from fire, lightning and explosion up to insurance policy limits.

Motor Third Party Liability Insurance

According to the Motorway Traffic Code numbered 2918, Motor Third Party Liability Insurance is covers vehicle owner's legal liability for all bodily damages to third persons and financial damages to other vehicles.

Damages caused by the trailer or semi-trailers (included light trailers) or the vehicles pulled is covered by the insurance of the trailer. However, the trailers used for transportion of people should be included in an additional liability insurance in order to obtain coverage.

In order to reduce and prevent the damage in the accident happened, reasonable and neccessary expenses of the policyholder is compensated by the Company. This insurance also covers unfair claims against the policyholders.

Motor Vehicles

Insurance on motor vehicles covers the following dangers related with vehicles. It is possible to widen policy scope for accessories or audio, display and communication devices which are not included in standard version of the vehicle by specifying on the insurance policy.

- Accident with the motorized or non-motorized vehicles which used in high-ways,
- Crash with fixed or moving items without desire of the driver or accidents due to crash, capsize, fall or tumble
- The actions of third parties resulted from bad intention or mischief,
- Burn,
- Theft or attempted theft.

Health

Insurance on health compensates treatment costs of illnesses or accidental injuries during the period of insurance and, if any, daily allowances in this general framework with special conditions up to the amount written in the policy. Geographical limits of the insurance are stated in the policy.

Geographical segment

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

5 Segment reporting *(continued)*

	Fire	Transportation	Accident	Engineering	Other	Unallocated	Total
1 January – 31 December 2013							
1- Earned Premiums (Net of Reinsurer Share)	11.727.944	6.293.193	142.766.498	8.677.526	1.874.466	--	171.339.627
1.1- Written Premiums (Net of Reinsurer Share)	11.963.655	6.452.219	137.351.825	11.764.213	2.528.843	--	170.060.755
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	(455.391)	124.570	3.459.199	(3.086.687)	(654.377)	--	(612.686)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	219.680	(283.596)	1.955.474	--	--	--	1.891.558
2- Other Technical Income (Net of Reinsurer Share)	521.942	589.804	(12.415.739)	297.380	-663.516	--	(11.670.129)
Technical Income (*)	**12.249.886**	**6.882.997**	**130.350.759**	**8.974.906**	**1.210.950**		**159.669.498**
1- Incurred Losses (Net of Reinsurer Share)	(5.508.080)	(2.259.734)	(97.850.494)	(6.606.972)	(822.541)	--	(113.047.821)
1.1- Claims Paid (Net of Reinsurer Share)	(5.929.230)	(1.231.930)	(88.272.198)	(6.650.108)	(722.305)	--	(102.805.771)
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	421.150	(1.027.804)	(9.578.296)	43.136	(100.236)	--	(10.242.050)
2- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	(167.694)	(35.762)	(19.299.009)	2.527.239	2.399.619	--	(14.575.608)
Technical Expense	**(5.675.774)**	**(2.295.496)**	**(117.149.503)**	**(4.079.733)**	**1.577.078**		**(127.623.428)**
Investment Income	--	--	--	--	--	21.345.895	**21.345.895**
Personnel Expenses	--	--	--	--	--	(19.809.482)	**(19.809.482)**
Administrative Expense	--	--	--	--	--	(16.731.896)	**(16.731.896)**
Other and Investment Expense (*)	--	--	--	--	--	(14.473.851)	**(14.473.851)**
Net loss							**2.376.736**

(*) Investment income transferred to non-technical section from technical section amounting to TL 12.762.126 is not included.

5 Segment reporting *(continued)*

	Fire	Transportation	Accident	Engineering	Other	Unallocated	Total
1 January – 31 December 2013							
1- Earned Premiums (Net of Reinsurer Share)	8.556.676	6.995.546	144.290.333	6.690.433	1.174.656	--	167.707.643
1.1- Written Premiums (Net of Reinsurer Share)	10.430.510	6.986.905	152.208.879	9.144.444	1.188.041	--	179.958.779
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	(1.654.154)	26.512	(4.379.341)	(2.454.011)	(13.386)	--	(8.474.380)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	(219.680)	(17.871)	(3.539.205)	--	--	--	(3.776.756)
2- Other Technical Income (Net of Reinsurer Share)	2.059.150	840.677	890.672	(187.722)	(854.590)	--	2.748.187
Technical Income (*)	**10.615.825**	**7.836.223**	**145.181.005**	**6.502.711**	**320.065**	**-**	**170.455.830**
1- Incurred Losses (Net of Reinsurer Share)	(5.846.921)	(1.232.363)	(102.962.296)	(4.011.652)	(621.582)	--	(114.674.814)
1.1- Claims Paid (Net of Reinsurer Share)	(4.850.426)	(1.643.067)	(89.136.291)	(2.991.921)	(578.382)	--	(99.200.087)
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	(996.495)	410.704	(13.826.005)	(1.019.731)	(43.200)	--	(15.474.727)
2- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	(470.752)	(319.018)	(22.954.480)	5.501.486	463.913	--	(17.778.851)
Technical Expense	**(6.317.673)**	**(1.551.382)**	**(125.916.776)**	**1.489.834**	**(157.668)**	--	**(132.453.665)**
Investment Income	--	--	--	--	--	19.933.664	**19.933.664**
Personnel Expenses	--	--	--	--	--	(18.038.208)	**(18.038.208)**
Administrative Expense	--	--	--	--	--	(14.806.617)	**(14.806.617)**
Other and Investment Expense (*)	--	--	--	--	--	(16.525.575)	**(16.525.575)**
Net loss							**8.565.429**

(*) Investment income transferred to non-technical section from technical section amounting to TL 7.542.540 TL is not included.

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6 Tangible assets

Movements in tangible assets in the period from 1 January to 31 December 2014 are presented below:

	1 January 2014	Addition	Revaluation Difference	Disposals	31 December 2014
Cost:					
Buildings for own use	32.599.305	-	9.351.396	-	41.950.701
Furniture and fixtures	2.993.294	692.075	-	(204.872)	3.480.497
Motor Vehicles	1.871.888	440.740	-	(54.017)	2.258.611
Other tangible assets (including leasehold improvements)	2.281.345	-	-	-	2.281.345
Leased tangible assets	914.348	-	-	(73.279)	841.069
	40.660.180	**1.132.815**	**9.351.396**	**(332.168)**	**50.812.223**
Accumulated depreciation:					
Buildings for operational use	(1.866.582)	(952.269)	2.770.301	-	(48.550)
Furniture and fixtures	(2.556.813)	(259.040)	-	200.244	(2.615.609)
Motor vehicles	(490.998)	(434.778)	-	38.712	(887.064)
Other tangible assets (including leasehold improvements)	(2.154.597)	(53.699)	-	-	(2.208.296)
Leased tangible assets	(887.744)	(23.230)	-	73.279	(837.695)
	(7.956.734)	**(1.723.016)**	**2.770.301**	**312.235**	**(6.597.214)**
Carrying amounts	**32.703.446**				**44.215.009**

The Company's buildings for own use are revalued. "Headquarter Building" located in İstanbul and İzmir Office" buildings are presented in financial statements at the amounts determined in the expertise report dated 1 December 2014, is appraised by independent appraisal experts authorized by Capital Markets Board of Turkey using sales comparison method. The Company's buildings for own use are designated as "Level 2" as fair value.

	31 Aralık 2014 Net book value	31 Aralık 2013 Net book value
Headquarter Building	40.700.000	31.450.000
İzmir Office	1.160.000	1.070.000
Other buildings	88.845	79.305
Lend	1.856	-
Depreciation	(48.550)	(1.866.582)
Net book value after increasing in value	**41.902.151**	**30.732.723**

Revaluation surplus arising from fair value measurement in buildings is recorded in "Other Capital Reserves" under equity by taking into account the effects of deferred tax. Decreases after revaluation arising from fair value measurement in buildings is subtracted from related assets "Other Capital Reserves" under Shareholders' Equity by comparing on the basis of account. Decreases after revaluation of the assets with no balances in "Other Capital Reserves" under Shareholders' Equity is associated with profit / loss accounts.

6 Tangible assets *(continued)*

Revaluation movement of property for own use in accordance with fair value method as of 31 December 2014 and 2013;

	31 December 2014	31 December 2013
Valuation increase at the begining of period *(Note 15)*	15.071.637	15.533.583
Fair value increase due to revaluation *(Note 15)*	12.121.697	-
Tax effect	(2.424.337)	-
Current year depreciation depreciation	(488.890)	(461.946)
Revaluation increase at the end of period *(Note 15)*	**24.280.107**	**15.071.637**

Movements in tangible assets in the period from 1 January to 31 December 2013 are presented below:

	1 January 2013	Additions	Disposals	31 December 2013
Cost:				
Buildings for own 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 (including leasehold improvements)	2.281.345	--	--	2.281.345
Leased tangible assets	1.425.981	--	(511.633)	914.348
	40.404.005	**1.194.327**	**(938.152)**	**40.660.180**
Accumulated depreciation:				
Buildings for own 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 (including leasehold improvements)	(2.054.681)	(99.916)	--	(2.154.597)
Leased tangible assets	(1.288.543)	(75.083)	475.882	(887.744)
	(7.240.530)	**(1.616.367)**	**900.163**	**(7.956.734)**
Carrying amounts	**33.163.475**			**32.703.446**

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

There is not any mortgage over tangible assets of the Company as at 31 December 2014 and 31 December 2013.

7 Investment properties

There is no investment property.

8 Intangible assets

Movements in intangible assets in the period from 1 January to 31 December 2014 are presented below:

	1 January 2014	Additions	Disposals	31 December 2014
Cost:				
Rights	5.026.300	829.846	-	5.856.146
	5.026.300	**829.846**	**-**	**5.856.146**
Accumulated amortization:				
Rights	(4.238.895)	(607.136)	-	(4.846.031)
	(4.238.895)	**(607.136)**	**-**	**(4.846.031)**
Carrying amounts	**787.405**			**1.010.115**

Movements in intangible assets in the period from 1 January to 31 December 2013 are presented below:

	1 January 2014	Additions	Disposals	31 December 2014
Cost:				
Rights	4.399.861	626.439	--	5.026.300
	4.399.861	**626.439**	**--**	**5.026.300**
Accumulated amortization:				
Rights	(3.784.226)	(454.669)	--	(4.238.895)
	(3.784.226)	**(454.669)**	--	**(4.238.895)**
Carrying amounts	**615.635**			**787.405**

9 Investments in associates

In 7 June 2012, Risk Ekspert Risk Danışmanlık Hizmetleri Limited Company has been founded with 30% partnership of the company as it was registered in "Ticari Sicil Gazetesi". As of 31 December 2014 and 2012, the Company's share amount is accounted with acquisition cost as it has been predicted in accordance with Consolidation Communique. Since the mentioned affiliate's total asset amount is lower than 1% of the Company's total asset amount.

	31 December 2014		31 December 2013	
	Carrying value	Participation rate	Carrying value	Participation rate
Tarım Sigortaları Havuz İşlt. AŞ	211.320	%4,00	125.125	%4,17
Risk Expert Risk ve Hasar Danışmanlığı Ltd. Şti.	15.000	%30,00	15.000	%30,00
Investments in associates, net	**226.320**		**140.125**	

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the period	Audited or not	Period
Tarım Sigortaları Havuz İşlt. AŞ	10.285.518	7.179.018	-	1.134.334	Not	31 December 2014
Risk Expert Risk ve Hasar Danışmanlığı Ltd. Şti.	106.706	63.989	(41.046)	55.034	Not	31 December 2014

10 Reinsurance assets and liabilities

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

Reinsurance assets	**31 December 2014**	**31 December 2013**
Reserve for unearned premiums, ceded *(Note 17)*	114.006.271	99.746.577
Provision for outstanding claims, ceded *(Note 17)*	157.926.342	99.147.509
Commission income accrual from reinsurers and receivables due to paid claims *(Note 12)*	3.481.940	3.791.866
Total	**275.414.553**	**202.685.952**

There is no value decrease for reinsuarance assets.

Reasuarance Liabilities	**31 December 2014**	**31 December 2013**
Commission debts related to written premiums to reinsurance companies *(Note 19)*	23.032.916	46.631.492
Depository from reasurance company *(Note 19)*	19.718.785	230.658
Toplam	**42.751.701**	**46.862.150**

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

	31 December 2014	**31 December 2013**
Premiums ceded during the period *(Note 17)*	(202.200.215)	(168.149.276)
Reserve for unearned premiums, ceded at the beginning of the period *(Note 17)*	(99.746.577)	(77.506.441)
Reserve for unearned premiums, ceded at the end of the period *(Note 17)*	114.006.271	99.746.577
Premiums earned, ceded *(Note 17)*	**(187.940.521)**	**(145.909.140)**
Claims paid, ceded during the period *(Note 17)*	81.718.403	39.053.705
Provision for outstanding claims, ceded at the beginning of the period *(Note 17)*	(99.147.509)	(70.156.380)
Provision for outstanding claims, ceded at the end of the period *(Note 17)*	157.926.342	99.147.509
Claims incurred, ceded *(Note 17)*	**140.497.236**	**68.044.834**
Commission income accrued from reinsurers during the period *(Note 32)*	42.771.807	36.333.653
Deferred commission income at the beginning of the period *(Note 19)*	23.744.612	19.625.374
Deferred commission income at the end of the period *(Note 19)*	(26.430.820)	(23.744.613)
Commission income earned from reinsurers *(Note 32)*	**40.085.599**	**32.214.414**
Total, net	**(7.357.686)**	**(45.649.892)**

11 Financial assets

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

	31 December 2014	31 December 2013
Held to maturity financial assets	5.015.524	4.974.236
Financial assets held for trading	14.878.385	10.268.825
Total	**19.893.909**	**15.243.061**

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

	31 December 2014			
	Face Value	**Cost**	**Fair Value**	**Carrying Value**
Debt instruments:				
Government bonds – TL	13.600.000	8.409.481	14.181.721	14.181.721
	13.600.000	**8.409.481**	**14.181.721**	**14.181.721**
Other non-fixed income financial assets:				
Equity shares	92.126	631.975	696.664	696.664
	92.126	**631.975**	**696.664**	**696.664**
Total financial assets held for trading *(Note 4.2)*	**13.692.126**	**9.041.456**	**14.878.385**	**14.878.385**

	31 December 2014			
	Face Value	**Cost**	**Fair Value**	**Carrying Value**
Debt instruments:				
Government bonds – TL	10.200.000	10.104.146	10.010.615	10.010.615
	10.200.000	**10.104.146**	**10.010.615**	**10.010.615**
Other non-fixed income financial assets:				
Equity shares	54.456	316.583	258.210	258.210
	54.456	**316.583**	**258.210**	**258.210**
Total financial assets held for trading *(Note 4.2)*	**10.254.456**	**10.420.729**	**10.268.825**	**10.268.825**

11 Financial assets *(continued)*

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

	31 December 2014			
	Face Value	**Cost**	**Fair Value**	**Carrying Value**
Debt instruments:				
Government bonds - TL	5.277.268	5.000.000	5.243.367	5.015.524
Total financial assets held to maturity	**5.277.268**	**5.000.000**	**5.243.367**	**5.015.524**

	31 December 2013			
	Face Value	**Cost**	**Fair Value**	**Carrying Value**
Debt instruments:				
Government bonds - TL	5.277.268	5.000.000	4.990.075	4.974.236
Total financial assets held to maturity	**5.277.268**	**5.000.000**	**4.990.075**	**4.974.236**

All debt instruments (financial assets held to maturity) presented above are publicly traded in active markets and the fair value of financial assets.

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

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

Movements of the financial assets during the period are presented below:

	31 December 2014		
	Trading	**Held to maturity**	**Total**
Balance at the beginning of the period	**10.268.825**	**4.974.236**	**15.243.061**
Acquisitions during the period	135.595.928	-	135.595.928
Disposals (sale and redemption)	(131.403.940)	-	(131.403.940)
Change in the fair value of financial assets	417.572	41.288	458.860
Balance at the end of the period	**14.878.385**	**5.015.524**	**19.893.909**

	31 December 2013		
	Trading	**Held to maturity**	**Total**
Balance at the beginning of the period	**3.845.375**	**-**	**3.845.375**
Acquisitions during the period	38.327.943	5.000.000	43.327.943
Disposals (sale and redemption)	(31.721.083)	-	(31.721.083)
Change in the fair value of financial assets	(183.410)	(25.764)	(209.174)
Balance at the end of the period	**10.268.825**	**4.974.234**	**15.243.061**

11 Financial assets *(continued)*

Financial assets blocked in favour of the Turkish Treasury as a guarantee for the insurance activities are as follows.

	31 December 2014			
	Face Value	**Cost**	**Fair Value**	**Carrying Value**
Held to maturity financial assets *(Note 17)*	5.277.268	5.000.000	5.243.367	5.015.524
Total	**5.277.268**	**5.000.000**	**5.243.367**	**5.015.524**

	31 December 2013			
	Face Value	**Cost**	**Fair Value**	**Carrying Value**
Available for sale financial assets *(Note 17)*	5.277.268	5.000.000	4.990.075	4.974.236
Total	**5.277.268**	**5.000.000**	**4.990.075**	**4.974.236**

12 Loans and receivables

	31 December 2014	31 December 2013
Receivables from main operations *(Note 4.2)*	95.964.545	113.565.167
Other current assets *(Note 4.2)*	2.312.725	1.542.120
Other receivables *(Note 4.2)*	131.177	520.056
Receivables from related parties *(Note 4.2)*	34.047	18.798
Total	**98.442.494**	**115.646.141**

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

	31 December 2014	31 December 2013
Receivables from agencies, brokers and intermediaries	65.854.502	82.190.012
Receivebles from guaranteed credit card	17.391.906	18.694.550
Receivebles from policyholders	4.991.030	4.949.833
Salvage and subrogation receivables	3.728.324	5.102.433
Receivables from reinsurance companies (*Note 10)*	3.481.940	3.791.866
Other receivebles	9.213	9.213
Doubtful receivables from insurance operations – subrogation receivables*(Note 4.2)*	(637.611)	(1.172.740)
Total receivables from insurance operations, net	**94.819.304**	**113.565.167**
Doubtful receivables from main operations – premium receivables	46.248.752	41.848.035
Provisions for doubtful receivables from main operations – premium receivables *(Note 4.2)*	(45.103.511)	(41.848.035)
Receivables from main operations	**95.964.545**	**113.565.167**

As at 31 December 2014 and 31 December 2013, the details of mortgages and other guarantees for the Company's receivables are presented below:

	31 December 2014	31 December 2013
Mortgage notes	21.246.208	21.589.508
Letters of guarantees	10.784.760	9.858.491
Public securities	72.272	70.977
Cash	793.888	911.020
Colleteral Cheques	1.785.165	1.799.296
Colleteral bills	2.790.363	3.771.497
Other guarentees	1.106.116	1.348.397
Total	**38.578.772**	**39.349.186**

Provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 10.279.566 (31 December 2013: TL 10.394.114).

b) Provision for subrogation receivables under legal or administrative follow up: TL 34.823.945 (31 December 2013: TL 31.453.921).

c) Doubtful receivables from insurance operations – subrogation receivables; TL 637.611 (31 December: TL 1.172.740)

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

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

13 Derivative financial instruments

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

14 Cash and cash equivalents

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

	31 December 2014		31 December 2013	
	At the end of the period	**At the beginning of the period**	**At the end of the period**	**At the beginning of the period**
Cash on hand	39.326	34.501	34.501	37.833
Cheques received	12	5.352	5.352	24.018
Banks	164.107.105	146.374.111	146.374.111	117.631.652
Other	38.005.179	34.516.206	34.516.206	29.271.613
Cash and cash equivalents in the balance sheet	**202.151.622**	**180.930.170**	**180.930.170**	**146.965.116**
Interest accruals on banks deposits	(1.603.103)	(1.211.930)	(1.211.930)	(831.853)
Bank deposits – blocked (*) *(Note 17)*	(32.972.923)	(31.101.691)	(31.101.691)	(36.110.812)
Cash and cash equivalents in the statement of cash flows	**167.575.596**	**148.616.549**	**148.616.549**	**110.022.451**

(*) As at 31 December 2014 and 31 December 2013 cash collateral kept in favour of the Turkish Treasury and TARSİM as a guarantee for the insurance activities.

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

	31 December 2014	**31 December 2013**
Foreign currency denominated bank deposits		
- demand deposits	1.129.919	3.432.080
- time deposits	4.037.015	7.635.907
Bank deposits in Turkish Lira		
- demand deposits	3.529.976	2.494.645
- time deposits	155.410.195	132.811.479
Bank deposits	**164.107.105**	**146.374.111**

15 Equity

Paid in capital

The shareholder having direct or indirect control over the shares of the Vienna Insurance Group.

The Company does not increase its share capital in the current period.

As at 31 December 2014, the issued share capital of the Company is TL 163.069.856 (31 December 2013: TL 163.069.856) and The Company unregistered Group A shares as of 11 April 2013 in which approved in Main Article of the Company dated in 11 April 2013. The share capital of the Company consists of 16.306.985.600 (31 December 2013: 16.306.985.600 shares) issued shares with TL 0.01 nominal value each.

Other capital reserves

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 pf 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 ravalued carrying amount of the asset (charged to the statement of income) and the depreciation based on the asset's origial cost is transferred revaluation increases arising from the revaluation of property for operational use are not allowed to be used in capital increases.

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

Other capital reserves distrubution is presented below;

	31 December 2014	31 December 2013
Revaluation fund	24.280.107	15.071.637
Earthquake provision transferred to profit reserve	9.265.403	9.265.403
Actuarial losses, net of tax effect (-)	(1.191.146)	(369.538)
Other capital reserves at the end of the period	**32.354.364**	**23.967.502**

Legal reserves

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

16 Other reserves and equity component of DPF

As at 31 December 2014 and 31 December 2013, change in fair values of available-for-sale financial assets which is presented as "valuation of financial assets" and earthquake provisions provided in the previous years presented under "other profit reserves" are explained in detail in Note 15 – *Equity* above. As at 31 December 2014 and 31 December 2013, the Company does not hold any insurance or investment contracts which contain a DPF.

17 Insurance contract liabilities and reinsurance assets

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

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

	31 December 2014	31 December 2013
Reserve for unearned premiums, gross	215.918.488	199.760.887
Reserve for unearned premiums, ceded *(Note 10)*	(114.006.271)	(99.746.577)
Reserve for unearned premiums, SSI share	(4.256.872)	(2.971.651)
Reserves for unearned premiums, net	**97.655.345**	**97.042.659**
Provision for outstanding claims, gross	256.616.854	187.595.971
Provision for outstanding claims, ceded *(Note 10)*	(157.926.342)	(99.147.509)
Provision for outstanding claims, net	**98.690.512**	**88.448.462**
Equalization provision, net	5.284.018	4.220.020
Provision unexpired risk reserve, net	2.109.126	4.000.684
Other technical provisions, net	**7.393.144**	**8.220.704**
Total technical provisions, net	**203.739.001**	**193.711.825**
Short-term	187.898.603	182.508.148
Medium and long-term	15.840.398	11.203.677
Total technical provisions, net	**203.739.001**	**193.711.825**

17 Insurance liabilities and reinsurance assets *(continued)*

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

	31 December 2014			
Reserve for unearned premiums	**Gross**	**Reasuror share**	**SSI share**	**Net**
Reserve for unearned premiums at the beginning of the period	199.760.887	(99.746.577)	(2.971.651)	97.042.659
Premiums written during the period	380.025.291	(202.200.215)	(7.764.321)	170.060.755
Premiums earned during the period	(363.867.690)	187.940.521	6.479.100	(169.448.069)
Reserve for unearned premiums at the end of the period	**215.918.488**	**(114.006.271)**	**(4.256.872)**	**97.655.345**

	31 December 2013			
Reserve for unearned premiums	**Gross**	**Reasuror share**	**SSI share**	**Net**
Reserve for unearned premiums at the beginning of the period	133.366.677	(59.808.832)	2.546.658	76.104.503
Premiums written during the period	354.298.992	(168.149.276)	(6.190.937)	179.958.779
Premiums earned during the period	(287.904.782)	128.211.530	672.629	(159.020.623)
Reserve for unearned premiums at the end of the period	**199.760.887**	**(99.746.577)**	**(2.971.651)**	**97.042.659**

	31 December 2014		
Provision for outstanding claims	**Gross**	**Ceded**	**Net**
Provision for outstanding claims at the beginning of the period	187.595.971	(99.147.509)	88.448.462
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	253.545.057	(140.497.236)	113.047.821
Claims paid during the period	(184.524.174)	81.718.403	(102.805.771)
Provision for outstanding claims at the end of the period	**256.616.854**	**(157.926.342)**	**98.690.512**

	31 December 2013		
Provision for outstanding claims	**Gross**	**Ceded**	**Net**
Provision for outstanding claims at the beginning of the period	128.059.147	(64.501.520)	63.557.627
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	197.790.616	(73.699.694)	124.090.922
Claims paid during the period	(138.253.792)	39.053.705	(99.200.087)
Provision for outstanding claims at the end of the period	**187.595.971**	**(99.147.509)**	**88.448.462**

17 Insurance liabilities and reinsurance assets *(continued)*

Claim development tables

The basic assumption used in the estimation of provisions for outstanding claims is the Company's past experience on claim developments. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process, etc, is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting date. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent financial statements.

Development of insurance liabilities enables to measure the performance of the Company in estimation of its ultimate claim losses. The amounts presented on the top of the below tables show the changes in estimations of the Company for the claims in subsequent years after claim years. The amounts presented on the below of the below tables give the reconciliation of total liabilities with provision for outstanding claims presented in the accompanying financial statements.

31 Aralık 2014

Claim year	2008	2009	2010	2011	2012	2013	2014	Total
Claim year	144.110.646	163.778.390	137.771.162	140.321.021	136.643.044	132.333.394	225.840.918	1.080.798.575
1 year later	54.747.640	38.731.528	34.161.108	35.456.718	41.112.935	45.085.065	--	249.294.994
2 years later	27.344.201	43.387.323	15.790.881	20.282.534	25.005.288	--	--	131.810.226
3 years later	27.327.187	15.626.929	12.959.415	20.899.066	--	--	--	76.812.597
4 years later	26.864.436	11.379.653	18.124.780	--	--	--	--	56.368.869
5 years later	28.191.933	11.828.244	--	--	--	--	--	40.020.177
6 years later	29.989.055	--	--	--	--	--	--	29.989.055
Total gross incurred claims	**338.575.098**	**284.732.067**	**218.807.346**	**216.959.339**	**202.761.267**	**177.418.459**	**225.840.918**	**1.665.094.493**

31 Aralık 2013

Claim year	2007	2008	2009	2010	2011	2012	2013	Total
Claim year	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 years later	8.234.576	6.055.568	39.206.794	9.587.090	16.159.233	--	--	79.243.261
3 years later	6.834.723	6.548.076	11.718.153	8.873.279	--	--	--	33.974.231
4 years later	6.481.451	5.142.370	7.077.475	--	--	--	--	18.701.296
5 years later	4.506.057	5.439.901	--	--	--	--	--	9.945.958
6 years later	4.534.847	--	--	--	--	--	--	4.534.847
Total gross incurred 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**

17 Insurance liabilities and reinsurance assets *(continued)*

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

	31 December 2014		
	Should be placed (**)	**Placed** (*)	**Carrying amount**
Non-life:			
Bank deposits *(Note 14)*		31.675.647	31.675.647
Financial assets (*) *(Note 11)*		5.015.524	5.015.524
Total	**30.590.963**	**36.691.171**	**36.691.171**

	31 December 2013		
	Should be placed (**)	**Placed** (*)	**Carrying amount**
Non-life:			
Bank deposits *(Note 14)*		29.905.358	29.905.358
Financial assets (*) *(Note 11)*		4.974.236	4.974.236
Total	**32.313.507**	**34.879.594**	**34.879.594**

(*) "As at 31 December 2014 and 31 December 2013, government bonds and treasury bills are measured at daily official prices announced by the Central Bank of Turkey in accordance with the 6th Article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies.

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

17 Insurance liabilities and reinsurance assets *(continued)*

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

None.

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

None.

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

None.

Deferred commission expenses

The Company capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As at 31 December 2014, short-term prepaid expenses amounting to TL 35.098.088 (31 December 2013: TL 32.657.938) consist of deferred commission expenses amounting to TL 33.648.322 (31 December 2013: TL 30.627.911) and other prepaid expenses amounting to TL 1.449.766 TL (31 December 2013: TL 2.030.027 TL).

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

	31 December 2014	31 December 2013
Deferred commission expenses at the beginning of the period	30.627.911	25.928.531
Commissions accrued during the period	56.617.618	53.815.735
Commissions expensed during the period *(Note 32)*	(53.597.207)	(49.116.355)
Deferred commission expenses at the end of the period	**33.648.322**	**30.627.911**

Individual pension funds

None.

18 Investment contract liabilities

None

19 Trade and other payables and deferred income

	31 December 2014	31 December 2013
Payables from main operations	44.378.688	48.253.804
Short-term deferred income *(Note 10)*	26.430.820	23.744.612
Taxes and funds payable and other similar obligations	4.951.287	4.678.107
Other payables	2.792.992	1.894.757
Payables to SSI	4.715.133	6.460.740
Total	**83.268.920**	**85.032.020**
Short-term liabilities	83.268.920	85.032.020
Long-term liabilities	-	-
Total	**83.268.920**	**85.032.020**

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

	31 December 2014	31 December 2013
Payables to reinsurance companies *(Note 10)*	23.032.916	46.631.492
Payables to agencies, brokers and intermediaries	1.626.987	1.391.654
Total payables arising from insurance operations	**24.659.903**	**48.023.146**
Cash deposited by insurance and reinsurance companies *(Note 10)*	19.718.785	230.658
Payables arising from main operations	**44.378.688**	**48.253.804**

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

None.

20 Financial liabilities

The Company has no financial liabilities as at 31 December 2014 (31 December 2013: TL 55).

21 Deferred tax

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

	31 December 2014	31 December 2013
	Deferred tax assets /(liabilities)	**Deferred tax assets /(liabilities)**
Deferred tax effect of previous periods tax losses *(Note 2.18)*	2.918.724	3.770.174
Equalization provision	917.826	746.487
Reserve for unexpired risks	421.825	800.137
Provisions for employee termination benefits and unused vacations	659.432	449.434
Provision for subrogation receivables	91.210	145.252
Difference in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(6.094.184)	(3.756.875)
Doubtful receivables provision	36.312	89.296
Chain difference	664.267	585.165
Lawsuit provision	48.343	30.098
Other provisions	(116.464)	78.497
Deferred tax assets, net	**(452.709)**	**2.937.665**

Deferred income tax assets are recognised to the extent that it is probable that future taxableprofit 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 utilitized with budgeted profits. In the respect, as of 31 December 2014, the Company has calculated a deferred tax asset amounting to TL 14.593.619 (31 December 2013: TL 18.850.868) over deductible tax losses amounting to TL 2.918.724 (31 December 2013: TL 3.770.174). In addition Company has not reconized a deferred tax asset amountin to TL 14.593.619 (31 December 2013: TL 33.235.595) as of 31 December 2014. The maturity analysis of the deductabletax losses out of which the deferred tax asset has not been recognized is as follow:

Expiration date	**31 December 2014**	**31 December 2013**
31 December 2014	-	18.641.976
31 December 2015	10.997.041	10.997.041
31 December 2016	3.596.578	3.596.578
Total	**14.593.619**	**33.235.595**

22 Retirement benefit obligations

None.

23 Other liabilities and provisions

As at 31 December 2014 and 31 December 2013; the details of the provisions for expense accruals are as follows:

	31 December 2014	31 December 2013
Provision for unused vacation pay liability	1.091.531	840.011
Personnel bonus provision	830.000	1.740.150
Provision for lawsuits	241.717	150.489
Provision for expense accruals	**2.163.248**	**2.730.650**

Movements of provision for employee termination benefits during the period are presented below:

	31 December 2014	31 December 2013
Provision at the beginning of the period	**1.407.159**	**1.234.974**
Interest and service cost *(Note 47)*	299.570	17.719
Payments made during the period *(Note 47)*	(528.109)	(307.457)
Actuarial difference *(Note 15)*	1.027.010	461.923
Provision at the end of the period	**2.205.630**	**1.407.159**

24 Net insurance premium

Net insurance premium revenue is presented in detailed in the accompanying statement of income.

25 Fee revenue

None.

26 Investment income

Investment income is presented in "*Note 4.2* – Financial Risk Management.

27 Net income accrual on financial assets

Net realized gains on financial assets are presented in "*Note 4.2* – Financial Risk Management.

28 Assets held at fair value through profit or loss

Presented in "*Note 4.2* – Financial Risk Management".

29 Insurance rights and claims

	31 December 2014	31 December 2013
Claims paid, net off reinsurers' share	(102.805.771)	(99.200.087)
Changes in reserve for unearned premiums, net off reinsurers' share	(612.686)	(38.253.792)
Changes in provision for outstanding claims, net off reinsurers' share	(10.242.050)	39.053.705
Change in equalization provisions	(1.063.998)	(15.474.727)
Changes in reserve for unexpired risks, net off reinsurers' share	1.891.558	(44.465.856)
Total	**(112.832.947)**	**(158.340.757)**

30 Investment contract benefits

None.

31 Other expenses

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

32 Operating expenses

The operating expenses are disclosed as follows:

	31 December 2014	31 December 2013
Commission expenses *(Note 17)*	53.597.207	49.116.355
Employee benefit expenses *(Note 33)*	19.809.482	18.038.208
Commission income from reinsurers *(Note 10)*	(40.085.599)	(32.214.414)
Administration expenses	3.319.494	2.676.086
Advertising and marketing expenses	2.002.837	2.177.136
Communication and information technologies expenses	5.013.706	4.023.648
Other expenses	6.395.859	5.929.747
Total	**50.052.986**	**49.746.766**

33 Employee benefits expenses

	31 December 2014	31 December 2013
Wages and salaries	14.761.591	13.557.841
Employer's share of social security premium	2.268.101	2.018.013
Bonus payments	1.686.712	1.747.596
Severance and notice payments	602.733	441.491
Social Benefits	490.345	273.267
Total	**19.809.482**	**18.038.208**

34 Financial costs

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

35 Income tax

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

	31 December 2014	31 December 2013
Deferred taxes:		
Origination and reversal of temporary differences	(1.171.436)	1.965.225
Total income tax expense recognised in profit or loss	**(1.171.436)**	**1.965.225**

A reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate is as follows:

	31 December 2014		31 December 2013	
Profit before tax	**3.548.172**	**Tax rate (%)**	**6.600.204**	**Tax rate (%)**
Taxes on income per statutory tax rate	(709.634)	(20,00)	(1.320.041)	(20,00)
Other	(461.802)	(13,02)	3.285.266	49,78
Total tax income recognized in profit or loss	**(1.171.436)**	**(33,02)**	**1.965.225**	**29,78**

36 Net foreign exchange gains

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

37 Earnings per share

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

	31 December 2014	31 December 2013
Net profit / (loss) for the period	2.376.736	8.565.429
Weighted average number of shares	16.306.985.600	16.306.985.600
Hisse başına kazanç (TL)	0,0146	0,0525

38 Dividends per share

The company did not perform profit distribution in years of 2013 and 2014.

39 Cash generated from operations

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

40 Convertible bonds

None.

41 Redeemable preference shares

None.

42 Risks

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

As at 31 December 2014, total amount of the claims that the Company face is TL 134.077.619 in gross (31 December 2013: TL 113.079.884). The Company provided provision for outstanding claims in the financial statements by considering collateral amounts.

As at 31 December 2014, ongoing law suits prosecuted by the Company against the third parties amounting TL 46.248.752 (31 December 2013: TL 43.158.360).

As a result of investigation conducted by the Ministry of Finance Tax Audit Board, tax penalty, which is amounting to TL 4.216.511, is announced by reason to tax salvage operations not subject to the Banking and Insurance Transactions Tax for 2009-2010-2011-2012 . The Company has not made any provision for this tax penalty because of thinking that the Company's operations are in line with the local regulations.

43 Commitments

The details of the guarantees that are given by the Company for the operations in non-life branches are presented in *Note 17*.

The future aggregate minimum lease payments under operating leases for properties rented for use of head office and regional offices and motor vehicles rented for sales and marketing departments are as follows:

	31 December 2014	31 December 2013
Within one year	724.990	875.514
Between one to five years	104.940	-
Total of minimum lease payments	**829.930**	**875.514**

44 Business combinations

None.

45 Related party transactions

The ultimate controlling party of the Company is VIG Group and the affiliates and associates of VIG Group are defined as related parties of the Company.

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

	31 December 2014	31 December 2013
VIG Holding	3.119.048	8.991.965
VIG Re	1.840.585	3.418.337
Kooperativa	-	1.311.713
Other	629.861	195.701
Payables from main operations	**5.589.494**	**13.917.716**
VIG Re	32.076.519	16.771.315
VIG Holding	28.954.461	16.791.368
Kooperativa	834.053	1.341.622
Other	4.813.994	485.596
Technical Provisions	**66.679.027**	**35.389.901**
VIG Re	4.649.758	2.918.857
VIG Holding	3.926.616	2.846.057
Other	52.732	102.213
Deferred Commission Income	**8.629.106**	**5.867.127**

No guarantees have been taken against receivables from related parties.

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

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

45 Related party transactions *(continued)*

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

	31 December 2014	31 December 2013
VIG Re	31.122.107	14.903.201
VIG Holding	29.908.966	19.830.979
Other	3.077.791	761.972
Premiums written, ceded	**64.108.864**	**35.496.152**
VIG Re	7.210.944	4.433.080
VIG Holding	6.626.918	5.106.422
Other	154.759	61.517
Commissions Received	**13.992.621**	**9.601.019**
VIG Re	12.152.123	5.893.583
VIG Holding	12.016.012	2.584.971
Diğer	1.577.418	23.869
Reinsurers' share on paid claims	**25.745.553**	**8.502.423**
VIG Holding	180.781	182.963
Operaitonal Expense	**180.781**	**182.963**

46 Events after the reporting date

Subsequent events are disclosed in Note 1.10 *Events after the reporting date*.

47 Others

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

They are presented in the related notes above.

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

None.

Subrogation recorded in "Off-Balance Sheet Accounts"

None.

Real rights on immovable and their values

None.

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

None.

For the years ended 31 December 2014 and 2013, details of discount and provision expenses are as follows:

	1 Janruary – 31 December 2014	1 Janruary – 31 December 2013
Subrogation receivables provision under legal follow-up	3.370.024	9.023.606
Provision for unused vacation	251.520	109.437
Provision for dubtful receivables from main operations	(114.548)	(106.326)
Provision for receivables from policyholder and intermediaries	(264.920)	(194.152)
Provision for employment termination benefits	(228.539)	(289.738)
Provision for personnel bonuses	(910.150)	(400.000)
Lawsuits provision	91.228	(54.449)
Total	**2.194.615**	**8.088.378**