KPMG

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary

Consolidated Financial Statements
As at 31 December 2013
With Independent Auditors' Report Thereon

This report contains the "Independent Auditors' Report on the Consolidated Financial Statements" comprising 1 page and "Consolidated Financial Statements and their Explanatory Notes" comprising 54 pages.

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary

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Independent Auditors' Report

To the Board of Directors of Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi;

We have audited the accompanying consolidated financial statements of Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi ("the Company") and its subsidiary, which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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, the consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2013, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Akis Bağımsız Denetim ve SMMM AŞ

Istanbul
10 February 2014

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary
Consolidated Statement of Financial Position
At 31 December 2013
(Currency: Turkish Lira (TL))

	Notes	**31 December 2013**	**31 December 2012**
ASSETS			
Cash and cash equivalents	*7*	89,188,322	55,980,061
Financial assets at fair value through profit or loss	*8*	5,394,133	6,574,908
Premium and other insurance receivables	*10*	61,778,059	32,436,266
Due from insurance and reinsurance companies	*11*	5,238,062	11,278,737
Investment securities	*8*	118,613,653	132,334,127
Reinsurance assets	*23*	5,364,522	4,156,789
Other assets	*13*	3,910,296	1,935,988
Deferred acquisition costs	*19*	7,965,341	5,369,084
Deferred tax assets	*18*	3,261,446	3,273,297
Investment properties, net	*14*	-	2,553,332
Property and equipment, net	*15*	2,875,964	2,468,771
Intangible assets, net	*16*	191,601	234,141
Total assets		**303,781,399**	**258,595,501**
LIABILITIES AND EQUITY			
Financial liabilities	*9*	11,045,345	26,039,450
Due to reinsurance companies	*11*	399,035	115
Other insurance payables	*12*	3,498,214	5,531,854
Payables to medical networks	*12*	37,522,646	23,374,621
Insurance contract liabilities	*23*	112,637,297	78,999,512
Investment contract liabilities	*24*	28,653,793	32,605,934
Income taxes payable	*18*	893,304	1,763,691
Employee benefits	*20*	3,777,447	3,416,106
Other provisions	*21*	6,144,707	7,036,394
Other liabilities	*22*	2,848,285	3,420,285
Total liabilities		**207,420,073**	**182,187,962**
Share capital	*25*	74,010,960	74,010,960
Fair value reserve of available-for-sale financial assets	*25*	(872,945)	3,335,309
Legal reserves	*25*	468,026	455,779
Retained earnings/(Accumulated losses)		22,755,285	(1,394,509)
Equity attributable to owners of the Group		**96,361,326**	**76,407,539**
Total liabilities and equity		**303,781,399**	**258,595,501**

The notes on pages 7 to 54 are an integral part of these consolidated financial statements.

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary
Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2013

(Currency: Turkish Lira (TL))

	Notes	2013	2012
Gross premiums earned	*23*	273,800,609	222,084,628
Premiums ceded to reinsurers	*23*	(3,475,222)	(18,578,081)
Net premiums	*23*	**270,325,387**	**203,506,547**
Fees and commission income	*26*	389,708	872,091
Investment income	*28*	22,869,962	18,902,827
Other technical income	*30*	3,309,580	698,129
Other income	*29*	4,690,119	7,976,899
Total income		**301,584,756**	**231,956,493**
Gross benefits and claims paid	*23*	(226,190,356)	(165,129,703)
Claims ceded to reinsurers	*23*	2,443,661	18,926,038
Gross changes in insurance contract liabilities	*23*	(1,256,679)	(1,847,925)
Changes in insurance contract liabilities ceded to reinsurers	*23*	1,154,019	(979,515)
Gross change in investment contract liabilities		(3,671,562)	(1,092,376)
Net benefits and claims		**(227,520,917)**	**(150,123,481)**
Commission expenses	*19*	(15,591,262)	(13,590,745)
Other operating and administrative expenses	*27*	(24,121,372)	(21,121,147)
Finance costs	*28*	(2,900,193)	(4,527,249)
Other technical expenses	*30*	(439,781)	(4,625,665)
Other expenses	*29*	(891,623)	(2,645,027)
Total expenses		**(271,465,148)**	**(196,633,314)**
Profit before taxes		**30,119,608**	**35,323,179**
Income tax expenses	*18*	(5,978,777)	(7,435,211)
Profit for the year		**24,140,831**	**27,887,968**
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Net changes in fair values of available-for sale-financial assets owned by the Group		(2,110,657)	4,143,270
Net changes in fair values of available-for-sale financial assets backing investment contract liabilities		438,788	483,352
Foreign exchange effect of available-for-sale financial assets backing investment contract liabilities		111,419	4,981
Net changes in fair values of available-for-sale financial assets owned by the Group, transferred to profit or loss		(2,965,307)	408,367
Net changes in fair values of available-for-sale financial assets backing investments contract liabilities, transferred to profit or loss		(734,561)	1,916,149
Related tax		1,052,064	(1,391,225)
Items that will never be reclassified to profit or loss			
Actuarial gains on employee severance indemnity	20	26,512	-
Related tax		(5,302)	-
Other comprehensive income for the year, net of tax		**(4,187,044)**	**5,564,894**
Total comprehensive income for the year		**19,953,787**	**33,452,862**

The notes on pages 7 to 54 are an integral part of these consolidated financial statements.

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2013
(Currency: Turkish Lira (TL))

	Share capital	Fair value reserve of available-for-sale financial assets	Legal reserves	Retained earnings /Accumulated losses)	Total
Balances at 31 December 2011	**74,010,960**	**(2,229,585)**	**77,491**	**(28,904,189)**	**42,954,677**
Total comprehensive income for the year					
Profit of the year	-	-	-	27,887,968	27,887,968
Other comprehensive income, net of tax	-	5,564,894	-	-	5,564,894
Total comprehensive income for the year	**-**	**5,564,894**	**-**	**27,887,968**	**33,452,862**
Transactions with equity holders, recognised directly in equity					
Transfers	-	-	378,288	(378,288)	-
Total contributions and distributions to equity holders	**-**	**-**	**378,288**	**(378,288)**	**-**
Balances at 31 December 2012	**74,010,960**	**3,335,309**	**455,779**	**(1,394,509)**	**76,407,539**
Balances at 31 December 2012	**74,010,960**	**3,335,309**	**455,779**	**(1,394,509)**	**76,407,539**
Total comprehensive income for the year					
Profit of the year	-	-	-	24,140,831	24,140,931
Other comprehensive income, net of tax	-	(4,208,254)	-	21,210	(4,187,044)
Total comprehensive income for the year	**-**	**(4,208,254)**	**-**	**24,162,041**	**19,953,787**
Transactions with equity holders, recognised directly in equity					
Transfers	-	-	12,247	(12,247)	-
Total contributions and distributions to equity holders	**-**	**-**	**12,247**	**(12,247)**	**-**
Balances at 31 December 2013	**74,010,960**	**(872,945)**	**468,026**	**22,755,285**	**96,361,326**

The notes on pages 7 to 54 are an integral part of these consolidated financial statements.

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2013
(Currency: Turkish Lira (TL))

	Notes	2013	2012
Cash flows from operating activities:			
Profit for the year		24,140,831	27,887,968
Adjustments for:			
Current and deferred tax charge	*18*	5,978,777	7,435,211
Depreciation and amortisation	*14,15,16*	611,646	514,682
Provision for employee severance indemnity	*20*	337,883	251,955
Provision for vacation pay liability		166,645	301,438
Provision for personnel bonus		1,415,000	1,799,381
Change in other provisions	*21*	(891,687)	4,506,201
Claims reported during the year and change in claims estimation incurred in previous years, gross	*23*	227,447,035	166,977,628
Change in reserve for unearned premiums, gross	*23*	32,334,337	12,263,951
Change in life mathematical reserves for long term contracts	*23*	46,769	85,911
Provision / reversal of provision for doubtful receivables, net	*29*	(1,133,823)	1,271,975
Gains from disposal of investment property	*14*	(428,746)	-
Losses from disposal of property and equipment		23,112	68,071
Reversal of impairment in buildings		(666,480)	-
Net interest and trading income	*28*	(17,073,070)	(16,192,918)
Unrealized foreign exchange gains and losses on investment securities		(4,543,742)	270,464
Changes in operating activities:			
Change in premium and other insurance receivables		(29,156,508)	(8,119,662)
Change in receivables from insurance and reinsurance companies		6,104,095	(1,557,154)
Change in reinsurance assets	*23*	(1,207,733)	17,545,176
Change in other assets		(1,950,326)	(37,689)
Change in deferred acquisition costs	*19*	(2,596,257)	(290,165)
Change in investment contract liabilities		(3,952,141)	(1,610,196)
Change in due to reinsurance companies		398,920	(13,099,119)
Change in other insurance payables		(2,021,355)	4,504,291
Change in payables to medical networks		14,206,595	4,631,225
Change in other liabilities		(215,794)	851,542
Change in loan and receivables backing investment contracts		(2,308,230)	(5,338,473)
Change in Blocked cash at banks		(3,310,986)	(23,212,065)
Change in loan and receivables with original maturity more than 3 months		2,100,000	(18,573,173)
Claims paid, gross	*23*	(226,190,356)	(165,129,703)
Employee severance indemnity paid	*20*	(155,283)	(180,548)
Unused vacations paid		(26,392)	(11,408)
Personnel bonuses paid		(1,350,000)	(1,199,381)
Income taxes paid		(5,814,834)	(5,953,656)
Net cash from operating activities		**10,317,902**	**(9,338,240)**

The notes on pages 7 to 54 are an integral part of these consolidated financial statements.

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary
Consolidated Statement of Cash Flows *(continued)*
For the Year Ended 31 December 2013
(Currency: Turkish Lira (TL))

	Notes	31 December 2013	31 December 2012
Cash flows from investing activities:			
Acquisition of property and equipment	*15*	(797,465)	(1,678,401)
Acquisition of intangible assets	*16*	(70,338)	(75,036)
Proceeds from sale of investment properties		3,516,950	-
Proceeds from sale of tangible assets		-	1,680
Acquisition of financial assets at fair value through profit or loss	*8*	(2,742,762)	(2,171,505)
Proceeds from financial assets at fair value through profit or loss	*8*	3,765,081	995,230
Acquisition of available-for-sale financial assets	*8*	(44,063,470)	(208,563,360)
Proceeds from sale of available-for-sale financial assets	*8*	62,916,148	216,383,004
Interest received		16,631,790	15,478,694
Interest paid		(1,449,606)	(1,176,717)
Net cash from investing activities		**37,706,328**	**19,193,589**
Cash flows from financing activities:			
Proceeds from obligations under repurchase agreements		5,090,805,000	4,755,059,000
Payment of obligations under repurchase agreements		(5,106,155,000)	(4,729,026,000)
Net cash from financing activities		**(15,350,000)**	**26,033,000**
Net increase in cash and cash equivalents		**32,674,230**	**35,888,349**
Cash and cash equivalents at 1 January	*7*	55,751,546	19,863,197
Cash and cash equivalents at 31 December	*7*	**88,425,776**	**55,751,546**

The notes on pages 7 to 54 are an integral part of these consolidated financial statements.

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary

Notes to the Consolidated Financial Statements

1 Reporting entity

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi ("the Company") was established under "Bayındır Hayat Sigorta Anonim Şirketi" title to achieve whole kinds of underwriting activities within the scope of life insurance and especially life, personal accident, health and sickness insurances as well as co-insurance, re-insurance and retrocession operations within the boundaries of Turkey and in foreign countries. The Company initiated insurance activities in 1994, executing insurance policies and investment contracts in life, personal accident and health branches.

On 6 February 2004, shares representing 99.72% of the Company's capital was purchased by Mehmet Ali Aydinlar from Savings Deposit Insurance Fund and the title of the Company has been changed as "Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi" based on the resolution of the General Assembly held on 12 February 2004.

Following the formal approval given by the Republic of Turkey Prime Ministry Under Secretariat of Treasury (the "Turkish Treasury") on 13 November 2007, 50.0% of the Company shares were transferred to Walnut Holding Cooperaite U.A. operating under Abraaj Capital which is an international investment company, through share increase method in accordance with the resolution of the Board of Directors held on 17 December 2007.

Following the approval of Turkish Treasury dated 1 November 2013 and numbered 18153030, shares representing 40.0% of the Company's capital owned by Mehmet Ali Aydınlar and shares representing 50.0% of the Company's capital owned by Walnut Holding Cooperaite U.A. has been transferred to Burau Ventures Sdn Bhd, that is a fully owned subsidiary of Avicennia Capital Sdn Bhd that is in turn a fully owned subsidiary of Khazanah Nasional Berhad.

Khazanah Nasional Berhad that manages the strategic investment funds of the Malaysian Government also owns 75% of shares of Acıbadem Sağlık Yatırımları Holding AŞ. Khazanah Nasional Berhad owns investments in over 50 companies, amounting to more than 105 billion Malaysian Ringgit and outside Malaysia, operates mainly in India, China, Singapore and Turkey.

The consolidated financial statements of the Company as at and for the year ended 31 December 2013 comprises the Company and its subsidiary (together referred to as the "Group" and individually as "Group Entities").

The Group has 329 employees as at 31 December 2013 (31 December 2012: 263 employees).

The address of the registered office of the Company is as follows:

Küçükbakkalköy Mah. Başar Sok. No: 20

34750 Ataşehir Istanbul – Turkey

2 Basis of preparation

a) Statement of compliance

The accompanying consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs). The Group adopted all IFRSs, which were mandatory as at 31 December 2013.

2 Basis of preparation *(continued)*

b) Basis of measurement

The accompanying consolidated financial statements are prepared in accordance with historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2005, except for items measured at fair value that are financial assets at fair value through profit or loss, derivative financial assets and liabilities, available-for-sale financial assets and investment contract liabilities which are measured at their fair values.

c) Functional and presentation currency

The accompanying consolidated financial statements are presented in TL, which is the Group Entities' functional currency.

d) Accounting in hyperinflationary countries

The consolidated financial statements of the Group has been restated for the changes in the general purchasing power of the Turkish Lira based on International Accounting Standards ("IAS") IAS 29 – *Financial Reporting in Hyperinflationary Economies* until 31 December 2005. *IAS 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 periods be restated in the same terms. One characteristic that necessitates the application of *IAS 29* is a cumulative three-year inflation rate approaching or exceeding 100%. The cumulative three-year inflation rate in Turkey was 35.61% as at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by the Turkish Statistical Institute. This, together with the sustained positive trend in qualitative factors, such as the stabilisation in financial and monetary markets, decrease in interest rates and the appreciation of TL against the US Dollar and other hard currencies have been taken into consideration to categorise Turkey as a non-hyperinflationary economy under *IAS 29* effective from 1 January 2006.

e) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRSs 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 recognised 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 amounts recognised in the consolidated financial statements are described in the following notes:

- Note 4 – *Critical accounting estimates and judgments in applying accounting policies*
- Note 5 – *Management of insurance risk*
- Note 6 – *Management of financial risk*
- Note 10 – *Premium and other insurance receivables*
- Note 18 – *Income taxes*
- Note 19 – *Deferred acquisition costs*
- Note 20 – *Employee benefits*
- Note 21 – *Other provisions*
- Note 23 – *Insurance contract liabilities*
- Note 24 – *Investment contract liabilities*

(Currency: Turkish Lira (TL))

3 Significant accounting policies

The accompanying consolidated financial statements include the accounts of the Group Entities on the basis set out in sections below.

a) Basis of consolidation

The accompanying consolidated financial statements comprise the financial statements of the parent company ("Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi") and its subsidiary ("Acıbadem Grubu Sigorta Aracılık Hizmetleri Anonim Şirketi") prepared on the basis set out in sections below. The consolidated financial statements of the entities included in the consolidation have been prepared as at the date of these consolidated financial statements.

Subsidiary

Subsidiary is the entity controlled by the Group. The financial statements of the subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b) Foreign currency

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate ruling at the reporting date. Transactions in foreign currencies and non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency at exchange rates at the dates of the transactions.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Foreign currency differences arising on translation are recognised in profit or loss, except for foreign currency differences arising from the translation of the available-for-sale financial assets, which are recognised in other comprehensive income.

Foreign currency exchange rates used by the Group as at respective dates are as follows:

Dates	US Dollar / TL	Euro / TL
31 December 2013	2.1343	2.9365
31 December 2012	1.7826	2.3517

As written on the face of the saving life policies executed by the Group, investment contract liabilities are translated into TL by using effective foreign exchange selling rates announced by the Central Bank of Turkey which were 2.1413 US Dollar/TL and 2.9462 Euro/TL as at reporting date (31 December 2012: 1.7939 US Dollar/TL and 2.3665 Euro/TL).

3 Significant accounting policies *(continued)*

c) Insurance premiums

Premiums are recognised on the date on which the policy commences. Premiums also include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premiums when due. Premiums are shown before deduction of commissions given or received and deferred acquisitions costs, and are gross of any taxes and duties levied on premiums.

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

For short-term insurance contracts (refer to accounting policy *(o)*), premiums are recognised as revenue (net insurance premium revenue) in profit or loss, net of premiums ceded to reinsurance firms, proportionally over the period of coverage. The portion of premiums received on in-force contracts that relates to unexpired risks at reporting date is recognised as the reserve for unearned premiums (refer to accounting policy *(q)*).

For long-term insurance contracts (refer to accounting policy *(o)*), premiums are recognised as revenue in profit or loss when the premiums are due from the policyholders.

Amounts collected as premiums from investment contracts (refer to accounting policy *(o)*), are not recognised as revenue in profit or loss. Premiums for such contracts are reported as deposits in the consolidated statement of financial position as investment contract liabilities.

d) Fees and commission income and commission expenses

Commission income and expenses comprise commissions received from reinsurance companies and commissions paid to the intermediaries, respectively. Commission income and commission expenses are recognised based on accrual basis over the life of the related insurance policies.

Commissions earned from the intermediary operations of the Group on behalf of other insurance companies for property and casualty insurance products (refer to accounting policy *(o)*) are recognised as revenue at the inception of the contracts.

Other fees and commission income, especially for the fees charged to other parties against the consulting services provided by the Group is recognised as the related services are performed.

e) Interest

Interest income and expenses are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial assets or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial assets or liabilities. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

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 financial assets or liabilities. Interest income and expenses presented in the consolidated statement of comprehensive income includes:

- interest on financial assets and liabilities at amortised cost on an effective interest rate basis,
- interest on available-for-sale financial assets on an effective interest rate basis,
- interest earned till the disposal of financial assets at fair value through profit or loss.

(Currency: Turkish Lira (TL))

3 Significant accounting policies *(continued)*

f) Trading income, net

Net trading income includes gains and losses arising from disposal of financial assets at fair value through profit or loss and available-for-sale financial assets and gains and losses on derivative financial instruments held for trading purpose.

g) Claims, net of ceded

Benefits and claims include all claims occurring during the period, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the recoveries, and any adjustments to claims outstanding from previous years. Claims are recognised in the period in which they occur, based on reported claims or on the basis of estimates when not reported. Full provision is accounted for the claims outstanding, including claim settlements reported at the reporting date. Incurred but not reported claims are also provided for under the claims provision.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

h) Property and equipment

The cost of the property and equipment acquired before 1 January 2006 are restated for the effects of inflation in TL unit current at 31 December 2005 pursuant to *IAS 29*. The property and equipment acquired subsequent to this date are recorded at their historical costs. Accordingly, property and equipment are carried at costs less accumulated depreciation and impairment losses, if any.

Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

Property and equipment	Estimated useful lives (years)
Buildings	50
Furniture and fixtures	3-15
Other tangible assets (including leasehold improvements)	5
Assets obtained through finance leases	5

Gains/losses arising from the disposal of the property and equipment are recognised in profit or loss and calculated as the difference between the net book value and the net sales price.

There are no changes in the accounting estimates that are expected to have an impact in the current or subsequent periods.

Expenditures incurred to replace a component of a tangible asset that is accounted for separately, and major inspection and overhaul costs, are capitalised. Other subsequent expenditures are capitalised only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are reflected as expense in profit or loss as incurred.

i) Intangible assets

The Group's intangible assets consist of rights and software programs. Intangible assets are recorded at cost. The costs of the intangible assets purchased before 31 December 2005 are restated from the purchasing dates to 31 December 2005, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. The intangible assets are amortised based on straight line amortisation. The economic lives of intangible assets vary within the range of three and fifteen years and hereby the amortisation rates applied are within 33.33% and 6.66%.

3 Significant accounting policies *(continued)*

j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both. Investment properties are measured initially at cost including transaction costs.

Subsequent to initial recognition, the Group measures investment property based on the cost model in accordance with the cost model for property and equipment (i.e. at cost less accumulated depreciation and less any accumulated impairment losses). Estimated useful lives of investment properties and depreciation rates are 50 years and 2.0%, respectively.

k) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists for as particular asset or a group of assets, then that asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses in respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

l) Leases

Finance leases

Leases of property and equipment where the Company has substantially all the risks and the rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the principal balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables and provisions. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period. The property and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

If there is impairment in the value of the assets obtained through finance lease and in the expected future benefits, the leased assets are written down to their recoverable amount. Depreciation for assets obtained through finance lease is calculated in the same manner as other tangible assets.

Operational leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

3 Significant accounting policies *(continued)*

m) Financial instruments

Recognition

The Group initially recognises loans and advances on the date which they are originated. All other financial assets and liabilities are initially recognised on the date of settlement at which the related financial instruments are transferred from the counterparties physically.

A financial asset or liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification

The Group classifies its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments securities and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this at every reporting date.

Financial assets at fair value through profit or loss ("FAAFTPL") are the financial assets, classified into this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit making.

Held-to-maturity investment securities are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. These include certain debt securities.

Available-for-sale financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has as at fair value through profit or loss or available-for-sale. They arise when the Company provides money, goods and services directly to a debtor with no intention of trading the receivable.

Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

See also *specific instruments* below.

Measurement

Subsequent to initial recognition, all financial assets at fair value through profit or loss and all available-for-sale financial assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, loans and receivables and held-to-maturity investments are measured at amortised cost less impairment losses. The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial and the maturity amounts, minus any reduction for impairment.

3 Significant accounting policies *(continued)*

m) Financial instruments *(continued)*

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

Gains and losses on subsequent measurement

Gains and losses arising from changes in the fair value of financial assets at fair values through profit or loss are recognised in the consolidated statement of comprehensive income in the period in which they arise. Unrealised gains and losses arising from changes in the fair values of available-for-sale financial assets are recognised in equity except to the extent that they qualify for assets backing liabilities (investment contracts). When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are transferred to the profit or loss as net realised gains/losses on financial assets.

Derecognition

A financial asset is derecognised when the control over the contractual rights that comprise that asset, is lost. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

Available-for-sale financial assets and financial assets at fair value through profit or loss that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as at the date the Group commits to sell the assets. The specific identification method is used to determine the gain or loss on derecognition.

Loans and receivables are derecognised on the day they are transferred by the Group.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Specific instruments

Cash and cash equivalents: For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and short-term cash at banks with an original maturity of three months or less except for cash at banks collateralised in favour of the Turkish Treasury.

Loans to the policyholders are the securitised loans that are used by the policyholders with the security of their life policies that have made premium payments throughout a certain period, determined by the technical bases related to certified tariffs of life policies (this period is 3 years according to general conditions of life insurance). As at 31 December 2013, total amount of loans to the policyholders amounts to TL 672,053 (31 December 2012: TL 727,653) *(Note 10)*.

Investment in equity participations are measured at cost as adjusted to reflect the effect of inflation as of 31 December 2005 less impairment losses, if any.

3 Significant accounting policies *(continued)*

m) Financial instruments *(continued)*

Specific instruments *(continued)*

Investment securities: Investment securities are the financial assets that are classified as held-to-maturity financial assets and available-for-sale financial assets.

Assets backing liabilities are the financial assets invested against the savings of the life policyholders which are classified as investment contract liabilities in the accompanying consolidated statement of financial position. In accordance with the prevailing legislation assets backing liabilities could be classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investment securities and available-for-sale financial assets by considering the benefits of the policyholders and measured in accordance with the principles as stated above.

See also accounting policy regarding *investment contracts (o)*.

Time deposits at banks are the assets deposited at banks with an original maturity of more than three months on behalf of the Group or the policyholders for earning interest.

Repurchase transactions: The Group enters into purchases/sales of investments under agreements to resell/repurchase the same investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised in the accompanying consolidated financial statements. The amounts paid are recognised as receivables from reverse repurchase agreements in the accompanying consolidated financial statements. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the consolidated statement of financial position and are measured in accordance with the accounting policy applicable for the financial instrument group they are classified in.

Finance income and expenses arising from the repurchase and resale agreements over investments are recognised on an accruals basis over the period of the transaction and are included in “interest income” or “interest expense” in the accompanying consolidated profit or loss.

n) Impairment of financial assets

At each reporting date the Group assesses whether there is objective evidence that financial assets are individually impaired. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated amounts recoverable from individual financial asset. Objective evidence that a financial asset is impaired includes observable data that comes to the attention of the Group about the following loss events:

(a) significant financial difficulty of the counterparty (agency or debtor);

(b) a breach of contract, such as a default or delinquency in interest or principal payments by more than 60 days;

(c) it is probable that the counterparty will declare bankruptcy or enter into other financial reorganisation;

(d) the disappearance of an active market for the related financial asset because of financial difficulties; or

(e) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

   (i) adverse changes in the payment status of counterparties; or

   (ii) national or local economic conditions that correlate with defaults on the assets in the group.

3 Significant accounting policies *(continued)*

n) Impairment of financial assets *(continued)*

If there is objective evidence that there occurs an impairment loss on receivables, the amount of the loss is measured based on the difference between the asset's carrying amount and the estimated recoverable amount. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its cost at the reversal date.

If an available-for-sale investment security is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income to profit or loss as a reclassification adjustment. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

A write off is made when all or part of a receivable is deemed uncollectible or in the case of debt forgiveness. Such receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Write offs are charged against previously established allowances and reduce the amount of the receivables. Subsequent recoveries of amounts previously written off are included in profit or loss.

The methodology and assumptions used for estimating both the amount and timing of recoverable amounts are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

o) Insurance and investment contracts – classification

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

Investment contracts are those contracts which transfer financial risk without significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable.

The insurance contracts and investment contracts are classified into three main categories, depending on the duration.

Short-term insurance contracts

Short-term insurance contracts are health, personal accident and life insurance products protecting the Group's customers against cost of treatments in case of sickness, personal accident and short-duration life contracts protecting the Group's customers from the consequences of events (such as death and disability) that would affect on the ability of the customer or his/her dependants to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder.

3 Significant accounting policies *(continued)*

o) Insurance and investment contracts – classification *(continued)*

The Group also makes the intermediary of other insurance companies in Turkey for property and casualty insurance products and earns commission from intermediary operations. Casualty insurance contracts protect the customers against the risk of causing harm to third parties as a result of their legitimate activities. Property insurance contracts mainly compensate the customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover). Those contracts are not recognised in the accompanying consolidated financial statements.

Long-term insurance contracts

These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the policyholders. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the discounted value of the benefit payments less the theoretical premiums that would be required to meet the benefits on the valuation assumptions used.

All insurance benefit amounts are defined in TL or indexed to US Dollar or Euro. Net level premium amount depends on the real age of the life assured. Upon request of the policyholder and against surrender of the policy; the Group is obliged to purchase the insurance in the way specified in the policy for which premiums have been paid at least for the stated term.

Investment contracts

The Group has saving life policies with regular and single premium payments. Premiums received for such contracts are recognised directly as liability. These liabilities are increased by interest rate calculated by the Group and are decreased by policy administration fees, mortality and surrender charges and any withdrawals.

These contracts entitle the holders to a minimum guaranteed crediting rate per annum or, when higher, a bonus rate declared by the Group from the eligible surplus available to date. The Group has an obligation to eventually pay to contract holders at least 90% - 95% of the eligible surplus (i.e., all interest earned from the assets backing these contracts) and holds 5% - 10 % as fee of administration of the operations.

The Group classifies these assets backing liabilities as financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables and held-to-maturity investments in the accompanying consolidated financial statements. Since the Group is obliged to pay all eligible surplus obtained from these assets to the policyholders, the Group recognises 90% - 95% (5%-10% is decreased as policy administration fees) of eligible surplus as investment contract liabilities. In relation to the unrealised gains and losses arising from the assets backing these contracts, the Group establishes a liability equal to 90% - 95% of these net gains. Shareholders’ interest in the unrecognised gains and losses (equal to 5% - 10%) is recognised in the equity.

Premium and benefit amounts are determined according to the future expectations of the policyholders and the age of the life assured. Benefit amounts and premiums are indexed to hard currencies (US Dollar or Euro) in order to make provision against the inflation.

3 Significant accounting policies *(continued)*

o) Insurance and investment contracts – classification *(continued)*

Liability adequacy test

At each balance sheet date, asset-liability adequacy tests are performed to ensure the adequacy of contract liabilities. In performing these tests, current best estimates of future cash flows are used. When estimating future cash flows, the following parameters are used. Any deficiency is immediately assessed to test whether if there is a need of establishing a provision for losses arising from liability adequacy tests.

-Future interest rate forecasts,

-Lapse and surrender rates of the existing contracts,

-Maturity rates,

-Average premium per insured

Long term life insurance contracts are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions are used for the subsequent measurement of these liabilities.

p) Deferred acquisition costs and deferred commission income

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing insurance contracts are capitalised as deferred acquisition costs (“DAC”). Deferred acquisition costs are amortised on a straight-line basis over the life of the contracts.

Deferred commission income which is also calculated on a straight-line basis over the life of the contract based on commission received from reinsurance firms is presented in other liabilities in the accompanying consolidated financial statements.

q) Reserve for unearned premiums

Unearned premiums are those proportions of the premiums written in a period that relate to the period of risk subsequent to the reporting date for all short-term insurance policies. In accordance with the incumbent legislation on the computation of insurance contract liabilities, reserve for unearned premiums set aside for unexpired risks as at the reporting dates, has been computed on daily pro-rata basis. The change in the reserve for unearned premiums is recognised in the consolidated statement of comprehensive income in the order that revenue is recognised over the period of risk.

Since the claims are directly correlated with the seasons, for short-term insurance contracts especially in health branch, the Group reassesses the reserve for unearned premiums on the basis of the expected timing of incurred claims and benefits in a year and makes related adjustment on reserve for unearned premiums considering the inception and maturity dates of the policies’ coverage. The Group also adjusts reserve for unearned premiums to reflect the effect of medical inflation on reserve for unearned premiums. Since the medical inflation is mainly determined by the change in TTB cofactor as announced by the Turkish Medical Association announced once in a year at the beginning of the year, total amount of the claims are not parallel to the earning of the premiums. Those analyses are made on policy basis. Accordingly as at and for the year ended 31 December 2013, the Group adjusted reserve for unearned premiums by TL 2,220,581 (31 December 2012: TL 1,639,444).

3 Significant accounting policies *(continued)*

r) Provision for outstanding claims / IBNR

Outstanding claims reserve 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. A provision for claims incurred but not reported ("IBNR") is also established as described below. In the accompanying consolidated financial statements, provision for claims is presented by netting of amounts recoverable from reinsurers. Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR claims at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. The primary technique adopted by management in estimating the cost of IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. In addition to that, the Group also reassesses its notified claims provision at each reporting date on each claim file basis. General insurance claims provisions are not discounted for the time value of money.

s) Life mathematical provisions

Life mathematical provisions are recorded to reflect the liability of the Group against the policyholders for long-term life policies and calculated as the difference between the net present values of premiums collected in return of the risk covered by the Group and the liabilities to policyholders. Life mathematical provisions are the sum of the remainder of collected premiums. Life mathematical provisions are computed on the basis of actuarial mortality assumptions as approved by the Turkish Treasury, which are applicable for Turkish insurance companies.

t) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group, and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

(Currency: Turkish Lira (TL))

3 Significant accounting policies *(continued)*

u) Employee benefits

Reserve for employee severance indemnity

Reserve for employee severance indemnity represents the present value of the estimated future probable obligation of the Group arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the consolidated financial statements on an accrual basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The ceiling amounts are TL 3,254 and TL 3,034 at 31 December 2013 and 2012 respectively.

IAS 19 – *Employee benefits* requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The principal statistical assumptions used in the calculation of the total liability in the accompanying consolidated financial statements as at 31 December 2013 and 2012 are as follows:

	31 December 2013	**31 December 2012**
Discount rate	3.32%	2.05%
Expected rate of salary/limit increase	6.15%	5.00%
Turnover rate to estimate the probability of retirement	17.11%	17.09%

In accordance with the revision of IAS 19, effective starting from 1 January 2013, the Group recognized actuarial gains and losses arising on the defined benefit obligations in other comprehensive income.

Short-term employee benefits

The Group has recorded provision for undiscounted short-term employee benefits accrued during the period as per services rendered in compliance with IAS 19 in the accompanying consolidated financial statements.

v) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Future operating costs are not provided for.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. When discounting is used, the increase in provision reflecting the passage of time is recognised as finance cost.

3 Significant accounting policies *(continued)*

w) Taxes on income

Income tax expense comprises current and deferred taxes. In case where gains/losses resulting from the subsequent measurement of the assets or liabilities are recognised in profit or loss, then the related current and/or deferred tax effects are also recognised in profit or loss. On the other hand, if such gains/losses are recognised as an item under equity, then the related current and/or deferred tax effects are also recognised directly in the equity.

Current taxes

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

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

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

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 the 25^{th} day 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

Deferred tax assets and liabilities are recognised on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3 Significant accounting policies *(continued)*

w) Taxes on income *(continued)*

Transfer pricing

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

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

x) Related parties

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

y) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. The Group does not expect these new standards, amendments to standards and interpretations to have an effect on the consolidated financial statements except *IFRS 9.*

IFRS 9 (2009) that shall supersede *IAS 39,* introduces new requirements for the classification and measurement of financial assets and additions relating to financial liabilities.

IFRS 9 if effective for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group has commenced the process of evaluating the potential effect on this standard but is awaiting finalisation of limited amendments before the evaluation can be completed.

z) Changes in accounting policies

Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required of permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively. Notwithstanding the above, the change had no significant impact on the measurements of the Group’s assets and liabilities.

Presentation of items of OCI

As a result of the amendments to IAS 1, the group has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

z) Changes in accounting policies *(continued)*

Post-employment defined benefit plans

The Group started to recognize all actuarial gains and losses immediately in other comprehensive income in accordance with the change in IAS 19 (2011).

The Group recognized all actuarial gains and losses in profit or loss in previous years. Since the effect of this change has an immaterial effect on the previous year's concolidated financial statement, the Group did not restate its consolidated financial statements as at and for the year ended 31 December 2012.

4 Critical accounting estimates and judgments in applying accounting policies

The notes given in this section are provided to addition/supplement the commentary on the Note 5 – *Management of insurance risk* and Note 6 – *Management of financial risk*.

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

Ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is executed depending on different assumptions. Mortality tables CSO1953-58, CSO 80 (Male-Female), CSO 2001 (Male-Female) approved by the Turkish Treasury are used to estimate the ultimate liability arising from life insurance policies. For estimating the risk of critical illness, the Critical Illness Rating Tables which are recommended by leader treaty reinsurer are used.

Estimate of future benefit payments and premiums arising from long-term insurance contracts

For estimation of future benefit and premium payments, four parameters have significant impacts:

i) The lapse and surrender rates: These estimated rates are derived from past experience. In its estimation, the Group also takes into consideration the economic crisis or positive economic developments that will affect the rates either in a positive or a negative way.

ii) Number of deaths: While estimating number of deaths in a year, the historical mortality experiences are used.

iii) Future investment income: This estimate is based on current market returns as well as expectations about future economic and financial developments.

iv) Average premium per insured: The assumption is based on historical trends in average premium amounts per insured and economical expectations that may affect the average premium amount.

5 Management of insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the amount of the resulting claim is uncertain. By the very nature of an insurance contact, the risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of the probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claim and benefit payments exceed carrying amount of the insured liabilities. These could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is likely to be affected across the board by a change in any subset of portfolio.

The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Pricing policies

The pricing policies and principles of the Group are as follows:

i) While determining risk premiums, the amount of expected losses are considered and premium limits are determined accordingly.

ii) During the study of pricing activities as a part of developing a new product, working of relevant units together within the Group is maintained by considering the needs of the customers and competition in the market.

iii) It is aimed to achieve profitability in product basis and providing continuity.

iv) Results of the pricing studies are compared with the prices of the competitors and international pricing cases, if observables.

The Group accepts insurance risk in health, life insurance, and personal accident branches. The Group also engages in other non-life branches through its intermediary operations of its subsidiary of which financial statements are consolidated in the accompanying consolidated financial statements. On the other hand, since the Group does not underwrite policies in those branches, they are not included in the accompanying consolidated financial statements.

5 Management of insurance risk

Health contracts

In health branch, the Group underwrites both individual and corporate policies under which insured medical expenses are compensated by the Group.

In individual segment, the Group offers a wide-range of pre-defined products and extensive network of contracted service providers and detailed policy coverage to its individual customers which includes different indemnities and guarantees containing inpatient, outpatient, physician, birth-maternity, treatments in abroad, doctor and medicine, laboratory and screening, physical treatment, check-up, domestic and international travels and critical illnesses warranties.

In corporate segment, the Group provides tailor-made products which are designed in accordance with the requests and needs of the corporate by considering the demographic distribution of the corporate employees. The Group offers a wide range of elastic products and extensive network of contracted service providers and detailed policy coverage.

The risk for the insurance contracts is related with the fact that the possibility of the insurance incident to occur and the damage amounts stemming from this certain incident is unknown due to the very nature of the insurance contracts, the respective risk is coincidental and hence cannot be foreseen thoroughly. The Group manages the respective risks with policy construction strategies and reassurance contracts where there are parties in all branches.

Pricing by the Group is made based on the statistical analysis, previous data and morbidity and mortality tables with regards to the respective product.

Considering the guarantee types provided by the Group, the numbers and quantitative distribution can be observed in the table below. The Group management believes that the numbers and the quantitative distribution are sufficient.

Risk contracts in life and personal accident

Çınar Accident Insurance: It provides the guarantee of hospital stay due to accidents and breakages due to accidents, permanent disability due to accidents, and loss of life due to accidents.

Acıbadem Accident: While death due to the accident is the main guarantee, other guarantees such as medical treatment costs for the permanent disability due to the accident, permanent disability due to illness, and guarantees for death due to the accidents in public transportation are also provided under Acıbadem Accident.

Acıbadem School: It is designed so that the child can continue his/her education in the event that the person who is taking care of the education costs of the child dies. Insurance duration is determined with consideration of the child’s education duration and insurance guarantee is determined with consideration of education costs which might emerge during this period. Death indemnity can be presented as stable or in annually decreasing amounts during the insurance period depending on the request of the insurer. Within the framework of this product, disability guarantee due to the accident can also be provided.

Goknar Annual Life Insurance: In this product whose insurance duration is one year, the death risk of the insurer in one year is taken under indemnity. Indemnity and premiums can be selected as Turkish Lira, US Dollar and Euro in the policy.

Acıbadem Credit: It is designed for the payment of bank loan taken for house purchases in the event that the person who got the credit dies and for the rest of the family not to suffer. Insurance period is determined with consideration of the credit period and the insurance indemnity is determined with the consideration of loan amount to be paid during this period. Death indemnity can be presented as stable or in annually decreasing amounts during the insurance period depending on the request of the insuree. Within the framework of this product, disability guarantee due to the accident can also be provided.

5 Management of insurance risk *(continued)*

Investment contracts

Acıbadem Savings: In this product where insurance period can be selected between 10 years and 30 years, the possibilities of death and life for the insured during the insurance period are taken under guarantee. Depending on the payment terms, it is separated into two: with regular premium payment term and with single premium payment term. Death indemnities can change depending on the selection. In Acıbadem Savings product with regular premium payment term, all the premiums paid until the death time together with the profit margins up until that time is paid as death indemnity. In Acıbadem Savings with single premium payment term, in the event of death, death indemnity which is the 10 times of the single premium and the cumulative profit margins up until death time.

Acıbadem Future: Acıbadem future is guaranteeing the situations such as death or disability of the insured within the insurance period, or survival of the insured at the end of the insurance period. The main difference from other savings life insurance products is the fact that it guarantees both the death or disability and survival of the insured at the end of the insurance period. at the beginning of the policy or when required, risk evaluation is made and guarantee is provided with the selected numbers annually. Up to 150, 300 or 600 times of the monthly premium can be provided as death and disability guarantees.

Ekin Savings Insurance: This is an investment and savings product which depends on savings completely, under the Capital redemption insurances. It provides capital accumulation with the payments starting from today so as to reach a certain capital for a certain term and goal. It covers requirements for regular income provision in short and middle term. It is utterly for savings and therefore has no risk indemnity and risk costs at all.

Reinsurance contracts

Reinsurance contracts are the contracts which are signed by the Group for the losses which might stem from one or more insurance contracts, and which put into force by the Group and reinsurance company, whose costs have been paid and which meets all the requirements to be categorised as insurance contracts.

The Group increased its retention in health branch from 60% to 100% starting from 1 January 2012 in parallel to the strategic restructuring policies of the main reinsurer which also suited to the Group’s positioning in the market. On the other hand, the Group signed excess of loss non-proportional reinsurance contracts in order to protect itself against catastrophic (“Cat XL”) damages in health branch. In CAT XL non-proportional reinsurance contracts signed by the Group in health branch, the reinsurer company is Arch Re for 2013.

Starting from 1 January 2013, in health branch, the Group also signed excess of loss reinsurance agreement with Munich Re under which the claims exceeding TL 100,000 on an insured basis will be ceded to reinsurer up to TL 600,000. Scor Global Life SE was assigned as the reinsurer for excess of loss reinsurance agreement in health branch starting from 1 January 2014.

While the main reinsurer in proportional reinsurance contracts in life, critical illness and personal accident branches and Cat XL reinsurance contracts in life and personal accident branches was Milli Reasürans TAS (“Milli Re”) in 2012, the Company changed its reinsurer to Scor Global Life SE at the beginning of 2013 for those protections. The Group cedes only risk based life and personal accident insurance policies (death and other additional insured risks) through the reinsurance of the risks. Maximum retention amount determined based on actuarial calculations is held by the Group in its conservation and the amount exceeding maximum retention amount is ceded to reinsurance companies through surplus treaties.

(Currency: Turkish Lira (TL))

5 Management of insurance risk *(continued)*

Reinsurance companies

Reinsurance companies, providing reinsurance protection against health, life, personal accident and critical illness insurance risks are the one of the most important service providers of the Group. The decisive criteria for the relationship with reinsurers are as follows:

i) Financial strength,
ii) Long-term relationship approach,
iii) Competitive prices,
iv) Capacity provided for facultative and un-proportional (catastrophic) reinsurance contracts,
v) Opportunities and information provided in risk assessment process, product development, trainings, information about new developments in the sector and etc.

Performance of the reinsurance companies in treaty agreements is evaluated for each year by considering the payment performance of the reinsurers for the claims paid and other due payables to the Group. Performance of the reinsurance companies in facultative agreements is evaluated by considering capacity provided to the Group, speed in operational reinsurance transactions, and technical and market information provided to the Group. In case where the performance of the reinsurer is not assessed as adequate, the Group decides on to agree with alternative reinsurance companies.

The latest credit rating grades of these companies can be seen in the table below.

	Standard & Poors		AM Best	
Company	**Grade**	**Outlook**	**Grade**	**Outlook**
Scor Re	A+	Stable	A	Stable
Münih Re	AA-	Stable	A+	Stable
Arch Re	AA-	Stable	A+	Stable

Insurance risk accepted by the Group in accordance with their total amounts and numbers are presented in the below table. The Group management believes that the distribution of the insurance risk in terms of their total amounts and numbers are satisfactory.

	31 December 2013		31 December 2012	
	Insurance risk (TL)	**Number**	**Insurance risk (TL)**	**Number**
Death due to accident	1,676,521,651	41.853	1,356,838,089	38.605
Disability due to accident	1,579,876,765	41.022	1,263,712,457	37.741
Disability due to accident(Earthquake included)	1,360,743,476	22.932	967,250,100	20.221
Death due to accident(Earthquake included)	1,351,753,476	22.932	961,950,100	20.221
Death	1,287,284,021	22.130	923,110,095	20.632
Disability due to illness	1,214,156,709	20.009	837,943,376	17.415
Broken/Burn	3,290,000	658	7,700,000	1.540
Critical illness	51,421,343	1.210	6,711,831	124
Treatment costs due to accident	6,584,564	1.887	3,469,841	1.470
Daily hospital benefit due to accident	98,700	658	231,000	1.540
Daily damages	16,380	275	8,470	155
Daily disability due to accident	16,380	275	8,470	155

6 Management of financial risk

Introduction and overview

This note presents information about the Group's exposure to each of the below risks, the Group's objectives, policies and processes for measuring and managing financial risk, and the Group's management of capital. The Group has exposure to the following risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The most significant components of these financial risks are:

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors monitors the effectiveness of the risk management system through the Group's internal audit and internal control functions. The Group's finance and management reporting department is responsible from monitoring and management of financial risk that the Group faces, preparing financial risk analysis of the Group.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Key areas where the Group is exposed to credit risk are:

- cash and cash equivalents (except for cash on hand),
- financial assets at fair value through profit or loss,
- available-for-sale financial assets,
- held to maturity investment securities,
- loans and receivables,
- reinsurers' share of insurance liabilities,
- amounts due from reinsurers in respect of claims already paid and commissions,
- amounts due from insurance contract holders,
- amounts due from insurance intermediaries, and
- other receivables.

Reinsurance is utilised to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholders. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of the contract.

The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency.

(Currency: Turkish Lira (TL))

6 Management of financial risk *(continued)*

Credit risk *(continued)*

The carrying amount of assets represents the maximum credit exposure. As at 31 December 2013 and 2012, the maximum exposure to credit risk is:

	Carrying amount	
	31 December 2013	**31 December 2012**
Cash and cash equivalents *(Note 7)*	89,182,463	55,977,866
Premium and other insurance receivables *(Note 10,11)*	67,016,121	43,715,003
Financial assets owned by the Group *(Note 8)*	64,485,572	75,812,030
Fin. assets backing inv. contract liabilities *(Note 8)*	32,925,990	39,884,940
Cast at banks pledged in favour of the Turkish Treasury *(Note 8)*	26,596,224	23,212,065
Claims provision, reinsurers' share *(Note 23)*	4,709,007	3,554,988
Income accruals *(Note 13)*	2,664,900	770,815
Miscellaneous receivables *(Note 13)*	226,351	171,058
Advances given *(Note 13)*	168,447	160,726
Deposits given *(Note 13)*	65,638	58,291
Due from related parties *(Note 13)*	31,990	82,375
Total	**288,072,703**	**243,400,157**

Since the Group operates only in Turkey, geographic concentration of the maximum exposure to credit risk for premium and other insurance receivables at the reporting date is domestic. The Group's securities portfolio mainly consists of TL and foreign currency (FC) denominated government bonds, treasury bills and Eurobonds issued by the Turkish Government. Those securities are accepted as having low credit risk. The Group also has private sector corporate bonds of some private Turkish banks and industrial companies whose credit ratings are high compared to other companies located in Turkey. The Group only invests in the corporate bonds of the private companies which accomplish certain financial criteria set by the Group.

As at 31 December 2013 and 2012, the aging of premium and other insurance receivables and due from reinsurance companies is:

	31 December 2013		31 December 2012	
	Gross	**Impairment**	**Gross**	**Impairment**
Not past due	54,982,395	-	40,037,022	-
Past due 0-30 days	8,501,053	-	3,157,456	-
Past due 31-60 days	1,826,140	-	501,267	-
Past due 61-180 days	1,517,555	(104,764)	1,131,513	(1,112,255)
Past due 180-365 days	185,124	(81,658)	883,157	(883,157)
More than one year	4,510,779	(4,320,503)	3,645,336	(3,645,336)
Total	**71,523,046**	**(4,506,925)**	**49,355,751**	**(5,640,748)**

For the years ended 31 December 2013 and 2012, the movements in the allowance for impairment in premium and other insurance receivables and due from insurance and reinsurance companies is as follows:

	31 December 2013	**31 December 2012**
Balance at the beginning of the year *(Note 10,11)*	(5,640,748)	(4,342,732)
Collections during the year	1,470,544	12,530
Impairment loss recognised during the year	(336,721)	(1,310,546)
Balance at the end of the year *(Note 10,11)*	**(4,506,925)**	**(5,640,748)**

The Group cancels the policies where premiums are accrued but not collected within a certain period of time, and deducts them from the gross premiums and from the premium and other insurance receivables.

6 Management of financial risk *(continued)*

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations of its financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group monitors its liquidity position on a daily basis, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient liquid assets to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. The following table provides an analysis of monetary liabilities of the Group into relevant maturity groupings based on the remaining periods to repayments. The figures show the undiscounted cash flows of the Group's monetary liabilities on the basis of their earliest possible contractual maturity.

31 December 2013	Carrying amounts	Contractual amounts	Up to 1 month	1 to 3 month	3 to 6 months	6 to 12 months	Over 1 year
Non-derivative financial liabilities							
Financial liabilities	10,704,034	(10,708,487)	(10,708,487)	-	-	-	-
Insurance liabilities including the payables to medical networks	41,419,895	(41,419,895)	(36,212,293)	(5,207,602)	-	-	-
Investment contract liabilities	28,653,793	(28,653,793)	(810,621)	(1,113,261)	(1,762,569)	(3,174,505)	(21,792,837)
Outstanding claims provision	13,228,005	(13,228,005)	(104,978)	(209,958)	(305,183)	(585,692)	(12,022,194)
Other provisions and employee benefits	9,091,923	(9,091,923)	(684,7769	(3,439,579)	(658,672)	(3,826,680)	(482,216)
Other liabilities	2,844,586	(2,844,586)	(2,046,854)	(348,576)	-	-	(449,156)
Income taxes payable	893,304	(893,3049	-	(893,304)	-	-	-
Total	**106,835,540**	**(106,839,993)**	**(50,568,009)**	**(11,212,280)**	**(2,726,424)**	**(7,586,877)**	**(34,746,403)**
Derivative financial liabilities							
Inflow	-	6,312,834	6,312,834	-	-	-	-
Outflow	341,311	(6,612,061)	(6,612,061)	-	-	-	-
Total	**341,311**	**(299,227)**	**(299,227)**	**-**	**-**	**-**	**-**

31 December 2012	Carrying amounts	Contractual amounts	Up to 1 month	1 to 3 month	3 to 6 months	6 to 12 months	Over 1 year
Non-derivative financial liabilities							
Financial liabilities	26,039,450	(26,057,997)	(26,057,997)	-	-	-	-
Insurance liabilities including the payables to medical networks	28,906,590	(28,906,590)	(24,814,049)	(4,092,541)	-	-	-
Investment contract liabilities	32,605,934	(32,605,934)	(2,578,441)	(656,423)	(713,493)	(1,508,061)	(27,149,516)
Outstanding claims provision	11,971,326	(11,971,326)	8545,164)	(855,021)	(66,198)	(1,303,414)	(9,201,529)
Other provisions and employee benefits	10,452,500	(10,452,500)	(223,695)	(3,684,783)	(689,978)	(5,527,917)	(326,127)
Other payables	3,316,309	(3,316,309)	(1,858,852)	(956,961)	-	-	(500,496)
Income taxes payable	1,763,691	(1,763,691)	-	(1,763,691)	-	-	-
Total	**115,055,800**	**(115,074,347)**	**(56,078,198)**	**(12,009,420)**	**(1,469,669)**	**(8,339,392)**	**(37,177,668)**

Market risk

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

Currency risk

The Group is exposed to currency risk mainly on investment contracts, underwriting and reinsurance activities denominated in US Dollar and Euro other than TL which is the functional currency of the Group. The Group also invests in financial assets denominated in the same currencies in relation to the insurance and investment contract liabilities.

6 Management of financial risk *(continued)*

Market risk *(continued)*

Currency risk (continued)

The Group is long in on-balance sheet position in US Dollar and Euro as a result of general characteristics of insurance sector in Turkey especially due to investment contracts issued in years that Turkey had hyperinflationary economy. It is not possible to match foreign currency denominated financial assets with foreign currency denominated investment contract liabilities on an ongoing basis, since the policyholders have right to withdraw their savings at any time after completing a certain time as defined in the regulations after inception of the contracts. The Group's exposure to foreign currency position was as follows based on notional amounts (TL equivalents):

31 December 2013	**US Dollar**	**Euro**	**Total**
Cash and cash equivalents	3,000	16,510	19,510
Loans and receivables	526,415	26,983	553,398
Investment securities	21,909,855	670,711	22,580,566
Premiums and other insurance receivables	1,392,349	212,958	1,605,307
Other receivables	-	8,729	8,729
Total foreign currency denominated monetary assets	**23,831,619**	**935,891**	**24,767,510**
Due to reinsurance companies	(125,407)	3,929	(121,478)
Outstanding claims provision	284,792	-	284,792
Investment contract liabilities	13,847,635	573,559	14,421,194
Other liabilities	142,641	27,419	170,060
Total foreign currency denominated monetary liabilities	**14,149,661**	**604,907**	**14,754,568**
Net on-balance sheet position	**9,681,958**	**330,984**	**10,012,942**
Net off-balance sheet position	**(6,612,061)**	**-**	**(6,612,061)**
Net long/(short)position	**3,069,897**	**330,984**	**3,400,881**

31 December 2012	**US Dollar**	**Euro**	**Total**
Cash and cash equivalents	4,351	1	4,352
Loans and receivables	498,587	-	498,587
Investment securities	14,047,915	686,055	14,733,970
Premiums and other insurance receivables	1,711,516	151,132	1,862,648
Other receivables	-	15,501	15,501
Total foreign currency denominated monetary assets	**16,262,369**	**852,689**	**17,115,058**
Insurance liabilities	157,481	29,340	186,821
Outstanding claims provision	1,704,341	42,151	1,746,492
Investment contract liabilities	12,900,623	562,226	13,462,849
Total foreign currency denominated monetary liabilities	**14,762,445**	**633,717**	**15,396,162**
Net on-balance sheet position	**1,499,924**	**218,972**	**1,718,896**
Net off-balance sheet position	**-**	**-**	**-**
Net long/(short)position	**1,499,924**	**218,972**	**1,718,896**

10% devaluation of the TL against the following currencies as at 31 December 2013 and 2012 would have increased equity and profit or loss (without tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. If TL evaluates against other currencies by 10%, the effect will be the reverse of the following amounts.

	31 December 2013		31 December 2012	
	Equity(*)	Profit or loss	Equity(*)	Profit or loss
US Dollar	337,464	306,990	76,072	149,993
Euro	113,075	33,098	20,916	21,897
Total, net	**450,539**	**340,088**	**96,988**	**171,890**

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

(Currency: Turkish Lira (TL))

6 Management of financial risk *(continued)*

Market risk *(continued)*

Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows due to changes in market interest rates and to which trading portfolios are exposed is the risk of loss from fluctuations in the 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 re-pricing bands.

As at 31 December 2013 and 2012, interest rate profile of the Group's interest earning and interest-bearing financial instruments is:

	Carrying amount	
	31 December 2013	**31 December 2012**
Financial assets with fixed interest rates		
Cash at banks *(Note 7)*	82,913,918	49,283,755
Blocked cash at banks *(Note 8)*	26,596,224	23,212,065
Cash at banks with original maturity more than 3 months *(Note 8)*	16,596,164	18,573,173
Loans to the policyholders *(Note 10)*	672,053	727,653
FAAFTPL – government bonds issued by the Turkish Government *(Note 8)*	-	25,680
Available-for-sale fin. assets – government bonds issued by the Turkish Government *(Note 8)*	15,386,224	11,410,970
Available-for-sale fin. assets – FC private sector corporate bonds *(Note 8)*	6,456,413	-
Available-for-sale fin. assets – TL private sector corporate bonds *(Note 8)*	1,644,987	1,687,989
Held to maturity financial assets – government bonds *(Note 8)*	-	-
FAAFTPL backing inv. contracts – government bonds *(Note 8)*	2,756,790	4,560,609
FAAFTPL backing investment contracts – Eurobonds *(Note 8)*	257,710	561,569
Available-for-sale financial assets backing investment contracts – government bonds *(Note 8)*	2,772,765	9,541,274
Available-for-sale financial assets backing investment contracts – TL private sector corporate bonds *(Note 8)*	-	236,627
Available-for-sale financial assets backing investment contracts – Eurobonds *(Note 8)*	9,978,956	10,021,908
Available-for-sale financial assets backing investment contracts – FC private sector corporate bonds *(Note 8)*	3,753,187	4,150,493
Loans and receivables backing inv. cont. liab. – time deposit *(Note 8)*	8,205,781	5,916,861
Held to maturity financial assets backing investment contracts – government bonds *(Note 8)*	4,563,214	4,565,908
Financial assets with variable interest rates		
FAAFTPL – TL private sector corporate bonds *(Note 8)*	2,376,099	1,420,345
Available-for-sale financial assets – debt securities indexed to consumer price index *(Note 8)*	11,115,801	36,668,773
Available-for-sale fin. assets – TL private sector cor. bonds *(Note 8)*	4,012,919	3,610,605
Available-for-sale fin. assets – government bonds issued by the Turkish Government *(Note 8)*	2,159,798	-
Available-for-sale financial assets backing investment contracts – TL private sector corporate bonds *(Note 8)*	637,587	262,017
Available-for-sale financial assets backing investment contracts – government bonds *(Note 8)*	-	67,674
Held to maturity financial assets – government bonds *(Note 8)*	2,599,333	2,407,790
Financial liabilities with fixed interest rates		
– Obligations under repurchase agreements *(Note 9)*	10,689,440	26,039,450

(Currency: Turkish Lira (TL))

6 Management of financial risk *(continued)*

Market risk *(continued)*

Fair value sensitivity analysis for financial instruments

The Group classified both financial assets owned by the Group and financial assets backing investment contract liabilities as financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables and held-to-maturity investment securities. Financial assets at fair value through profit or loss and available-for-sale financial assets both owned by the Group and backing investment contract liabilities are subject to market risk due to change in market interest rates. Profit or loss and equity effects (without tax effects) of 100 bp changes in interest rates are shown below. This analysis assumes that all other variables, in particular foreign currency rates remain constant. This analysis is performed on the same basis as at and for the year ended 31 December 2012.

	31 December 2013			
	Profit or loss		**Equity(*)**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets at fair value through profit and loss	25,030	(24,955)	25,030	(24,955)
Available-for-sale financial assets	59,878	(59,878)	(804,809)	856,928
Other floating rate financial assets	3,988	(4,028)	3,988	(4,028)
Financial assets at fair value through profit and loss backing investment contract liabilities	(5,512)	5,629	(5,512)	5,629
Available-for-sale financial assets backing investment contract liabilities	6,177	(6,177)	(82,294)	86,206
Total	**89,561**	**(89,409)**	**(863,597)**	**919,780**

	31 December 2012			
	Profit or loss		**Equity(*)**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets at fair value through profit and loss	928	(729)	928	(729)
Available-for-sale financial assets	15,892	(15,892)	(2,126,043)	2,075,583
Other floating rate financial assets	3,591	(3,619)	3,591	(3,619)
Financial assets at fair value through profit and loss backing investment contract liabilities	(21,585)	22,244	(21,585)	22,244
Available-for-sale financial assets backing investment contract liabilities	120	(120)	(232,339)	246,133
Total	**(1,054)**	**1,884**	**(2,375,448)**	**2,339,612**

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

The fair values of financial assets and liabilities

The Group has reclassified its quoted marketable securities as either financial assets at fair value through profit or loss or as available-for-sale financial assets in the accompanying consolidated financial statements and measured based on quoted market prices at the reporting date. The Group has also measured its investment contract liabilities based on the market prices of those underlying securities classified as financial assets at fair value through profit or loss or available-for-sale financial assets.

As at 31 December 2013, fair value of held to maturiy investment securitites with a carrying value of TL 7,162,547 (31 December 2012: TL 6,973,698) was amounted to TL 7,394,872 (31 December 2012: TL 8,428,730). Held to matury investment securitites have quoted market prices that are in the 1. level of fair value classification.

The Group management believes that carrying values of other financial assets and financial liabilities are reasonable approximation of their fair values, considering their average maturities.

(Currency: Turkish Lira (TL))

6 Management of financial risk *(continued)*

Market risk *(continued)*

Classification of fair value measurement

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

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

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

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

Classification requires using observable market data if possible.

	31 December 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets at fair value through profit or loss *(Note 8)*	2,379,633	-	-	**2,379,633**
Available-for-sale financial assets *(Note 8)*	40,776,142	2,134,300	-	**42,910,442**
Financial assets at fair value through profit or loss backing inv. contract liabilities *(Note 8)*	3,014,500	-	-	**3,014,500**
Available-for-sale financial assets backing inv. contract liabilities *(Note 8)*	17,142,495	-	-	**17,142,495**
Total financial assets measured at fair value	**63,312,770**	**2,134,300**	**-**	**65,447,070**
Financial liabilities:				
Derivative financial instruments held for trading purposes *(Note 9)*	-	341,311	-	**341,311**
Investment contract liabilities	28,653,793	-	-	**28,653,793**
Total financial liabilities measured at fair value	**28,653,793**	**341,311**	**-**	**28,995,104**

	31 December 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets at fair value through profit or loss *(Note 8)*	1,452,730	-	-	1,452,730
Available-for-sale financial assets *(Note 8)*	53,378,337	-	-	53,378,337
Financial assets at fair value through profit or loss backing inv. contract liabilities *(Note 8)*	5,122,178	-	-	5,122,178
Available-for-sale financial assets backing inv. contract liabilities *(Note 8)*	24,279,993	-	-	24,279,993
Total financial assets measured at fair value	**84,233,238**	**-**	**-**	**84,233,238**
Financial liabilities:				
Investment contract liabilities	23,989,886	-	-	23,989,886
Total financial liabilities measured at fair value	**23,989,886**	**-**	**-**	**23,989,886**

6 Management of financial risk *(continued)*

Capital management

The Group's capital management policies include the following:

- to comply with the insurance capital requirements required by the Turkish Treasury;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In accordance with the "Circular regarding the measurement and assessment of capital adequacy of insurance, reinsurance and individual pension companies" issued by the Turkish Treasury on 19 January 2008 dated and 26761 numbered Official Gazette, capital requirement is measured on a semi annually and standalone basis based on the statutory financial statements of insurance companies.

Accordingly, the Group has measured the minimum level of required capital amounted to TL 89,654,297 as at and for the year ended 31 December 2013. The Company's total equity in its statutory financial statements for the same year was amounted to TL 90,952,811 TL exceeding the minimum level of required capital.

7 Cash and cash equivalents

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

	31 December 2013	31 December 2012
Cash on hand	5,859	2,195
Credit card receivables	5,347,792	4,958,361
Cash at banks	83,834,671	51,019,505
Cash and cash equivalents	**89,188,322**	**55,980,061**
Interest income accruals on cash at banks	(762,546)	(228,515)
Cash and cash equivalents in the consolidated statement of cash flows	**88,425,776**	**55,751,546**

As at 31 December 2013 and 2012, cash at banks are further analyzed as follows:

	31 December 2013	31 December 2012
Foreign currency denominated bank deposits		
- demand deposits	19,510	4,352
	19,510	**4,352**
Bank deposits in Turkish Lira		
- demand deposits	901,243	1,731,398
- time deposits	82,913,918	49,283,755
	83,815,161	**51,015,153**
Total	**83,834,671**	**51,019,505**

As at 31 December 2013 and 2012, interest rate interval for time deposits is as follows:

	Interest rate per annum (%)	
	31 December 2013	31 December 2012
TL	7.50 – 10.05	5.00 – 13.25

(Currency: Turkish Lira (TL))

8 Investment securities

As at 31 December 2013 and 2012, the investment portfolio of the Company is as follows:

	31 December 2013	31 December 2012
Financial assets at fair value through profit or loss	5,394,133	6,574,908
Investment securities	118,613,653	132,334,127
Total investment securities	**124,007,786**	**138,909,035**

	31 December 2013	31 December 2012
Group's own portfolio:		
Financial assets at fair value through profit or loss	2,379,633	1,452,730
Available-for-sale financial assets	42,910,442	53,378,337
Held-to-maturity investments	2,599,333	2,407,790
Loans and receivables	43,192,388	41,785,238
Total Group's own portfolio	**91,081,796**	**99,024,095**
Financial assets backing investment contract liabilities:		
Financial assets at fair value through profit or loss	3,014,500	5,122,178
Available-for-sale financial assets	17,142,495	24,279,993
Held-to-maturity investments	4,563,214	4,565,908
Loans and receivables	8,205,781	5,916,861
Total financial assets backing investment contract liabilities	**32,925,990**	**39,884,940**
Total investment securities	**124,007,786**	**138,909,035**

As at 31 December 2013 and 2012, the Group's own portfolio is as follows:

	31 December 2013			
	Nominal value	Cost	Fair value	Carrying value
Fixed income securities:				
Private sector corporate bonds – TL	2,380,000	2,390,899	2,376,099	2,376,099
Total fixed income securities	**2,380,000**	**2,390,899**	**2,376,099**	**2,376,099**
Non-fixed income securities:				
Investment funds – TL	-	3,134	3,534	3,534
Total non-fixed income securities		**3,134**	**3,534**	**3,534**
Financial assets at fair value through profit or loss		**2,394,033**	**2,379,633**	**2,379,633**
Fixed income securities:				
Government bonds – TL	16,620,573	17,756,618	18,567,549	18,567,549
Government bonds subject to repurchase transactions – TL	8,799,980	10,001,904	10,094,274	10,094,274
Private sector corporate bonds – FC	6,402,900	6,594,987	6,456,413	6,456,413
Private sector corporate bonds – TL	5,646,711	5,610,843	5,657,906	5,657,906
		39,964,352	**40,776,142**	**40,776,142**
Non-fixed income securities:				
Investment funds – FC		2,134,300	2,134,300	2,134,300
Total non-fixed income securities		**2,134,300**	**2,134,300**	**2,134,300**
Available-for-sale financial assets		**42,098,652**	**42,910,442**	**42,910,442**
Fixed income securities:				
Government bonds – TL	2,011,000	1,972,823	2,756,991	2,599,333
Held to maturity investment securities		**1,972,823**	**2,756,991**	**2,599,333**
Cash at banks with original maturity more than 3 months		16,400,000	16,596,164	16,596,164
Blocked cash at banks		26,385,256	26,596,224	26,596,224
Loans and receivables		**42,785,256**	**43,192,388**	**43,192,388**
Total Group's own portfolio		**89,250,764**	**91,239,454**	**91,081,796**

(Currency: Turkish Lira (TL))

8 Investment securities *(continued)*

	31 December 2012			
	Nominal value	**Cost**	**Fair value**	**Carrying value**
Fixed income securities:				
Government bonds – TL	23,000	25,070	25,680	25,680
Private sector corporate bonds – TL	1,400,000	1,412,500	1,420,345	1,420,345
Total fixed income securities		1,437,570	1,446,025	1,446,025
Non-fixed income securities:				
Investment funds – TL		6,198	6,705	6,705
Total non-fixed income securities		6,198	6,705	6,705
Financial assets at fair value through profit or loss		**1,443,768**	**1,452,730**	**1,452,730**
Fixed income securities:				
Government bonds subject to repurchase transactions – TL	20,767,360	23,653,490	26,671,819	26,671,819
Government bonds – TL	17,353,397	18,553,603	21,407,924	21,407,924
Private sector corporate bonds – TL	5,209,605	5,129,943	5,298,594	5,298,594
Available-for-sale financial assets		**47,337,036**	**53,378,337**	**53,378,337**
Fixed income securities:				
Government bonds – TL	2,011,000	1,972,823	2,935,551	2,407,790
Held to maturity investment securities		**1,972,823**	**2,935,551**	**2,407,790**
Cash at banks with original maturity more than 3 months		18,500,000	18,573,173	18,573,173
Blocked cash at banks		23,083,216	23,212,065	23,212,065
Loans and receivables		**41,583,216**	**41,785,238**	**41,785,238**
Total Group's own portfolio		**92,336,843**	**99,551,856**	**99,024,095**

As at 31 December 2013, the Group has TL 26,455,891 (31 December 2012: TL 23,212,065) blocked deposits in favour of the Turkish Treasury *(Note 8, 31)* which is recorded as loans and receivables under investment securities in the accompanying consolidated financial statements.

As at 31 December 2013 and 2012, financial assets backing investment contract liabilities are as follows:

	31 December 2013			
	Nominal value	**Cost**	**Fair value**	**Carrying value**
Fixed income securities:				
Government bonds – TL	2,619,200	2,730,411	2,756,790	2,756,790
Eurobonds issued by the Turkish Government	229,047	222,306	257,710	257,710
Financial assets at fair value through profit or loss		**2,952,717**	**3,014,500**	**3,014,500**
Fixed income securities:				
Eurobonds issued by the Turkish Government	9,083,544	10,501,967	9,978,956	9,978,956
Private sector corporate bonds – FC	3,574,953	3,692,283	3,753,187	3,753,187
Government bonds – TL	2,721,000	2,807,968	2,772,765	2,772,765
Private sector corporate bonds – TL	620,000	621,584	637,587	637,587
Available-for-sale financial assets		**17,623,802**	**17,142,495**	**17,142,495**
Fixed income securities:				
Government bonds – TL	4,329,343	4,375,442	4,637,881	4,563,214
Held to maturity investment securities		**4,375,442**	**4,637,881**	**4,563,214**
Cash at banks – TL		8,203,545	8,205,781	8,205,781
Loans and receivables		**8,203,545**	**8,205,781**	**8,205,781**
Total financial assets backing investment contract liabilities		**33,155,506**	**33,000,657**	**32,925,990**

(Currency: Turkish Lira (TL))

8 Investment securities *(continued)*

	31 December 2012			
	Nominal value	**Cost**	**Fair value**	**Carrying value**
Fixed income securities:				
Government bonds – TL	4,083,200	4,329,143	4,560,609	4,560,609
Eurobonds issued by the Turkish Government	477,395	464,060	561,569	561,569
Financial assets at fair value through profit or loss		**4,793,203**	**5,122,178**	**5,122,178**
Fixed income securities:				
Eurobonds issued by the Turkish Government	8,330,743	9,735,157	10,021,908	10,021,908
Government bonds – TL	8,302,411	8,659,908	9,608,948	9,608,948
Private sector corporate bonds – FC	3,796,938	3,865,153	4,150,493	4,150,493
Private sector corporate bonds – TL	500,000	479,470	498,644	498,644
Available-for-sale financial assets		**22,739,688**	**24,279,993**	**24,279,993**
Fixed income securities:				
Government bonds – TL	4,329,343	4,375,442	5,493,180	4,565,908
Held-to-maturity investments		**4,375,442**	**5,493,180**	**4,565,908**
Cash at banks – TL		5,412,321	5,418,274	5,418,274
Cash at banks – FC		489,840	498,587	498,587
Loans and receivables		**5,902,161**	**5,916,861**	**5,916,861**
Total financial assets backing investment contract liabilities		**37,810,494**	**40,812,212**	**39,884,940**

As at 31 December 2013 and 2012, foreign currency denominated securities are as follows:

	Amount in original currency		TL equivalent	
	31 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**
US Dollar	10,265,593	7,880,576	21,909,855	14,047,915
Euro	228,405	291,727	670,711	686,055
Total			**22,580,566**	**14,733,970**

As at 31 December 2013 and 2012, interest rates for the investment securities are as follows:

	31 December 2013	**31 December 2012**
Financial assets at fair value through profit and loss:		
Government bonds and treasury bills owned by the Group	-	15.53%
Private sector corporate bonds owned by the Group	10.59% -14.52%	4.17% - 8.33%
Government bonds and treasury bills backing inv. contract liabilities	10.14%	10.14% - 13.50%
Eurobonds issued by the Turkish Government backing inv. contract liabilities	5.86% - 6.02%	-
Available-for-sale financial assets:		
Government bonds and treasury bills owned by the Group	0,03% -10.07%	5.81% - 10.41%
Government bonds and treasury bills backing inv. contract liabilities	7.96% -10.61%	7.88% - 10.91%
Private sector corporate bonds owned by the Group	8.28% -13.51%	5.90% - 10.64%
Private sector corporate bonds backing investment contract liabilities	8.31%-11.78%	8.02% - 11.53%
Eurobonds issued by the Turkish Government backing inv. contracts	2.50% -7.08%	2.50% - 7.08%
Held to maturity investment securities:		
Government bonds and treasury bills owned by the Group	4.22% -4.42%	10.46% - 10.66%
Government bonds and treasury bills backing inv. contract liabilities	10.32% -10.65%	10.32% - 10.65%

(Currency: Turkish Lira (TL))

8 Investment securities *(continued)*

As at 31 December 2013 and 2012, the movement of securities is follows:

	Group's own portfolio			Financial assets backing inv. contract liabilities			
31 December 2013	**Fin. assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Held to maturity inv. securities**	**Fin. assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Held to maturity inv. securities**	**Total**
Balance at the beginning of the year	**1,452,730**	**53,378,337**	**2,407,790**	**5,122,178**	**24,279,993**	**4,565,908**	**91,206,936**
Foreign currency differences of financial assets	-	2,134,298	-	53,655	2,355,789	-	4,543,742
Acquisitions during the year	2,742,762	43,333,301	-	-	730,169	-	46,806,232
Transfers	1,634,564	4,983,680	-	(1,634,564)	(4,983,680)	-	-
Disposals (either sold or settled)	(3,419,287)	(58,855,195)	-	(345,794)	(4,060,953)	-	(66,681,229)
Change in the fair value of financial assets	(31,136)	(2,110,657)	-	(180,975)	(859,425)	-	(3,182,193)
Change in amortised costs of the financial assets	-	46,678	191,543	-	(319,398)	(2,694)	(83,871)
Balance at the end of the year	**2,379,633**	**42,910,442**	**2,599,333**	**3,014,500**	**17,142,495**	**4,563,214**	**72,609,617**

	Group's own portfolio			Financial assets backing inv. contract liabilities			
31 December 2012	**Fin. assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Held to maturity inv. securities**	**Fin. assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Held to maturity inv. securities**	**Total**
Balance at the beginning of the year	**4,547,516**	**44,975,497**	**6,794,665**	**662,480**	**33,312,422**	**-**	**90,292,580**
Foreign currency differences of financial assets	-	-	-	(19,954)	(250,510)	-	(270,464)
Acquisitions during the year	1,531,505	193,152,429	-	640,000	15,410,931	-	210,734,865
Transfers	(3,769,881)	6,662,839	(4,566,961)	3,769,881	(6,662,839)	4,566,961	-
Disposals (either sold or settled)	(862,214)	(197,148,671)	-	(133,016)	(19,234,333)	-	(217,378,234)
Change in the fair value of financial assets	5,804	4,143,270	-	202,787	1,816,561	-	6,168,422
Change in amortised costs of the financial assets	-	1,592,973	180,086	-	(112,239)	(1,053)	1,659,767
Balance at the end of the year	**1,452,730**	**53,378,337**	**2,407,790**	**5,122,178**	**24,279,993**	**4,565,908**	**91,206,936**

(Currency: Turkish Lira (TL))

8 Investment securities *(continued)*

Total securities blocked in favour of the Turkish Treasury are as follows:

	31 December 2013			
	Nominal value	Cost	Fair value	Carrying value
Financial assets backing investment contract liabilities	23,177,087	24,951,961	24,794,876	24,720,209
Available-for-sale financial assets owned by the Group	-	8,203,545	8,205,781	8,205,781
Financial assets at fair value through profit or loss owned by the Group	27,423	28,493	28,080	28,080
Total *(Note 31)*		**33,183,999**	**33,028,737**	**32,954,070**

	31 December 2012			
	Nominal value	Cost	Fair value	Carrying value
Financial assets backing investment contract liabilities	35,722,190	37,810,494	40,812,212	39,884,940
Available-for-sale financial assets owned by the Group	1,057,473	1,068,726	1,405,547	1,405,547
Financial assets at fair value through profit or loss owned by the Group	23,000	25,070	25,680	25,680
Total *(Note 31)*		**38,904,290**	**42,243,439**	**41,316,167**

9 Financial liabilities

As at 31 December 2013 and 2012, financial liabilities are as follows:

	31 December 2013	31 December 2012
Obligations under repurchase agreements	10,689,440	26,039,450
Derivative financial instruments held for trading purposes	341,311	-
Other financial liabilities	14,594	-
Total financial liabilities	**11,045,345**	**26,039,450**

Obligations under repurchase agreements

The Group raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate. Repurchase agreements are commonly used as a tool for short-term financing of interest-bearing assets, depending on the prevailing interest rates.

Assets sold under repurchase agreements comprise the following:

	31 December 2013		31 December 2012	
	Fair value of underlying assets	Carrying value of corresponding liabilities	Fair value of underlying assets	Carrying value of corresponding liabilities
Available for sale portfolio	10,094,274	10,689,440	26,671,819	26,039,450

As at 31 December 2013, accrued interest on obligations under repurchase agreements amounted to TL 6,440 (31 December 2012: TL 6,450) and is included in the carrying amount of corresponding liabilities.

(Currency: Turkish Lira (TL))

9 Financial liabilities *(continued)*

Derivative financial instruments held for trading purposes

A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlyings, such as financial instrument prices, reference rates, commodity prices or indices. The fair value of derivative financial instruments is calculated by using forward exchange rates at the reporting date. As at 31 December 2012 the Group does not have any derivative financial instruments held for trading purposes. As at 31 December 2013, notional amounts of derivative financial instruments held for trading purposes are as follows:

	31 December 2013	
Maturity:	**Up to 1 month**	**Total**
Purchase-TL	6,312,834	6,312,834
Sales-US Dollars	6,612,061	6,612,061
Total	**12,924,895**	**12,924,895**

As at 31 December 2013, derivative financial instruments held for trading purposes in a net payable position (negative fair value) amount to TL 341,311.

10 Premium and other insurance receivables

	31 December 2013	31 December 2012
Policyholders and intermediaries	65,278,109	37,017,171
Loans to the policyholders	672,053	727,653
Provision for overdue receivables *(Note 6)*	(4,172,103)	(5,308,558)
Total premium and other insurance receivables	**61,778,059**	**32,436,266**

The Group individually assesses all premium receivables for more than 60 days for any potential impairment. Accordingly, as at 31 December 2013, the provision for overdue receivables amounting to TL 4,172,103 (31 December 2012: TL 5,308,558) including the doubtful receivables for which the Group has started to legal procedures, is provided in relation to premium and other insurance receivables.

11 Amounts due from/to insurance and reinsurance companies

As at 31 December 2013 and 2012, amounts due from and due to reinsurance companies comprised the followings:

Due from insurance and reinsurance companies	31 December 2013	31 December 2012
Zurich Sigorta AŞ	1,844,932	10,537,085
SBN Sigorta AŞ	1,305,058	-
Munich Re	1,150,364	-
Milli Reasürans TAŞ	770,913	722,458
Others	501,617	351,384
Provision for overdue receivables *(Note 6)*	(334,822)	(332,190)
Total	**5,238,062**	**11,278,737**

Due to insurance and reinsurance companies	31 December 2013	31 December 2012
Scor Re	366,937	-
Global Benefits	31,176	-
Others	18,972	115
Discount of due to insurance and reinsurance companies	(18,050)	
Total	**399,035**	**115**

(Currency: Turkish Lira (TL))

12 Payables to medical networks and other insurance payables

As at 31 December 2013 and 2012, other insurance payables comprised following:

	31 December 2013	31 December 2012
Payables to agencies	1,670,818	1,178,738
Payables to brokerage companies	1,596,185	973,734
Payables to policyholders	231,211	3,379,382
Total	**3,498,214**	**5,531,854**

As at 31 December 2013, the Group has TL 37,522,646 (31 December 2012: TL 23,374,621) payable to medical networks and pharmacies.

13 Other assets

As at 31 December 2013 and 2012, other assets comprised following:

	31 December 2013	31 December 2012
Income accruals (*)	2,664,900	770,815
Prepaid expenses	612,981	620,197
Miscellaneous receivables	226,351	171,058
Advances given	168,447	160,726
Stationary stocks	116,007	72,519
Deposits given	65,638	58,291
Receivables from related parties *(Note 32)*	31,990	82,375
Prepaid taxes	23,982	-
Other assets	-	7
Total	**3,910,296**	**1,935,988**

(*) Income accruals mainly include accruals for loss sharing agreements signed with corporate customers based on the performance of their health insurance contracts.

14 Investment properties, net

As at 31 December 2013 and 2012, the movement of investment property is as follows:

	31 December 2013	31 December 2012
Balance at 1 January	2,553,332	2,639,517
Depreciation for the year	(27,516)	(86,185)
Disposals	(2,525,816)	-
Investment property at the end of year	**-**	**2,553,332**

Investment property is initially measured at cost, less accumulated depreciation and impairment losses, if any.

The investment property of the Group had dual purpose whereby ¼ part of the property is used for own-use activities and ¾ part of the property used as an investment property for rental income. ¾ part of the property used as an investment property has been sold in 2013 sales income amounting to TL 428,746 has been recorded in the consolidated statement of income. Rental income from investment property for the year ended 31 December 2013 is TL 139,754 (31 December 2012: TL 198,111).

As at 31 December 2012, the fair value of the investment property was estimated as equal to its carrying value.

(Currency: Turkish Lira (TL))

15 Property and equipment, net

For the year ended 31 December 2013, the movement of property and equipment is as follows:

	1 January 2013	Additions	Disposals	Reversal of impairment	31 December 2013
Cost:					
Building	725,055	-	-	301,724	1,026,779
Leasehold improvements	1,004,895	200,681	-	-	1,205,576
Furniture and fixtures	1,792,236	596,784	(176,957)	-	2,212,063
Tangible assets acquired through finance leases	283,292	-	(154,167)	-	129,125
	3,805,478	**797,465**	**(331,124)**	**301,724**	**4,573,543**
Accumulated depreciation:					
Building	(22,041)	(38,886)	-	(197,632)	(258,559)
Leasehold improvements	(270,336)	(152,974)	-	-	(423,310)
Furniture and fixtures	(761,038)	(279,392)	153,845	-	(886,585)
Tangible assets acquired through finance leases	(283,292)	-	154,167	-	(129,125)
	(1,336,707)	**(471,252)**	**308,012**	**(197,632)**	**(1,697,579)**
Net carrying value	**2,468,771**				**2,875,964**

For the year ended 31 December 2012, the movement of property and equipment is as follows:

	1 January 2012	Additions	Disposals	Write-offs	31 December 2012
Cost:					
Building	725,055	-	-	-	725,055
Leasehold improvements	614,522	759,862	-	(369,489)	1,004,895
Furniture and fixtures	2,125,414	918,539	(1,217,308)	(34,409)	1,792,236
Tangible assets acquired through finance leases	287,778	-	(4,486)	-	283,292
	3,752,769	**1,678,401**	**(1,221,794)**	**(403,898)**	**3,805,478**
Accumulated depreciation:					
Building	(22,041)	-	-	-	(22,041)
Leasehold improvements	(541,058)	(98,767)	-	369,489	(270,336)
Furniture and fixtures	(1,760,432)	(185,379)	1,171,025	13,748	(761,038)
Tangible assets acquired through finance leases	(287,778)	-	4,486	-	(283,292)
	(2,611,309)	**(284,146)**	**1,175,511**	**383,237**	**(1,336,707)**
Net carrying value	**1,141,460**				**2,468,771**

16 Intangible assets, net

For the year ended 31 December 2013, the movement of intangible assets is as follows:

	1 January 2013	Additions	Disposals	31 December 2013
Cost:				
Rights	944	4,425	-	5,369
Computer software	2,265,925	65,913	-	2,331,838
	2,266,869	**70,338**	-	**2,337,207**
Accumulated amortisation:				
Rights	(89)	(247)	-	(336)
Computer software	(2,032,639)	(112,631)	-	(2,145,270)
	(2,032,728)	**(112,878)**	-	**(2,145,606)**
Net carrying value	**234,141**			**191,601**

(Currency: Turkish Lira (TL))

16 Intangible assets, net *(continued)*

For the year ended 31 December 2012, the movement of intangible assets is as follows:

	1 January 2012	Additions	Disposals	31 December 2012
Cost:				
Rights	944	-	-	944
Computer software	2,200,007	75,036	(9,118)	2,265,925
	2,200,951	**75,036**	**(9,118)**	**2,266,869**
Accumulated amortisation:				
Rights	(26)	(63)	-	(89)
Computer software	(1,894,662)	(144,288)	6,311	(2,032,639)
	(1,894,688)	**(144,351)**	**6,311**	**(2,032,728)**
Net carrying value	**306,263**			**234,141**

17 Investments in equity participations

	31 December 2013	Share %	31 December 2012	Share %
Akım Sigorta Aracılık Hizmetleri AŞ (in liquidation)	-	-	12,500	25.00
Yalın Sigorta Aracılık Hizmetleri AŞ (in liquidation)	-	-	12,500	25.00
Saf Sigorta Aracılık Hizmetleri AŞ (in liquidation)	-	-	12,500	25.00
Total	-		**37,500**	
Impairment on equity participations	-		(37,500)	
Investments in equity participations (net)	-		-	

The Group has ended the processes for the liquidation of its equity participations and disposed the related cost and impairment from the consolidated statement of financial position in year 2013.

18 Income taxes

As at 31 December 2013 and 2012, prepaid income taxes are netted off with the current income tax payable as stated below:

	31 December 2013	31 December 2012
Income taxes payable	6,684,156	7,689,495
Prepaid income taxes	(5,790,852)	(5,925,804)
Income taxes payable	**893,304**	**1,763,691**

As at 31 December 2013 and 2012, deferred tax asset is attributable to the items detailed in the table below:

	31 December 2013	31 December 2012
Profit/loss share provisions	988,759	446,579
Bonus provisions	493,000	480,000
Technical provisions	461,443	631,070
Provision for legal cases	380,921	370,789
Reserve for vacation pay liability and employee severance indemnity	262,489	203,221
Provision for overdue premium receivables	249,994	482,190
Difference in valuation of financial assets	166,349	126,059
Impairment for investment properties	-	115,760
Impairment in associates	-	7,500
Others	258,491	410,129
Deferred tax assets, net	**3,261,446**	**3,273,297**

(Currency: Turkish Lira (TL))

18 Income taxes *(continued)*

Income tax expense for the year ended 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Income tax expense recognised in profit or loss:		
- Current tax charge	(5,888,563)	(6,870,648)
- Deferred tax benefit/(charge)	(90,214)	(564,563)
Income tax expense	**(5,978,777)**	**(7,435,211)**

As at and for the year ended 31 December 2013 and 2012, movement of deferred tax balances are as follows:

	31 December 2012	Recognised in profit or loss	Recognised in other comp. income	31 December 2013
Deferred tax assets, net	3,273,297	(90,214)	78,363	3,261,446

	31 December 2011	Recognised in profit or loss	Recognised in other comp. income	31 December 2012
Deferred tax assets, net	4,410,236	(564,563)	(572,376)	3,273,297

The total provision for taxes on income is different than the amount computed by applying the statutory tax rate to income before provision for taxes as shown in the following reconciliation:

	31 December 2013	%	31 December 2012	%
Profit before taxes	30,119,608		35,323,179	
Taxes on income per statutory tax rate	(6,023,922)	20.00	(7,064,636)	20.00
Non-deductible expenses and tax exempt income	45,145	(0.15)	(370,575)	1.05
Income tax expense	**(5,978,777)**	**19.85**	**(7,435,211)**	**21.05**

19 Deferred acquisition costs

As at 31 December 2013 and 2012, deferred acquisition costs are as follows:

	31 December 2013	31 December 2012
Deferred commission expenses	6,735,098	4,400,990
Deferred other acquisition costs	1,230,243	968,094
Deferred acquisition costs	**7,965,341**	**5,369,084**

Acquisition costs are those costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts. Commissions and other costs (for example, salaries of certain employees involved in direct sales functions) that are primarily related to insurance contracts issued or renewed during the period in which the costs are incurred are considered as acquisition costs and deferred over the life of the insurance contracts.

As at 31 December 2013 and 2012, movements of deferred commission expenses, are as follows:

	31 December 2013	31 December 2012
Deferred commission expenses at the beginning of the year	4,400,990	4,217,919
Expenses deferred during the year	17,925,370	13,773,815
Amortisation	(15,591,262)	(13,590,744)
Deferred commission expenses at the end of the year	**6,735,098**	**4,400,990**

(Currency: Turkish Lira (TL))

19 Deferred acquisition costs *(continued)*

As at 31 December 2013 and 2012, movements of deferred other acquisition costs, are as follows:

	31 December 2013	31 December 2012
Deferred other acquisition costs at the beginning of the year	968,094	861,000
Expenses deferred during the year	2,708,680	3,072,218
Amortisation	(2,446,531)	(2,965,124)
Deferred other acquisition costs at the end of the year	**1,230,243**	**968,094**

20 Employee benefits

As at 31 December 2013 and 2012, employee benefits are as follows:

	31 December 2013	31 December 2012
Bonus provision	2,465,000	2,400,000
Reserve for vacation pay liability	830,231	689,978
Reserve for employee severance indemnity	482,216	326,128
Total employee benefits	**3,777,447**	**3,416,106**

For the years ended 31 December 2013 and 2012, movement of reserve for employee severance indemnity is as follows:

	31 December 2013	31 December 2012
Balance at the beginning of the year	326,128	254,721
Service costs	312,777	49,046
Interest costs	25,106	18,340
Paid during the year	(155,283)	(180,548)
Actuarial differences (*)	(26,512)	184,569
Balance at the end of the year	**482,216**	**326,128**

As at 31 December 2013, service and interest costs on reserve for employee severance indemnity has been recorded in the consolidated statement of income, whereas actuarial differences have been accounted for in the consolidated other comprehensive income.

21 Other provisions

As at 31 December 2013 and 2012, other provisions are as follows:

	31 December 2013	31 December 2012
Profit share provisions for health insurance agreements	2,062,728	3,542,557
Provision for legal cases	1,904,604	1,853,945
Provision for supplementary policies	1,309,755	-
Provision for portfolio management success fees	440,667	520,536
Profit share provisions for life agreements	160,989	124,011
Commission provisions to intermediaries for sales campaigns	76,247	406,113
Others	189,771	589,232
Total other provisions	**6,144,707**	**7,036,394**

(Currency: Turkish Lira (TL))

22 Other liabilities

As at 31 December 2013 and 2012, other liabilities are as follows:

	31 December 2013	31 December 2012
Payable to personnel	850,982	649,330
Taxes payable other than on income	696,965	598,180
Payable to suppliers	568,840	719,668
Deposits and advances received	446,156	500,496
Payable to related parties *(Note 32)*	194,415	823,853
Other expense accruals	87,228	15,189
Deferred commission income	-	103,976
Other liabilities	3,699	9,593
Total other liabilities	**2,848,285**	**3,420,285**

23 Insurance contract liabilities

Insurance contract liabilities and reinsurance assets as at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Reserve for unearned premiums	99,119,883	66,785,546
Claims provision	13,228,005	11,971,326
Life mathematical reserves	289,409	242,640
Insurance contract liabilities	**112,637,297**	**78,999,512**
Reserve for unearned premiums, ceded	655,515	601,801
Claims provision, ceded	4,709,007	3,554,988
Reinsurance assets	**5,364,522**	**4,156,789**

Movements in insurance liabilities and reinsurance assets

Claims

31 December 2013	Gross	Ceded	Net
Total at the beginning of the year	11,971,326	(3,554,988)	8,416,338
Cash paid for claims settled during year	(226,190,356)	2,443,661	(223,746,695)
Claims incurred in current year and change in the estimates of claims amount incurred in previous years	227,447,035	(3,597,680)	223,849,355
Total at the end of the year	**13,228,005**	**(4,709,007)**	**8,518,998**

31 December 2013	Gross	Ceded	Net
Notified claims	10,049,045	(4,242,255)	5,806,790
Incurred but not reported	3,178,960	(466,752)	2,712,208
Total at the end of the year	**13,228,005**	**(4,709,007)**	**8,518,998**

31 December 2012	Gross	Ceded	Net
Total at the beginning of the year	10,123,401	(4,534,503)	5,588,898
Cash paid for claims settled during year	(165,129,703)	18,926,038	(146,203,665)
Claims incurred in current year and change in the estimates of claims amount incurred in previous years	166,977,628	(17,946,523)	149,031,105
Total at the end of the year	**11,971,326**	**(3,554,988)**	**8,416,338**

31 December 2012	Gross	Ceded	Net
Notified claims	8,823,776	(2,945,043)	5,878,733
Incurred but not reported	3,147,550	(609,945)	2,537,605
Total at the end of the year	**11,971,326**	**(3,554,988)**	**8,416,338**

(Currency: Turkish Lira (TL))

23 Insurance contract liabilities *(continued)*

Reserve for unearned premiums and short term insurance risk

31 December 2013	**Gross**	**Ceded**	**Net**
Reserve for unearned premiums at the beginning of the year	66,785,546	(601,801)	66,183,745
Premiums written during the year	306,134,946	(3,528,936)	302,606,010
Premiums earned during the year	(273,800,609)	3,475,222	(270,325,387)
Reserve for unearned premiums	**99,119,883**	**(655,515)**	**98,464,368**

31 December 2012	**Gross**	**Ceded**	**Net**
Reserve for unearned premiums at the beginning of the year	54,521,595	(17,167,462)	37,354,133
Premiums written during the year	234,348,579	(2,012,420)	232,336,159
Premiums earned during the year	(222,084,628)	18,578,081	(203,506,547)
Reserve for unearned premiums	**66,785,546**	**(601,801)**	**66,183,745**

Reserve for long term risk contracts:

	31 December 2013	**31 December 2012**
Mathematical reserve for long term life contracts	283,000	232,026
Mathematical reserve for long term health contracts	6,409	10,614
Mathematical reserve for long term risk contracts	**289,409**	**242,640**

Claim development tables

The general insurance claims provision is sensitive to the some key assumptions. 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 recognised in subsequent consolidated financial statements.

The table below indicates the impact of various changes in assumptions which are within a reasonable range of possible outcomes given the uncertainties involved in the estimation process.

The table demonstrates the effect of change in key assumptions whilst other assumptions remain unchanged, if these assumptions were changed in a single calendar year. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact on the claims liabilities due to changes in assumptions, these assumptions changes had to be done on an individual basis. It should also be stressed that these assumptions are non-linear and larger or smaller impacts cannot easily be gleaned from these results.

(Currency: Turkish Lira (TL))

23 Insurance contract liabilities *(continued)*

Claim development tables *(continued)*

	31 December 2013						
Accident year	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Accident year	88,941,372	88,626,643	137,105,354	149,472,352	199,899,141	210,928,170	**874,973,032**
1 year later	87,574,100	88,216,122	137,195,394	150,764,448	198,145,519	-	**661,895,583**
2 years later	87,712,180	88,010,658	137,753,430	150,875,163	-	-	**464,351,431**
3 years later	88,001,665	88,048,901	137,772,885	-	-	-	**313,823,451**
4 years later	88,068,541	88,067,059	-	-	-	-	**176,135,600**
5 years later	88,138,189	-	-	-	-	-	**88,138,189**
Current estimate of cum. claims	88,138,189	88,067,059	137,772,885	150,875,163	198,145,519	210,928,170	**873,926,985**
Cumulative payments to date	(87,452,784)	(87,950,029)	(135,887,813)	(149,926,018)	(195,907,019)	(204,012,151)	**(861,135,814)**
Liability recognised	685,405	117,030	1,885,072	949,145	2,238,500	6,916,019	**12,791,171**
Liability recognised for the years before 2008							**436,834**
Total claims provision, gross as per the consolidated statement of financial position							**13,228,005**

	31 December 2013						
Accident year	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Accident year	57,593,348	39,384,176	68,395,456	86,604,186	182,414,689	208,707,400	**643,099,255**
1 year later	56,777,859	39,291,661	68,495,664	86,661,699	181,519,354	-	**432,746,237**
2 years later	56,900,365	39,056,292	68,840,532	86,746,432	-	-	**251,543,621**
3 years later	57,090,780	39,100,699	68,852,998	-	-	-	**165,044,477**
4 years later	57,157,657	39,118,856	-	-	-	-	**96,276,513**
5 years later	57,215,592	-	-	-	-	-	**57,215,592**
Current estimate of cum. claims	57,215,592	39,118,856	68,852,998	86,746,432	181,519,354	208,707,400	**642,160,632**
Cumulative payments to date	(56,672,102)	(39,066,451)	(68,179,025)	(86,108,771)	(180,560,373)	(203,491,746)	**(634,078,468)**
Liability recognised	543,490	52,405	673,973	637,661	958,981	5,215,654	**8,082,164**
Liability recognised for the years before 2008							**436,834**
Total claims provision, net of ceded as per the consolidated statement of financial position							**8,518,998**

	31 December 2012						
Accident year	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Total**
Accident year	60,144,479	88,941,372	88,626,643	137,105,354	149,472,352	199,899,141	**724,189,341**
1 year later	60,781,336	87,574,100	88,216,122	137,195,394	150,764,448	-	**524,531,400**
2 years later	60,460,516	87,712,180	88,010,658	137,753,430	-	-	**373,936,784**
3 years later	60,364,830	88,001,665	88,048,901	-	-	-	**236,415,396**
4 years later	60,671,175	88,068,541	-	-	-	-	**148,739,716**
5 years later	60,672,613	-	-	-	-	-	**60,672,613**
Current estimate of cum. claims	60.672.613	88.068.541	88.048.901	137,753,430	150,764,448	199,899,141	725,207,074
Cumulative payments to date	(60,163,832)	(87,435,789)	(87,650,105)	(134,826,582)	(149,721,604)	(193,724,685)	(713,522,597)
Liability recognised	508,781	632,752	398,796	2,926,848	1,042,844	6,174,456	11,684,477
Liability recognised for the years before 2007							**286,849**
Total claims provision, gross as per the consolidated statement of financial position							**11,971,326**

	31 December 2012						
Accident year	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Total**
Accident year	47,475,410	57,593,348	39,384,176	68,395,456	86,604,186	182,414,689	**481,867,265**
1 year later	48,076,768	56,777,859	39,291,661	68,495,664	86,661,699	-	**299,303,651**
2 years later	47,791,204	56,900,365	39,056,292	68,840,532	-	-	**212,588,393**
3 years later	47,662,911	57,090,780	39,100,699	-	-	-	**143,854,390**
4 years later	47,949,953	57,157,657	-	-	-	-	**105,107,610**
5 years later	47,951,392	-	-	-	-	-	**47,951,392**
Current estimate of cum. claims	47,951,392	57,157,657	39,100,699	68,840,532	86,661,699	182,414,689	482,126,668
Cumulative payments to date	(47,356,760)	(56,693,206)	(38,751,141)	(67,680,308)	(85,969,670)	(177,612,433)	(474,063,518)
Liability recognised	594,632	464,451	349,558	1,160,224	692,029	4,802,256	8,063,150
Liability recognised for the years before 2007							**353,188**
Total claims provision, net of ceded as per the consolidated statement of financial position							**8,416,338**

(Currency: Turkish Lira (TL))

24 Investment contract liabilities

As at 31 December 2013 and 2012 movement for investment contract liabilities is as follows:

	31 December 2013	31 December 2012
Opening balance	**32,605,934**	**34,216,130**
Contributions during the year	1,775,041	2,812,116
Withdrawals during the year	(8,418,111)	(6,782,597)
Change in share of policyholder in unrecognised gain/(losses) of financial assets backing liabilities	(1,298,213)	1,372,389
Change in profit sharing	642,895	921,434
Foreign exchange differences	3,346,247	66,462
Ending balance	**28,653,793**	**32,605,934**

Profit sharing rates of investments contracts as at 31 December 2013 and 2012 are as follows:

	TL Fund (For the policies with distribution rate 90%)	TL Fund (For the policies with distribution rate 95%)	USD fund	Euro fund
31 December 2013	9.41%	6.60%	3.69%	3.86%
31 December 2012	9.08%	7.73%	3.52%	5.06%

25 Equity

The authorized nominal share capital of the Company as at 31 December 2013 and 2012 amounts to TL 71,500,000 and is held as follows:

	31 December 2013		31 December 2012	
	Share-holding %	TL	Share-holding %	TL
Burau Ventures Sdn Bhd	90.00	64,350,000	-	-
Mehmet Ali Aydınlar	10.00	7,150,000	49.99	35,743,838
Walnut Holding Cooperaite UA	-	-	50.00	35,750,000
Others		-	0.01	6,162
	100.00	**71,500,000**	**100.00**	**71,500,000**

At 31 December 2013, share capital of the Group as adjusted for the effects of inflation pursuant to *IAS 29* at 31 December 2005, amounts to TL 74,010,960 (31 December 2012: TL 74,010,960).

Retained earnings as per the statutory financial statements, other than legal reserves, are available for distribution subject to the legal reserve requirement referred to below.

Fair value reserves of available-for-sale financial assets

Fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

Legal reserves

Under the Turkish Commercial Code, legal reserves are composed of primary and secondary reserves. Primary legal reserves are set aside as 5% of the legal term profit until it reaches up to 20% of the company capital. Secondary legal reserves are set aside as 10% of the divided distributions exceeding 5% of the company capital. Primary and secondary legal reserves cannot be distributed unless they exceed 50% of total capital. However, in the event that free reserves are completely consumed, those can be used to cover the losses. As at 31 December 2013, total amount of legal reserves amount to TL 468,026 (31 December 2012: TL 455,779).

(Currency: Turkish Lira (TL))

26 Fees and commission income

Fees and commission income for the years ended 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Change in deferred commission income *(Note 22)*	103,976	44,205
Commission income accrued during the year	73,740	501,067
Commission income from reinsurance companies	**177,716**	**545,272**
Commission income due to intermediary operations	211,992	326,819
Fees and commission income	**389,708**	**872,091**

27 Operating expenses

Operating expenses for the years ended 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Personnel expenses	16,651,623	13,961,202
Rent expenses	1,314,347	826,027
Transportation expenses	937,921	803,900
Consultancy expenses	749,795	858,606
Tax, duties and charges expenses	676,813	646,789
Depreciation and amortisation expenses	611,646	514,682
Legal expenses	328,905	459,846
Change in other deferred acquisition expenses	(262,149)	(107,093)
Others	3,112,471	3,157,188
Total	**24,121,372**	**21,121,147**

Personnel expenses for the years ended 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Salaries	11,705,109	10,191,437
Social security premiums	1,732,327	1,354,318
Bonus, premiums and commissions to the personnel	1,534,431	1,112,957
Provision for employee termination benefits	182,600	71,407
Provision for unused vacations	140,253	290,030
Other fringe benefits	1,356,903	941,053
Total	**16,651,623**	**13,961,202**

28 Investment income and finance costs

Investment income and finance costs for the years ended 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Interest income from bank deposits	10,619,173	7,758,990
Interest income from investment securities	6,315,059	11,115,075
Foreign exchange gains, net	3,533,033	-
Trading gains, net	2,402,697	1,437
Other finance income	-	27,325
Total investment income	**22,869,962**	**18,902,827**

(Currency: Turkish Lira (TL))

28 Investment income and finance costs *(continued)*

	31 December 2013	31 December 2012
Interest expense for repurchase transactions	(1,449,595)	(1,513,751)
Discount expense	(814,264)	(779,030)
Portfolio management fee	(636,334)	(907,478)
Foreign exchange losses, net	-	(909,862)
Trading losses, net	-	(397,687)
Other finance costs	-	(19,441)
Total finance costs	**(2,900,193)**	**(4,527,249)**

29 Other income and expenses

Other income for the years ended 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Fees earned from consultancy services	2,040,908	7,585,921
Income from investment property	1,234,980	198,111
Reversal of provision for premium receivables	1,133,823	-
Other income	280,408	192,867
Total other income	**4,690,119**	**7,976,899**

Other expenses for the years ended 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Provision expenses for lawsuits against the Group	(50,659)	(594,564)
Provision expenses for premium receivables	-	(1,271,975)
Other provisions expenses/reversal income	(840,964)	(778,488)
Total other expenses	**(891,623)**	**(2,645,027)**

30 Other technical income and expenses

Other technical income for the years ended 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Accrual for loss sharing contracts, net of ceded	1,691,874	673,259
Provision for profit sharing in health contracts	1,479,829	-
Other technical income	137,877	24,870
Total	**3,309,580**	**698,129**

Other technical expenses for the years ended 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Provision for loss sharing quota share reinsurance contract	(423,585)	(1,608,717)
Provision for profit sharing in health contracts	-	(2,982,697)
Other technical expense	(16,196)	(34,251)
Total	**(439,781)**	**(4,625,665)**

(Currency: Turkish Lira (TL))

31 Blocked securities and bank deposits

In order to protect the interests of policyholders, under Insurance Law, insurance companies are obliged to deposit investments within two months in a blocked account with a state bank in favour of Turkish Treasury. Accordingly the following guarantees have been issued to the Turkish Treasury based on the financial results:

	31 December 2013	**31 December 2012**
Blocked bank deposits *(Note 7)*	26,596,224	23,212,065
Blocked securities *(Note 8)*	33,000,658	41,316,167

32 Related party balances and transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. For the purpose of these consolidated financial statements, shareholders and Group companies are referred to as related parties. Related parties also include individuals that are principal owners and management and members of the Group's Board of Directors and their families.

In the course of conducting its insurance business, the Group conducted some business transactions with related parties on commercial terms.

As at 31 December 2013 and 2012, outstanding balances with related parties are as follows:

	31 December 2013	**31 December 2012**
Other receivables *(Note 13)*	31,990	82,375
Other payables *(Note 22)*	194,415	823,853
Receivables from insurance operations	348,412	1,104,927
Payables to medical network	18,160,983	11,224,007

As at and for the year ended 31 December 2013 and 2012, transactions with related parties are as follows:

	31 December 2013	**31 December 2012**
Premiums written	8,571,258	8,181,926
Claims incurred	118,499,678	82,739,947
Other operating expense	704,211	1,649,591
Operating Income	309,598	514,143

As at and for the year ended 31 December 2013, salaries and similar benefits provided to the senior management including Chairman, Member of the Board of Directors, General Manager and Assistant General Managers amounted to TL 3,046,529 (31 December 2012: TL 2,243,895).

33 Contingencies

As at 31 December 2013 and 2012, total insurance risk accepted by the Group under normal courses of the insurance business is detailed in Note 5 – *Management of Insurance Risk.*

As at 31 December 2013 and 2012, future minimum rentals payable under non cancellable operating leases for the rent of head office, regional offices and car rentals are as follows:

	31 December 2013	**31 December 2012**
Within one year	739,458	692,312
After one year but not more than five years	3,807,401	4,117,710
Total	**4,546,859**	**4,810,022**

(Currency: Turkish Lira (TL))

34 Subsidiaries

The table below sets out the subsidiaries and shows their shareholding structure as at 31 December 2013:

Subsidiaries	*Direct shareholding interest (%)*	*Indirect shareholding interest (%)*
Acıbadem Grubu Sigorta Aracılık Hizmetleri AŞ	100.00	100.00

Acıbadem Grubu Sigorta Aracılık Hizmetleri Anonim Şirketi ("ASA") was established in 2010 to operate as an insurance agency in Turkey and foreign countries, to act as an intermediary in insurance and pension business contracts. Beside these operations, ASA can operate in other areas with the proposal of the Board and approval of the General Assembly, which are necessary and beneficial for the entity. ASA is consolidated under the Company in the accompanying consolidated financial statements.

35 Other issues

As a result of the assessment performed by JCR Eurasia Rating, a credit rating of AA (Trk) on the long term national scale along with a stable outlook has been assigned to the Company. Long term international foreign and local currency ratings have been assigned as BBB, above the country ceiling. Other notes and details of the ratings are as follows:

Long Term International Foreign Currency :	BBB / (Stable Outlook)
Long Term International Local Currency :	BBB / (Stable Outlook)
Long Term National Local Rating :	AA (Trk) / (Stable Outlook)
Short Term International Foreign Currency :	A-3 / (Stable Outlook)
Short Term International Local Currency :	A-3 / (Stable Outlook)
Short Term National Local Rating :	A-1+ (Trk) / (Stable Outlook)
Sponsor Support :	2
Stand Alone :	AB

36 Subsequent events

It has been decided to increase paid in capital of the Company by TL 50,000,000, from TL 71,500,000 to TL 121,500,000, and to apply the Ministry of Customs and Trade – Internal Trade Office and Undersecratariat of Treasury for the approval of revision in the Article 7 of the Article of Association and the revised Article of Association to be approved in the first General Assembly meeting held.