80th year

A national power, a global strategy

Annual Report 2008

MİLLİ RE

since 1929

Contents

Corporate Profile

Reinsurance transactions within national borders have become compulsory for insurance companies operating in Turkey by the law no 1160 published in 1927. To accept and manage these compulsory cessions, Türkiye İş Bankası (İşbank) founded Millî Reasürans T.A.Ş. (Milli Re) on 19 July 1929.

Having climbed up to the 70th place among 150 major reinsurance companies in the international arena owing to its performance over the years, Milli Re is the first and only privately-owned company in the world operating a compulsory reinsurance system. The system implemented by Milli Re is distinguished from similar practices essentially by the fact that compulsory reinsurance cessions cover all insurance branches.

A key actor in the formation and development of the Turkish insurance industry, Milli Re contributed numerous benefits while operating the compulsory reinsurance system, including the following:

- **Nationalization of the Turkish insurance industry,**
- **Generation of continuous revenues for the Turkish Treasury,**
- **Significant reduction in the outflow of foreign currencies,**
- **Execution of training and education programs in insurance business,**
- **Conducting top-notch international relations,**

Enjoying a respected position also in the international markets, Milli Re managed the Turkish Reinsurance Pool from 1963 to 1985, and the ECO (Economic Cooperation Organization) Pool from 1975 to 1995. The company contributed to the formation of TCIP (Turkish Catastrophe Insurance Pool) and was its first administrator, a function that has been undertaken for five years. Milli Re has also been managing the FAIR (Federation of Afro-Asian Insurers and Reinsurers) Pool since 1974.

Accepting business on a voluntary basis from the Turkish insurance companies since 1991, Milli Re currently fulfills nearly 25% of the industry's need for reinsurance coverage.

In line with the strategy adopted several years ago, Milli Re started to focus more heavily on writing business from overseas markets, which was performed at a very limited level previously. Aiming to increase global expansion and to diversify the portfolio, this strategy also encompasses balancing company's local acceptances with foreign business. In foreign acceptances, main focus is on emerging Asian and African countries along with Middle Eastern and East European countries.

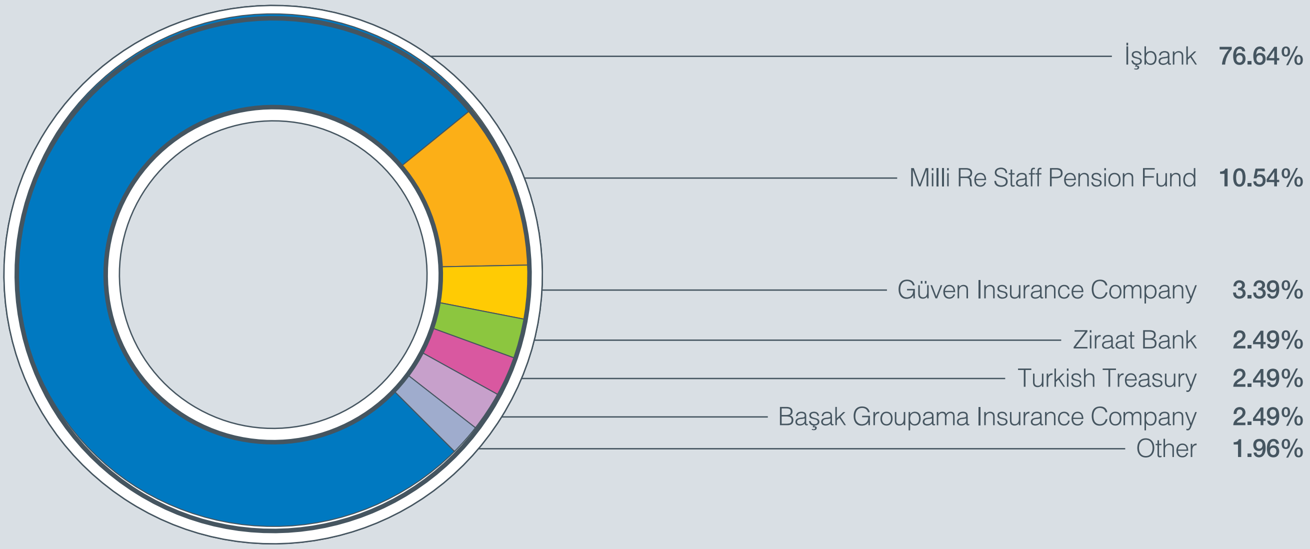
The branch opened in 2007 in Singapore marks the first step of Milli Re's plans to expand its presence across national borders. Having started to accept business with April 2008 renewals, the Singapore branch is expected to take on an important role in terms of the volume of business to be received from the Asia-Pacific region.

Milli Re's financial strength rating has been affirmed as B ++ (Stable) on 06 August 2008 by A.M. Best, one of the most prestigious rating agencies in the world. According to A.M. Best, this rating represents Milli Re's capital aligned with its current and future liabilities and stable portfolio mix.

S&P (Standard & Poor's) assigned 'trA' national scale rating to Milli Re, effective from 18 November 2008.

Adeptly harvesting its business experience of eight decades with its strong financial structure and operational performance, Milli Re is focused on offering reinsurance capacity to international, as well as domestic markets.

Milli Re Shareholder Structure



Shareholder	Value of Stake (TL)	Stake (%)
İşbank	295,056,373.15	76.64
Milli Re Staff Pension Fund	40,586,838.60	10.54
Güven Insurance Company	13,054,387.50	3.39
Ziraat Bank	9,584,717.45	2.49
Turkish Treasury	9,584,717.45	2.49
Başak Groupama Insurance Company	9,584,717.45	2.49
Other	7,548,248.40	1.96
Total	**385,000,000.00**	**100**

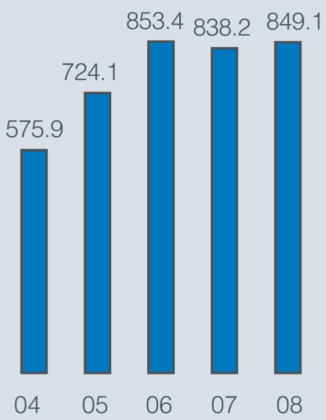
Note: Shareholders controlling 1% or greater stakes in the company are shown.

Key Financial Indicators

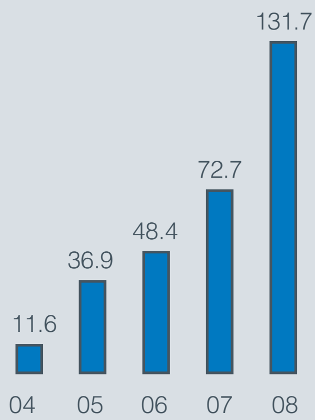
Financial Results (TL mn)	2007	2008	Change (%)
Total Assets	1,222.9	1,389.3	13.6
Shareholders' Equity	706.9	666.7	(5.7)
Technical Income	1,443.7	1,458.6	1.0
Technical Profit/Loss	6.0	39.9	565.0
Financial Income	131.6	164.8	25.2
Financial Profit/Loss	66.7	91.8	37.6
Profit/Loss for the Period	72.7	131.7	81.2

Ratios (%)	2007	2008
Liquidity Ratio	166	142
Current Ratio	184	163
Gross Premiums/Shareholders' Equity	119	127
Shareholders' Equity/Total Assets	58	48
Liquid Assets/Total Assets	69	71
Loss Ratio (Net)	78	84

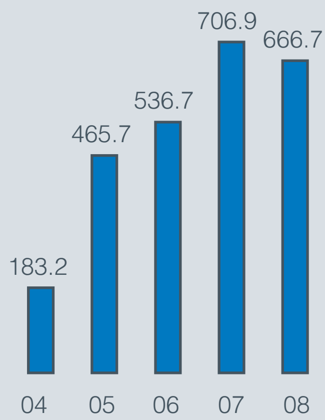
Premium Income
(TL mn)



Profit for the Period
(TL mn)



Shareholders' Equity
(TL mn)



Chairman's Message

The global financial crisis that has been going on for the past two years compelled organizations to redefine their strategies and business plans in line with the new economic realities, and to position themselves according to the market conditions.

Originated in financial services sector, the crisis has been influential on the worldwide real economic indicators from the second half of 2008.

Despite the ongoing economic crisis and the stagnation in worldwide markets, 2008 did not have a significant negative impact on reinsurance markets.

Global crisis increased its depth and span in 2008

The effects of the global crisis that originated in 2007 in the USA started to be felt more deeply in global economies in 2008. Starting from the financial services sector, the crisis has been influential on worldwide real economic indicators from the second half of 2008, and the rapid growth process that begun in the 1990s in developed countries was replaced by economic stagnation in 2008.

The developments in the financial markets in 2008 brought along significant transformations first in the USA, followed, in particular, by the UK and the European countries. The governments had to inject capital into banks and other financial institutions suffering from deteriorated finances, to adopt liquidity measures in an effort to avoid the confidence crisis and liquidity shortage in the markets, and to introduce new monetary and fiscal policies.

Downturn in growth rates

From the last quarter of 2008, the impact of the developments in the financial markets on real macroeconomic indicators became more pronounced. Rates of growth lost pace in all economies, with the global growth rate descending to 3.9% in 2008 from 5% in 2007. Growth rates declined from 2.6% in 2007 to 1.5% in 2008 in developed countries and from 8.1% to 6.9% in emerging countries.

2009 and thereafter

The crucial item on the 2009 agenda will most likely be the global financial crisis. There is no clear indication of when and how much the incentive packages introduced against the crisis by countries will be reflected on the economies.

Projections for 2009 foresee that global growth will be decelerated significantly, and the increase in the worldwide trade volume will lag behind the figures of previous years along the same line.

The effects of the financial conjuncture on the industry

Despite the ongoing economic crisis and the stagnation in the worldwide markets, 2008 did not give rise to a major negativity in the reinsurance markets.

The biggest contributors to this outcome were the high levels of capital and liquidity maintained by reinsurance companies, coupled by their more cautious attitude in investments, as well as in risk and capital management as compared with other financial institutions.

Although it is suggested that a greater part of reinsurance companies were not directly affected by the negativities in the capital markets, a contraction in the range of 15% to 20% is estimated in total reinsurance capital as of year-end. This shrinkage is a result of losses arising from debts or bonds of distressed financial institutions and the impact of the widening spreads on fixed-income securities. Another important contributor to the contraction in the industry has been the companies injured by the falls in stock exchanges, due to the substantial amount of stock shares in their portfolios.

These developments in the industry adversely impacted the market position of insurance companies that relied on reinsurance in their operations and lacked world-class capitals. Based on estimations, the amount of capital pertaining to insurance companies dropped by 25% to 30%.

Since the inception of the Turkish insurance industry to date, our company assumed and successfully performed a number of key duties.

Milli Re under new market conditions

Inevitably, insurance and reinsurance industries will be affected by the global economic crisis, as will all the other sectors. Companies adopting a long-term vision and action plan and positioning themselves in line with the market will come out of this tough period successfully.

Drawing on its broad vision, long-standing market experience and the competence in crisis management, Milli Re was able to preserve its position in the industry in 2008, and posted satisfactory financial and operational results.

Drawing the attention for its stable structure, Milli Re generated TL 849 million in total premiums, achieving a year-on rise by 1.30%. The limited growth in total premiums was mainly driven by the company's choosing not to renew some reinsurance contracts within the scope of measures introduced since 2006 in poorly performing branches.

The modifications made by Milli Re to its portfolio were reflected positively on 2008 technical results, and including the successful financial performance, operating profit after tax registered a staggering increase by 81% and reached TL 131.7 million.

Expanded transaction volume in foreign acceptances

Since the inception of the Turkish insurance industry to date, our company assumed and successfully performed a number of key duties. We have given weight to foreign acceptances because the volume of business from the domestic market reached its saturation point, and also because we sought to attain a geographical diversification in the risks underwritten.

The key drivers behind the growth in our foreign business volume were the business written from the Asia-Pacific region with the contributions of our Singapore Branch that started activities in November 2007, and that received from the Asian, African and European markets.

The premiums accounted on the foreign acceptances in 2008 increased 190% on an annual basis and reached TL 97 million. Premiums generated from foreign business upped its share within total premiums to 11.5%.

Our goal for the period coming is to maintain and further strengthen Milli Re's status in the world league based on an approach to business that carefully monitors risk versus return balances.

Fulfilling nearly 25% of the industry's need for reinsurance coverage in Turkey, our company will continue to offer the capacity needed by the insurance companies.

Sculpting the future targets

The global economic environment that still maintains its uncertainty makes it difficult to project the future, and stands as a barrier against the formulation of long-term plans by organizations. Not stabilized as yet in Turkey either, the economic conjuncture forces review of targets across all industries.

Our industry will also be impacted by these negative developments. The contracted manufacturing industry and the declined volume particularly in imports and exports will reduce the demand for insurance and therefore, total premiums.

Milli Re is ready to shoulder the duty incumbent upon it in such an environment where the competitive conditions will become much more aggressive. Fulfilling nearly 25% of the industry's need for reinsurance coverage in Turkey, our company will continue to offer the capacity needed by the insurance companies.

We are confident that Milli Re will overcome the tough process created by the global crisis, and duly realize the future targets drawing on our corporate values, human resource and correctly identified business strategies.

I would like to extend my gratitude to our parent company İşbank and all our other shareholders, to our insurance companies and our employees for their continued support and cooperation.

Caner Çimenbiçer
Chairman of the Board of Directors

General Manager's Message

Our country was also significantly affected from the financial and economic crisis that emerged in the United States and developed Western countries in the last months of 2008 and proceeded to take hold of the entire world.

In view of the current economic conditions, 2009 will inevitably be a year of difficulties for insurance companies.

Our company will preserve its healthy relations with all the companies active in the Turkish insurance industry and further build on its position in the international arena.

The challenging conditions of 2008

Our country was also significantly affected from the financial and economic crisis that emerged in the United States and developed Western countries in the last months of 2008 and proceeded to take hold of the entire world.

In view of the current economic conditions, 2009 will inevitably be a year of difficulties for insurance companies.

Although year-end 2008 data are yet to be published, according to the data provided by the Association of the Insurance and Reinsurance Companies of Turkey (TSRŞB), the total premium production will be in the region of TL 11.7 billion. Representing a year-on increase by about 7.5%, this rise remains below the rate of inflation. While a key contributor to this negative development was the contracted insurance market, another was the extreme reduction in prices in connection with severe competition.

Having started to manifest its impact in the last quarter of 2008, the economic crisis will exhibit its actual repercussions in 2009. Insurance companies established that insurance, already taking place at the bottom of expense lists of clients', have been started to be ignored totally; revised their premium projections of November 2008 at the end of the year, which will form the basis of 2009 renewals.

In this case, the competition that is expected to arise amongst at insurance companies particularly in industrial and commercial fire risks to be able to write premiums will push down the already insufficient fire prices, while earthquake and terrorism rates that support these prices will gain much higher significance.

On the other hand, representing an issue for the Turkish insurance industry for a long time, health and motor vehicle insurances continue to bear their negative impact. Although there is some improvement in motor own damage insurance, it is a negativity that needs to be noted that Motor TPL, which was formerly a profitable branch, started posting losses in the last two years. Extreme competition in such branches as Motor Own Damage, Motor TPL and Health that make up at least half of any insurance company's portfolio might lead to adverse outcomes that might prove to be very severe; such outcomes can only be prevented by assessing the risks based on a technical approach.

Laws and regulations strengthening the industry's legal infrastructure

After the Insurance Law that has been enacted by the Turkish Grand National Assembly in June 2007, a number of laws and regulations were published during 2008 to strengthen the legal infrastructure of our industry. Key regulations issued in the reporting period included the Disclosure Regulation, which was published for the purpose of increasing public awareness of insurance and preventing problems that might arise from lack of information.

Milli Re continues to be a reliable local reinsurer that companies backed by foreign capital operating in the Turkish insurance industry specifically prefer to work with.

Another important development in our industry during 2008 has been the flexibility granted for the Motor TPL Insurance tariff, thus allowing some freedom to insurance companies for setting the prices.

Foreign capital interest in the insurance industry

A meaningful occurrence of not only 2008 but of the past several years is the interest of foreign capital in our industry, which is yet to reach saturation and is in the process of a rapid progress. Though there was some loss of pace in foreigners' interest in 2008 due to the economic crisis, it is estimated that the growth in the involvement of foreign capital in our industry will be resumed upon the improvement of economic conditions. Currently, foreign capital has nearly 50% share in the total paid-up capital, and controls a portfolio size in the region of 60%.

Milli Re continues to be a reliable local reinsurer that companies backed by foreign capital operating in the Turkish insurance industry specifically prefer to work with. This is the result of Milli Re's strong capital structure, adequate technical reserving applications and management quality, as well as of the trust earned in every aspect over 80 years, appearing in the reinsurer panels of numerous international brokers, and the opportunity to cooperate with some well known Lloyd's Syndicates.

Success beyond target in foreign business

This result is also clearly displayed by the data in our company's 2008 annual report. While premiums written on foreign business had 5% share in 2007 total premiums 2008 target was to bring this share to over 10%.

Having met and exceeded this target with the 11.5% share in 2008 is very important in Milli Re's realization of this target. Our Singapore Branch started accepting business, and will play a major role in the expansion of business from Asia-Pacific countries in the near future. As the volume of foreign acceptances and their share in total premiums go up, we will achieve our goal of ensuring geographical diversification of the portfolio, while fulfilling the requirements of being a global company.

Just as in the past, our company will preserve its healthy relations with all companies active in the Turkish insurance industry and continue to further build on its position in the international arena in the future as well.

Posting TL 131.7 million operating profit after tax with a year-on rise by 81%, our company's successful results are remarkable.

Sustained stable structure

Milli Re maintained its B++ (Stable) rating assigned by A.M. Best rating agency in the previous year. This verifies that our company preserves its stable structure in terms of shareholders' equity, technical provisions, net premium and other indicators in spite of the crisis environment.

Retaining 94% of the total premiums and posting TL 131.7 million operating profit after tax with a year-on rise by 81%, our company's successful results are remarkable.

Pursuing activities since 1929 and fulfilling nearly 25% of the industry's need for reinsurance coverage, our company will sustain its contribution to the Turkish insurance industry also in the future with its stable structure.

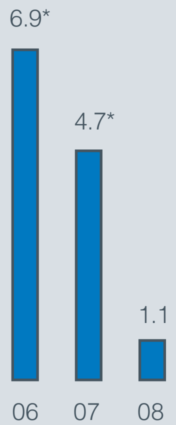
I would like to thank all our employees who have played a part in achieving these successful results, and I remain confident that their valuable contributions will keep growing.

Cahit Nomer
Director and General Manager

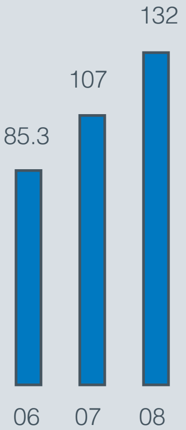
The Turkish Economy and Outlook

Having followed a course that depended on the domestic political developments rather than on the volatility in the international markets in the first half of the year, economic indicators started acting in parallel with the sharp declines in the overseas markets from the third quarter onwards.

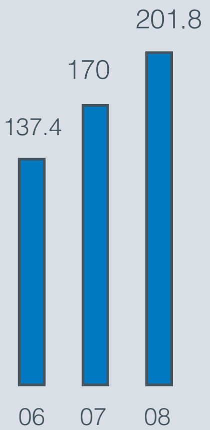
GDP Growth Rate
On the basis of Fixed Prices (%)



Exports
(USD bn)



Imports
(USD bn)



* Up-dated data by Turkish Statistical Institute

2009 will be a year that must be closely monitored with respect to the Turkish economy. Steps to be taken and policies to be followed in 2009 are of special importance in terms of sustainability.

Effects of the global crisis on Turkey

The effects of the global crisis, economic indicators and financial markets in Turkey increased from the second quarter of the year. Having followed a course that depended on the domestic political developments rather than on the volatility in the international markets in the first half of the year, economic indicators started acting in parallel with the sharp declines in the overseas markets from the third quarter onwards.

Growth that fails to achieve projections

Having captured a growth performance of 6.6% in the first quarter of 2008, Turkish economy expanded 1.9% in the second quarter as the result of political uncertainty accompanied by increased interest and exchange rates, 0.5% in the third quarter, and contracted 6.6 in the fourth quarter, failing to achieve the projections. Eventually, the rate of growth declined to 1.1% as of year end.

The breakdown of the growth figures for the market for 2008 reveals that the agricultural industry displayed a positive growth, while contraction continued in construction, industry and trade sectors. The deceleration trend in growth that is expected to continue until the second quarter of 2009 was influenced by insufficient domestic and international demand.

The increased depth of global crisis also augments the risks relating to Turkey's growth performance in the period coming. Domestic demand that started losing pace in 2008 combined with foreign demand will make the stagnation in the economy even more evident in 2009.

Limited rise in inflation

8.39% in CPI and 5.94% in PPI at the end of 2007, the inflation rate rose to 10.06% and 8.11% respectively, at year-end 2008. While the upward move in inflation in the first half of the year was driven by the rapid increase primarily in oil and other commodity and food prices, the sharp reversal of this increase in commodity prices as of September has been influential in restricting the rate of increase in inflation.

On the other hand, the positive course of inflation figures was also contributed to by the insufficient demand that mitigated the impact despite the rise in exchange rates in the said period. In spite of the rapid increase in exchange rates lately, the fluctuation therein will likely have limited effect on the disinflation process, due to the decelerated domestic demand.

Altered foreign trade balances

USD 62.8 billion at year-end 2007, the annual foreign trade deficit climbed to USD 69.8 billion at end-2008. The primary reasons behind this rise were the increase in commodity prices led by oil, and the increased value of TL since 2002. Another significant development in the foreign trade balance was the recent decline in exports and imports due to the financial crisis.

While the foreign trade balance is cited as the key factor that propels the increase of current deficit, the current deficit grew 8.4% year-on and reached USD 41.4 billion at the end of 2008. Oil prices that declined lately combined with the devaluation of Turkish lira caused narrowing in the current deficit, while the augmented impact of the global crisis led to the deterioration of the financing quality of current deficit.

With contracted liquidity facilities, direct investments decreased by 19.6% which had topped USD 20 billion in 2007. There was USD 4.8 billion reduction in the portfolio investments by foreign investors.

Growth-focused monetary policy by the Central Bank

Due to the fact that Turkey remained mostly unaffected by the global crisis by early 2008, the Central Bank of the Republic of Turkey started cutting interest rates from the last quarter of 2007 in conjunction with the downturn in inflation, and reduced them down to 15.25% at the end of the first quarter of the year. However, interest rates were gradually raised from April onwards, going up to 16.75%, in parallel with the domestic political uncertainty and the rise in market interest rates.

Turkey's economic potential, combined with the production and trade strength and powerful demographics promise a solid future.

Having maintained them at a fixed level from July through October, the Central Bank brought the interest rates down to 15% with surprise reductions implemented from November.

Foreseeing that the sharp declines in oil and other commodity prices would bear a positive impact on inflation, in turn causing the decrease in inflation to be quicker than earlier projections, the Central Bank is expected to sustain its growth-focused monetary policy in the coming period.

Budget deficit expanded by 24.5% during 2008

An analysis of the budget realizations relating to the fiscal policy reveals that the budget deficit remained below the target in 2008, while the target could not be achieved in the primary expenditures item.

In 2008, the budget deficit expanded 24.5% year-on and rose to TL 17.1 billion, a result of the budget expenditures that outdid the budget revenues. Having gone up to 2.2% in 2007 which was an election year, the ratio of budget deficit to GDP is expected to go down to 1.8% at the end of 2008.

Primary surplus, on the other hand, declined 12.9% YoY and materialized as TL 33.6 billion. Despite the 2.6% increase in primary expenditures, the 0.3% reduction in budget revenues has been influential in the downturn in the primary surplus.

In 2009 budget projections by the Ministry of Finance, the share of budget deficit in GDP was reduced to 1.2%, while that of primary surplus in GDP was maintained fixed at 4%.

In view of budget sizes, 2009 projections foresee 15.5% and 14.2% expansions year-on in budget revenues and budget expenditures, respectively. Considering that growth will lose pace and local elections will be held in 2009, the difference between budget expenditures and revenues is expected to growth further.

Increased borrowing costs

Having dropped from 20% to 16.50% as at year-end 2007, annual compound interest on Treasury auctions for discount bonds first fell down to 16.20%, followed by an upward move to the region of 18.60% in December 2008 with the amplified concerns originating from the global crisis experienced in foreign markets.

While this situation caused increased borrowing costs, central government debt stock, which was USD 333.4 billion at the end of 2007, climbed to TL 380.1 billion at the end of the reporting period, owing to the combined effect of the increase both in borrowing costs and exchange rates. 39% as at year-end 2007, the share of central government debt stock in GDP is estimated to be in the region of 40% in 2008.

2009 and thereafter

Turkey was faced with the global crisis at a time she was displaying her strongest economic performance in the recent history. Led by banking, the financial services sector was able to shun and manage the effects of the global crisis drawing on the robust restructuring and transformation it went through in early 2000s.

Turkey's economic potential, combined with her production and trading strength and powerful demographics promise a solid future. However, 2009 will be a year that must be closely monitored with respect to the Turkish economy. Steps to be taken and the policies to be followed in 2009 are of special importance in terms of sustainability.

An Overview of the Turkish Insurance Industry

The remarkable event in 2008 was the below inflation rate growth in premium production

Although 2008 data for the industry are yet to be published by the Turkish Treasury, according to the data provided by the Association of the Insurance and Reinsurance Companies of Turkey, the premium production of the insurance industry totaled TL 11.8 billion in 2008, corresponding to a year-on growth by around 8%.

The ratio of increase in 2008 premiums lagged behind the annual inflation in Turkey declared as 10.1%. Having been consistently able to produce premiums that exceeded the inflation rate in the recent years, our insurance industry failed to repeat this result in 2008. The key reason behind this was the effects that started to be manifested also in our country by late 2008 stemming from the crisis, which commenced in the overseas financial sectors and then moved on to affect the real economy, and which is referred to as the greatest global crisis of the past 40 years.

In the same vein, the premium production rate in the industry verifies this situation: the rate of growth in premium production was 13% in the first quarter of 2008 but increasingly declined as at the sixth and nine months, and finally materialized as 8% on the basis of the whole year. No major changes are expected in 2009 given the specialists' assumption that foreign country economies impacted by the global crisis will only start recovering gradually from early 2010.

Other important developments in the insurance industry

"Regulation on Disclosure in Insurance Contracts" published in the Official Gazette issue 26684 dated 28 October 2007 went into force on 01 March 2008, save for article 14 thereof. The Regulation stipulates that, during the negotiation phase and prior to contract execution, the insurer will provide the people wanting to be a party to the contract with an "Informative Form", the form and content of which are determined by the Undersecretariat.

By the Council of Ministers decision dated 18 November 2008, no. 2008/14373, insurance policies pertaining to vessels and yachts registered in the Turkish International Register of Ships are included in the insurance that may be purchased abroad as defined in Article 15/2 of the Insurance Law no 5684.

The positive development in premium production in liability insurance, which was supported by the legal obligation to purchase insurance in line with Turkey's EU accession process and the increasing awareness for the necessity of liability coverage, continued in 2008 as well.

The revisions made to the tariff relating to Motor TPL on 01 January 2008 and 01 July 2008 led to an average increase of 56% in limits of cover compared with 2007, and granted the insurance companies the flexibility to set the tariff premiums so as not to exceed the 10% bonus and 20% malus interval as set out in the "Regulation on Tariff Implementation Principles of Compulsory Motor TPL Insurance" from 01 July 2008. Having the second largest share in the premium production of the overall industry, this branch was scene to excessive competition in the aftermath of the freedom granted for tariff premiums, and became the branch posting the highest loss in the industry.

On 01 April 2008, an arrangement went into force concerning the issuance of an accident report by and among the drivers involved in traffic accidents resulting only in material damage.

Payment Protection Insurance General Conditions were put into force on 01 February 2008.

Agricultural Insurance has been the branch to attain the highest growth with TL 124.6 million in premium production and 31% growth rate.

With the enforcement of the General Health Insurance Law in 2008, "Complementary Health Insurance" gave rise to additional business opportunities for private insurance companies.

Developments in life insurance covered the revision of the Life Insurance Regulation and completion of the work on Annuity Contract General Conditions.

As the Private Pension System increasingly replaced saving policies, the weight of new saving policies in the portfolio became insignificant.

An Overview of the Worldwide Reinsurance Market

During 2008 which was the second most costly property catastrophe year, global reinsurance industry remained intact to a large extent with a capital base still unscathed and liquid.

2008: the second most costly property catastrophe year

Despite the damaging impact of the unprecedented financial and credit crisis combined with the record-setting Atlantic hurricane season and above-average man-made catastrophe losses during 2008 which was the second most costly property catastrophe year, global reinsurance industry remained intact to a large extent with a capital base still unscathed and liquid and was able to absorb the shocks of 2008 owing much to the strong industry results in 2006 and 2007 as well as the conservative investment practices and prudent risk and capital management.

15% to 20% contraction in reinsurance capital

Nevertheless, prior to full year results it is estimated that there has been a 15% to 20% contraction in reinsurance capital at the end of 2008. Investment losses resulted primarily from large exposures to debt and equity from distressed financial institutions and the impact of the widening spreads on fixed-interest securities.

Some reinsurers also faced heavy losses from their investments in mortgage-backed securities and over-the-counter credit default swap trading, while others, especially European companies which have had relatively higher equity investments were affected by the decline in stock market prices.

Generally, most reinsurers were able to avoid a direct impact of the turmoil in global capital markets, but it is forecasted that the secondary effects will be felt in full extent during 2009. In the current environment, raising capital is difficult and expensive. Consequently, it is observed that reinsurers have responded to the developments, trying to optimize the returns on their existing capital bases by constraining their risk appetites and increasing their risk premiums, which has been translated to the market by moderate rate increases for January 1 renewals. Prices are expected to show a modest increase for April-through-July renewals.

The negative impact of the crisis on insurance companies

The negative impact of the credit and liquidity crisis was heavier on primary insurance companies. According to estimates, insurance capital has decreased by 25% - 30%, where the impact of large losses like Hurricanes Ike and Gustav on capital was small compared to realized and unrealized investment losses.

Reinsurance rate increases were moderate on average after two years of substantial declines at January 1 renewals, with a relatively increased reinsurer discipline in response to the pressures of financial circumstances and the high loss record.

The changing risk appetite amongst cedants provides conventional reinsurance industry with a great opportunity to win back market share. However despite the capital losses and the concern to preserve capital bases, the demand for reinsurance capital was below expectations. Additional buying to ease stressed balance sheets was yet seen only in limited circumstances. In lines of business where reinsurance pricing increased, cedants generally tried to offset reinsurance spending through higher retentions.

Risk minimizing precautions on the selection of reinsurance partners

Another noteworthy development as regards demand for reinsurance capacity was a shift in the selection of their reinsurance partners by cedants reassessing their credit risk. Due to credit rating by rating companies losing credibility to a certain extent, insurers have started to diversify their reinsurer panels to mitigate their counterparty exposure by way of providing shares to new reinsurers on programs previously dominated by a limited number of large players.

Increasing insured losses

2008 was one of the most active hurricane seasons on record. Hurricanes Ike and Gustav, combined with other weather-related events and large man-made cat losses have caused around USD 50 billion insured losses, showing 79% increase from USD 28 billion in 2007.

In the meantime, the devastating earthquake in China in May 2008 resulting around USD 146 billion economic loss, supported the theory that catastrophe zones in China will eventually surpass Florida, California, Europe and Japan as peak reinsured cat aggregate zones, given the pace of growth and globalization of the Chinese economy and the property insurance potential.

Moderate rate increases in reinsurance renewals

Reinsurance rate increases were moderate on average after two years of substantial declines at January 1 renewals, with a relatively increased reinsurer discipline in response to the pressures of financial circumstances and the high loss record. Purchase of catastrophe covers was mainly driven by capital management considerations where reinsurance was regarded as a tool to secure capital in the current financial turmoil.

Reduced retrocession capacity

The retrocession renewal was late and was generally characterized by reduced capacity and higher prices. The contraction in capacity was mostly due to the impact of the financial crisis affecting the balance sheets of the players and most importantly, the shrinkage in insurance-linked securities markets; the volume of which have decreased materially from previous levels, new catastrophe bond and sidecar issuance of USD 3 billion in 2008 as opposed to USD 9.37 billion in 2007. The situation was worsened by the withdrawal of some major players. Consequently, upward movement of pricing was more evident in this market.

Negative industry outlooks by rating agencies

Industry's capital erosion during 2008 has left many companies susceptible to downgrade pressures and this pressure is probably going to be intensified as rating agencies are expected to implement criteria changes more stringently examining liquidity and capital management. So far, certain high profile companies have been downgraded and given negative industry outlooks and it will not be surprising to see downgrades outpacing upgrades in the following months.

Moreover, it is possible that some of liquidity and capital regulations imposed by authorities on banks and financial institutions that are beyond what has been considered under Solvency II may also be forced on insurance and reinsurance companies.

Turkish Reinsurance Market

Smooth 2009 renewals

The financial crisis made its impact felt in a pronounced manner primarily in the USA and in developed western countries from the second half of 2008, and as opposed to the predictions, did not cause any problems in terms of capacity or renewal of either proportional or non-proportional reinsurance contracts in 2009 renewals, nor did it lead to an increase in prices. Absence of a major risk or catastrophic loss in 2008 in the Turkish insurance market played a major part in this outcome.

Foreign capital movements in the Turkish insurance market

Following 2006 and 2007, foreign capital interest in the Turkish market continued also during 2008. Turkish shareholders in Axa Oyak, Koç Allianz and Ergoİsviçre companies that maintained their existence as Turkish-foreigner partnerships sold their shares to foreigners during 2008, disposing of their stakes in the relevant companies totally. TEB Sigorta was wholly sold to a foreign group, whereas Groupama S.A., which had previously acquired Başak Sigorta, bought 100% of the stakes in Güven Sigorta.

All these moves by the foreign capital show the greatest impact on the reinsurance transactions in the Turkish insurance market. The primary goal of foreign companies is to utilize the catastrophe reinsurance coverage of acquired companies totally within their own organizations.

Foreign companies investing in the Turkish insurance market follow two routes. As the first route, they set up an individual program for their portfolio in Turkey and either retain it 100%, or retain a large percentage and reinsure a small portion. The second route is the inclusion of their portfolio in Turkey within their global programs covering their liabilities in other geographies as well.

Under these circumstances, it is not really possible to compute the total catastrophic coverage obtained and premiums to be paid by companies operating in the Turkish insurance market, particularly in the case of companies included in global programs.

In the light of data produced for these companies by making estimations based on statistics, the total catastrophic coverage purchased directly by the insurance companies for 2009 will be in the region of EUR 2.9 billion, with a corresponding premium of approximately EUR 72 million. Including the catastrophic coverage obtained by TCIP and Milli Re, total coverage for the market reaches EUR 4.5 billion with estimated premium amounting to EUR 135 million.

New regulations regarding the foreign capital

The fact of foreign shareholders' retaining 100% or great extent of the reinsurance of the companies they acquire drew the attention of the Turkish Treasury, and felt the need to impose certain criteria to regulate the reinsurance of insurance companies operating in Turkey, based on the premise that such a practice is not in line with the principle of distribution of risk through reinsurance, and on the opinion that the capital owner and reinsurer of an insurance company's being one and the same puts the relevant company at great risk. The related draft regulation drawn up by the Turkish Treasury is put into circulation for feedback from the market.

No major risk or catastrophic loss occurred in 2008 in the Turkish insurance market.

Milli Re in 2008

Successful balance sheet results

One of the most long-standing companies in the Turkish insurance industry, Milli Re successfully maintained its positive indicators with the help of its robust financial structure. Following-up the international conjuncture on a daily basis and possessing the ability to make decisions very quickly so as to introduce the measures required by the current conditions, Milli Re posted very successful financial and operational results in 2008.

Milli Re's premium production totaled TL 849 million in 2008, representing a 1.30% rise year-on despite the adverse economic conditions.

TL 53.5 million premium was retroceded by Milli Re to reinsurers which is 6% of the total premium generated by the company. In other words, the company retained 94% of the total premium production in 2008. This ratio is higher than those of the previous years.

Milli Re increased its financial profit from TL 66.7 million in 2007 by 37.6% to reach TL 91.8 million in 2008. Operating profit after tax improved significantly by 81%, rising to TL 131.7 million.

Growing overseas business

Having launched initiatives from 2006 onwards in keeping with its strategy to operate also in foreign countries, Milli Re increased the share of foreign business in total premiums to 11.5% in 2008, which was in the region of 5% in 2007. This ratio is targeted to be pushed up further, with the contribution of business accepted via the branch opened in Singapore in 2007.

Bearing great significance in international reinsurance relations, Financial Strength Rating assigned to Milli Re by A.M. Best has been affirmed as B++ (Stable) on 06 August 2008.

Milli Re continues to be a reliable local reinsurer for the companies backed by foreign capital operating in the Turkish insurance industry specifically prefer to work with. Just as in the past, the company will preserve its healthy relations with all national and foreign companies active in Turkey and continue to further build on its relations in the international arena in the future as well.

Qualified human resource

Taking the necessary steps so as to keep its organizational structure dynamic and to be well-poised to accommodate changes in line with its strategic plans and goals, Milli Re stands as one of the best models in the industry with respect to human resources practices.

Milli Re had 203 employees on its payroll at the end of 2008.

Milli Re's premium production totaled TL 849 million in 2008, representing a 1.30% rise year-on.

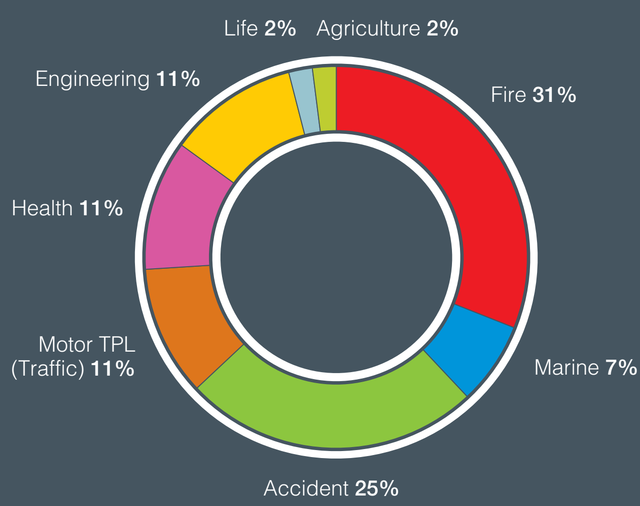
Milli Re's Technical Results in 2008

Milli Re's premium production in 2008 totaled TL 849,062,262, representing a 1.30% rise year-on. The limited increase was mainly the result of the non-renewal of some reinsurance contracts due to the measures introduced by the company in the previous year for poorly performing branches, particularly motor and health.

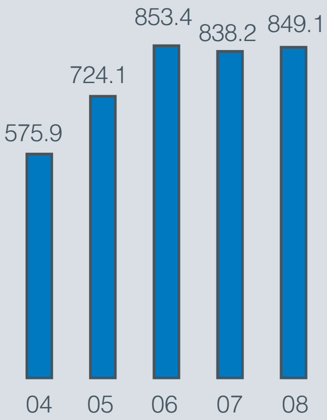
98% in 2007, the combined ratio stood at 94% in 2008 owing to the company's withdrawal from, or reducing its share in, motor and health reinsurance contracts as a result of the precautions adopted by the company for these branches and turning towards more profitable business, combined with the low frequency of losses in the business accepted.

TL 5,958,939 in 2007, technical profit at year-end 2008 was TL 39,913,223 due to the explanations provided above, coupled with 41% increase in the positive difference between investment income and investment expenses transferred from non-technical account.

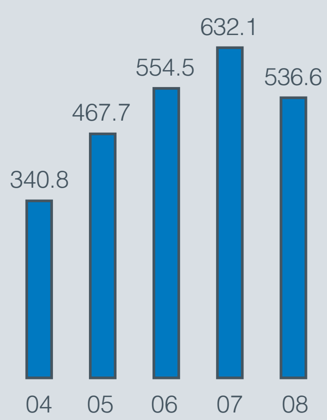
2008 Premium Production



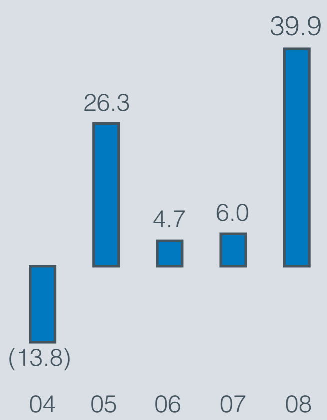
Premium Income (TL mn)



Losses Paid (TL mn)



Technical Profit/Loss (TL mn)



Having generated TL 849,062,262 in total premiums in 2008, Milli Re posted TL 39,913,223 in technical profit as at year-end.

Technical Profitability Ratios (%)	2004	2005	2006	2007	2008
Loss Ratio (Gross)	70	68	74	75	80
Loss Ratio (Net)	74	73	77	78	84
Expense Ratio	23	22	23	23	14
Combined Ratio	93	90	97	98	94

Technical Results (TL)	2007	2008	Change (%)
I- TECHNICAL INCOME	**1,443,738,234.31**	**1,458,553,309.78**	**1.03**
A) Premiums	838,198,590.24	849,062,261.95	1.30
B) Commissions	13,071,484.98	1,096,279.23	(91.61)
C) Retrocessionaires' Share in Losses Paid	49,219,411.51	20,171,838.19	(59.02)
D) Technical Provisions Brought Forward (Net)	455,780,541.87	479,282,523.93	5.16
a) Provision for Unearned Premiums	239,288,047.21	247,511,432.36	3.44
b) Provision for Outstanding Losses	214,798,490.07	223,795,505.23	4.19
c) Provision for Unexpired Risks	0.00	6,273,327.49	+
d) Mathematical Reserves (Life)	924,970.89	1,138,141.78	23.05
e) Provision for Outstanding Indemnities (Life)	769,033.70	564,117.07	(26.65)
E) Retrocessionaires' Share in Technical Provisions	49,997,367.05	39,697,745.58	(20.60)
a) Provision for Unearned Premiums	6,903,714.94	5,293,425.32	(23.32)
b) Provision for Outstanding Losses	42,655,988.43	33,618,285.47	(21.19)
c) Mathematical Reserves (Life)	437,663.68	786,034.79	79.60
F) Other Income	4,832,071.46	14,663,137.40	203.45
G) Investment Income Transferred from Non-Technical Account	31,772,406.87	53,937,213.35	69.76
H) Investment Income (Life)	866,360.33	642,310.15	(25.86)
II- TECHNICAL EXPENSES	**1,437,779,295.32**	**1,418,640,086.40**	**(1.33)**
A) Premiums Ceded to Retrocessionaires	76,185,248.22	53,533,512.87	(29.73)
B) Commissions Paid	185,626,449.51	96,579,396.14	(47.97)
C) Losses Paid	632,145,778.60	536,569,621.80	(15.12)
D) Technical Provisions	523,006,563.49	698,165,575.98	33.49
a) Provision for Unearned Premiums	254,415,147.30	364,252,580.00	43.17
b) Provision for Outstanding Losses	266,451,493.66	316,456,947.34	18.77
c) Change in Other Technical Provisions (Net of Reinsurance) (+/-)	0.00	6,517,519.78	+
d) Provision for Unexpired Risks	0.00	7,442,223.72	+
e) Mathematical Reserves (Life)	1,138,141.78	873,512.40	(23.25)
f) Provision for Outstanding Indemnities (Life)	1,001,780.75	2,622,792.74	161.81
E) Other Expenses	9,894,834.64	9,358,113.62	(5.42)
F) Investment Expenses Transferred to Non-Life Technical Account	10,431,289.23	23,842,966.07	128.57
G) Operating Expenses (Life)	489,131.63	590,899.92	20.81
III- TECHNICAL PROFIT/LOSS (I-II)	**5,958,938.99**	**39,913,223.38**	**569.80**

Fire Insurance

Total premiums written for the Turkish insurance market in the fire branch stood at TL 1,598 million in 2008, registering a year-on increase of 8%.

Including premiums on compulsory earthquake insurance in the amount of TL 272.8 million, fire premiums in 2008 amounted to TL 1,871 million, representing a growth of over 9%.

Competition in fire rates prevailing in previous years continued in 2008 with its full speed.

2008 can be referred to as a lucky year as was 2007 due to lack of any major losses in the fire branch.

Up nearly 10% year-on, Milli Re wrote TL 263,012,488 premium in 2008 in the fire branch. Down 4 points compared with the previous year, the company's combined ratio stood at 72%. TL 45,620,098 profit was realized in the fire net retained account in the reporting period, with a staggering increase of 120% year-on.

Up nearly 10% year-on, Milli Re wrote TL 263,012,488 premium in 2008 in the fire branch.

Profitability Ratios in the Fire Branch (%)	2004	2005	2006	2007	2008
Loss Ratio (Gross)	47	41	53	53	58
Loss Ratio (Net)	53	49	59	62	66
Expense Ratio	23	23	22	23	14
Combined Ratio	70	64	75	76	72

Fire Branch Technical Results (TL)	2007	2008	Change (%)
I- TECHNICAL INCOME	**396,769,724.01**	**450,427,259.55**	**13.52**
A) Premiums	240,034,824.49	263,012,488.12	9.57
B) Commissions	5,029,822.83	366,996.99	(92.70)
C) Retrocessionaires' Share in Losses Paid	19,683,850.60	8,270,876.85	(57.98)
D) Technical Provisions Brought Forward (Net)	101,324,404.86	126,432,163.66	24.78
a) Provision for Unearned Premiums	26,648,079.16	49,755,781.65	86.71
b) Provision for Outstanding Losses	74,676,325.70	76,391,518.12	2.30
c) Provision for Unexpired Risks	0.00	284,863.89	+
E) Retrocessionaires' Share in Technical Provisions	17,772,330.44	14,045,734.11	(20.97)
a) Provision for Unearned Premiums	2,322,079.30	2,392,164.81	3.02
b) Provision for Outstanding Losses	15,450,251.14	11,653,569.30	(24.57)
F) Other Income	4,374,536.55	13,277,526.55	203.52
G) Investment Income Transferred from Non-Technical Account	8,549,954.24	25,021,473.27	192.65
II- TECHNICAL EXPENSES	**376,059,582.20**	**404,807,161.35**	**7.64**
A) Premiums Ceded to Retrocessionaires	41,287,014.48	31,667,317.73	(23.30)
B) Commissions Paid	54,165,034.24	28,804,288.20	(46.82)
C) Losses Paid	126,044,125.23	106,625,496.72	(15.41)
D) Technical Provisions	143,919,630.21	222,258,743.50	54.43
a) Provision for Unearned Premiums	52,077,860.95	114,232,032.39	119.35
b) Provision for Outstanding Losses	91,841,769.26	101,531,468.76	10.55
c) Change in Other Technical Provisions (Net of Reinsurance) (+/-)	0.00	6,495,242.35	+
E) Other Expenses	7,836,718.19	8,443,867.51	7.75
F) Investment Expenses Transferred to Non-Life Technical Account	2,807,059.85	7,007,447.69	149.64
III- TECHNICAL PROFIT/LOSS (I-II)	**20,710,141.81**	**45,620,098.20**	**120.28**

Marine Insurance

The global economic crisis that started in the last quarter of 2008 had a direct impact on sea transport, and therefore, on marine insurance.

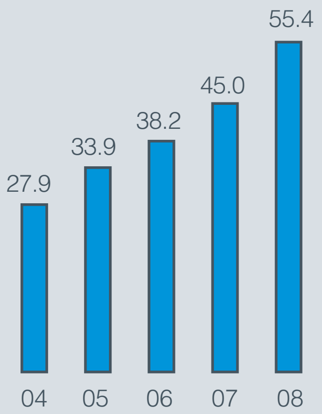
Though official data for the industry's premium production in 2008 are yet to be published, according to figures provided by the Association of the Insurance and Reinsurance Companies of Turkey, premium production in marine insurance in the Turkish insurance market registered a year-on increase of 13% and reached TL 414 million, owing to commercial transactions carried out particularly in the first nine months of the year.

Holding a very important place in the marine branch, cargo insurance issued in respect of the transport of imported/exported cargoes sustained its upward trend, though at a slowing pace, until the last quarter of 2008 in conjunction with the rise in the worldwide trade volume. This increasing trend was replaced by the decrease in imports and exports in the last quarter of the year owing to the contracted domestic and foreign demand that resulted from the global economic crisis. Furthermore, sea transport, and therefore marine insurance were started to be impacted negatively by the problems arising from the credit bottleneck in letters of credit, a key element of international trade.

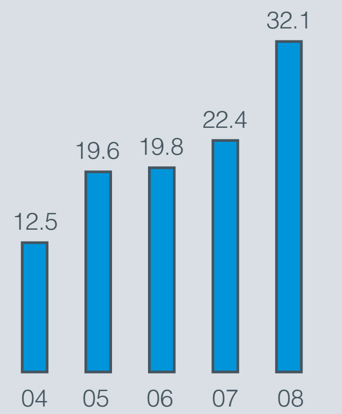
The high level of freight and continued demand for builders' risk insurance due to the positive course of the sea trade in the first nine months of the year were reflected on hull insurance in the form of premium increase. From the last quarter of the year, freight rates and hull insurance prices began falling, and therefore premiums also started declining. On the builders' risk insurance, policy cancellations started due to difficulties in obtaining loans. Another development in hull insurance was the inclusion of insurance policies pertaining to vessels and yachts registered in the Turkish International Register of Ships within the scope of insurance that may be purchased abroad as defined in Article 15/2 of the Insurance Law no 5684, as per the Council of Ministers decision dated 18 November 2008, no. 2008/14373.

With TL 55,404,622 written premiums, Milli Re registered a year-on rise by around 23% in the marine branch in 2008. This figure corresponds to approximately 13% of the total marine premium written by the overall industry. 88% in 2007, Milli Re's combined ratio in this branch stood at 103% in 2008; consequently, the net retained account for this branch showed a negative result of TL 4,414,531.

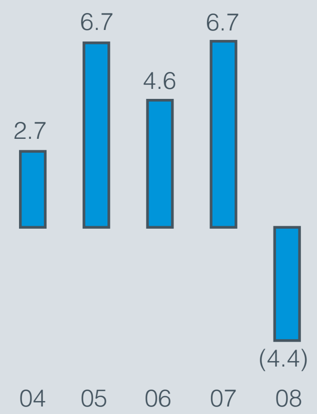
Premium Income
(TL mn)



Losses Paid
(TL mn)



Technical Profit/Loss
(TL mn)



With TL 55,404,622 written premiums, Milli Re registered a year-on rise by around 23% in the marine branch in 2008.

Profitability Ratios in the Marine Branch (%)	2004	2005	2006	2007	2008
Loss Ratio (Gross)	72	44	71	60	80
Loss Ratio (Net)	50	51	55	52	92
Expense Ratio	30	28	27	28	23
Combined Ratio	102	72	98	88	103

Marine Branch Technical Results (TL)	2007	2008	Change (%)
I- TECHNICAL INCOME	**88,232,460.55**	**99,132,509.13**	**12.35**
A) Premiums	45,001,068.12	55,404,622.26	23.12
B) Commissions	1,514,800.40	763,238.28	(49.61)
C) Retrocessionaires' Share in Losses Paid	5,307,426.79	4,472,579.64	(15.73)
D) Technical Provisions Brought Forward (Net)	19,024,128.34	22,506,058.04	18.30
a) Provision for Unearned Premiums	5,224,626.11	6,771,096.54	29.60
b) Provision for Outstanding Losses	13,799,502.23	15,734,961.50	14.03
E) Retrocessionaires' Share in Technical Provisions	15,829,903.50	11,019,430.51	(30.39)
a) Provision for Unearned Premiums	689,485.59	1,040,375.30	50.89
b) Provision for Outstanding Losses	15,140,417.91	9,979,055.21	(34.09)
F) Other Income	106,311.67	489,791.69	360.71
G) Investment Income Transferred from Non-Technical Account	1,448,821.73	4,476,788.71	209.00
II- TECHNICAL EXPENSES	**81,486,113.38**	**103,547,039.80**	**27.07**
A) Premiums Ceded to Retrocessionaires	6,650,718.36	5,415,916.98	(18.57)
B) Commissions Paid	13,061,114.99	11,790,369.28	(9.73)
C) Losses Paid	22,401,715.33	32,085,989.38	43.23
D) Technical Provisions	38,335,961.54	52,725,255.68	37.53
a) Provision for Unearned Premiums	7,460,582.13	16,387,013.53	119.65
b) Provision for Outstanding Losses	30,875,379.41	36,153,908.68	17.10
c) Provision for Unexpired Risks	0.00	184,333.47	+
E) Other Expenses	560,936.38	203,839.56	(63.66)
F) Investment Expenses Transferred to Non-Life Technical Account	475,666.78	1,325,668.92	178.70
III- TECHNICAL PROFIT/LOSS (I-II)	**6,746,347.17**	**(4,414,530.67)**	**-**

Accident Insurance

Influenced by the slowdown in the economy and the negativities experienced in the automotive industry, motor own damage branch suffered nearly a 5% year-over shrinkage in 2008. In addition, the branch was negatively affected also by the increased cost of losses arising from exchange rates.

As was the case in previous years, theft and plate-glass covers were provided under fire package policies at a very low price also in 2008, resulting in an increase in the loss ratios for these branches. The positive development lived on also in the reporting period in liability insurance owing to the legal obligation to purchase insurance in line with Turkey's EU accession process and the increasing awareness for the necessity of liability coverage. The rise in premium production is expected to be ongoing in this branch in the years to come.

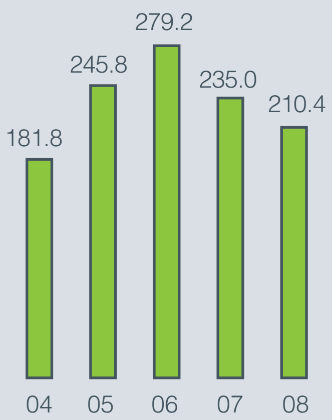
Payment Protection Insurance General Conditions were ratified and put into force on 01 February 2008 by the Turkish Treasury. Continued extension of low-interest housing loans by banks in the first half of the year and personal accident policies purchased for customers receiving the loans led to 16% growth in this branch.

With this result, this line of business has been an effect in the profit realized in the technical profit/loss account by the accident branch.

Milli Re's premium production in the accident branch between 2002 and 2006 accounted for 7% to 10% of the market's total premium. This percentage was 5% in 2008 owing to the company's withdrawal from or reducing its share in motor own damage reinsurance contracts of certain cedants. The premiums written in 2008 in this branch were worth TL 210,437,762. With the added impact of the contraction in the industry, premium production in the reporting period was down 10% year-over. Milli Re will continue to take necessary action in an effort to mitigate the effects of the poor performance of motor own damage insurance in the industry upon the company.

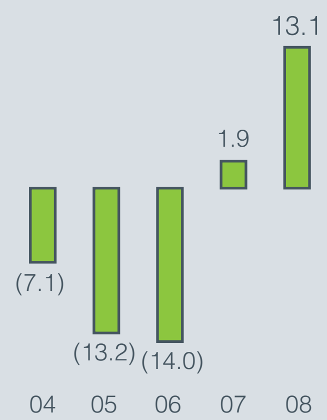
Decreased year-on by 27%, losses paid were TL 160,431,580, while outstanding losses stood at TL 70,381,982 with a rise by nearly 18%. Showing a positive result of TL 1,859,297 in 2007, Milli Re's accident branch retained account generated profit once again in an amount of TL 13,113,311.

Premium Income
(TL mn)



Losses Paid
(TL mn)

Technical Profit/Loss
(TL mn)



Showing a positive result of TL 1,859,297 in 2007, Milli Re's accident branch retained account generated profit once again in an amount of TL 13,113,311.

Profitability Ratios in the Accident Branch (%)	2004	2005	2006	2007	2008
Loss Ratio (Gross)	84	88	89	84	84
Loss Ratio (Net)	85	89	89	84	83
Expense Ratio	21	19	19	22	14
Combined Ratio	105	107	108	106	98

Accident Branch Technical Results (TL)	2007	2008	Change (%)
I- TECHNICAL INCOME	**430,713,693.49**	**371,846,252.58**	**(13.67)**
A) Premiums	234,988,479.86	210,437,762.09	(10.45)
B) Commissions	2,577,241.17	(442,160.67)	-
C) Retrocessionaires' Share in Losses Paid	11,477,366.15	2,149,509.67	(81.27)
D) Technical Provisions Brought Forward (Net)	165,809,516.38	144,144,514.49	(13.07)
a) Provision for Unearned Premiums	105,590,961.29	88,142,825.79	(16.52)
b) Provision for Outstanding Losses	60,218,555.09	55,616,235.68	(7.64)
c) Provision for Unexpired Risks	0.00	385,453.02	+
E) Retrocessionaires' Share in Technical Provisions	5,191,268.63	4,721,369.07	(9.05)
a) Provision for Unearned Premiums	1,099,317.18	(45,044.86)	-
b) Provision for Outstanding Losses	4,091,951.45	4,766,413.93	16.48
F) Other Income	73,723.41	382,225.96	418.46
G) Investment Income Transferred from Non-Technical Account	10,596,097.89	10,453,031.97	(1.35)
II- TECHNICAL EXPENSES	**428,854,396.46**	**358,732,941.69**	**(16.35)**
A) Premiums Ceded to Retrocessionaires	7,335,776.43	(60,313.78)	-
B) Commissions Paid	47,702,398.10	23,094,534.94	(51.59)
C) Losses Paid	220,968,550.98	160,431,579.86	(27.40)
D) Technical Provisions	148,950,330.10	168,224,094.45	12.94
a) Provision for Unearned Premiums	89,242,142.97	96,618,047.42	8.27
b) Provision for Outstanding Losses	59,708,187.13	70,381,981.78	17.88
c) Change in Other Technical Provisions (Net of Reinsurance) (+/-)	0.00	22,277.43	+
d) Provision for Unexpired Risks	0.00	1,201,787.82	+
E) Other Expenses	418,505.87	104,743.06	(74.97)
F) Investment Expenses Transferred to Non-Life Technical Account	3,478,834.98	6,938,303.16	99.44
III- TECHNICAL PROFIT/LOSS (I-II)	**1,859,297.03**	**13,113,310.89**	**605.28**

Motor TPL (Traffic) Insurance

The revisions made to the tariff relating to Motor TPL on 01 January 2008 and 01 July 2008 led to an average increase of 56% in limits of cover compared with 2007, and granted the insurance companies the flexibility to set the tariff premiums so as not to exceed the 10% bonus and 20% malus interval as set out in the "Regulation on Tariff Implementation Principles of Compulsory Motor TPL Insurance" from 01 July 2008.

On 01 April 2008, an arrangement went into force concerning the issuance of an accident report by and among the drivers involved in traffic accidents resulting only in material damage. Although Motor TPL rose to second place in the industry in terms of premium production, technical profit/loss account of this branch sustained its negative course.

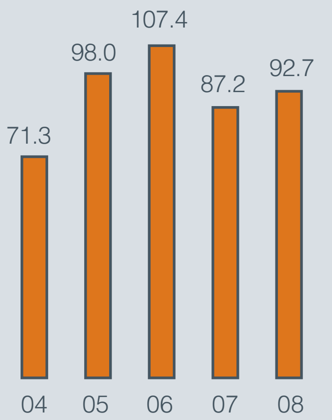
Although the Compulsory Highway Transport Liability insurance was introduced in 2004, the anticipated development has not been achieved due to problems encountered in the carrier licenses issued by the Ministry concerned.

Based on the Association of the Insurance and Reinsurance Companies of Turkey data, the industry's premium production in Motor TPL branch registered a year-on rise by 15% and reached TL 2.060 million.

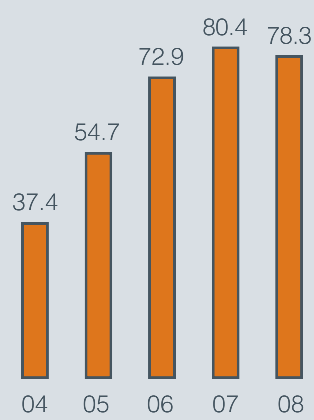
Milli Re generated TL 92,684,253 premiums in this branch, registering a year-over increase by 6%. While there was some growth in the company's premium production, it lagged behind the rate of increase achieved by the overall industry. This is a result of withdrawal from the reinsurance contracts with certain ceding companies or the reduction of shares therewith so as to mitigate the effect of poor results.

Gross loss ratio in this line of business stood at 116% and combined ratio at 124%, as result of run-offs of the cancelled contracts. Consequently, the relevant retained account showed a loss of TL 21,362,742. Although the above loss ratio is well below the market loss ratio which stood at 140%, this branch is the highest loss producing branch in the company's retained account.

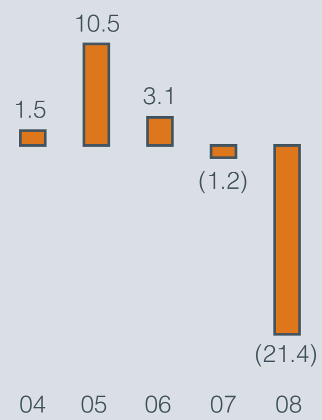
Premium Income
(TL mn)



Losses Paid
(TL mn)



Technical Profit/Loss
(TL mn)



Milli Re produced TL 92,684,253 premiums in Motor TPL (traffic) branch, registering a year-on increase by 6%.

Profitability Ratios in the Motor TPL (Traffic) Branch (%)	2004	2005	2006	2007	2008
Loss Ratio (Gross)	75	67	72	89	116
Loss Ratio (Net)	73	67	73	87	116
Expense Ratio	24	25	27	21	8
Combined Ratio	99	92	99	110	124

Motor TPL (Traffic) Branch Technical Results (TL)	2007	2008	Change (%)
I- TECHNICAL INCOME	**170,323,218.85**	**169,152,840.71**	**(0.69)**
A) Premiums	87,197,061.41	92,684,253.00	6.29
B) Commissions	152,176.90	(4,710.41)	-
C) Retrocessionaires' Share in Losses Paid	2,499,559.50	557,678.27	(77.69)
D) Technical Provisions Brought Forward (Net)	75,927,498.29	72,651,862.94	(4.31)
a) Provision for Unearned Premiums	42,686,865.50	34,941,004.96	(18.15)
b) Provision for Outstanding Losses	33,240,632.79	37,710,857.98	13.45
E) Retrocessionaires' Share in Technical Provisions	270,121.49	220,205.50	(18.48)
a) Provision for Unearned Premiums	(66,838.06)	(332.76)	(99.50)
b) Provision for Outstanding Losses	336,959.55	220,538.26	(34.55)
F) Other Income	203,578.56	98,579.55	(51.58)
G) Investment Income Transferred from Non-Technical Account	4,073,222.70	2,944,971.86	(27.70)
II- TECHNICAL EXPENSES	**171,488,397.13**	**190,515,582.22**	**11.10**
A) Premiums Ceded to Retrocessionaires	288,248.31	219,887.07	(23.72)
B) Commissions Paid	16,445,354.48	4,040,276.82	(75.43)
C) Losses Paid	80,379,244.26	78,286,518.91	(2.60)
D) Technical Provisions	72,921,984.43	105,035,966.87	44.04
a) Provision for Unearned Premiums	34,874,166.90	45,002,092.18	29.04
b) Provision for Outstanding Losses	38,047,817.53	55,450,228.24	45.74
c) Provision for Unexpired Risks	0.00	4,583,646.45	+
E) Other Expenses	116,274.33	183,838.57	58.11
F) Investment Expenses Transferred to Non-Life Technical Account	1,337,291.32	2,749,093.98	105.57
III- TECHNICAL PROFIT/LOSS (I-II)	**(1,165,178.28)**	**(21,362,741.51)**	**1,733.43**

Engineering Insurance

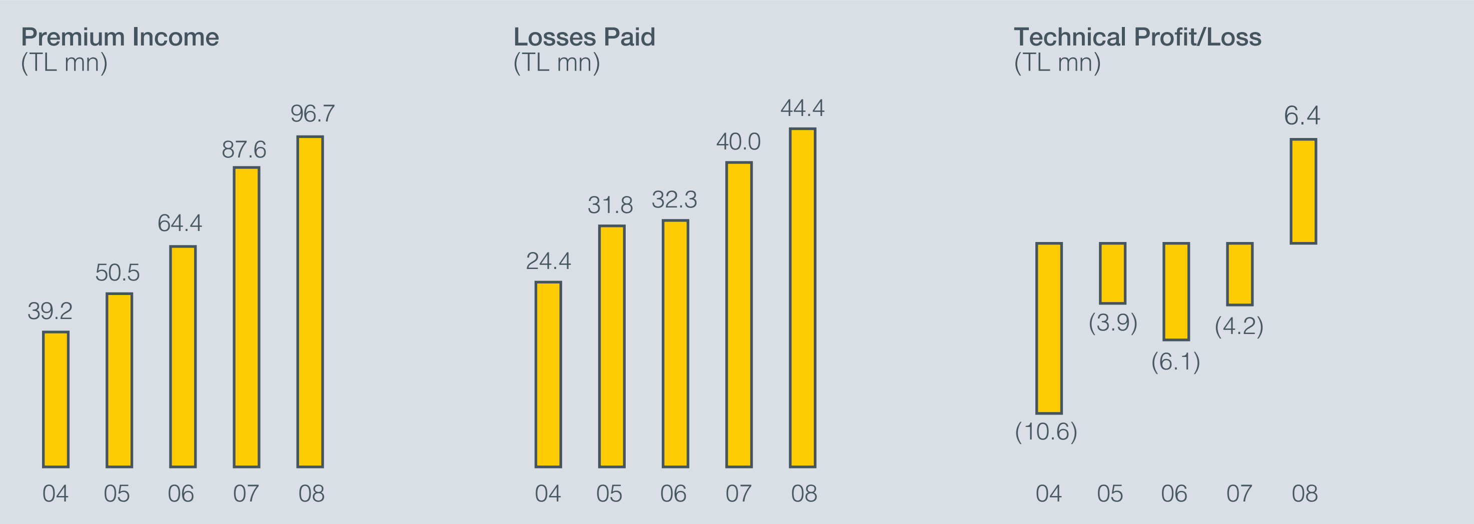
Financial difficulties experienced in conjunction with the deceleration in economy in construction and erection projects undertaken by Turkish contractors in foreign countries and the mass housing construction projects awarded by the Housing Development Administration (TOKİ) led to halts or postponements in projects. The growth in the engineering branch in 2008 remained limited to only 2%, and according to the Association of the Insurance and Reinsurance Companies of Turkey data, TL 536 million premium produced by the entire Turkish insurance industry.

The price competition and the amount of losses paid in machinery breakdown insurance has been an effect in decreased technical profitability in this branch.

Milli Re's premium production in engineering branch was TL 96,715,719 in 2008, showing nearly 10% increase year-on.

Losses paid in the reporting period by Milli Re for this branch was up 11% year-on and amounted to TL 44,356,437. Outstanding losses, on the other hand, also went up 14% compared with 2007 and reached TL 43,702,176. The combined ratio was down by 9 points and materialized as 83% in 2008 while it was 92% in 2007.

Engineering branch yielded a TL 6,421,169 profit in the retained account.



Milli Re's retained account for engineering insurance showed a positive result of TL 6,421,169 in 2008.

Profitability Ratios in the Engineering Branch (%)	2004	2005	2006	2007	2008
Loss Ratio (Gross)	77	66	69	58	64
Loss Ratio (Net)	94	70	74	65	76
Expense Ratio	33	33	31	34	19
Combined Ratio	110	99	100	92	83

Engineering Branch Technical Results (TL)	2007	2008	Change (%)
I- TECHNICAL INCOME	**150,165,577.28**	**174,989,837.83**	**16.53**
A) Premiums	87,636,718.16	96,715,718.71	10.36
B) Commissions	2,937,119.45	401,888.13	(86.32)
C) Retrocessionaires' Share in Losses Paid	7,033,074.02	3,694,397.78	(47.47)
D) Technical Provisions Brought Forward (Net)	40,509,724.46	57,173,227.32	41.13
a) Provision for Unearned Premiums	17,677,734.13	25,024,586.94	41.56
b) Provision for Outstanding Losses	22,831,990.33	30,974,079.75	35.66
c) Provision for Unexpired Risks	0.00	1,174,560.63	+
E) Retrocessionaires' Share in Technical Provisions	9,537,561.86	8,623,415.68	(9.58)
a) Provision for Unearned Premiums	2,248,219.44	1,647,070.80	(26.74)
b) Provision for Outstanding Losses	7,289,342.42	6,976,344.88	(4.29)
F) Other Income	71,258.51	290,608.22	307.82
G) Investment Income Transferred from Non-Technical Account	2,440,120.82	8,090,581.99	231.56
II- TECHNICAL EXPENSES	**154,360,522.30**	**168,568,668.61**	**9.20**
A) Premiums Ceded to Retrocessionaires	17,178,851.56	15,654,758.58	(8.87)
B) Commissions Paid	30,137,651.17	15,791,328.99	(47.60)
C) Losses Paid	40,049,537.92	44,356,436.86	10.75
D) Technical Provisions	65,536,228.55	90,229,881.89	37.68
a) Provision for Unearned Premiums	27,272,806.38	46,527,706.10	70.60
b) Provision for Outstanding Losses	38,263,422.17	43,702,175.79	14.21
E) Other Expenses	657,130.09	202,035.92	(69.25)
F) Investment Expenses Transferred to Non-Life Technical Account	801,123.01	2,334,226.37	191.37
III- TECHNICAL PROFIT/LOSS (I-II)	**(4,194,945.02)**	**6,421,169.22**	**+**

Agricultural Insurance

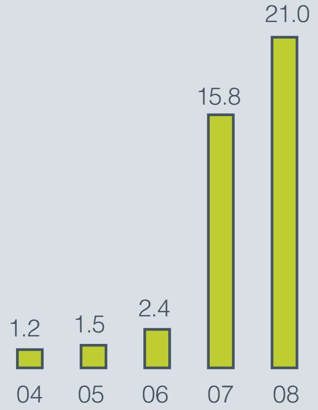
Based on the Association of the Insurance and Reinsurance Companies of Turkey data for 2008, the Turkish insurance industry wrote TL 125 million premium in agricultural insurance, corresponding to a 31% growth year-over. The main contributors to the growth were the cheap credit made available to producers by the Ministry of Agriculture and Rural Affairs, combined with the commencement of policy issuance by TARSİM (Agricultural Insurance Pool). Set up in accordance with the Agricultural Insurance Law that went into effect on 14 June 2005, TARSİM stipulates government support in respect of insurance premiums due from farmers registered in the system.

Milli Re wrote TL 21,016,454 premium through the reinsurance contracts made in 2008 with TARSİM and contracts with the ceding companies. This figure represents a growth by 33% compared with the 2007 premium in this branch that had amounted to TL 15,758,202.

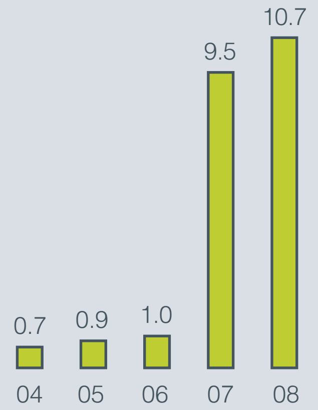
Standing at TL 9,540,941 in 2007, losses paid grew nearly 12% and amounted to TL 10,652,179 in 2008, while outstanding losses totaled TL 1,781,515, up 75% year-on compared with the 2007 figure of TL 1,019,158.

In 2008, the company's combined ratio in agriculture branch decreased 9 points YoY and stood at 97%; and the retained account yielded a profit of TL 945,222.

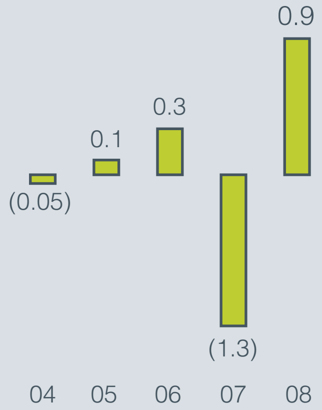
Premium Income
(TL mn)



Losses Paid
(TL mn)



Technical Profit/Loss
(TL mn)



In 2008, Milli Re's combined ratio in agriculture branch decreased 9 points Year on Year and stood at 97%, and the retained account yielded a profit of TL 945,222.

Profitability Ratios in the Agricultural Branch (%)	2004	2005	2006	2007	2008
Loss Ratio (Gross)	71	60	54	73	74
Loss Ratio (Net)	74	59	47	74	73
Expense Ratio	20	19	18	33	23
Combined Ratio	91	79	72	106	97

Agricultural Branch Technical Results (TL)	2007	2008	Change (%)
I- TECHNICAL INCOME	**17,145,668.81**	**27,333,933.99**	**59.42**
A) Premiums	15,758,202.30	21,016,453.97	33.37
B) Commissions	178,502.34	(9,579.01)	-
C) Retrocessionaires' Share in Losses Paid	541,681.44	288,153.25	(46.80)
D) Technical Provisions Brought Forward (Net)	410,081.90	3,066,982.01	647.89
a) Provision for Unearned Premiums	194,097.24	2,113,604.53	988.94
b) Provision for Outstanding Losses	215,984.66	953,377.48	341.41
E) Retrocessionaires' Share in Technical Provisions	163,419.76	21,853.61	(86.63)
a) Provision for Unearned Premiums	97,639.25	(363.87)	-
b) Provision for Outstanding Losses	65,780.51	22,217.48	(66.22)
F) Other Income	1,641.16	15,885.76	867.96
G) Investment Income Transferred from Non-Technical Account	92,139.91	2,934,184.40	3,084.49
II- TECHNICAL EXPENSES	**18,429,847.06**	**26,388,711.61**	**43.18**
A) Premiums Ceded to Retrocessionaires	616,530.03	1,177.70	(99.81)
B) Commissions Paid	4,953,195.77	4,265,469.32	(13.88)
C) Losses Paid	9,540,940.71	10,652,179.45	11.65
D) Technical Provisions	3,230,401.77	11,082,316.26	243.06
a) Provision for Unearned Premiums	2,211,243.78	7,828,345.62	254.02
b) Provision for Outstanding Losses	1,019,157.99	1,781,514.66	74.80
c) Provision for Unexpired Risks	0.00	1,472,455.98	+
E) Other Expenses	58,528.06	10,850.00	(81.46)
F) Investment Expenses Transferred to Non-Life Technical Account	30,250.72	376,718.88	1,145.32
III- TECHNICAL PROFIT/LOSS (I-II)	**(1,284,178.25)**	**945,222.38**	**+**

Health Insurance

The important event regarding health insurance in 2008 was the introduction of GHI (General Health Insurance). With its establishment, “Complementary Health Insurance” has given rise to additional business opportunity for private insurance companies. However, the expected business opportunity did not materialize due to large gaps between GHI practices and prices demanded by service provider institutions.

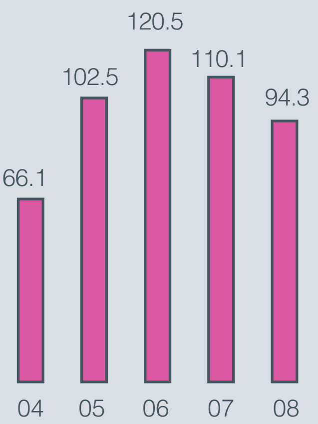
According to the Association of the Insurance and Reinsurance Companies of Turkey data for 2008, the industry’s premium production in health branch grew 9% year-on and reached TL 1,327 million.

Milli Re’s premium production in the health branch went down by 14% on an annual basis and amounted to TL 94,274,277 in 2008. Paid losses also decreased by 24% and materialized as TL 97,264,047.

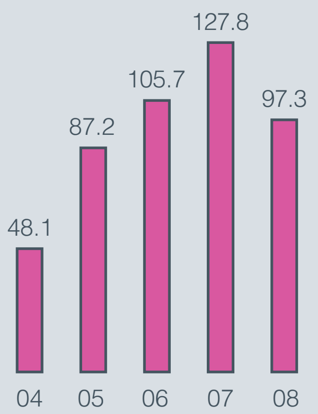
123% in 2007, the combined ratio was reduced by 17 points and stood at 106%. The main reason for the positive reduction in this ratio was the measures introduced last year with a view to mitigating the effects of the industry’s poor results in health on our company as much as possible.

In this frame, although our retained account for health insurance yielded a negative result of TL 1,471,318 in 2008, there was 93% improvement as compared with the 2007 loss figure of TL 20,223,726.

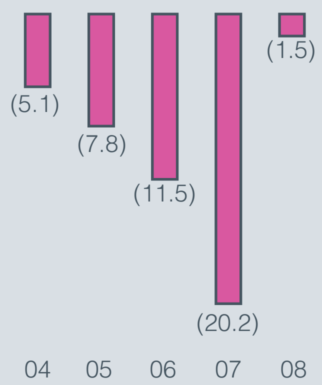
Premium Income
(TL mn)



Losses Paid
(TL mn)



Technical Profit/Loss
(TL mn)



Although Milli Re's retained account in health insurance yielded TL 1,471,318 loss in 2008, there was 93% improvement year-on in the amount of loss posted.

Profitability Ratios in the Health Branch (%)	2004	2005	2006	2007	2008
Loss Ratio (Gross)	92	92	91	111	99
Loss Ratio (Net)	91	92	92	112	99
Expense Ratio	18	18	22	12	7
Combined Ratio	110	110	113	123	106

Health Branch Technical Results (TL)	2007	2008	Change (%)
I- TECHNICAL INCOME	**167,363,656.34**	**144,038,437.98**	**(13.94)**
A) Premiums	110,120,683.19	94,274,277.21	(14.39)
B) Commissions	470,822.72	(4,373.00)	-
C) Retrocessionaires' Share in Losses Paid	2,610,690.26	717,626.73	(72.51)
D) Technical Provisions Brought Forward (Net)	48,906,047.98	48,970,312.80	0.13
a) Provision for Unearned Premiums	39,090,548.71	38,127,388.13	(2.46)
b) Provision for Outstanding Losses	9,815,499.27	6,414,474.72	(34.65)
c) Provision for Unexpired Risks	0.00	4,428,449.95	+
E) Retrocessionaires' Share in Technical Provisions	683,362.61	(4,890.97)	-
a) Provision for Unearned Premiums	402,077.16	(5,037.38)	-
b) Provision for Outstanding Losses	281,285.45	146.41	(99.95)
F) Other Income	0.00	69,304.06	+
G) Investment Income Transferred from Non-Technical Account	4,572,049.58	16,181.15	(99.65)
II- TECHNICAL EXPENSES	**187,587,381.88**	**145,509,755.85**	**(22.43)**
A) Premiums Ceded to Retrocessionaires	1,867,585.76	(20,481.95)	-
B) Commissions Paid	10,974,320.66	3,870,877.23	(64.73)
C) Losses Paid	127,813,072.71	97,264,047.28	(23.90)
D) Technical Provisions	45,225,225.46	41,266,652.78	(8.75)
a) Provision for Unearned Premiums	38,529,465.29	33,810,983.35	(12.25)
b) Provision for Outstanding Losses	6,695,760.17	7,455,669.43	11.35
E) Other Expenses	206,114.72	17,153.44	(91.68)
F) Investment Expenses Transferred to Non-Life Technical Account	1,501,062.57	3,111,507.07	107.29
III- TECHNICAL PROFIT/LOSS (I-II)	**(20,223,725.54)**	**(1,471,317.87)**	**(92.72)**

Life Insurance

2008 saw significant arrangements in life insurance legislation:
• Life Insurance Regulation was amended,
• Work on Annuity Contracts General Conditions was completed.

General conditions for Payment Protection Insurance that was introduced in non-life branches enabled also life and private pension companies providing such coverage.

Based on the Association of the Insurance and Reinsurance Companies of Turkey data for 2008, premium production in life branch expanded 18% year-on and rose to TL 1,575 million.

As the Private Pension System increasingly replaced saving policies, the weight of new saving policies in the portfolio became insignificant.

Once again bank credit life insurance propelled new premium production in the life branch, as it did last year. However, there was a significant decline in the bank credit insurance particularly in the last quarter of the year as compared with the previous quarters due to negative economic developments.

In 2008, Milli Re's premium income from life branch contracted 11% year-on, and went down to TL 15,516,687 since this branch does not need reinsurance coverage as much as the others.

The company's combined ratio for life insurance, which was 74% in 2007, materialized as 94% in 2008, and the retained account showed a positive result of TL 1,062,013.

Milli Re's combined ratio for life insurance, which was 74% in 2007, materialized as 94% in 2008 and the retained account showed a positive result of TL 1,062,013.

Profitability Ratios in the Life Branch (%)	2004	2005	2006	2007	2008
Loss Ratio (Gross)	37	33	42	26	59
Loss Ratio (Net)	39	36	34	29	58
Expense Ratio	42	36	50	48	35
Combined Ratio	79	69	92	74	94

Life Branch Technical Results (TL)	2007	2008	Change (%)
I- TECHNICAL INCOME	**23,024,234.98**	**21,632,238.01**	**(6.05)**
A) Premiums	17,461,552.71	15,516,686.59	(11.14)
B) Commissions	210,999.17	24,978.92	(88.16)
C) Retrocessionaires' Share in Losses Paid	65,762.75	21,016.00	(68.04)
D) Technical Provisions Brought Forward (Net)	3,869,139.66	4,337,402.67	12.10
a) Provision for Unearned Premiums	2,175,135.07	2,635,143.82	21.15
b) Mathematical Reserves (Life)	924,970.89	1,138,141.78	23.05
c) Provision for Outstanding Indemnities (Life)	769,033.70	564,117.07	(26.65)
E) Retrocessionaires' Share in Technical Provisions	549,398.76	1,050,628.07	91.23
a) Provision for Unearned Premiums	111,735.08	264,593.28	136.80
b) Provision for Outstanding Indemnities (Life)	437,663.68	786,034.79	79.60
F) Other Income	1,021.60	39,215.61	3,738.65
G) Investment Income (Life)	866,360.33	642,310.15	(25.86)
II- TECHNICAL EXPENSES	**19,513,054.91**	**20,570,225.27**	**5.42**
A) Premiums Ceded to Retrocessionaires	960,523.29	655,250.54	(31.78)
B) Commissions Paid	8,187,380.10	4,922,251.36	(39.88)
C) Losses Paid	4,948,591.46	6,867,373.34	38.77
D) Technical Provisions	4,886,801.43	7,342,664.55	50.26
a) Provision for Unearned Premiums	2,746,878.90	3,846,359.41	40.03
b) Mathematical Reserves (Life)	1,138,141.78	873,512.40	(23.25)
c) Provision for Outstanding Indemnities (Life)	1,001,780.75	2,622,792.74	161.81
E) Other Expenses	40,627.00	191,785.56	372.06
F) Operating Expenses (Life)	489,131.63	590,899.92	20.81
III- TECHNICAL PROFIT/LOSS (I-II)	**3,511,180.07**	**1,062,012.74**	**(69.75)**

An Evaluation of 2008 Financial Results

In accordance with the new uniform chart of accounts for the insurance industry that was put in effect as of 01 January 2005, part of the income and expense items for the year 2008 were transferred to the technical accounts for the related branches. Detailed information on this application is presented in the section titled “Notes to the Financial Statements for 2008” of this Annual Report.

In 2008, the company’s financial income was TL 164,799,000, signifying a year-on rise of 25.24%. While the interest income item did not show a significant change in 2008, the same decreased by 17.95% year-on, due to the transfers from financial income items to technical income accounts. Profit share income, on the other hand, displayed a growth by 235.64%, largely due to the increase in profit shares from a particular affiliate.

There was 47.51% year-on decline in the company’s sales profits under which the sale price of one particular real estate kept for investment purposes and trading of the stocks in the investment portfolio are followed-up. In 2008, there was a 13.54% increase in the company’s rental income on an annual basis. Due to the upward move in exchange rates in 2008 compared with the prior year, the company’s currency translation gains boosted 893.66% year-on.

In the reporting period, the company’s financial expenses increased by 36.14% compared with 2007, and materialized as TL 62,614,799. There was significant increase in the losses from the sale of stocks and in provisions for doubtful receivables and social benefit fund deficits, as well as in the company’s tax obligations. There was a decline in the currency translation losses resulting from volatility of exchange rates and other expenses item as well.

Within the frame of revisions made in 2008 to the implementation principles concerning the transfer of financial income and expense items to technical accounts, personnel expenses and administrative expenses were transferred to the technical accounts in their entirety; therefore, the company’s general expenses in 2008 were reduced by 44.75% year-on, and materialized as TL 10,430,641. While taxes and other obligations and amortization expenses declined on an annual basis, provision for employment termination benefits increased.

At the bottom line, the company was able to increase its financial profit to TL 91,753,559 in 2008, with a 37.53% rise compared with the 2007 figure of TL 66,716,721.

Milli Re increased its financial profit to TL 91,753,559 in 2008, with a 37.53% rise compared with the 2007 figure of TL 66,716,721.

Financial Results (TL)	2007	2008	Change (%)
I- FINANCIAL INCOME	**131,590,904.48**	**164,799,000.10**	**25.24**
A) Interest Income	109,438,701.21	89,797,846.56	(17.95)
B) Profit Share Income	7,606,978.32	25,532,391.98	235.64
C) Sales Profits	6,002,653.12	3,151,058.05	(47.51)
D) Rental Income	4,356,831.33	4,946,858.15	13.54
E) Currency Translation Gains	4,041,288.12	40,156,604.74	893.66
F) Other Income	144,452.38	1,214,240.62	740.58
II- FINANCIAL EXPENSES	**45,994,434.75**	**62,614,799.24**	**36.14**
A) Sales Losses	2,268,078.92	6,287,187.59	177.20
B) Currency Translation Losses	16,279,269.34	14,392,745.40	(11.59)
C) Impairment Provisions	(1,222,798.25)	7,924,633.79	+
D) Tax Provisions	22,018,666.17	33,590,534.96	52.55
E) Other Expenses	6,651,218.57	419,697.50	(93.69)
III- GENERAL EXPENSES	**18,879,748.83**	**10,430,641.46**	**(44.75)**
A) Personnel Expenses	8,612,158.17	1,187,800.81	(86.21)
B) Administrative Expenses	1,867,880.69	1,037,553.21	(44.45)
C) Taxes and Other Obligations	6,064,531.04	5,861,400.35	(3.35)
D) Amortization Expenses	2,144,401.80	2,021,917.09	(5.71)
E) Provision for Employment Termination Benefits	190,777.13	321,970.00	68.77
IV- FINANCIAL PROFIT/LOSS (I-II-III)	**66,716,720.90**	**91,753,559.40**	**37.53**

Annual Report Opinion for Compliance

To the Shareholders of Millî Reasürans Türk A.Ş.

We have audited compatibility of the financial information of Millî Reasürans Türk A.Ş. (the “Company”) presented in the annual report as of 31 December 2008, with the independent audit report for the period then ended. The annual report is the responsibility of the Company’s management. As an independent auditor, our responsibility is to express an opinion on the annual report based on our audits.

We conducted our audit in compliance with the procedures required by the Insurance Companies’ Law numbered 5684 for preparing and announcing annual report, and in compliance with independent audit standards. Those procedures require that we plan and perform the audit to obtain reasonable assurance about whether the annual report is free of material misstatement. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial information in the annual report referred to above presented fairly, in all material respects, the financial position of Millî Reasürans Türk A.Ş. as of 31 December 2008, in accordance with the Insurance Companies’ Law numbered 5684. The financial information includes the summary of Board of Directors report and the opinion of independent auditor, and is compatible with the audited financial statements.

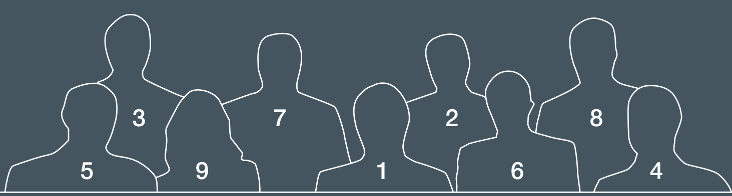
M.G.I. BAĞIMSIZ DENETİM VE
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

ERHAN ÖZDEMİR
Managing Partner

Istanbul, 23 February 2009

Management and Corporate Governance

Board of Directors and Statutory Auditors



(1) Caner Çimenbiçer
Chairman of the Board of Directors
After graduating from Ankara Science High School in 1969, Caner Çimenbiçer got his degree in management from the Middle East Technical University. He started his career at Koç-Burroughs in April 1973. He joined İşbank by early 1974, where he rose to Deputy Chief Executive in 1990, and Senior Deputy Chief Executive and Vice Chief Executive in 1998. Since 1983, Caner Çimenbiçer served as a member on the Boards of Directors of nearly 20 companies from different sectors including Visa EU and Istanbul Stock Exchange, Aria and so on. He was the chairman of the Boards of Directors of 13 of these companies including MAN A.Ş., Bankalararası Kart Merkezi A.Ş., İzmir Demir Çelik San. A.Ş., İşbank GmbH, Petrol Ofisi A.Ş. etc.

Elected as a Board director at İşbank in 2005 and as the chairman of the Bank's Board of Directors in 2008, Caner Çimenbiçer has been the chairman of the Board of Directors of Millî Reasürans T.A.Ş. since 30 April 2008.

(2) Emre Duranlı
Director
Emre Duranlı holds a degree in management from Hacettepe University. He started his career as an Assistant Inspector in İşbank's Board of Inspectors. Currently the Insurance and Capital Market Unit Manager in the Equity Participations Department at İşbank, he serves as a member of the Board of Directors responsible for Internal Audit and Risk Management in Anadolu Anonim Türk Sigorta Şirketi, for Risk Management in Anadolu Hayat Emeklilik A.Ş., İş Yatırım Menkul Değerler A.Ş. and İş Portföy Yönetimi A.Ş., as a board member at Yatırım Finansman Menkul Değerler A.Ş., and as a statutory auditor at Avea İletişim Hizmetleri A.Ş. He has been functioning as a member of the Board of Directors at Millî Reasürans T.A.Ş. since 24 March 2008.

(3) Serdar Gençer
Director
Serdar Gençer received his bachelor's degree in industrial engineering from the Middle East Technical University in 1990 and his master's degree in finance from the University of Nottingham (U.K.) in 1998. He started his career at İşbank in 1990 as an assistant inspector on the Board of Inspectors. He subsequently served in various units of the Bank and appointed as the Deputy Chief Executive on 03 November 2008. Serdar Gençer has been a member of the Board of Directors at Millî Reasürans T.A.Ş. since 03 November 2008.

(4) Atty. Nail Gürman
Director
Atty. Nail Gürman holds a degree in law from Ankara University. He has offered service to many prominent companies and banks as a legal practitioner and is the only attorney-at-law in the Republic era to lay attachment on a bank. He also worked as the Secretary General of the Turkish Law Institute for seven years. He is a member of CHP, a major political party. Elected to a seat on İşbank's Board of Directors in 2003 and 2005, Atty. Nail Gürman has been a member of the Board of Directors at Millî Reasürans T.A.Ş. since 30 April 2008.

(5) Bahtiyar Sönmez
Director
Bahtiyar Sönmez is a graduate of the Ankara Academy of Economic and Commercial Sciences. He began his career at İşbank, eventually becoming a member of the Board of İşbank, from which position he retired. He has been a member of the Board of Directors of Millî Reasürans T.A.Ş. since 02 May 2005.

(6) Cahit Nomer
Director and General Manager
Cahit Nomer holds a degree in Law from Istanbul University. He began his career at Millî Reasürans T.A.Ş., serving in various capacities at the company and also pursued professional studies in Switzerland and the UK. In 1994-1996 he served as a member of CEA (Comité Européen des Assurances) Presidential Council, and between 1981 and 2005 he served as Vice Chairman and then Chairman of the Association of the Insurance and Reinsurance Companies of Turkey for nearly a quarter of a century altogether. Appointed as the General Manager on 21 January 1981, Cahit Nomer is currently the Director and the General Manager of the company.

(7) Hüseyin Yağcı
Statutory Auditor
Hüseyin Yağcı holds a degree in Statistics from the Middle East Technical University and began his career at the Board of Inspectors of İşbank, where he later served in various positions. He is presently the Manager of İşbank Sefaköy branch. He has been a Statutory Auditor of Millî Reasürans T.A.Ş. since 28 March 2005.

(8) Mustafa Toksöz
Statutory Auditor
Mustafa Toksöz got his degree in public administration from Gazi University in 1992 and started his career the same year at İşbank, where he served on the Board of Inspectors for nearly 10 years. In 2003, he was appointed as an assistant manager to the Bank's Corporate Marketing Department, where he currently functions as a unit manager. Mustafa Toksöz has been functioning as a general meeting auditor at Millî Reasürans T.A.Ş. since 29 March 2008.

(9) Semra Anıl
Reporter
Please see Senior Management page for Mrs. Anıl's CV.

Participation of the Members of the Board of Directors in Relevant Meetings during the Fiscal Period
The company's Board of Directors convenes as and when necessitated by the company's business affairs and upon the Chairman's invitation, with the participation of half of the total number of directors on the Board plus one. Meeting agendas are drawn up in line with the proposals of the General Management. During the meetings, various topics which are not covered in the agenda but raised by the members are also discussed. Meeting agenda letters and files relating to the agenda items are sent to all Board members 7 days in advance of the meeting date.

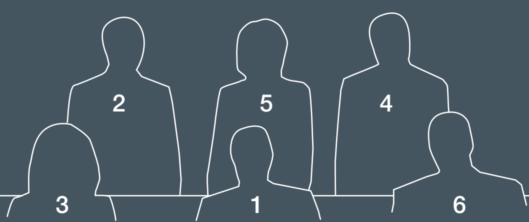
The Board of Directors met 19 times during the reporting period. Full participation of the members was achieved in 15 of these meetings, whereas 1 member each was excused from three of the meetings and 2 members from one other meeting. Statutory auditors attended all of the meetings.

Internal Systems Managers

Internal Audit Manager: Adil Horasan

Term of Office	Professional Experience	Departments Previously Served in	Academic Background
4 years	35 years	Internal Audit Department, Turkish Reinsurance Pool, Technical Accounting Department	Bachelor's degree from a domestic university

Senior Management



(1) Cahit Nomer
Director and General Manager
Please see Board of Directors and Statutory Auditors page for Mr. Nomer's CV.

(2) Barbaros Yalçın
Assistant General Manager
Barbaros Yalçın holds a degree in Law from Istanbul University and began his career at Millî Reasürans T.A.Ş. in the Fire Department. He has pursued professional studies in Switzerland and the UK. He is currently Millî Reasürans T.A.Ş.'s Assistant General Manager responsible for technical affairs and also serves as the Vice President of the Turkish Earthquake Foundation and of the Turkish Insurance Institute Foundation and as the President of Fire Insurance Study and Research Committee under the Association of the Insurance and Reinsurance Companies of Turkey. He has been appointed as Assistant General Manager on 01 September 1988.

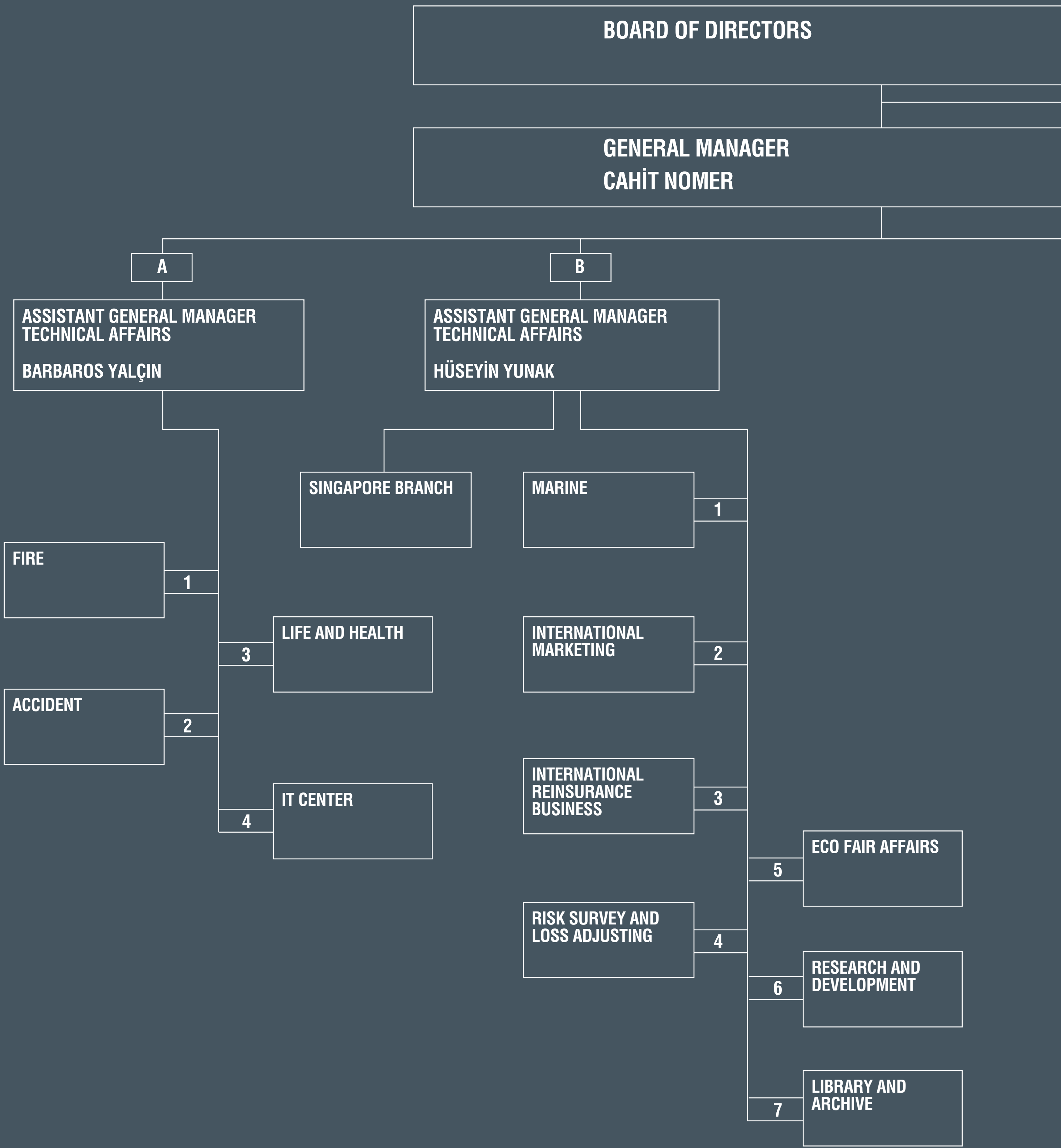
(3) Semra Anıl
Assistant General Manager
Semra Anıl holds a degree in Law from Istanbul University. She began her career in the Accounting Department of Millî Reasürans T.A.Ş. and later served as a Company Attorney in the Legal Department. She became a Legal Adviser in 1993, a position that she still holds. She has been Assistant General Manager responsible for Administrative Affairs and Personnel since 06 January 1997, and presently also serves as Board of Directors' Reporter.

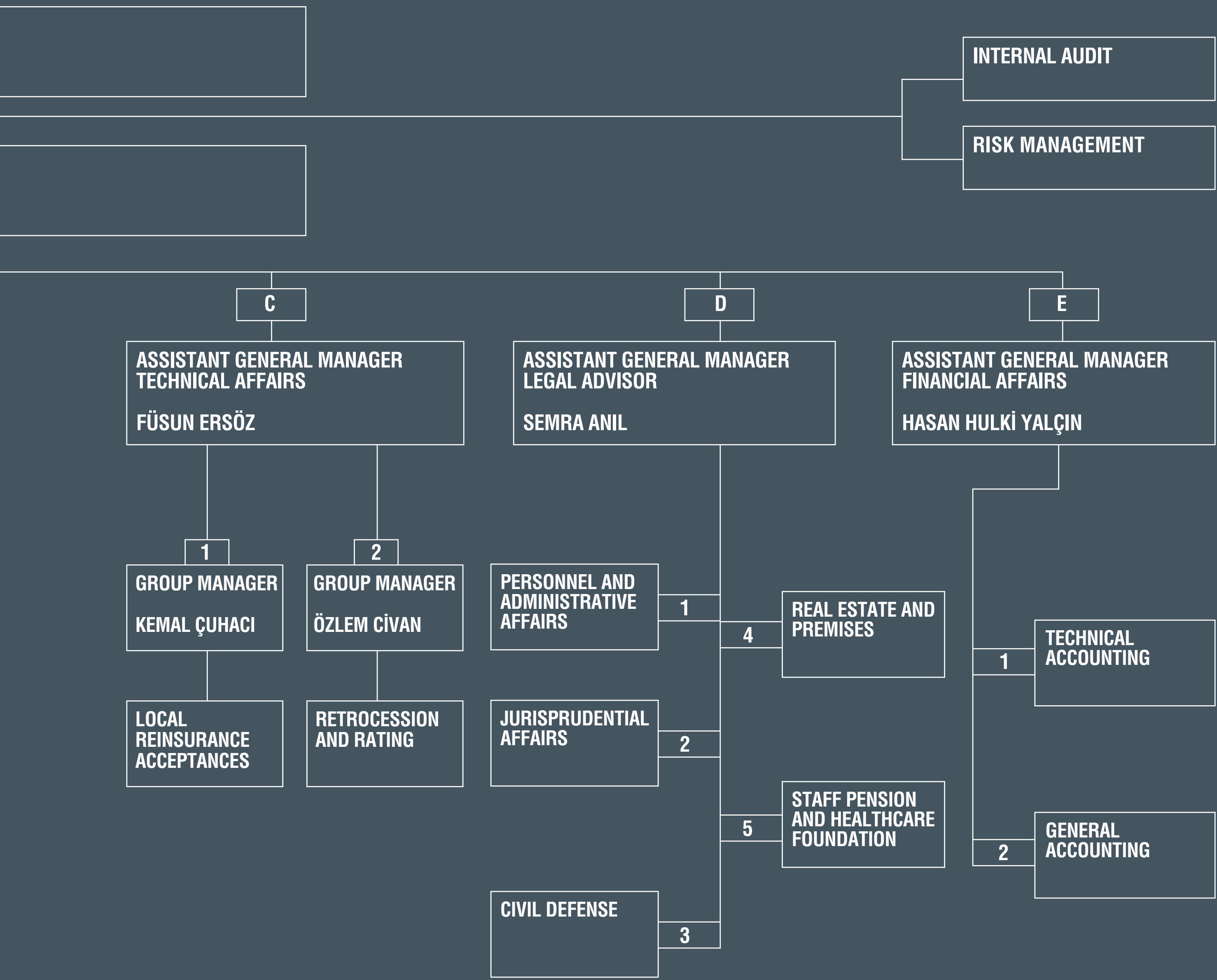
(4) Hüseyin Yunak
Assistant General Manager
Hüseyin Yunak holds a degree in Business Administration from Istanbul University and began his career in insurance with Millî Reasürans T.A.Ş. in 1980. He studied Marine Insurance abroad and served as Manager of Marine Department and Coordinator of TCIP. He is currently Assistant General Manager responsible for International Reinsurance Acceptances. He is also the President of the Marine Insurance Study and Research Committee under the Association of the Insurance and Reinsurance Companies of Turkey, and a lecturer at the Turkish Insurance Institute. He has been appointed as Assistant General Manager on 01 March 2003.

(5) Füsun Ersöz
Assistant General Manager
Füsun Ersöz holds a degree in English Philology from Istanbul University and she began her career at Millî Reasürans T.A.Ş. immediately after graduation. She has taken part in a number of professional training programs abroad. After serving as an officer responsible for acceptances by the FAIR Pool under Millî Reasürans T.A.Ş.'s management, she worked in the Treaty Department to handle local Acceptances and Retrocession. She has been serving as Assistant General Manager responsible for Local Reinsurance Acceptances and Retrocession since 01 March 2005.

(6) Hasan Hulki Yalçın
Assistant General Manager
Hulki Yalçın holds a degree in Economics from the Middle East Technical University and a Master's Degree in International Banking and Finance from the University of Birmingham in England. After serving in various positions and capacities with İşbank for fourteen years, he joined Millî Reasürans T.A.Ş. in 2003 and subsequently took part in a number of professional training programs abroad. He has been appointed as Assistant General Manager responsible for Accounting and Financial Affairs on 01 January 2006.

Organization Chart




INTERNAL AUDIT
RISK MANAGEMENT
C
ASSISTANT GENERAL MANAGER
TECHNICAL AFFAIRS
FÜSUN ERSÖZ
D
ASSISTANT GENERAL MANAGER
LEGAL ADVISOR
SEMRA ANIL
E
ASSISTANT GENERAL MANAGER
FINANCIAL AFFAIRS
HASAN HULKİ YALÇIN
1
GROUP MANAGER
KEMAL ÇUHACI
2
GROUP MANAGER
ÖZLEM CİVAN
LOCAL REINSURANCE ACCEPTANCES
RETROCESSION AND RATING
PERSONNEL AND ADMINISTRATIVE AFFAIRS
1
JURISPRUDENTIAL AFFAIRS
2
CIVIL DEFENSE
3
4
REAL ESTATE AND PREMISES
5
STAFF PENSION AND HEALTHCARE FOUNDATION
1
TECHNICAL ACCOUNTING
2
GENERAL ACCOUNTING

Human Resources Practices

Recruitment requirements

The following qualifications are sought in candidates for employment at Milli Re:
a) Turkish citizenship
b) Having completed 18 years of age and being not over 40 years of age
c) Not to have been dismissed, or considered to have withdrawn, from a company
d) No disability or old age pension entitlements from any trust or institution providing social security or from a similar establishment
e) High school diploma for employees and primary school diploma for others
f) No prior conviction for embezzlement, defalcation, malversation, bribery, theft, fraud, forgery, breach of confidence, indirect bankruptcy, or other infamous acts, even if subsequently pardoned
g) No unfulfilled active military service obligation
h) No health conditions unfit for the function

Job application

In addition to collection of job applications, ads are placed in newspapers for recruitment of employees possessing the required qualifications. Job applications are made via our corporate website and other communication means.

Promotions

Ever since its inception, Milli Re has always spent its efforts towards promotion from within.

Promotions are made in line with the Personnel Regulation and the principles set forth in the Agreement, done with the Workers' Trade Union.

Transactions Carried out with Milli Re's Risk Group

Milli Re carries out its relations with its risk group on an arm's length basis.

Relations with group companies are concentrated mostly in reinsurance activities, banking services and portfolio management.

Possible risks and findings from their measurement are regularly monitored through reporting systems set up within the group. Compliance with the policies of the risk group is ensured in risk policies, procedures and principles, as well as in any revisions required to be made to existing practices.

Detailed information on the company's transactions with its risk group is presented in the notes to the Financial Statements.

Matters Related to Annual General Meeting

Annual General Meeting Agenda

1. Opening and roll call,
2. Election of the Presiding Board and authorizing the Presiding Board to sign the minutes of the General Meeting,
3. Reading and deliberation of the Board of Directors' report; the Statutory Auditors' report, and the report of the independent audit firm pertaining to the accounts and transactions in 2008,
4. Reading, deliberation and approval of the company's Balance Sheet and Income Statements for 2008; individual acquittal of the members of the Board of Directors and Statutory Auditors of their fiduciary responsibilities,
5. Determination of the manner and date of distribution of profit share,
6. Pursuant to article 315 of the Turkish Commercial Code and article 12 of the company's articles of association, approval of the members elected to the seats on the Board of Directors that have been vacated during the year,
7. Election to the seats on the Board of Directors,
8. Election of Auditors,
9. Determination of the remuneration to be paid to the Board Directors and Statutory Auditors,
10. Amendment of articles 4 and 15 of the company's articles of association as attached,
11. Wishes.

2008 Annual Report Compliance Opinion

We hereby represent that Milli Re 2008 Annual Report issued for its 80th year of operation has been drawn up in line with the principles and procedures enforced by the “Regulation on the Financial Structures of Insurance, Reinsurance and Pension Companies” published in the Official Gazette issue 26606 dated 07 August 2007 by the Republic of Turkey Prime Ministry Undersecretariat of Treasury.

26 February 2009

Şule Soylu
Accounting Manager

Semra Anıl
Assistant General Manager
Legal Advisor

Hasan Hulki Yalçın
General Manager

Caner Çimenbiçer
Chairman of the
Board of Directors

Summary Report by the Board of Directors

Distinguished Shareholders,

We respectfully present for your Esteemed Assembly's perusal and approval the balance sheet, income statement, profit distribution chart, statement of changes in equity, and cash flow statement showing the results achieved in 2008 marking the company's 80th year of operation, which are tabulated in line with the provisions of the Turkish Treasury's Regulation on the Financial Reporting of Insurance, Reinsurance and Pension Companies published in the Official Gazette issue 26582 dated 14 July 2007.

As known, the overall results of the company's balance sheet and profit and loss accounts are basically derived from three main sections, namely Technical Profit and Loss of Reinsurance Business, financial results arising from the investment of income on reinsurance business, and the amount of general expenses incurred for the execution of work.

The steps taken in the three sections described above and the conclusions reached are presented hereinbelow individually for each one.

The Company's Reinsurance Business

The company's reinsurance business is analyzed under the following headings in line with the prior year's report:

- Voluntary Acceptances
- New Capacity Business
- Foreign Acceptances and
- Decree Pool and Other Business.

Foreign Acceptances covers business started to be accepted especially since October 2005 due to the reason that the volume of business from the local market has, in a way, reached a saturation point, and in line with the principles set forth by the Board of Directors, from the insurance markets of certain Asian and African countries, which we have gained an insight into since 1974 during our management of the FAIR Pool, as well as the business started to be accepted in line with the principles set forth by the Board of Directors based on the agreements made with the UK insurance company Brit, Lloyd's syndicate, Kiln and the German reinsurance company, Hannover Rück, and the results started to be attained from 2008 by the company's Singapore Branch that went operational upon obtaining the necessary permissions from the local authorities in November 2007.

Run-offs on compulsory business underwritten prior to 2002 represented a minor share during the current year and were addressed under the Other Business heading. Also handled under the Other Business heading is business of Destek Re. As known, Destek Re has been acquired and fully merged into our company as of 31 May 2005 for the purpose of achieving a stronger organization that is active in the reinsurance market, internationally competitive and resilient to market conditions, and whose business was being followed-up on run-off basis on the said date.

1- Voluntary Acceptances

This section includes business accepted from fire, marine, accident, engineering, health, and life reinsurance treaties of insurance companies as well as facultative business taken on voluntary basis. The premium amount, which was TL 354.4 million in 2007, went up 10% in 2008 and reached TL 391.5 million.

Also owing to the impact of the measures taken from 2006 to minimize the effects of the industry's poor performance in motor and health on Milli Re, TL 28.3 million in profit was posted in 2008 in this line of business.

2- New Capacity Business

Our portfolio for the business in this section has arisen from new additional capacities provided to insurance companies in fire, marine, accident and engineering branches to compensate for the business from terminated compulsory cessions. The premium that amounted to TL 370.9 million last year in this line of business materialized as TL 346.6 million this year, signifying a decline by 6.6%.

The primary reason behind the decreased premium income is the measures adopted to minimize the effects of the negative result arising from the untechnical price competition ongoing in the industry particularly in motor and health branches upon Milli Re. With the added impact of the measures taken, last year's loss figure of TL 4.1 million was reversed and TL 4.1 million profit was written in 2008.

3- Foreign Acceptances

This section covers business started to be accepted, from the insurance markets of certain Asian and African insurance markets, in line with our Board of Directors decision, because of the reason that the volume of business from the local market has, in a way, reached a saturation point, and with the purpose of achieving geographical diversification. Also included in this section are the business started to be accepted in line with the principles set forth by the Board of Directors based on the agreements made with the UK insurance company, Brit, Lloyd's syndicate Kiln and the German reinsurance company, Hannover Rück, and the results started to be attained from 2008 by the company's Singapore Branch that went operational upon the obtaining the necessary permissions from the local authorities in November 2007.

The premium accounted on foreign acceptances in 2008 increased 190.4% compared with the prior year and reached TL 97.0 million. This line of business yielded a loss of TL 17.0 million in the reporting period with the effect of the Provisions for Unearned Premiums set aside due to the fact that a greater part of the business in this section was written in the last quarter, coupled with the natural disasters and major losses that occurred particularly in the Arabian Peninsula and Asian countries.

4- Decree Pool and Other Business

Handled under this section are the Decree Pool portfolio, various reinsurance pools under our management, and business written in foreign markets, as well as the run-offs of compulsory business accepted prior to 2002 although terminated on 31 December 2001, and business from Destek Re followed-up on run-off basis, which was merged into our company as of 31 May 2005. From the business described above, FAIR and ECO Pool accounts are transferred into the company's accounts limited with our retention, as was the case in previous years, in accordance with the Turkish Treasury directive.

As known, implemented under the name "System for Increasing Local Retention Level and Reinsurance Capacity in Insurance" as per the Decree 91/2276 dated 15 September 1991, compulsory cessions were terminated on 31 December 2001. The arrangement relating to cessions from reinsurance treaties under the second part of the system and targeting to increase national retention level remained in effect for further 5 years pursuant to the "Decree on Domestic Reinsurance Pool System in Insurance Business" numbered 2001/3480 and dated 30 December 2001. Business covered in the second part of the system has been managed by our company on behalf of the market under the name Decree Pool from 1970 until 31 December 2006, on which date the effective period of the Decree expired.

Standing at TL 73.7 million last year, Decree Pool premiums decreased to TL 2.1 million in 2008 due to discontinuation of cessions. As a result, net retained account in this line of business handled on run-off basis yielded a loss of TL 2.0 million.

Premium income from Other Business in 2008 was TL 11.8 million, and TL 3.6 million loss was posted in our retained account relating to such business which is, for the most part, handled on run-off basis.

Technical Results

Consequently, the total premium production for the business followed-up under the headings Voluntary Acceptances, New Capacity Business, Foreign Acceptances, Decree Pool and Other Business in our company's records grew nearly 1.3% year-on, materializing as TL 849.1 million in 2008, as opposed to the 2007 figure of TL 838.2 million. When the retroceded premiums in the amount of TL 53.5 million are taken into consideration, our retention in 2008 was TL 795.6 million in non-life and life branches. This figure corresponds to a retention rate of 93.7%, up 2.8 points as compared with the prior year.

In 2008, our technical accounts yielded a profit of TL 39.9 million with the transfer of the profit in the amount of TL 30.1 million from the financial income and expenses into technical accounts pursuant to the Turkish Treasury's "Communiqué on Insurance Chart of Accounts" published in the Official Gazettes of 30 December 2004 and 17 September 2005, and respectively numbered 25686 and 25939, and to the provisions of the communiqué amending the former. Had this amount not been included in our accounts, technical accounts would have yielded a profit of TL 9.8 million.

Financial Results

The company's cash and bank holdings as at 31 December 2008 stand at TL 489.5 million, excluding those that belong to ECO and FAIR Pools.

The value of securities followed-up in the securities portfolio is TL 496.2 million in total as at end-2008, consisting of TL 11.3 million in stocks, TL 465.9 million in government bonds, TL 16.4 million in FX-indexed government bonds and TL 2.6 million in mutual funds. The total worth of long-term securities, affiliates and associates is TL 87 million.

While TL 144.2 million income has been derived during the year from bank interests and the securities followed-up in the securities portfolio, the interest income corresponding to the financial accounts materialized as TL 89.7 million after deduction of TL 54.5 million transferred to technical income from financial income within the frame of the provisions of the communiqué mentioned in the previous section. Dividend income, currency translation gains, profit on sales and other revenues totaled TL 70 million.

Net rental income was TL 5 million, which is TL 5.7 million rental income generated from the real properties owned less TL 0.7 million recognized as various expenses. Consequently, upon deduction of TL 29 million expenses from the income amount of TL 164.8 million in financial accounts, the financial account yielded a net income of TL 135.8 million. A net income of TL 102.2 million was posted in the financial account after setting off TL 33.6 million as tax provision, which constitutes the corporate tax payable in 2009 on the company's 2008 revenues.

In 2008, net income in the financial account increased 19% year-on as a result of the high interest rates throughout the reporting period, combined with high dividends from subsidiaries and increased currency translation gains in conjunction with high exchange rates.

General Expenses

Covering personnel expenses and administration expenses, tax and other obligations, amortization costs, provisions and other expense items as of year-end 2008, general expenses amounted to TL 34.8 million; however, the year-end balance of the company's general expenses account materialized as TL 10.4 million after deduction of TL 24.4 million, which is the amount transferred to technical expenses from financial expenses within the frame of the provisions of the communiqué mentioned above.

Conclusion

The company posted TL 165.3 million in pre-tax profit as at year-end 2008, which is TL 39.9 million profit in technical accounts plus TL 135.8 million profit in financial accounts, adding up to TL 175.7 million less general expenses in the amount of TL 10.4 million. After the tax provision in the amount of TL 33.6 million is set aside, the remaining TL 131.7 million represents the after-tax profit for 2008, which signifies an 81% rise year-on.

On the other hand, with the enforcement of the Turkish Accounting Standards practice on 01 January 2008, TL 71.3 million prior year loss and TL 4.4 million prior year profit arose as a result of the adjustments made in relation to the prior year. Prior year profit in the amount of TL 4.4 million consisted of the new provision for employment termination benefit computed in accordance with the Turkish Accounting Standards and the deferred tax asset that arose according to new regulations.

The prior year loss in the amount of TL 71.3 million consisted of the deletion of the merger premium arising from the company's merger with Destek Reasürans T.A.Ş., which had been started to paid out earlier, provision for social benefit fund deficits set aside for the Staff Pension and Healthcare Fund, and provision of unexpired risks booked for 2007.

Consequently, the distributable profit for 2008 is TL 63 million which is TL 131.7 million after-tax profit for 2008 less TL 66.9 million loss arising after setting-off the prior year profit against the prior year loss, less TL 1.8 million profit on sale of real estate that will be added to the capital as per Article 5 of the Corporate Tax Law.

Proposal for Distribution of 2008 Profit

Out of TL 62,970,613.53	that constitutes the net profit reported in the 2008 balance sheet,
which is TL 165,257,317.74	the 2008 pretax profit
less TL 33,590,534.96	to be set aside as provision for taxes provided that if there is a balance after assessment of taxes, such balance will be added to optional reserves;
yielding TL 131,666,782.78	which is the net profit reported in the 2008 balance sheet,
less TL 66,891,719.36	which remains after setting off the loss amount arising from setting off the prior year profit against the prior year loss,
yielding TL 64,775,063.42	
less TL 1,804,449.89	which is set aside as sales profit to be added to the capital corresponding to 75% of the sales income from real estate, as per Article 5 of the Corporate Tax Law;
TL 6,297,061.35	which is 10% of such net profit, be set aside for legal reserves as per section 27/a of the articles of association;
from the remaining amount of TL 56,673,552.18,	
TL 6,297,061.35	which is 10% of net profit, be distributed to shareholders as first dividends as per section 27/b of the articles of association,
and from the remaining amount of TL 50,376,490.83,	
TL 8,500,000.00	be set aside as natural disaster and catastrophe funds as per section 27/c of the articles of association;
and from the remaining amount of TL 41,876,490.83,	as per section 27/d of the articles of association, TL 1,465,677.18 set aside for founders' shares and TL 1,256,294.73 for distribution to personnel, adding up to
TL 2,721,971.91;	
and from the remaining amount of TL 39,154,518.92,	
a total of TL 35,980,966.74	be set aside for second dividends as per section 27/e of the articles of association, and
and from the remaining amount of TL 3,173,552.18,	
TL 2,575,000.00	be set aside as statutory reserves as per Article 466 of the Turkish Commercial Code
the entirety of the remaining amount of TL 598,552.18	be transferred to optional reserves.

Provided that the proposal presented above is approved by your Esteemed Assembly, profit share distribution will take place on 27 March 2009.

In concluding our results for our activities in 2008, we extend our thanks to our ceding companies, and to our managers and employees who contributed to the positive results achieved.

BOARD OF DIRECTORS

Financial Information and Assessment on Risk Management

Statutory Auditors' Report

TO:
MİLLÎ REASÜRANS TÜRK ANONİM ŞİRKETİ
General Assembly of Shareholders

In the capacity of statutory auditors of the Assembly, we have reviewed the 2008 accounts and transactions of Millî Reasürans Türk Anonim Şirketi as per section 18 of the company's articles of association.

The reviews and audits performed reveal that the balance sheet, income statement, cash flow statement and statement of changes in equity drawn up and presented to the Assembly by the Board of Directors of Millî Reasürans Türk Anonim Şirketi conform to the company's records, that the transactions during the year have been carried out in accordance with the provisions of applicable legislation and the articles of association, and that positive results have been achieved.

The development in the company's business volume and results are satisfactory.

We hereby respectfully request the approval of the balance sheet, income statement, cash flow statement and statement of changes in equity for 2008, and of the proposal for distribution of profit.

Statutory Auditor
Hüseyin Yağcı

Statutory Auditor
Mustafa Toksöz

Internal Audit Practices

In view of the current business environment, economic pressures, the negative developments in the financial services markets and high competition, it is crucially important that the company's activities are carried out efficiently and effectively. Internal audit activities play a big role in the route leading to this goal.

The importance of the internal audit system in companies was once again emphasized by the Turkish Treasury's "Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies" published in the Official Gazette issue 26913 dated 21 June 2008. In line with the said regulation, the company initiated efforts in 2009 to set up an Internal Control Unit, in addition to the already established Internal Audit Department. During the organization of this new structure, the Internal Audit Policy, Internal Audit Procedures and Principles, and the Internal Audit System Regulation that were developed by the Internal Audit Department in 2005 have been reviewed and updated. Internal Audit Department works to increase the effectiveness of the internal audit practices in the company every year.

The Internal Audit Department's policy, which steps in at this point, is to provide independent and objective verification and guidance with the aim of developing the company's activities and adding value, rather than adopting an approach that focuses on strict audit and error-finding.

To ensure that its activities are conducted independently and objectively, the Internal Audit Department reports directly to the Board of Directors.

The purpose of internal audit is to ensure that the work and transactions of the company are carried out in accordance with the current laws, regulations, communiqués, resolutions, circulars, general terms, and other applicable legislation, as well as the company's internal guidelines, its management strategy and policy; and to detect and to prevent any irregularities, mistakes, or fraud through continuous monitoring.

Internal audit activities cover on-site inspection of all assets, accounts and records, documents and personnel, and other elements that might affect the reliability of the company. The scope of these activities also include examining whether managers and staff are successful in relation to their given targets; inquiring from the personnel explanation on the monitored, audited and controlled issues; as well as warning departments of the company when necessary.

All conclusions should be based on material proofs to the extent possible. In cases where material proofs cannot be obtained, the policy is to explain the reasons why that conclusion is drawn. It is important to be objective and reasonable.

In 2008, the Internal Audit Department has completed on-site inspection of all departments of the company by way of observation, interview and data analysis. In addition, a visit was paid to the Singapore Branch set up to carry out the reinsurance business in the Asia-Pacific region, which started accepting business as of 01 April 2008, and an on-site inspection was conducted there as well. All audit results have been stated in a report and all reports have been submitted to the Board of Directors following the receipt of the comments and justifications made by the concerned department and the related Assistant General Manager. Audit performed in 17 departments revealed no issues that might have an adverse impact on the company's financial structure.

The Internal Audit Department serves efficiently and effectively with the support and approval of the management and cooperation of the employees in fulfilling the purpose of developing the company's activities and adding value to them.

Risk Management Practices

Volatilities in financial markets both in Turkey and across the world in recent years as well as catastrophic disasters have made effective risk management inevitable an issue of for the insurance industry worldwide. As insurance by definition is a risk-focused business, the implementation of the risk management systems and processes in insurance and reinsurance companies has become especially important for monitoring more systematically and closely the risks which the companies may be exposed to.

The purpose of the risk management system established in our company is;
• to effectively measure the risks arising from company's balance-sheet and off-balance-sheet activities and take relevant precautions,
• to safeguard Milli Re's reputation,
• to ensure timely fulfillment of liabilities towards insurance companies.

Risk management process consists of identifying, defining, measuring, controlling, monitoring and reporting risks, and also includes the phases of establishing risk management policies and application principles and putting them into practice.

Types and definitions of risks the company might be exposed to, risk measurement methods, risk limits, and actions to be taken in case of limit violations are detailed in the "Risk Policies and Implementation Principles" that are approved by the Board of Directors and updated annually.

"Company Risk Catalog", which aims to form a common terminology in the company and in which risks are classified and defined by examples, is updated every year in accordance with the activities of the company.

Risk Committee: The function of the committee is to evaluate the activities of the Risk Management Unit based on the "Risk Policies and Implementation Principles" and monitor the implementation of these guidelines throughout the company.

Risk Management Unit: The duties and responsibilities of the Risk Management Unit, which is a separate body, independent of the executive functions, are as follows:

• To define, measure, analyze, monitor and report risks
• To announce risk management principles, procedures and policies to the company
• To determine the capital amount which have to be allocated as per exposed risks
• To develop risk management techniques and methods
• To carry out reporting and monitoring activities in respect of risk management

Basic Risks and Measuring Methods

Reputation Risk: Qualitative methods are used to measure the level of this risk, which expresses the probable loss arising from losing confidence or reputation as a result of unsuccessful activities or noncompliance with the current legal regulations.

On the basis of “Self Assessment Methodology”, “Questionnaire” and/or “Interview” methods are employed to determine the impact and probability level of the risk as “High”, “Reasonable” or “Low”. The report, which includes the results, is submitted to the Board of Directors. If the impact and probability level of the risk is found “high”, the Board of Directors determines an action plan regarding the necessary transactions.

Business Environment Risk: Qualitative methods are used to measure the level of this risk, which expresses the negative influence on the company’s functioning capacity, arising from external factors in the company’s operation areas.

On the basis of “Self Assessment Methodology”, “Questionnaire” and/or “Interview” methods are employed to determine the impact and probability level of the risk as “High”, “Reasonable” or “Low”. The report, which includes the results, is submitted to the Board of Directors. If the impact and probability level of the risk is found “high”, the Board of Directors determines an action plan regarding the necessary transactions.

Strategy Risk: This risk expresses losses resulting from a variety of reasons including inefficient management and organizational structure of the company, failure to effectively formulate strategies, failure to communicate and/or implement the strategies across the organization, faulty business decisions, failure to duly enforce the decisions made, or failure to timely adapt itself with the developments in the industry.

In the measurement and evaluation of Strategy Risk, “Questionnaire” and/or “Interview” methods are employed on the basis of “Self Assessment Methodology”, to determine the impact and probability level of the risk as “High”, “Reasonable” or “Low”. The report, which includes the results, is submitted to the Board of Directors. If the impact and probability level of the risk is found “high”, the Board of Directors determines an action plan regarding the necessary transactions.

Model Risk: This risk expresses the probability of loss resulting in cases where the models used within the Company’s scope of business and/or in the risk measurement processes is inappropriately designed or not properly implemented, or the conclusions derived by the models are inaccurate and/or inadequate. The company is currently benefiting from the Value-at-Risk Model in the measurement of market risk and another model in the measurement of earthquake risk. The probability that these models fail in producing accurate and adequate results is evaluated under this risk category.

In the measurement and evaluation of Model Risk, “Questionnaire” and/or “Interview” methods are employed on the basis of “Self Assessment Methodology”, to determine the impact and probability level of the risk as “High”, “Reasonable” or “Low”. The report on the conclusions is submitted to the Board of Directors. If the impact and probability level of the risk is found “high”, the Board of Directors determines an action plan regarding the necessary transactions.

Market Risk: This risk expresses the probability of loss because of the interest rate risk, currency risk and stock position risk occurring in the financial position of the company due to the interest, currency and price changes arising from the volatilities in financial markets.

The said risk is measured by using a method named Value at Risk. This method measures the maximum loss, which the company’s portfolio may be exposed to as a result of negative changes arising from the volatilities in interest rates, currencies and equity prices, in a given time period and using a given confidence level.

While calculating Value at Risk, Historical Simulation Method, which creates different scenarios using the past data, is applied and a confidence level of 99% and one day holding period are taken as basis. In addition to the daily calculated Value at Risk, the tests which are mentioned here below are applied monthly:

• Back Testing
• Stress Tests
• Scenario Analysis

These tests, which are the supporting factors of Value at Risk method in calculating the loss caused by unexpected and extraordinary situations, aim to test the accuracy of the measurement results and to monitor the sensitivity of the company portfolio to the changes in basic risk factors.

The report, which includes the measurement and test results in respect of Value at Risk, is submitted to the Board of Directors. The company's limit of value at Market Risk is set as 1% of the portfolio value and action plan to remedy any violation of this limit is defined by the Risk Committee and relevant developments are reported to the Board of Directors.

Liquidity Risk: This risk, which is considered within the context of market risk, expresses the probability of insolvency of the company. The liquidity deficit of the company is monitored by way of maturity analysis of the assets and liabilities in the balance sheet. Liquidity ratios and their performance compared with the prior year are also monitored periodically. The report in respect of the results is submitted to the Board of Directors.

Credit Risk: This risk expresses the probability of loss arising from the full or partial default of the counterparties which have a business relationship with our company.

To measure the credit risk, financial positions of counterparty companies, their payment performances, and the ratings of such companies assigned by the international rating agencies with respect to retrocessioners are considered. In respect of the said risk, the structure of the reinsurance protection programs purchased, limits, changes in the capacities, concentration of reinsurers in the programs, their ratings which indicate the financial strength, and overdue receivables are examined by the Risk Management Unit and the report in respect of the results is submitted to the Board of Directors.

Operational Risks: This risk expresses the probable losses arising from inappropriate or inoperative business processes, human errors, technological or infrastructural interruptions, business interruption, process changes, incorrect internal/external reporting or external factors occurring while the company executes its vital functions necessary for business continuity. Qualitative and quantitative methods are used together in measuring the operational risks. On the basis of "Self-Assessment Methodology", which ensures determination of the risks in respect of executed activities via the participation of the staff responsible for the relevant activity, "Questionnaire" and "Interview" methods are used and then impact-probability analysis is implemented. The report in respect of the results is submitted to the Board of Directors. If the impact and probability level of the risk is found "high", the Board of Directors determines an action plan regarding the necessary transactions.

Reinsurance Risk: This risk, which arises from the inaccurate and inefficient application of reinsurance techniques in the process of making profit by underwriting and retrocession activities, cannot be expressed as a numerical value. However, in order to keep it under control, important points to be considered when determining underwriting limits, retentions and retrocession cover are stated under the "Risk Limits" contained in the "Risk Policies and Implementation Principles".

The report, which includes the company's underwriting portfolio, the amount of reinsurance protection purchased, estimated premium income, overdue receivables, concentration risk and considerations regarding the risk of excessive increase of the premium, is submitted to the Board of Directors.

Measurement of the Capital Adequacy

The capital adequacy of the company is measured in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy of Insurance and Reinsurance and Private Pension Companies and the results are reported to the Board of Directors. The method, which is used in accordance with this regulation, enables calculation of the required capital by taking all the risks of the company into consideration separately.

Financial Strength Figures

Financial Ratios

(%)	2004	2005	2006	2007	2008
1. Capital Adequacy Ratios					
Gross Premiums/Shareholders' Equity	314	155	159	119	127
Shareholders' Equity/Total Assets	30	47	47	58	48
Shareholders' Equity/Net Technical Provisions	47	95	96	149	101
2. Asset Quality and Liquidity Ratios					
Liquid Assets/Total Assets	76	58	68	69	71
Liquidity Ratio	137	136	158	166	142
Current Ratio	158	151	174	184	163
Receivables from Technical Operations/Total Assets	12	7	7	6	10
3. Operational Ratios					
Retention Ratio	85	88	87	91	94
Paid Claims/Paid Claims+Outstanding Claims	69	70	67	70	63
4. Profitability Ratios					
Loss Ratio (Gross)	70	68	74	75	80
Loss Ratio (Net)	74	73	77	78	84
Expense Ratio	23	22	23	23	14
Combined Ratio	93	90	97	98	94
Profit Before Tax/Gross Premiums	4	8	8	11	19
Gross Financial Profit/Gross Premiums	6	4	7	11	15
Technical Profit/Gross Premiums	(2)	4	1	1	5

Capital Adequacy (TL mn)	2005	2006	2007	2008
Required Capital	177.6	189.0	177.4	197.3
Shareholders' Equity Computed	562.2	637.2	643.5	588.8 *
Surplus	384.6	448.2	466.1	391.5

* Prepared in accordance with the principles set out in the Regulation on the Measurement and Evaluation of Capital Adequacy in Insurance, Reinsurance and Pension companies published in the Official Gazette issue 27156 dated 01 March 2009.

Evaluation of the Financial Strength, Profitability and Solvency Margin

Financial analysis ratios as reference to the evaluation regarding the financial strength of the company have had a favorable development in conformity with the evaluation criteria of the Regulation.

The shareholders' equity of the company is sufficient to fulfill its ongoing obligations and the company's capital adequacy has yielded a positive result of TL 391.5 million.

Key Financial Figures

(TL)	2004	2005	2006	2007	2008
Assets					
Cash and Cash Equivalents	120,370,423.31	267,895,204.47	366,211,357.10	311,941,657.75	489,476,208.32
Securities	346,881,094.01	314,034,502.11	406,379,771.46	537,759,472.39	496,207,491.90
Affiliates and Subsidiaries	38,000.00	138,420,403.32	129,358,928.61	143,230,060.84	87,023,240.53
Fixed Assets	61,931,913.95	120,899,723.80	85,441,669.48	83,060,996.66	65,234,219.12
Doubtful Receivables (Net)	0.00	0.00	0.00	0.00	0.00
Total Assets	616,430,829.57	995,743,137.60	1,132,446,702.13	1,222,852,210.59	1,389,269,171.83
Liabilities					
Technical Provisions	386,685,062.20	488,780,518.08	556,400,818.43	473,009,196.44	658,467,830.40
Shareholders' Equity*	183,200,061.17	465,702,249.22	536,666,853.19	706,923,351.68	666,717,416.60
Income and Expenses Items					
Technical Income	903,753,011.62	1,204,177,461.25	1,409,813,980.59	1,443,738,234.31	1,458,553,309.78
Technical Expenses	917,597,388.77	1,177,867,202.10	1,405,097,993.67	1,437,779,295.32	1,418,640,086.40
Technical Profit/Loss	(13,844,377.14)	26,310,259.15	4,715,986.92	5,958,938.99	39,913,223.38
Financial Income	95,549,545.42	82,665,716.46	96,418,078.71	131,590,904.48	164,799,000.10
Financial Expenses	24,284,028.87	36,013,569.38	33,770,321.52	45,994,434.75	62,614,799.24
General Expenses	45,846,359.04	36,041,280.99	18,950,609.02	18,879,748.83	10,430,641.46
Financial Profit/Loss	25,419,157.51	10,610,866.09	43,697,148.17	66,716,720.90	91,753,559.40
Profit/Loss for the Period	11,574,780.37	36,921,125.24	48,413,135.09	72,675,659.89	131,666,782.78

* Including Profit for the Period

Independent Auditors' Report

MİLLİ REASÜRANS TÜRK ANONİM ŞİRKETİ

INDEPENDENT AUDITORS' REPORT FOR THE PERIOD1 JANUARY - 31 DECEMBER 2008

To the Board of Directors of Millî Reasürans T.A.Ş.,

We have audited the accompanying the balance sheet of Millî Reasürans T.A.Ş. as at December 31, 2008 and the income statement, cash flow and changes in the shareholders' equity for the year then ended, and have prepared a summary of significant accounting policies and other notes to the financial statements.

Board of Director's Responsibility:
The Board of Directors of Millî Reasürans T.A.Ş. is responsible for the preparation and fair presentation of these financial statements in accordance with the current accounting principles and standards within the related legislation. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility:
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with those standards which require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements give true and fair presentation. Our independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the financial statements prepared by the management in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Opinion:
In our opinion, in all material respects; the financial statements give a true and fair view of the financial position of Millî Reasürans T.A.Ş. as of December 31, 2008 and of its financial performance and its cash flows for the year then ended in accordance with current accounting principles and standards within the related legislation.

MGI BAĞIMSIZ DENETİM VE
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

ERHAN ÖZDEMİR, CPA
Managing Partner
Istanbul, 16 February 2009

Millî Reasürans T.A.Ş.

Detailed Balance Sheet (TL)

ASSETS

I- Current Assets		Note	31.12.2008
A-	**Cash and Cash Equivalents**		**489,476,208.32**
1-	Cash	14	13,542.12
2-	Cheques Received	14	6,555.00
3-	Banks	4.2.3, 12.4	489,456,111.20
4-	Cheques Given and Payment Orders (-)		
5-	Other Cash and Cash Equivalents		
B-	**Financial Assets and Financial Investments at Insureds' Risk**		**496,207,491.90**
1-	Financial Assets Available-for-sale	4.2.3, 11.1	56,041,916.98
2-	Financial Assets Held to Maturity	4.2.3, 11.1	115,445,787.51
3-	Trading Financial Assets	4.2.3, 11.1	324,719,787.41
4-	Loans		
5-	Provision for Loans (-)		
6-	Financial Investments at Life Insurance Policyholders' Risk		
7-	Company's Share		
8-	Provision for Diminution in Value of Financial Assets (-)		
C-	**Receivables from Technical Operations**	**17.19**	**143,642,210.55**
1-	Due from Insurance Operations		
2-	Provision for Due from Insurance Operations (-)		
3-	Due from Reinsurance Operations	2.1.1.e,f, 12, 45.2	77,872,737.00
4-	Provision for Due from Reinsurance Operations (-)		
5-	Reserves with Insurance&Reinsurance Companies	12	65,769,473.55
6-	Loans and Mortgages to Insureds		
7-	Provision for Loans and Mortgages to Insureds (-)		
8-	Due from Pension Operations		
9-	Doubtful Receivables from Operations		
10-	Provision for Doubtful Receivables from Operations (-)		
D-	**Receivables from Related Parties**		**17,647.03**
1-	Due from Shareholders		
2-	Due from Affiliates		
3-	Due from Subsidiaries		
4-	Due from Joint-Ventures		
5-	Due from Personnel		
6-	Due from Other Related Parties	47.1.a	17,647.03
7-	Rediscount on Due from Related Parties (-)		
8-	Doubtful Receivables from Related Parties		
9-	Provision for Doubtful Receivables from Related Parties (-)		
E-	**Other Receivables**		**618,856.25**
1-	Leasing Receivables		
2-	Unearned Leasing Interest Income (-)		
3-	Deposits and Guarantees Given	47.1.a	608,264.46
4-	Other Receivables	47.1.a	10,591.79
5-	Rediscount on Other Receivables (-)		
6-	Other Doubtful Receivables		
7-	Provision for Other Doubtful Receivables (-)		
F-	**Prepaid Expenses for Future Months and Income Accruals**		**93,492,123.67**
1-	Prepaid Expenses for Future Months	4.1.2.4	93,017,472.74
2-	Accrued Interest and Rental Income		
3-	Income Accruals		474,650.93
4-	Other Prepaid Expenses for Future Months and Other Income Accruals		
G-	**Other Current Assets**		**9,518,417.55**
1-	Inventories		45,095.05
2-	Prepaid Taxes and Funds	47.1.a	8,118,109.76
3-	Deferred Tax Assets		
4-	Work Advances	47.1.a	2,451.70
5-	Advances to Personnel		
6-	Inventory Shortages		
7-	Other Current Assets	47.1.a	1,352,761.04
8-	Provision for Other Current Assets(-)		
I-	**Total Current Assets**		**1,232,972,955.27**

Millî Reasürans T.A.Ş.

Detailed Balance Sheet (TL)

ASSETS II- Non-Current Assets		Note	31.12.2008
A-	Receivables from Technical Operations		0.00
1-	Due from Insurance Operations		
2-	Provision for Due from Insurance Operations (-)		
3-	Due from Reinsurance Operations		
4-	Provision for Due from Reinsurance Operations (-)		
5-	Reserves with Insurance&Reinsurance Companies		
6-	Loans and Mortgages to Insureds		
7-	Provision for Loans and Mortgages to Insureds (-)		
8-	Due from Pension Operations		
9-	Doubtful Receivables from Operations	12.1, 45.3	9,423,967.33
10-	Provision for Doubtful Receivables from Operations (-)	12.1, 45.3	-9,423,967.33
B-	Receivables from Related Parties		0.00
1-	Due from Shareholders		
2-	Due from Affiliates		
3-	Due from Subsidiaries		
4-	Due from Joint-Ventures		
5-	Due from Personnel		
6-	Due from Other Related Parties		
7-	Rediscount on Due from Related Parties (-)		
8-	Doubtful Receivables from Related Parties		
9-	Provision for Doubtful Receivables from Related Parties (-)		
C-	Other Receivables		0.00
1-	Leasing Receivables		
2-	Unearned Leasing Interest Income (-)		
3-	Deposits and Guarantees Given		
4-	Other Receivables		
5-	Rediscount on Other Receivables (-)		
6-	Other Doubtful Receivables		
7-	Provision for Other Doubtful Receivables (-)		
D-	Financial Assets		87,023,240.53
1-	Long Term Securities		
2-	Affiliates	9,11.4, 45.4	86,277,033.86
3-	Capital Commitments for Affiliates (-)		
4-	Subsidiaries	11.4, 45.4	746,206.67
5-	Capital Commitments for Subsidiaries (-)		
6-	Joint-Ventures		
7-	Capital Commitments for Joint-Ventures (-)		
8-	Financial Assets and Financial Investments at Insureds' Risk		
9-	Other Financial Assets		
10-	Provision for Diminution in Value of Financial Assets (-)		
E-	Tangible Assets		63,980,971.61
1-	Real Estate Investments	2.6, 7	41,342,838.97
2-	Provision for Diminution in Value of Real Estate Investments (-)		
3-	Company Occupied Real Estate	6.3	31,392,944.97
4-	Machinery and Equipment		
5-	Fixtures and Furniture	6.3	1,837,466.83
6-	Motor Vehicles	6.3	319,949.23
7-	Other Tangible Assets (Including Special Costs)		
8-	Leased Assets		
9-	Accumulated Amortization (-)	6.3	-10,912,228.39
10-	Advances Given for Tangible Assets (Including Construction in Progress)		
F-	Intangible Assets		1,253,247.51
1-	Rights	8	1,487,645.49
2-	Goodwill		
3-	Start-up Costs		
4-	Research and Development Expenses		
5-	Other Intangible Assets		
6-	Accumulated Amortization (-)	8	-234,397.98
7-	Advances Given for Intangible Assets		
G-	Prepaid Expenses for Future Years and Income Accruals		80,721.90
1-	Prepaid Expenses for Future Years		80,721.90
2-	Income Accruals		
3-	Other Prepaid Expenses for Future Years and Other Income Accruals		
H-	Other Non-Current Assets		3,958,035.01
1-	Effective Foreign Currency Accounts		
2-	Foreign Currency Accounts		
3-	Inventories for Future Years		
4-	Prepaid Taxes and Funds		
5-	Deferred Tax Assets	35	3,958,035.01
6-	Other Non-Current Assets		
7-	Other Non-Current Assets Amortization (-)		
8-	Provision for Diminution in Value of Other Non-Current Assets (-)		
II-	Total Non-Current Assets		156,296,216.56
Total Assets (I+II)			1,389,269,171.83

Millî Reasürans T.A.Ş.

Detailed Balance Sheet (TL)

LIABILITIES

III- Short-Term Liabilities		Note	31.12.2008
A-	**Financial Liabilities**		**0.00**
1-	Due to Credit Institutions		
2-	Leasing Payables		
3-	Deferred Leasing Costs (-)		
4-	Current Maturities of Long-Term Credits and Accrued Interest		
5-	Current Maturities of Issued Bonds and Accrued Interest		
6-	Other Issued Financial Assets		
7-	Value Difference of Other Issued Financial Assets (-)		
8-	Other Financial Payables (Liabilities)		
B-	**Payables from Operations**	**17.19**	**28,507,185.86**
1-	Payables from Insurance Operations		
2-	Payables from Reinsurance Operations	2.1.1.f, 19.1, 45.2	27,625,774.37
3-	Reserves of Insurance&Reinsurance Companies	19.1	881,411.49
4-	Payables from Pension Operations		
5-	Payables from Other Operations		
6-	Rediscounts on Other Notes Payable (-)		
C-	**Due to Related Parties**		**78,750.05**
1-	Due to Shareholders	12.2, 45.2	22,604.69
2-	Due to Affiliates		
3-	Due to Subsidiaries		
4-	Due to Joint-Ventures		
5-	Due to Personnel		
6-	Due to Other Related Parties	19.1	56,145.36
D-	**Other Payables**		**237,963.84**
1-	Deposits and Guarantees Received		
2-	Other Payables	19.1, 47.1	237,963.84
3-	Rediscount on Other Payables (-)		
E-	**Insurance Technical Provisions**		**658,467,830.40**
1-	Provision for Unearned Premiums-Net	2.1.1.c	358,959,154.68
2-	Provision for Unexpired Risks-Net	2.1.1.c	7,442,223.72
3-	Mathematical Reserves (Life)-Net	2.1.1.c	873,512.40
4-	Provision for Outstanding Losses and Indemnities-Net	2.1.1.c	284,675,419.82
5-	Provision for Bonus and Reduction-Net		
6-	Provision for Investment Risk at Life Insurance Policyholders-Net		
7-	Other Technical Provisions-Net	2.1.1.c	6,517,519.78
F-	**Taxes Payable and Other Fiscal Liabilities and Provisions**		**10,365,326.10**
1-	Taxes and Funds Payable	23.1	854,337.92
2-	Social Security Withholdings Payable	23.1	70,050.11
3-	Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		
4-	Other Taxes and Fiscal Liabilities		
5-	Provision for Corporate Tax and Other Legal Liabilities	35	33,590,534.96
6-	Prepaid Corporate Tax and Other Fiscal Liabilities on Profit (-)		-24,149,596.89
7-	Provisions for Other Taxes and Fiscal Liabilities		
G-	**Provisions for Other Risks**		**0.00**
1-	Provision for Employment Termination Benefits		
2-	Provision for Social Benefit Fund Deficits		
3-	Provision for Costs		
H-	**Income Related to Future Months and Expense Accruals**	**19.1**	**3,353,449.65**
1-	Income Related to Future Months	4.1.2.4, 19.1	3,123,819.67
2-	Expense Accruals		229,629.98
3-	Other Income Related to Future Months and Expense Accruals		
I-	**Other Short-Term Liabilities**		**0.00**
1-	Deferred Tax Liabilities		
2-	Inventory Overages		
3-	Other Short-Term Liabilities		
III-	**Total Short-Term Liabilities**		**701,010,505.90**

Millî Reasürans T.A.Ş.

Detailed Balance Sheet (TL)

LIABILITIES

IV- Long-Term Liabilities		Note	31.12.2008
A-	**Financial Liabilities**		**0.00**
1-	Due to Credit Institutions		
2-	Leasing Payables		
3-	Deferred Leasing Costs (-)		
4-	Bonds Issued		
5-	Other Issued Financial Assets		
6-	Value Difference of Other Issued Financial Assets (-)		
7-	Other Financial Payables (Liabilities)		
B-	**Payables from Operations**		**0.00**
1-	Payables from Insurance Operations		
2-	Payables from Reinsurance Operations		
3-	Reserves of Insurance&Reinsurance Companies		
4-	Payables from Pension Operations		
5-	Payables from Other Operations		
6-	Rediscount on Other Notes Payable (-)		
C-	**Due to Related Parties**		**0.00**
1-	Due to Shareholders		
2-	Due to Affiliates		
3-	Due to Subsidiaries		
4-	Due to Joint-Ventures		
5-	Due to Personnel		
6-	Due to Other Related Parties		
D-	**Other Payables**		**0.00**
1-	Deposits and Guarantees Received		
2-	Other Payables		
3-	Rediscount on Other Payables (-)		
E-	**Insurance Technical Provisions**		**0.00**
1-	Provision for Unearned Premiums-Net		
2-	Provision for Unexpired Risks-Net		
3-	Mathematical Reserves (Life)-Net		
4-	Provision for Outstanding Losses and Indemnities-Net		
5-	Provision for Bonus and Reduction-Net		
6-	Provision for Investment Risk at Life Insurance Policyholders-Net		
7-	Other Technical Provisions-Net		
F-	**Other Liabilities and Provisions**		**0.00**
1-	Other Liabilities		
2-	Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		
3-	Provisions for Other Debts and Expenses		
G-	**Provisions for Other Risks**		**21,502,073.46**
1-	Provision for Employment Termination Benefits	2.19, 22	3,319,474.00
2-	Provision for Social Benefit Fund Deficits	22, 23.1	18,182,599.46
H-	**Income related to Future Years and Expense Accruals**		**39,175.87**
1-	Income Related to Future Years		
2-	Expense Accruals		
3-	Other Income Related to Future Years and Expense Accruals		39,175.87
I-	**Other Long-Term Liabilities**		**0.00**
1-	Deferred Tax Liabilities		
2-	Other Long-Term Liabilities		
IV-	**Total Long-Term Liabilities**		**21,541,249.33**

Millî Reasürans T.A.Ş.

Detailed Balance Sheet (TL)

SHAREHOLDERS' EQUITY

V- Shareholders' Equity		Note	31.12.2008
A-	**Paid-Up Capital**		**385,000,000.00**
1-	Nominal Capital	1.1, 2.13, 15	385,000,000.00
2-	Unpaid Capital (-)		
3-	Capital Reserve Due to Inflation Adjustment of Paid-Up Capital		
4-	Capital Reserve Due to Inflation Adjustment of Paid-Up Capital (-)		
B-	**Capital Reserves**		**269,527.49**
1-	Share Premium		
2-	Share Cancellation Profits		
3-	Sales Profits to be Transferred to Share Capital		
4-	Currency Translation Differences		
5-	Other Capital Reserves	15.2	269,527.49
C-	**Profit Reserves**		**216,672,825.69**
1-	Legal Reserves	15.2	23,591,597.43
2-	Statutory Reserves	15.2	82,500,000.00
3-	Extraordinary Reserves		
4-	Special Reserves		
5-	Valuation of Financial Assets	15.2, 16.5	-27,074,577.36
6-	Other Profit Reserves	15.2, 47.1	137,655,805.62
D-	**Retained Earnings**		**4,389,807.00**
1-	Retained Earnings	2.1.1.b, 47.4	4,389,807.00
E-	**Losses from Previous Years (-)**		**-71,281,526.36**
1-	Losses from Previous Years	2.1.1.b, 47.4	-71,281,526.36
F-	**Net Profit for the Period**		**131,666,782.78**
1-	Net Profit for the Period	15.2	131,666,782.78
2-	Net Loss for the Period (-)		0.00
V-	**Total Shareholders' Equity**	**15**	**666,717,416.60**
Total Liabilities (III+IV+V)			**1,389,269,171.83**

Millî Reasürans T.A.Ş.

Detailed Income Statement (TL)

I- TECHNICAL ACCOUNT		Note	Current Period
A-	**Non-Life Technical Income**		**737,558,451.93**
1-	Earned Premiums (Net of Reinsurance)		668,997,316.79
1.1-	Written Premiums (Net of Reinsurance)	2.1.1.d,24	780,667,313.03
1.1.1-	Written Premiums (Gross) (+)	2.21	833,545,575.36
1.1.2-	Premiums Ceded to Retrocessionaires (-)	17	-52,878,262.33
1.2-	Change in Provision for Unearned Premiums (Net of Reinsurance) (+/-)		-110,501,100.01
1.2.1-	Provision for Unearned Premiums (-)	2.1.1.c	-108,737,952.19
1.2.2-	Retrocessionaires' Share in Provision for Unearned Premiums (+)	17	-1,763,147.82
1.3-	Change in Provision for Unexpired Risks (Net of Reinsurance) (+/-)		-1,168,896.23
1.3.1-	Provision for Unexpired Risks (-)	2.1.1.c	-1,168,896.23
1.3.2-	Retrocessionaires' Share in Provision for Unexpired Risks (+)		0.00
2-	Investment Income Transferred from Non-Technical Account	1.7	53,937,213.35
3-	Other Technical Income (Net of Reinsurance)		14,623,921.79
3.1-	Other Technical Income (Gross) (+)		14,623,921.79
3.2-	Retrocessionaires' Share in Other Technical Income (-)		0.00
B-	**Non-Life Technical Expenses (-)**		**-698,707,241.29**
1-	Losses Incurred (Net of Reinsurance)		-568,594,582.91
1.1-	Losses Paid (Net of Reinsurance)	4.1.2.2	-509,551,426.27
1.1.1-	Losses Paid (Gross) (-)	4.1.2.2	-529,702,248.46
1.1.2-	Retrocessionaires' Share in Losses Paid (+)	4.1.2.2,17.16	20,150,822.19
1.2-	Change in Provision for Outstanding Losses (Net of Reinsurance) (+/-)		-59,043,156.64
1.2.1-	Provision for Outstanding Losses (-)	2.1.1.c	-50,005,453.68
1.2.2-	Retrocessionaires' Share in Provision for Outstanding Losses (+)	17	-9,037,702.96
2-	Change in Provision for Bonus and Reduction (Net of Reinsurance) (+/-)		0.00
2.1-	Provision for Bonus and Reduction (-)		0.00
2.2-	Retrocessionaires' Share in Provision for Bonus and Reduction (+)		0.00
3-	Change in Other Technical Provisions (Net of Reinsurance) (+/-)	2.1.1.c	-6,517,519.78
4-	Operating Expenses (-)	32.1	-123,595,138.60
C-	**Balance on Non-Life Technical Account (A - B)**		**38,851,210.64**

Millî Reasürans T.A.Ş.

Detailed Income Statement (TL)

I- TECHNICAL ACCOUNT		Note	Current Period
D-	**Life Technical Income**		**14,596,339.50**
1-	Earned Premiums (Net of Reinsurance)		13,914,813.74
1.1-	Written Premiums (Net of Reinsurance)	2.1.1.d,24	14,861,436.05
1.1.1-	Written Premiums (Gross) (+)	2.21	15,516,686.59
1.1.2-	Premiums Ceded to Retrocessionaires (-)	17	-655,250.54
1.2-	Change in Provision for Unearned Premiums (Net of Reinsurance) (+/-)		-946,622.31
1.2.1-	Provision for Unearned Premiums (-)	2.1.1.c	-1,099,480.51
1.2.2-	Retrocessionaires' Share in Provision for Unearned Premiums (+)	17	152,858.20
1.3-	Change in Provision for Unexpired Risks (Net of Reinsurance) (+/-)		0.00
1.3.1-	Provision for Unexpired Risks (-)		0.00
1.3.2-	Retrocessionaires' Share in Provision for Unexpired Risks (+)		0.00
2-	Investment Income		642,310.15
3-	Unrealized Profits on Investments		0.00
4-	Other Technical Income (Net of Reinsurance)		39,215.61
E-	**Life Technical Expenses**		**-13,534,326.76**
1-	Claims Incurred (Net of Reinsurance)		-8,118,998.22
1.1-	Claims Paid (Net of Reinsurance)	4.1.2.2	-6,846,357.34
1.1.1-	Claims Paid (Gross) (-)	4.1.2.2	-6,867,373.34
1.1.2-	Retrocessionaires' Share in Claims Paid (+)	4.1.2.2,17.16	21,016.00
1.2-	Change in Provision for Outstanding Indemnities (Net of Reinsurance) (+/-)		-1,272,640.88
1.2.1-	Provision for Outstanding Indemnities (-)	2.1.1.c	-1,621,011.99
1.2.2-	Retrocessionaires' Share in Provision for Outstanding Indemnities (+)	17	348,371.11
2-	Change in Provision for Bonus and Reduction (Net of Reinsurance) (+/-)		0.00
2.1-	Provision for Bonus and Reduction (-)		0.00
2.2-	Retrocessionaires' Share in Provision for Bonus and Reduction (+)		0.00
3-	Change in Mathematical Reserves (Net of Reinsurance) (+/-)		264,629.38
3.1-	Mathematical Reserves (-)	2.1.1.c	264,629.38
3.2-	Retrocessionaires' Share in Mathematical Reserves (+)		0.00
4-	Change in Provision for Investment Risk at Life Insurance Policyholders (Net of Reinsurance) (+/-)		0.00
4.1-	Provision for Investment Risk at Life Insurance Policyholders (-)		0.00
4.2-	Retrocessionaires' Share in Provision for Investment Risk at Life Insurance Policyholders (+)		0.00
5-	Change in Other Technical Provisions (Net of Reinsurance) (+/-)		0.00
6-	Operating Expenses (-)	32.1	-5,679,957.92
7-	Investment Expenses (-)		0.00
8-	Unrealized Losses on Investments (-)		0.00
9-	Investment Income Transferred to Non-Technical Account (-)		0.00
F-	**Balance on Life Technical Account (D – E)**		**1,062,012.74**
G-	**Pension System Technical Income**		**0.00**
1-	Fund Management Income		0.00
2-	Management Expenses Deduction		0.00
3-	Entrance Fee Income		0.00
4-	Management Expenses Deduction for Temporary Suspension		0.00
5-	Special Service Fees		0.00
6-	Capital Allocation Advance Appreciation Income		0.00
7-	Other Technical Income		0.00
H-	**Pension System Technical Expenses**		**0.00**
1-	Fund Management Expenses (-)		0.00
2-	Capital Allocation Advance Depreciation Expenses (-)		0.00
3-	Operating Expenses (-)		0.00
4-	Other Technical Expenses (-)		0.00
I-	**Balance on Pension System Technical Account (G – H)**		**0.00**

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Detailed Income Statement (TL)

II- NON-TECHNICAL ACCOUNT		Note	Current Period
C-	**Balance on Non-Life Technical Account (A-B)**		**38,851,210.64**
F-	**Balance on Life Technical Account (D-E)**		**1,062,012.74**
I -	**Balance on Pension System Technical Account (G-H)**		**0.00**
J-	**Balance on Technical Account (C+F+I)**		**39,913,223.38**
K-	**Investment Income**		**218,251,647.63**
1-	Income from Financial Investments	26	112,273,090.74
2-	Profits from Realization of Financial Investments	26	14,349,038.04
3-	Valuation of Financial Investments	26	17,721,805.99
4-	Currency Translation Gains	36	40,156,604.74
5-	Income from Affiliates	2.21,26	25,532,391.98
6-	Income from Subsidiaries and Joint-Ventures		0.00
7-	Income from Land and Buildings	26	8,082,466.14
8-	Income from Derivatives	26	24,000.00
9-	Other Investments	26	112,250.00
10-	Investment Income Transferred from Life Technical Account		0.00
L-	**Investment Expenses (-)**		**-85,455,492.60**
1-	Investment Management Expenses-Interest Included (-)	32.1	-8,816,429.17
2-	Investments Depreciation (-)		0.00
3-	Losses from Realization of Financial Investments (-)		-6,287,187.59
4-	Investment Income Transferred to Non-Life Technical Account (-)	1.7	-53,937,213.35
5-	Losses from Derivatives (-)		0.00
6-	Currency Translation Losses (-)	36	-14,392,745.40
7-	Amortization Expenses (-)	6.1	-2,021,917.09
8-	Other Investment Expenses (-)		0.00
M-	**Income and Expenses from Other and Extraordinary Operations (+/-)**		**-7,452,060.67**
1-	Provisions (+/-)	47.1.b	-8,246,603.79
2-	Rediscounts (+/-)	2.1.1.f,47.1.b	-219,601.83
3-	Specialty Insurances (+/-)		0.00
4-	Inflation Adjustment (+/-)		0.00
5-	Deferred Tax Asset (+/-)	2.1.1.j,35	959,257.15
6-	Deferred Tax Obligations Expenses (-)		0.00
7-	Other Income and Profits	47.1.b	102,180.53
8-	Other Expenses and Losses (-)	47.1.b	-47,292.73
9-	Prior Year's Income and Profits		0.00
10-	Prior Year's Expenses and Losses (-)		0.00
N-	**Net Profit/Loss for the Period**		**131,666,782.78**
1-	Profit/Loss for the Period		165,257,317.74
2-	Taxes and Legal Obligations Payable (-)	35	-33,590,534.96
3-	Net Profit/Loss for the Period		131,666,782.78
4-	Inflation Adjustment		0.00

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Statement of Changes in Equity (TL)

	Capital	Equity Shares Owned by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital
PRIOR PERIOD				
I - Closing Balance of Prior Period (31/12/2006)	**343,000,000.00**	**0.00**	**41,369,871.24**	**0.00**
II - Effect of changes in accounting policy	**0.00**	**0.00**	**0.00**	**0.00**
III - As restated (I + II) (01/01/2007)	**343,000,000.00**	**0.00**	**41,369,871.24**	**0.00**
A- Capital Increase (A1 + A2)	42,000,000.00	0.00	0.00	0.00
1- Cash	0.00	0.00	0.00	0.00
2- Internal Sources	42,000,000.00	0.00	0.00	0.00
B- Equity shares purchased by the company	0.00	0.00	0.00	0.00
C- Income/(expense) recognized directly in the equity	0.00	0.00	6,112,149.88	0.00
D- Revaluation of Financial Assets	0.00	0.00	0.00	0.00
E- Translation reserves	0.00	0.00	0.00	0.00
F- Other income/(expense)	0.00	0.00	0.00	0.00
G- Inflation adjustment differences	0.00	0.00	0.00	0.00
H- Period net profit (or loss)	0.00	0.00	0.00	0.00
I - Dividends distributed	0.00	0.00	0.00	0.00
IV- Closing Balance (31/12/2007) (III+ A+B+C+D+E+F+G+H+I)	**385,000,000.00**	**0.00**	**47,482,021.12**	**0.00**
CURRENT PERIOD				
I - Closing Balance of Prior Period (31/12/2007)	**385,000,000.00**	**0.00**	**47,482,021.12**	**0.00**
A- Capital Increase	0.00	0.00	0.00	0.00
1- Cash	0.00	0.00	0.00	0.00
2- Internal Sources	0.00	0.00	0.00	0.00
B- Equity shares purchased by the company	0.00	0.00	0.00	0.00
C- Income/(expense) recognized directly in the equity	0.00	0.00	-74,556,598.48	0.00
D- Revaluation of Financial Assets	0.00	0.00	0.00	0.00
E- Translation reserves	0.00	0.00	0.00	0.00
F- Other income/(expense)	0.00	0.00	0.00	0.00
G- Inflation adjustment differences	0.00	0.00	0.00	0.00
H- Period net profit (or loss)	0.00	0.00	0.00	0.00
I - Dividends distributed	0.00	0.00	0.00	0.00
II- Closing Balance (31/12/2008) (I+ A+B+C+D+E+F+G+H+I)	**385,000,000.00**	**0.00**	**-27,074,577.36**	**0.00**

Millî Reasürans T.A.Ş.

Statement of Changes in Equity (TL)

Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earings	Net Profit/(Loss) for the Period	Previous Years' Profits/Losses (-)	Total
0.00	**10,498,709.82**	**12,500,000.00**	**80,885,137.04**	**48,413,135.09**	**0.00**	**536,666,853.19**
0.00	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
0.00	**10,498,709.82**	**12,500,000.00**	**80,885,137.04**	**48,413,135.09**	**0.00**	**536,666,853.19**
0.00	-1,577,955.37	0.00	-40,422,044.63	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	-1,577,955.37	0.00	-40,422,044.63	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	271,705.03	0.00	0.00	6,383,854.91
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	97,190,535.67	0.00	0.00	97,190,535.67
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	6,419,583.11	36,000,000.00	0.00	24,262,524.80	0.00	66,682,107.91
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	**15,340,337.56**	**48,500,000.00**	**137,925,333.11**	**72,675,659.89**	**0.00**	**706,923,351.68**
0.00	**15,340,337.56**	**48,500,000.00**	**137,925,333.11**	**72,675,659.89**	**0.00**	**706,923,351.68**
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	-66,891,719.36	-141,448,317.84
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	8,251,259.87	34,000,000.00	0.00	58,991,122.89	0.00	101,242,382.76
0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	**23,591,597.43**	**82,500,000.00**	**137,925,333.11**	**131,666,782.78**	**-66,891,719.36**	**666,717,416.60**

Millî Reasürans T.A.Ş.

Cash Flow Statement (TL)

		Note	Current Period
A.	**CASH FLOWS FROM THE OPERATING ACTIVITIES**		
1.	Cash inflows from insurance operations		0.00
2.	Cash inflows from reinsurance operations		169,653,941.00
3.	Cash inflows from pension operations		0.00
4.	Cash outflows due to the insurance operations (-)		0.00
5.	Cash outflows due to the reinsurance operations (-)		137,461,907.05
6.	Cash outflows due to the pension operations (-)		0.00
7.	Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		32,192,033.95
8.	Interest payments (-)		0.00
9.	Income tax payments (-)		0.00
10.	Other cash inflows		326,706.65
11.	Other cash outflows (-)		82,610,776.60
12.	Net cash generated from the operating activities	39	-50,092,036.00
B.	**CASH FLOWS FROM THE INVESTING ACTIVITIES**		
1.	Sale of tangible assets		20,278,590.00
2.	Purchase of tangible assets (-)		2,186,507.36
3.	Acquisition of financial assets (-)		2,732,825.20
4.	Sale of financial assets		61,135,065.28
5.	Interest received		128,271,229.34
6.	Dividends received		5,149,250.06
7.	Other cash inflows		6,230,197.54
8.	Other cash outflows (-)		521,482.76
9.	Net cash generated from the investing activities	39	215,623,516.90
C.	**CASH FLOWS FROM THE FINANCING ACTIVITIES**		
1.	Issue of equity shares		0.00
2.	Cash inflows from the loans to policyholders		0.00
3.	Payments of financial leases (-)		0.00
4.	Dividends paid (-)		30,747,662.22
5.	Other cash inflows		13,610,700.00
6.	Other cash outflows (-)		0.00
7.	Cash generated from the financing activities	39	-17,136,962.22
D.	**EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS**		**25,845,030.62**
E.	**NET INCREASE/(DECREASE) IN CASH AND EQUIVALENTS (A12+B9+C7+D)**		**174,239,549.30**
F.	**CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD**		**313,017,920.71**
G.	**CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (E+F)**	**14**	**487,257,470.01**

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Statement of Profit Distribution (TL)

		Note	Current Period
I.	**DISTRIBUTION OF PERIOD PROFIT**		
1.1.	PERIOD PROFIT		165,257,317.74
1.2.	TAXES AND DUTIES PAYABLE		33,590,534.96
1.2.1.	Corporate tax (Income tax)		33,590,534.96
1.2.2.	Income witholding tax		0.00
1.2.3.	Other taxes and duties		0.00
A.	**NET PERIOD PROFIT(1.1 – 1.2)**		**131,666,782.78**
1.3.	PRIOR PERIODS' LOSSES (-)		66,891,719.36
1.4.	FIRST LEGAL RESERVES		6,297,061.35
1.5.	COMPULSORY LEGAL FUNDS TO BE RETAINED AND INVESTED IN THE COMPANY (-)		1,804,449.89
B.	**NET PROFIT AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5)]**		**56,673,552.18**
1.6.	FIRST DIVIDEND TO SHAREHOLDERS (-)		6,297,061.35
1.6.1.	To Holders of Ordinary Shares		6,297,061.35
1.6.2.	To Holders of Preferred Shares		0.00
1.6.3	To Holders of Participating Redeemed Shares		0.00
1.6.4	To Holders of Bonds Participating to Profit		0.00
1.6.5	To Holders of Profit and Loss Sharing Certificates		0.00
1.7.	DIVIDENDS TO PERSONNEL (-)		1,256,294.73
1.8.	DIVIDENDS TO SHAREHOLDERS (-)		1,465,677.18
1.9.	DIVIDENDS TO BOARD OF DIRECTORS (-)		0.00
1.10.	SECOND DIVIDEND TO SHAREHOLDERS (-)		35,980,966.74
1.10.1.	To Holders of Ordinary Shares		35,980,966.74
1.10.2.	To Holders of Preferred Shares		0.00
1.10.3.	To Holders of Participating Redeemed Shares		0.00
1.10.4.	To Holders of Bonds Participating to Profit		0.00
1.10.5.	To Holders of Profit and Loss Sharing Certificates		0.00
1.11.	SECOND LEGAL RESERVES (-)		2,575,000.00
1.12.	STATUTORY RESERVES (-)		8,500,000.00
1.13.	EXTRAORDINARY RESERVES		0.00
1.14	OTHER RESERVES		598,552.18
1.15	SPECIAL FUNDS		
II.	**DISTRIBUTION OF RESERVES**		
2.1.	DISTRIBUTED RESERVES		
2.2.	SECOND LEGAL RESERVES (-)		
2.3.	DIVIDENDS TO SHAREHOLDERS (-)		
2.3.1.	To Holders of Ordinary Shares		
2.3.2	To Holders of Preferred Shares		
2.3.3.	To Holders Participating Redeemed Shares		
2.3.4	To Holders of Bonds Participating to Profit		
2.3.5	To Holders of Profit and Loss Sharing Certificates		
2.4.	DIVIDENDS TO PERSONNEL (-)		
2.5.	DIVIDENDS TO BOARD OF DIRECTORS (-)		
III.	**EARNINGS PER SHARE**		
3.1.	TO OWNERS OF ORDINARY SHARES		131,666,782.78
3.2.	TO OWNERS OF ORDINARY SHARES (%)		34.1992
3.3.	TO OWNERS OF PREFERRED SHARES		
3.4.	TO OWNERS OF PREFERRED SHARES (%)		
IV.	**DIVIDEND PER SHARE**		
4.1.	TO OWNERS OF ORDINARY SHARES		42,278,028.09
4.2.	TO OWNERS OF ORDINARY SHARES (%)		10.9813
4.3	TO OWNERS OF PREFERRED SHARES		
4.4.	TO OWNERS OF PREFERRED SHARES (%)		

Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

1. General Information

1.1. Name of the Company and the ultimate ownership (group)

Millî Reasürans T.A.Ş. (“the Company”), operating since 19 July 1929, is the subsidiary of Türkiye İş Bankası A.Ş. and its ultimate shareholder structure is detailed below:

	31 December 2008	
	Value of Stake	Stake (%)
T. İş Bankası A.Ş	295,056,373	76.64
Millî Reasürans T.A.Ş. Staff Pension Fund	40,586,839	10.54
Other	49,356,788	12.82
Total	**385,000,000**	**100.00**

1.2. Business address/legal form/registered office/applicable legislation

Millî Reasürans T.A.Ş. is a joint stock company, which was established in accordance with the requirements of Turkish Commercial Code, is located at Maçka Cad. No: 35, 34367 – Şişli/İstanbul and operates under the Law for Insurance Companies’ Audit numbered 5684.

1.3. Main operation of the Company

The Company’s core business is local and international reinsurance and retrocession. A branch office was opened in Singapore in 2007 upon the completion of the necessary local formalities according to the local legislation. Singapore Branch which did not operate in 2007 and started active underwriting in 2008.

1.4. Nature of operations and field of activities

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

1.5. Breakdown of staff

	31 December 2008
EXECUTIVE MANAGEMENT PERSONNEL	8
MANAGEMENT	25
OFFICERS	109
CONTRACT EMPLOYEES	9
OTHER	52
TOTAL	**203**

Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated

1.6. Remuneration and fringe benefits provided to executive management

As of 31 December 2008, the total remuneration and fringe benefits provided to executive management including as the Chairman and Members of the Board, Managing Director and Assistant General Directors is TL 3,125,762.57.

1.7. Criteria used in the distribution of investment income and operating expenses (personnel expenses, administration expenses, research and development expenses, marketing and sales expenses and outsourced benefits and services and other)

Investment income transferred from the non-technical account to the technical account

Expenses relating to administration, research and development, marketing, sales and advertising for the current period have been allocated to related technical branches. The amount of TL 53,937,213.35 followed under Investment Income Transferred from the Non-Technical Account has been transferred to related technical accounts in accordance with the "Circular regarding Criteria for the Preparation of Financial Statements under Unified Chart of Accounts" dated 04 January 2008 ref 2008/1.

All income derived from the investment of non-life technical provisions are transferred from the non-technical account to the technical account. Other investment income remains in the non-technical account. Transfers were done to each branch under technical accounts in the proportion corresponding to the percentage of the "net cash flow" for the related branch to the "total net cash flow", cash flow being net of reinsurance and calculated by deducting net paid losses from net written premiums. In the event that the net cash flow is negative for a specific branch, no investment income is transferred to that branch.

Investment income for mathematical reserves and provision for Bonus and Reduction is followed under technical accounts, other income is transferred to non technical accounts.

Transfer of operating expenses

In accordance with the approval of the Undersecretariat of Treasury dated 06.03.2008 ref 10222, the transfer of the personnel, administration, research and development, marketing and sales, outsourced benefits and services and other operating expenses which cannot be allocated to related technical branches directly, will be done on the basis of the gross premiums written under each branch for the last three years.

1.8. Solo or consolidated financial statements

In accordance with the 3rd article under "the Sectoral Announcement regarding Decrees prepared by the Undersecretariat of Treasury for Financial Reporting" dated 18 February 2008 ref 2008/9, "The draft decree for consolidated financial statements will be prepared in 2008 and is planned to come to effect during 2009. Therefore, Turkish Accounting Standards 27 are not currently applicable". Consequently, financial statements attached include information which solely belongs to Milli Re.

Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

1.9. Name and other information of the reporting company and subsequent changes to the balance sheet date

Name/Trade name	: Millî Reasürans T.A.Ş
Headquarter address	: Maçka Cad. No: 35, 34367 Şişli/İstanbul
Phone	: 0212 231 47 30
Fax	: 0212 219 38 34
Web page address	: www.millire.com
E-mail address	: info@millire.com

There has been no change in the above information since the previous balance sheet date.

1.10. Events after the balance sheet date

There has been no change in the Company's operations, documentation and records or principles after the balance sheet date.

2. Summary of Accounting Principles

2.1. Preparation

2.1.1. Preparation of financial statements and specific accounting principles used

Insurance and reinsurance companies are subject to the regulations as regards supervision, accounting, financial statements and reporting standards under the specific law. Consequently, financial statements for Milli Re have been prepared in accordance with the principles and regulations imposed by the Undersecretariat of Treasury for Insurance and Reinsurance Companies.

The Decree on "Financial Reporting of Insurance and Reinsurance and Pension Companies" was published on the Official Gazette No: 26852 on 14 July 2007 and come into effect as at 1 January 2008.

Article 4(1) of the Decree on "Financial Reporting of Insurance, Reinsurance and Pension Companies" imposes that excluding decrees issued by the Undersecretariat of Treasury regarding issues under Article (2) the accounting procedures as regards Company's operations are carried out in accordance with the regulations of financial statements requirements in the Decree and the Turkish Accounting Standards Board (TASB). Article 4(2) of the Decree imposes that principles and procedures governing insurance contracts, accounting procedures of subsidiaries, associates and captives, consolidated financial statements, publicly available financial statements and the related disclosures and notes are in accordance with the decrees issued by the Undersecretariat of Treasury.

Below requirements are set out as regards Article 4(2) of the Decree in the Sectoral Announcement ref 2008/9 issued on 18 February 2008:

1. TFRS 4 (Turkish Financial Reporting Standards) on "Insurance Contracts" is applicable for the accounting periods beginning on or after 31 December 2005. The Standard is effective as of 25 March 2006; however, it is not applicable for the current period since International Accounting Standards Board has not yet completed the second phase of the project. Principles and procedures on the preparation of notes and disclosures in relation to insurance contracts will be determined by a decree to be issued by the Undersecretariat of Treasury in case of need.

Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated

2. Accounting principles for subsidiaries, entities under common control and associates are determined by the Circular no: 2007/33 issued by the Undersecretariat of Treasury. In this respect, accounts for subsidiaries, entities under common control and associates should be followed in accordance with the specific criteria determined by the TASB until a related decree is issued by the Undersecretariat of Treasury.

3. Decree on the “Preparation of Consolidated Financial Statements of Insurance, Reinsurance and Pension Companies” was published in Official Gazette No: 27097 on 31 December 2008 to be effective as from 31.03.2009.

4. Decree on “Presentation of Publicly Available Financial Statements and Related Notes and Disclosures” issued by the Undersecretariat of Treasury was published in the Official Gazette No: 26851 on 18 April 2008 with immediate effect. Consequently, TAS 1 will not be applicable in this respect.

a. Adjustment of Financial Statements in Hyperinflationary Periods

In accordance with the statement issued by the Undersecretariat of the Treasury on 4 April 2005 no: 19387, the Company’s financial statements as of 31 December 2004 were adjusted and 01.01.2005 figures were prepared on the basis of the requirements set out in “the Preparation of Financial Statements in Hyperinflationary Periods” specified in the CMB’s Decree Volume: XI, No: 25 “Accounting Standards in Capital Markets” which was published in the Official Gazette No: 25290 on 15 November 2003. In addition, the preparation of financial statements in hyperinflationary periods has not been applied in accordance with the statement of the Undersecretariat of Treasury.

b. Comparative Information and Readjustment of Financial Statements for Previous Periods

The following readjustment were made in accordance with the Sectoral Announcement dated 14.05.2008 ref 2008/4 on “Questions Relating to Decrees on Capital Adequacy, Technical Provisions and Financial Reporting under Insurance Law ref 5684”:

Readjusted Item	
Profit for the Previous Period	
Deferred Tax for Pension Fund Asset Deficit Provisions	2,120,616.68
Discount on Retirement Benefit Provision	1,391,029.14
Deferred Tax for Retirement Benefit Readjustment	599,500.80
Deferred Tax for Pension Fund Additional Asset Deficit	278,660.38
Total	**4,389,807.00**

Loss for the Previous Period	
Pension Fund Asset Deficit Provision	10,603,083.38
Unexpired Risk Reserve	6,273,327.49
Pension Fund Additional Asset Deficit Difference (with 9.8% technical interest)	1,393,301.93
Readjustment of Merging Premium according to TAS	53,011,813.56
Total	**71,281,526.36**

Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

Details for the readjustment for the profit and loss for the previous periods other than the ones indicated in the Sectoral Announcement above can be found under note 47.4.

Company's financial statements as at 31 December 2008 have not been presented on a comparative basis with the financial statements as at 31 December 2007 as the provisional Article 1 of Decree on "Presentation of Financial Statements" numbered 2008/1 published on the Official Gazette No: 26851 on 18.04.2008; does not impose any obligation in this respect.

c. Technical Reserves

Technical reserves in financial statements such as, unearned premium reserve, outstanding claims reserve, unexpired risks reserve, equalization reserve, bonuses and reductions reserve and reinsurers' share in these reserves have been included in records in accordance with the Insurance Law No: 5684 effective at 14 June 2007 and the requirements set out in the Decree "Technical Provisions of Insurance and Reinsurance Companies and Pension Funds and Assets Held for Such Provisions "issued in the Official Gazette No: 26606 on 7 August 2007.

Unearned Premium Reserve

Unearned Premiums Reserve is calculated for insurance contracts on multiyear basis and renewed annually which do not involve. Unearned premium reserve is the proportion of the accrued premiums in force insurance contracts that are carried forward to the following account period(s) calculated on pro rata tempor is without deduction of commission or any other charges deduction. Since reinsurance and retrocession transactions cannot be calculated on pro rata tempor is 1/24 basis, unearned premium reserves can be calculated on 1/8 basis. The Company being a reinsurance company, calculates its unearned premium reserves on 1/8 basis. Unearned premium reserve for marine policies without definite expiration dates should be calculated on the basis of estimated expiration dates according to statistical data. In case this calculation is not possible, 50% of the accrued premiums during the last three months are retained as unearned premium reserves.

Reinsurers' share in unearned premium reserves is calculated in accordance with the terms of the reinsurance contracts in force.

Parts of brokerage paid to the intermediaries, commissions received on premiums ceded to reinsurers, shares in acquisition costs and premiums paid for non-proportional reinsurance treaty agreements which pertain to future periods are followed under deferred income and deferred expense accounts. Incentives, profit commissions and other similar commissions which are not explicitly provided in the contract are not taken into consideration in the calculation of deferred income and expense.

Unexpired Risk Reserve

Insurance companies are obliged to retain unexpired risk reserves for branches where the liability assumed over the contract period and the corresponding earned premiums are inconsistent, and also provided that the unearned premium reserve is inadequate for the Company's liabilities and estimated expenses. Insurance companies should apply an adequacy test for the last 12 months of each period to determine whether the claims from existing insurance contracts exceed unearned premium reserves for these contracts. This test is done by multiplying net unearned premium reserves

Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated

by estimated net loss ratios. Estimated net loss ratio is calculated by dividing the incurred claims (outstanding claims (net) + paid claims (net) – outstanding claims carried forward (net)) by earned premiums (premiums written (net) + unearned premiums reserve carried forward (net) – unearned premiums reserve (net)).

Given that the loss ratio exceeds 95% in branches determined by the Undersecretariat of Treasury, the amount exceeding 95% will be multiplied with net unearned premiums to calculate unexpired risk reserve. This ratio is determined as 100% for 2008.

As the result of the adequacy test applied on 31 December 2008 figures the amount of unexpired risk reserve is calculated as TL 7,442,223.72. On the other hand, by the article 1 of the sectoral announcement of the Undersecretariat of Treasury no 2008/33 issued on 28 July 2008 which requires the inclusion of unexpired risk reserve in the opening balance sheet and indication of its impact in retained earnings/accumulated losses, the Company registered TL 6,273,327.49 as unexpired risk reserve as at 31 December 2007 and this reserve was reflected in the financial statements as of 31 December 2008 as profit/losses for previous years and unexpired risks reserve.

Outstanding Claims Reserve

Companies are obliged to retain an outstanding loss reserve for claims incurred and calculated but have not been paid during the current or previous accounting periods or for claims incurred but not reported. Any recovery, salvage and all other income items should be deducted from o/s loss reserves.

Incurred but not reported claims should be determined on the basis of the last 12 months. Claims incurred before this period but reported after that are considered as incurred but not reported claims. Insurance and reinsurance companies calculate the weighted average ratio determined by dividing the incurred claims prior to the related periods but reported after the related periods for the last 5 years or over, which is net of recovery, salvage and other related incomes, to the premium for each related period. The incurred but not reported claims for the current accounting period is measured by multiplying the weighted average ratio by the total premium for the last 12 months.

However, in the current circumstances since no information is available for incurred but not reported losses and claims (IBNR) from ceding companies, the Company, is not able to calculate the outstanding claims reserve for incurred but not reported claims.

Outstanding claims reserve for the current accounting period cannot be less than the amount determined by the Undersecretariat of Treasury by the actuarial chain method.

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Insurance companies are required to prepare an adequacy table for their outstanding claim reserves for each branch at the end of each period using the format determined by the Undersecretariat of Treasury. This table should exhibit the outstanding claim reserve adequacy ratio, which is the proportion of outstanding claim reserves retained for the last five years to the total actual paid claims including all related expenses. If the average outstanding claim adequacy ratio, for the last 5 years excluding the current year, is below 95%, the difference between 95% and the ratio is multiplied by the current year's outstanding claims reserve to determine the difference in o/s loss adequacy. The ultimate outstanding claims reserve for the current year is calculated by adding the adequacy ratio difference separately for each branch. Since there is no information available from ceding companies to make this calculation possible, the Company is not able to calculate the outstanding claims reserve adequacy.

If the paid loss amount is more or less than the reserve the difference is reflected to the income statement for the related period.

In the calculation of reinsurers' share in outstanding claim reserve, the terms of inforce reinsurance contracts are taken into consideration.

Although it is required to calculate the outstanding claim reserve and the incurred but not reported claims on contract base, in the case where reinsurance companies are not in a position to receive contract based information from insurance companies, reinsurance companies can use the data provided to them by insurance companies. The Company uses the information provided ceding companies for the calculation of outstanding claims reserve.

Mathematical Reserves

Mathematical Reserves are calculated for each inforce contract in accordance with the technical specifications under the tariff, namely the sum of actuarial mathematical reserves being the difference between premiums for the risks undertaken and the current value of the liabilities to the policy holders and beneficiaries and dividends payable to the policyholders from financial income. Mathematical reserves indicated in the financial statements are provided to the Company by ceding companies.

Equalization Reserves

Insurance companies are required to retain equalization reserves for earthquake and credit insurances in order to equalize possible fluctuations in the loss amounts and to cover the catastrophic risks in the related accounting period.

Equalization reserves correspond to 12% of the net premiums for earthquake and credit for each annual period. Net premiums are calculated by deducting premiums paid for non-proportional reinsurance contracts. Companies are obliged to retain these reserves until the total exceed 150% of net written premiums for the last 5 accounting periods. Claims are paid from the equalization reserves on first-in first-out basis. The equalization reserve of the Company as of 31 December 2008 is TL 6,517,519.78.

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The technical reserves of the Company as of 31 December 2008:

Unearned Premium Reserves (NET)	(358,959,154.68)
Unearned Premiums Reserve Carried Forward (NET)	247,511,432.36
Outstanding Claims Reserve (NET)	(282,838,661.87)
Outstanding Claim Reserve Carried Forward (NET)	223,795,505.23
Life Mathematical Reserve (NET)	(873,512.40)
Life Mathematical Reserve Carried Forward (NET)	1,138,141.78
Life Outstanding Claim Reserve (NET)	(1,836,757.95)
Life Outstanding Claim Reserve Carried Forward (NET)	564,117.07
Equalization Reserve (NET)	(6,517,519.78)
Unexpired Risk Reserve (NET)	(7,442,223.72)
Unexpired Risks Reserve Carried Forward (NET)	6,273,327.49
TOTAL TECHNICAL RESERVES	**(179,185,306.47)**

Reserves indicated as “net” are net of reinsurers’ shares.

d. Premium Income and Losses

Premium income represents premiums received from insurance and reinsurance companies in the related accounting period. Premiums and losses are booked for treaty agreements upon the receipt of quarterly statements of account and for facultative acceptances upon the receipt of the monthly bordereaux.

Interest income for deposits of insurance companies (ceding) are booked as income and the interest income for deposits of reinsurance companies are booked as expense quarterly.

e. Receivables from Insurance Activities

The Company has set up a provision for doubtful receivables that are subject to administrative and legal follow-up, due to the nature and the extent of such receivables, in accordance with Article 323 of the Tax Procedure Law. As of 31 December 2008, the amount of doubtful receivables is TL 9,423,967.33. Doubtful receivables in foreign currencies are evaluated on the basis of T.C. Central Bank’s buying rate of exchange at the date of the current balance sheet and the translation gains and losses are specified in the income statement.

f. Discount of Receivables and Payables

Receivables and payables are carried at book values in the financial statements and are subject to discount. As of the balance sheet date, 18% of discount rate is used to discount receivables and payables in TL. The rates used to discount receivables and payables in foreign currencies vary on the currency type.

g. Subsequent Events

Subsequent events cover the events between the balance sheet date and the issuance of the financial statements, even if they occur after the disclosures made on profit or other selected financial information.

The Company adjusts its financial statements following the occurrence of any subsequent events.

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Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

h. Provisions, Contingent Liabilities and Assets

Provisions are set when the Company has an ongoing liability as a result of a past event, or there is a probability that the Company will be required to assume that liability, and a reliable estimate can be made of the amount of the liability.

Taking into account the risk and uncertainty regarding the liabilities, the provision is determined on the basis of all expenses to fulfill these liabilities at the date of the balance sheet.

In the event that the estimation of the current liability is measured on the basis of cash flows, the book value of the provision is equal to the present value of the cash flows.

When some or all of the economic benefits required to settle a provision are expected to be paid by third parties, the receivable is recognized as an asset provided that payment will be received and the amount of the receivable can be measured reliably.

i. Change in Accounting Policies, Accounting Estimations and Errors

Changes in accounting policies or corrections on accounting errors are applied retroactively and previous year financial statements are adjusted accordingly. If estimated changes in accounting policies pertain to a single period, changes are applied on the current year however estimated changes involve following periods, changes are applied both on the current and following years prospectively.

j. Taxation and Deferred Taxes

Taxation and Deferred Taxes are composed of the sum of current Tax and deferred Tax.

Current Tax

Current tax is applicable on taxable profit for the year. Taxable profit differs from profit reported in the income statement in the sense that it excludes items of income or expense that are subject to tax or exemption and pertain to future years and items that are not subject to tax or exemption. The Company's current tax liability is calculated using present tax rates that prevail at balance sheet date.

Deferred Tax

Deferred tax is recognized on differences between the carrying values of assets and liabilities indicated in the financial statements and the corresponding tax bases which are used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all temporary taxable differences whereas deferred tax assets are recognized for all tax exemptions temporary differences given that these tax redemptions can be utilized to provide taxable profit. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from (other than mergers) other assets and liabilities that appear in financial statements for the first time.

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Deferred tax liabilities are recognized for temporary taxable differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from temporary differences regarding exemptions associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

2.1.2. Other related accounting principles for the understanding of financial statements

All accounting principles are listed in note 2.1.1.

2.1.3. Functional currency

The Company's financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of the Company are expressed in Turkish Lira, which is the functional and reporting currency of the Company.

2.1.4. Rounding degree used in the financial statements

All the balances presented in the financial statements are expressed in full in Turkish Lira (TL).

2.1.5. Valuation method(s) used in the presentation of financial statements

Financial statements, except for revaluation of financial instruments, are prepared on the basis of historical cost method.

2.1.6. Adoption of new and revised standards

In the current year, the Company has adopted all of the new and revised Standards and Interpretations within the framework of operations issued by Turkish Accounting Standards Board (TASB) and are inforce as of 1 January 2008.

2.2. Consolidation

According to Article 3 of Sectoral Announcement on "Preparation of Decrees in Relation to Financial Reporting by the Undersecretariat of Treasury" numbered 2008/9 issued on 18 February 2008 indicating that "draft decree on consolidated financial statements is expected to be prepared in 2008 and its first time application will be in 2009. Therefore TAS 27 will not be applied at this stage", the financial statements attached represent financial information only on Millî Reasürans Türk Anonim Şirketi.

Decree on "Preparation of Consolidated Financial Statements of Insurance, Reinsurance and Pension Companies" was published in the Official Gazette No: 27097 on 31 December 2008 and it will be applicable as of 31.03.2009.

2.3. Segment reporting

The Company has no operation or geographical segments other than its main lines of operations and business; therefore no segment reporting is required.

2.4. Reserves in foreign currencies

Transactions in currencies other than TL (foreign currencies) are recognized at exchange rates prevailing at the transaction date. The monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising from currency transactions are recognized in the income statement.

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Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.5. Tangible fixed assets (property, plant and equipment)

Property, plant and equipment purchased prior to 1 January 2005 are carried at readjusted cost based on the effects of the inflation as of 31 December 2004 and property, plant and equipment purchased subsequent to 1 January 2005 are carried at cost, less any accumulated depreciation and impairment losses.

Assets held for use in the construction, or leasing, administrative or any other purchases are carried at cost, less any impairment (in accordance the useful life denoted in Tax Procedure Code) are depreciated with straight line method.

Gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized as profit or loss.

Depreciation periods of property, plant and equipment are:

	Economic Life	Rate (%)
Buildings	50 years	2
Vehicles	5 years	20
Furniture and Office Equipments	3 - 15 years	6,67 – 33,33
Leasehold Improvements	5 years	20

2.6. Real estate investments

In the recognition of real estate investments after the initial accounting, TAS “40 –Real Estate Investments” Standard allows companies the choice between accounting at fair value at the date of balance sheet or accounting at purchase value. The Company accounts for real estate investments at purchase value.

Real Estate Investment is held to earn rentals and/or for capital appreciation is registered at purchase value less accumulated depreciation and any accumulated impairment losses. Carrying amount includes the cost of replacing part of an existing real estate investment at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of a real estate investment.

Depreciation is provided on real estate investment on a straight line basis. Depreciation paid for real estate investment is nil for land, and 50 years for buildings.

Real estate investments are removed from financial statements in the event of their disposal or withdrawal from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of a real estate investment are recognized in profit or loss in the year of retirement or disposal.

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2.7. Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at purchase value less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful life.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred from the date of the acquisition to the date to bring the software in use. These costs are amortized over their estimated useful lives (3-15 years).

2.8. Financial assets

Financial investments are initially measured at fair value, net of transaction costs except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value. Financial investments are recognized and removed from the financial statements on the transaction date where the purchase or sale of an investments were made under a contract whose terms are based on time frame established by the market concerned.

Financial assets are classified in the following specified categories: financial assets as at “fair value reflected to profit or loss”, “held-to-maturity investments”, “available-for-sale” and “loans and receivables”.

Effective interest method

Effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Financial assets at fair value reflected to profit or loss (trading financial assets)

Income related to the financial assets excluding the financial assets at fair value reflected to profit and loss, is calculated by using the effective interest method.

Financial assets at fair value reflected to profit or loss are trading financial assets. A financial asset can be classified as financial asset at fair value reflected to profit or loss, if it is acquired principally for the purpose of selling in the short term. Derivatives are also classified as held for trading unless they are designed as hedging instruments. Financial assets at fair value reflected to profit or loss are classified as current assets.

Financial assets held-to-maturity

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as financial assets held-to-maturity. Financial assets held-to-maturity are recognized at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

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Notes to the Financial Statements as of 31 December 2008

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Financial assets available-for-sale

Investments other than held-to-maturity debt securities are classified as either trading financial assets or as available-for-sale, and are measured at subsequent reporting dates at fair value except available-for-sale investments that do not have quoted prices in an active market and their fair values that cannot be reliably measured are stated at purchase value and readjusted to the equivalent purchasing cost. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For financial assets available-for-sale, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale can subsequently be removed from financial statements to decrease in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Loans and receivables (from core business)

Tradable and other loans and receivables that are not quoted in an active market and that have determinable and fixed payments are classified in this category. Receivables from reinsurance activities are also classified in this group. These assets are recognized in the balance sheet with their book value. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

Independent indicators related to impairment of receivables are separately evaluated.

Therefore, provision for doubtful receivables and for other doubtful receivables according to Article 323 of the Tax Procedure Code are calculated and booked within the best estimation of the Company management by taking the expected collections into account.

Affiliates

The difference between carrying value and fair value of shares booked as affiliates are recognized in shareholders' equity and assets that have fair value (to the extent that it is measured reliably) are carried at fair value while other assets are carried at book value.

2.9. Impairment of assets

Impairment of non-financial assets

Assets that have indefinite useful life such as land are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less.

Sales costs and value in use. Non-financial assets other than goodwill that suffered impairment are reviewed for possible removal of the impairment at each reporting date.

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Impairment of financial assets

The Company evaluates its financial assets or group of financial assets, other than those at fair value reflected to profit or loss, at each balance sheet date to determine whether there is any impairment indicator for those financial assets or group of financial assets. A financial asset or portfolio of financial assets is impaired and an impairment loss is incurred provided that there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount of future cash flows as regards the asset. Independent indicators for the impairment of a financial asset or group of financial assets are:

a) Significant financial problems experienced by the issuer or warrantor,
b) Violation of the contract,
c) Specific concessions given to the borrower by the lender, due to the economical or legal reasons related to financial distress experienced by the borrower,
d) Probability of bankruptcy or any other type of financial restructuring of borrower,
e) Disappearance of the active market related to financial assets, due to financial difficulties.

For loans and receivables, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

With the exception of commercial receivables in provisions account, impairment in all financial assets is calculated at the registered value of the related financial asset. In cases where the commercial receivable is not received the amount in question will be deducted and removed from the provisional account. The changes in the provision account are registered in the financial statements.

In relation with ceding companies (insurance companies) the Company establishes a reserve for doubtful receivables for those amounts that are in administrative and legal surveillance and the unpaid amounts for which payment is deemed to be improbable.

Note 12 discloses the doubtful receivable amounts for due and undue receivables.

2.10. Derivatives

As of 31 December 2008, the Company has no derivatives.

2.11. Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet provided that there is a legally enforceable right to offset and there is an intention to settle on a net basis, or there is a situation where the asset and the liability are realized simultaneously.

2.12. Cash and cash equivalents

Cash and cash equivalents comprise cash at hand demand deposits and other short-term liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to a known amount of cash, being subject to an insignificant risk of changes in value.

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Cash and cash equivalents which form basis of the interim cash flow table of the previous six month period ending in 31 December 2008 is given in Note 14.

2.13. Capital

2.13.1. As of 31 December 2008, the Company's nominal capital is TL 385,000,000 represented by 38,500,000,000 equity shares each having a nominal amount of TL 0.01. The distribution of the capital to the participants is:

	31.12.2008	
	Value of Stake	Stake (%)
T. İş Bankası A.Ş.	295,056,373	76.64
Millî Reasürans T.A.Ş. Mensupları Yardımlaşma Sandığı Vakfı		
Millî Reasürans T.A.Ş. (Staff Pension Fund)	40,586,839	10.54
Other	49,356,788	12.82
	385,000,000	**100.00**

2.13.2. There is no preferred stock representing the shares.

2.13.3. No capital increase within 2008.

2.14. Insurance and investment contracts – classification

Insurance Contracts:

Insurance risk is a risk, where the policyholder transfers the risk (excluding financial risks) to the insurer. Insurance contracts are contracts which transfer a significant insurance risk where one part (the insurer) accepts a significant insurance risk from the other part (the insured) and pays an indemnity when a predetermined but unexpected loss occurrence adversely affects the insured. Reinsurance contracts made by the Company are included in the category of insurance contracts.

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

Reinsurance assets involve the amounts to be paid by the reinsurance companies. The decrease in the value of the reinsurance assets has been evaluated as of the date of the report. Value decrease is booked within the profit-loss statements.

Reinsurance contracts do not waiver the liabilities of the Company resulting from the reinsurance contracts and do not transfer the insurance risk existing in the financial statements.

Reinsurance assets and liabilities are removed from the financial statements upon the termination of the contracts.

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Investment Contracts:

Investment contracts are those that transfer financial risks, excluding significant insurance risks. The Company has no investment contracts.

2.15. Insurance and investment contracts with discretionary participation properties

The Company has no insurance and investment contracts with discretionary participation feature.

2.16. Investment contracts without discretionary participation properties

The Company has no investment contracts.

2.17. Borrowings

The Company has no short-term or long-term borrowings.

2.18. Deferred income tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all temporary differences in tax exemptions given that it is possible that taxable profits will be available for those temporary differences in tax exemptions. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than mergers) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

All deferred income tax for the relating accounting period, excluding the current and deferred tax related to the items credited or debited directly in equity (in which case the tax is also recognized directly into equity), or initial accounting of those in respect of mergers, are recognized as an expense or income in profit or loss in the income statement.

Figures for deferred tax are given in Note 35.

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2.19. Employee benefits

Defined benefit plan

Under the Turkish law and the trade union agreement, employment termination benefit payments are made to employees retiring or involuntarily leaving the Company after minimum 1 year of service. Such payments are considered as being part of defined retirement benefit plan in accordance with the updated "TAS 19 – Standards for Employee Benefits".

Employment termination benefits in the balance sheet represent the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses under "TAS-19 Standards for Employee Benefits".

Retirement obligations and defined benefit plan

The Company's employees are members of Millî Reasürans T.A.Ş Pension and Health Service Fund, established according to Social Security Law No: 506 Provisional Article 20. Technical financial statements of the Fund are audited, by an authorized actuary, according to the related articles of the "Decree on Actuaries" under the Insurance Law.

2.20. Provisions

Provisions are recognized when the Company has a present liability as a result of a past event, and it is probable that the Company will be required to fulfill that liability, and a reliable estimate can be made of the amount of the liability.

The amount determined as a provision is the estimated amount to fulfill present liability at the balance sheet date, taking into account the risks and uncertainties surrounding the liability.

When a provision is measured using the cash flow estimated to fulfill the present liability, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is certain that the payment will be received and the amount of the receivable can be measured reliably.

2.21. Accounting of income

Premium and commission income

Premium income represents premiums on policies from insurance and reinsurance companies written during that year. Unearned premiums are calculated as explained in Note 2.1.1. Premium income and losses are booked upon the receipt of quarterly statements of accounts from ceding companies in treaties whereas facultative accounts are registered upon the receipt of monthly bordereaux.

The interests of deposits retained by insurance companies (ceding) are booked as income quarterly and the interests of deposits of reinsurance companies are booked as expense.

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Commissions received in the current period but related to subsequent financial periods in return for the premiums ceded to reinsurance companies are accounted as deferred commission income.

Interest income and expense

Interest income and expense are accounted in the income statement of the related period on an accrual basis. Interest income includes income gains from the coupons of the fixed return investment instruments and valuation of discounted government bonds based on internal rate of return method.

The interests of deposits of insurance companies (ceding) are booked as income quarterly and the interests of deposits of reinsurance companies are booked as expense.

Dividend income

Dividend income from the equity share investments are recognized upon the shareholders' has the right to receive dividends.

2.22. Leasing

None.

2.23. Profit share distribution

The Company has no announced profit share distribution after balance sheet date.

3. Significant Accounting Estimates and Requirements

The Company has no significant accounting estimates or requirements.

4. Insurance and Financial Risk Management

4.1. Insurance (reinsurance) risk

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

Reinsurance risk is defined as the inability of the company to conduct inadequate and effective techniques in underwriting and transferring some or all of the liabilities ceded by insurance companies by way of retrocession into a commercial profit. The risks underwritten and retroceded by the Company and the respective limits are given in the "Risk Evaluation Report" dated 31.12.2008.

Retrocession coverage obtained by the company from international markets mainly focuses on Turkish earthquake exposure. The amount of coverage purchased is determined on the basis of probable maximum loss (PML) calculated on Cresta Zone 1 earthquake aggregates.

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

Excessive Premium Increase Risk

It is the risk of increase in underwriting thus exposure leading to increase in claims and is measured by the increase in premium compared to previous year in "Non-Life", "Life" and "Traffic Insurance" branches of the Company. Increase in premiums should not exceed 10% of the sectoral increase in Traffic Insurance and 50% of the sectoral increase in other branches. Sectoral increase in premiums are announced by the Undersecretariat of Treasury were not yet announced as of 31.12.2008.

Meanwhile it is also stipulated by the Undersecretariat of Treasury that the gross premium of the Company cannot exceed four times the Company capital, as of 31.12.2008, the proportion of gross premium of TL 849,062,261.95 to Company capital of TL 666,717,416.60 is 1.27.

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

4.1.2.1. Sensitivity to insurance risk

Insurance risks do not generally generate losses that would have a destructive impact on capital base of the company in the course of ordinary transactions, except for risks associated with earthquake and other catastrophes risks. Consequently, there is a high sensitivity to earthquake and catastrophic risks.

The main risk identified by the Company is the claims arising from earthquake and other catastrophes exceed the maximum limit of the excess of loss agreements, and this risk is undertaken by a prudent approach.

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4.1.2.2. Insurance risk concentrations

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

Total Losses (*) 31 December 2008	Gross Losses	Reinsurers' Share in Total Losses	Net Losses
Accident	4,172,071.74	(138,404.49)	4,033,667.25
Health	97,264,047.28	(717,626.73)	96,546,420.55
Motor Vehicles	144,641,285.78	(893,562.09)	143,747,723.69
Air Crafts	30,181.28	(116.86)	30,064.42
Water Crafts	13,153,338.53	(1,442,190.57)	11,711,147.96
Marine	18,932,650.85	(3,030,389.07)	15,902,261.78
Fire and Natural Perils	106,090,981.88	(8,190,387.81)	97,900,594.07
General Accident	62,290,538.40	(4,413,010.11)	57,877,528.29
Motor TPL	78,286,518.91	(557,678.27)	77,728,840.64
General Liability	4,299,574.27	(686,798.24)	3,612,776.03
Credit	5,121.30	0	5,121.30
Financial Losses	534,514.84	(80,489.04)	454,025.80
Legal Protection	1,423.40	(168.91)	1,254.49
Life	6,867,373.34	(21,016.00)	6,846,357.34
Total	**536,569,621.80**	**(20,171,838.19)**	**516,397,783.61**

(*) Total losses are comprised of paid losses

4.1.2.3. Comparison of losses incurred with previous loss estimations (loss development)

Loss development table for net losses incurred and net outstanding loss reserves for the last five years is as follows:

	Net Incurred Losses	Net Outstanding Losses
2008	516,397,783.61	284,675,419.82
2007	582,926,367.09	224,359,622.30
2006	516,194,873.55	215,567,523.77
2005	435,208,708.22	171,782,802.79
2004	303,388,255.89	127,117,463.31
2003	239,638,394.38	91,956,383.60

4.1.2.4. Effects of the changes in the assumptions used in the calculation of insurance assets and liabilities showing the effect of each change on financial statements separately

Changes have been made in the calculation of some of the technical reserves with effective from 1 January 2008 in accordance with the Decree on "Technical Provisions of Insurance, Reinsurance and Pension Companies and investments for Such Provisions" issued on 7 August 2007.

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Accordingly, the above-mentioned Decree requires the calculation of unearned Premium reserves that were previously based on net premiums written, to be based on gross amounts on pro-rata temporis without deducting any commissions or other related allowances as of 1 January 2008. In addition, brokerage paid to the intermediaries, commissions received from the reinsurers, acquisition expenses and the premiums paid for non-proportional reinsurance treaties pertaining to future periods are accounted under deferred expense/income and other related accounts. The effect of this change on the financial statements has led to an increase in the unearned premiums reserve to TL 92,148,674.78 and the corresponding portion of commissions pertaining to future periods amounting to TL 92,951,489.25 is reflected as deferred commission expense, and the corresponding portion of the commissions to be received in the future periods amounting to TL 802,814.47 is reflected as deferred commission income to the financial statements.

In accordance with the Decree mentioned above with effect from 1 January 2008, unexpired risk reserves ought to be calculated for insurance branches when the amount of liability assumed over the insurance period is inconsistent with the distribution of premiums earned over time. At the balance sheet date, the effect of unexpired risk reserve recognized as expense in the financial statements amounts to net TL 7,442,223.72. However, based on Article 1 of the Undersecretariat of Treasury’s Sector Announcement No: 2008/33 issued at 28 July 2008, (“…unexpired risks reserve is included in the opening balance sheet and its impact is shown under retained earnings/accumulated losses”), the Company registered net TL 6,273,327.49 unexpired risks reserve as of 31 December 2007 and recognized the related amount under the retained earnings/accumulated losses account in the financial statements as of 31 December 2008.

In addition to this as of 1 January 2008, an additional reserve shall be provided for each respective insurance branch when the outstanding loss reserve in the current period is below the amount calculated by the actuarial chain method designated by the Undersecretariat of Treasury. Ceding companies are not able to provide information in the format and content required for calculation on the basis of actuarial Chain Ladder Method. However, according to Article 4 (7) of the Decree on “Technical Provisions of Insurance, Reinsurance and Pension Companies, and Assets Held for Such Provisions” published in the Official Gazette No: 26606 on 07.08.2007, giving the priority to outstanding claims reserve, in cases where reinsurance companies are not able to receive information by insurance companies, they can utilize the available information as the basis of their calculation. The Company, thus, calculated the amount of TL 8,413,622 by Actuarial Chain Ladder Method using the data provided by the insurance companies.

With effect from 01 January 2008, the Company is required to provide equalization reserves for earthquake and credit insurances in order to equalize the possible fluctuations in loss payments and to cover the catastrophe risks in subsequent periods. Accordingly, TL 6,517,519.78 of equalization reserve is retained as of balance sheet date.

4.1.2.5. Determination of the assumptions with the most effect on the measurement of recognized amounts in Note 2.15.4

None.

4.1.2.6. Credit risk, liquidity risk, market risk of insurance contracts under TFRS 7

No contracts within the content of TFRS 7.

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4.2. Financial risk

4.2.1. Information of Company goals, policies and methodology applied in terms of capital management

The aim of the Company is to maintain consistency in capital management while optimizing the balance of technical reserves and shareholders equity in order to increase earnings.

The Company manages its capital in compliance with the capital adequacy requirements of the Undersecretariat of Treasury. Capital adequacy information is given in Note 4.2.2.

4.2.2. Capital requirement

In accordance with the Decree "Calculation and Assessment of Capital Adequacy of Insurance, Reinsurance and Pension Companies" published in the Official Gazette No: 26761 on 19 January 2008, the shareholders' equity of the Company calculated for the period as of 31 December 2008 is approximately TL 396,286,547.80 in excess of the capital requirement. Capital requirement calculation of the Company here does not include Excessive Increase in Risk Premium since the sectoral averages announced by the Treasury was not yet available at that time.

Summary of Company's capital adequacy table as of 31 December 2008 is as follows:

	31 December 2008
1. Premium Based Calculation	127,235,276.13
2. Loss Based Calculation	132,268,327.23
I. REQUIRED CAPITAL FOR NON-LIFE BRANCHES	132,268,327.23
1. Liability Result	178,046.60
2. Risk Result	8,068,407.66
II. REQUIRED CAPITAL FOR LIFE BRANCH	8,246,454.26
III. REQUIRED CAPITAL FOR PENSION FUND	0
REQUIRED CAPITAL BASED ON THE FIRST METHOD	140,514,781.49

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1. ASSET RISK	58,772,717.25
2. REINSURANCE RISK	616,610.10
3. EXCESSIVE PREMIUM INCREASE RISK	0
4- OUTSTANDING LOSSES RISK	18,103,760.36
5- UNDERWRITING RISK	109,515,593.45
6- EXCHANGE RATE RISK	5,490,270.04
REQUIRED CAPITAL BASED ON THE SECOND METHOD	192,498,951.20
REQUIRED CAPITAL AMOUNT FOR THE COMPANY	192,498,951.20
CAPITAL	673,234,938.00
AMOUNT OF AFFILIATES DEDUCTED FROM CAPITAL	84,449,439.00
CAPITAL ADEQUACY RESULT	396,286,547.80

According to the Decree, the Company's required capital calculated in terms of the risk types is TL 192,498,951.20. According to the Decree again, the amount after the equalization reserve, in technical reserve, is added and less the multiplication of total paid capital of the companies (insurance, retirement and reinsurance companies) of the affiliates, subsidiaries, securities for investment and joint ventures by the Company's share ratios in these companies is the equity. The equity, then, will be calculated as:

Shareholders' equity as at 31.12.2008	666,717,417.00
Equalization reserve	6,517,520.00
Shares in Affiliates	(84,449,439.00)
Shareholders' Equity acc. to Decree	588,785,499.00

Based on this calculation, capital, is adequate and there is an excess amount of TL 396,286,547.80.

4.2.3. Financial risk factors

The Company is exposed to market risk (Exchange rate risk, interest rate risk and equity shares price risk), credit risk, liquidity risk and operational risk due to the nature of its assets and liabilities at a given time. These risks are managed, as part of the risk management procedures by considering the quality of the Company's receivables by providing detailed information about the debtors and their operations, using risk mitigating factors such as demanding collaterals, measuring periodically market risks arising from the Company's marketable security portfolio, reliability testing of measurement results, assessing and monitoring carefully all risk factors inherent to the Company, and assessing and reporting different scenarios. The Company's risk exposure is examined by an independent unit reporting directly to the Board of Directors periodically through Risk Management Committee.

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Credit risk

Credit risk represents losses sustained as a result of partial or total default of the counter parties (issuers of security, insurance companies and other debtors) by not fulfilling their contractual obligations. The basis of the Company's transactions with insurance and reinsurance companies is the provision and receipt of reinsurance coverage. In this context, while determining the companies to provide or receive reinsurance coverage their financial structures, ratings assigned by international rating agencies and their previous payment habits are taken into consideration.

Given that the main reinsurers of the Company are examined in the context of the current global crisis, no adverse finding or potential difficulty was identified. The average rating of the most of the reinsurers of the Company is "A" and there is no reinsurer providing retro coverage to the Company in the previous 5 years, that experienced financial difficulty.

In addition, the risk of negative developments in the credibility of the invested assets or default risks are considered within Credit Risk. The Company's investment portfolio breakdown in terms of counterparties is as follows:

Government	48.93%
İşbank Group	48.16%
Barclay's Bank	1.75%
Citibank	1.16%

There is no ceding company, which was given provided reinsurance coverage by the Company in the previous 5 years, that experience financial difficulty. However, the receivables from the ceding companies in the previous periods that could not be received because the companies in question stopped their activities, TL 9,423,967.33 of the uncollected receivables as of 31 December 2008 was calculated as doubtful receivables. Since there is no guarantee received for the amount in question, the doubtful receivable was calculated in accordance with the precautionary principles. Details of the doubtful receivables are given in Note 12.

Market risk

Market risk is defined as the risk due to fluctuations in financial markets and changes in interest rates, Exchange rates, price changes in bills-bonds and equity shares that would impact the Company's financial position. Generally accepted international Value at Risk Method (VAR) is used in the calculation of market risk. VAR is a statistical method that correlates risk level with fluctuations in risk factors (currency, interest rate, share price).

The Company's portfolio includes; Securities (TL), Securities (FC), Repo, Demand FC Deposit, Demand TL Deposit, Shares, Time Deposit (TL), Time Deposit (FC) and Investment Fund positions. Time and demand deposits are not taken into consideration in VAR analysis and portfolio evaluation. Accordingly; Value at Risk amount according to the calculation in VAR report dated 31.12.2008 is TL 3,860,416, portfolio value is TL 461,886,243. As of 31.12.2008, the highest VAR amount and portfolio value is observed in "TL Securities" position of TL transactions.

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Interest rate risk

Interest rate risk represents the risk of potential losses in the value of interest sensitive assets or liabilities arising from changes in interest rates. Interest rate risk is managed through the diversification of marketable security portfolio as marketable securities with fixed and variable interest rates.

Sensitivity to interest rate

If the interests of the financial assets in TL in the Company's balance sheet increase by +1,+5 and +10 and with other variables are fixed, the negative changes that would occur in the market value of the financial assets of the Company that are interest rate sensitive are as follows:

Change in Interest Rates	Change in Portfolio Value
+1 point	(4,168,962)
+5 points	(19,684,125)
+10 points	(36,818,954)

If the interests of the financial assets in FC in the Company's balance sheet increase by +1,+5 and +10 with all other variables are fixed, the negative changes that would occur in the market value of the financial assets of the Company that are interest rate sensitive are as follows:

Change in Interest Rates	Change in Portfolio Value
+1 point	(289,913)
+5 points	(1,363,346)
+10 points	(2,538,220)

Exchange rate risk

Exchange rate risk is defined as the risk of potential loss due to changes in exchange rates based on the differences between the Company's foreign currency denominated assets and liabilities. On the other hand, value changes in different currencies compared to each other is another aspect of an exchange rate risk. Exchange rate risk is managed by establishing a net foreign currency position without any deficits.

The details of foreign currency denominated assets and liabilities as of 31 December 2008 are as follows:

	31 December 2008
A. Foreign currency denominated assets	192,935,382.72
B. Foreign currency denominated liabilities	7,525,728.37
Net foreign currency position (A-B)	**185,409,654.35**

Payables and receivables in foreign currency positions of different currencies, with no currency guarantee are detailed in Note 12.4.

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Sensitivity to exchange rate risk

If all exchange rates decrease by 1%, 5% and 10%, market value decreases due to the foreign currency denominated deposits and negative changes in profit and loss are presented below:

Change in Currencies	Change in Market Value
-1%	(26,465)
-5%	(132,327)
-10%	(264,653)

Other price risks

Price risks also involve price fluctuations in the Company's equity shares positions. Other price risk is managed by diversifying the equity share portfolio and kept within predetermined limits.

Sensitivity to equity share price

If equity shares held by the Company decrease by 1%, 5% and 10%, when all other variables are kept constant, negative changes that would occur in the market values of such equity shares and profit and loss are presented below:

Change in Prices of Equity Shares	Change in Market Value
-1%	(101,631)
-5%	(511,342)
-10%	(1,022,683)

Liquidity risk

Liquidity risk is the Company's inability to fulfill its due liabilities. Liquidity risk includes risks such as; failure in converting the Company's assets at an appropriate price at short notice because of some difficulties and volatilities in markets, volatilities in cash inflows and outflows and failure to perform its funding liability at reasonable cost and potential due to inconsistencies in maturities of cash flows.

Liquidity risk assessments are performed on the basis of deferrals in collectibles or possible inconsistencies in due dates of payments to the cedants and the receipt of reinsurers payments for these losses taking into consideration the types and maturities of assets and liabilities, and/or any insurance risks associated with economical crisis, earthquake or other catastrophic events. Since insurance agreements cover prospective liabilities, there is an uncertainty about the time and amount of such liabilities. Therefore, the Company's ability to pay claims is strongly related to the liquidity of the financial assets held. Liquidity risk is managed by arranging the maturity structure of cash and marketable security portfolio in accordance with current and possible liabilities and creating the portfolio with highly liquid public sector borrowing securities.

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The distribution of the Company's assets and liabilities with in terms of their maturities as at 31 December 2008 is as follows:

	Up to 1 month	1-3 months	3-6 months	6 -12 months	1 year and over	Undistributable Items	Total
Total Assets	485,462,284	239,331,186	109,121,849	200,261,200	198,874,707	156,217,946	1,389,269,171
Total Liabilities	2,352,143	183,229,022	121,075,810	94,884,030	21,502,073	966,226,092	1,389,269,171
Net Liquidity Surplus/(deficit)	483,110,141	56,102,164	(11,953,961)	105,377,170	177,372,634	-	-

Financial Instruments Categories

31 December 2008	Book value	Fair value
Current Financial Assets		
- Financial Assets Available-for-sale	56,041,916.98	56,041,916.98
- Financial Assets Held-to-maturity	115,445,787.51	117,733,839.24
- Trading Financial Assets	324,719,787.41	324,719,787.41
Total	**496,207,491.90**	**498,495,543.63**
Non Current Financial Assets		
- Affiliates	86,277,033.86	86,277,033.86
- Subsidiaries	746,206.67	746,206.67
Total	**87,023,240.53**	**87,023,240.53**

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability met between knowledgeable and willing parties as a result of transactions that take place under prevailing market conditions.

The Company determines the estimated fair value of its financial instruments by using the current market information and appropriate valuation methods.

The following methods and assumptions are used in fair value estimations for financial instruments the fair value of which can be practically measured:

Financial assets

It is anticipated that fair value of monetary liabilities, cash and cash equivalents and other financial assets will approximate to their book value based on their short term nature.

Fair value of government bonds and equity shares is based on their market value.

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Financial liabilities

It is assumed that fair value of monetary liabilities will approximate to their book value based on their short term nature.

Subsequent events

There are no material events after the balance sheet date.

5. Segment Information

No field of activity and geographical region requiring different segment reporting.

6. Tangible Fixed Assets

6.1. Total amount of depreciation and amortization expenses for the period: TL 2,021,917.09.

6.1.1. Depreciation expenses: TL 2,021,917.09.

6.1.1.1. Normal depreciation expenses: TL 2,021,917.09.

6.1.2. There is no amortization expense.

6.2. Tangible fixed assets excluding land and construction in progress are amortized with normal depreciation method based on their useful lives under Tax Procedure Code.

Amortization periods for property, plant and equipments are as follows:

	Useful life
Buildings	50 years
Vehicles	5 years
Furniture and office equipments	3 - 15 years

6.3. Movements of tangible fixed assets in current period

6.3.1. Cost of acquired and constructed tangible fixed assets: TL 768,540.81

6.3.2. Cost of tangible assets disposed of or become scrap: TL 19,971,925.23

6.3.3. Revaluation in the current period: None.

6.3.3.1. In the cost assets (+): None.
6.3.3.2. In the accumulated depreciations (-): None.

Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

6.3.4. There is no construction in process.

	Land	Buildings	Furniture and fixtures	Vehicles	Total
Purchase Values					
Opening balance as of 1 January 2008	107.73	92,400,834.92	1,270,167.72	425,474.05	94,096,584.42
Additions	-	-	567,299.11	201,241.70	768,540.81
Disposals	-	19,665,158.71	-	306,766.52	19,971,925.23
Closing balance as of 31 December 2008	**107.73**	**72,735,676.21**	**1,837,466.83**	**319,949.23**	**74,893,200.00**
Accumulated Amortizations					
Opening balance as of 1 January 2008	-	9,923,575.78	795,950.26	372,297.39	11,091,823.43
Amortization for the period	-	1,454,713.51	286,535.09	59,714.24	1,800,962.84
Disposals	-	1,673,791.30	-	306,766.52	1,980,557.82
Closing balance as of 31 December 2008	**-**	**9,704,497.99**	**1,082,485.35**	**125,245.11**	**10,912,228.39**
Net book value as of 31 December 2008	**107.73**	**63,031,178.22**	**754,981.48**	**194,704.12**	**63,980,971.61**

Tangible fixed assets are not subject to revaluation.

6.4. Tangible fixed assets given as guarantees for liabilities and mortgages and or pledges on tangible fixed assets

None.

6.5. Operational lease payments in the current period

Lease amount for Singapore Branch is TL 321,931.80 TL.

7. Real Estate Held for Investment Purposes

The Company prefers to choose the cost method under TAS 40 for Investment Purposes.

	Land	Buildings	Total
Purchase Values			
Opening balance as of 1 January 2008	107.73	61,007,889.95	61,007,997.68
Additions	-	-	-
Disposals	-	19,665,158.71	19,665,158.71
Closing balance as of 31 December 2008	**107.73**	**41,342,731.24**	**41,342,838.97**
Accumulated Depreciations			
Opening balance as of 1 January 2008		6,542,258.75	6,542,258.75
Depreciation expense for the period		826,854.61	826,854.61
Disposals		1,673,791.30	1,673,791.30
Closing balance as of 31 December 2008	**-**	**5,695,322.06**	**5,695,322.06**
Closing balance as of 31 December 2008	**107.73**	**35,647,409.18**	**35,647,516.91**

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(Amounts expressed in Turkish Lira (TL) unless otherwise indicated

The Company registered real estate investments on the basis of accounting method, yet, as of 31.12.2008, as a result of the market value determination made by an authorized valuation company the market value of the properties in question is amounting to TL 95,878,165.54.

The Company's rental income from real estate leased under operational lease amounts to TL 5,676,532.95. Direct operational expenses associated with real estate for the current period amounts to TL 729,674.80.

The Company's profit from the sales of one investment property in the current period is TL 2,405,933.19.

8. Intangible Assets

Purchase Value	Intangibles	Other	Total
Opening balance as of 1 January 2008	69,679.34	53,011,813.56	53,081,492.90
Additions	1,417,966.15	-	1,417,966.15
Disposals	-	53,011,813.56	53,011,813.56
Closing balance as of 31 December 2008	**1,487,645.49**	**-**	**1,487,645.49**
Accumulated Depreciation			
Opening balance as of 1 January 2008	13,443.73	-	13,443.73
Depreciation expense for the period	220,954.25	-	220,954.25
Disposals	-	-	-
Closing balance as of 31 December 2008	**234,397.98**	**-**	**234,397.98**
Net book value as of 31 December 2008	**1,253,247.51**	**-**	**1,253,247.51**

The Company has no impairment recognized for the intangible assets in the current period.

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Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

9. Investments in Affiliates

Milli Re's shares in affiliated companies are as follows:

Anadolu Anonim Türk Sigorta Şirketi	21.78	70,893,896.81
Axa Sigorta A.Ş.	0.00	37,738.87
Camiş Menkul Değerler A.Ş.	0.05	2,456.55
T. Şişe ve Cam Fabrikaları A.Ş.	0.00	7,830.00
Çayırova Cam Sanayi A.Ş.	0.02	3,878.50
Güven Sigorta T.A.Ş.	0.05	98,548.17
İş Merkezleri Yönetim A.Ş.	0.69	23,890.29
İş Net Elektronik Bilgi Üretim	1.00	278,907.79
Allianz Sigorta A.Ş.	2.85	4,078,253.71
Miltaş Sigorta Aracılığı A.Ş. (in liquidation)	6.00	16,663.27
Paşabahçe Cam Sanayi A.Ş.	0.02	133,713.30
Anadolu Hayat Emeklilik A.Ş.	1.00	3,599,999.73
İş Girişim Sermayesi Yat. Ortaklığı A.Ş	4.44	1,622,400.00
T. Sınai Kalkınma Bankası A.Ş.	1.20	5,478,856.87
TOTAL BOOK VALUE		**86,277,033.86**

The Company has no impairment in the investment in affiliates as of 31 December 2008.

10. Reinsurance Assets

Amount accounted in profit or loss as a result of various reinsurance agreements are disclosed in Note 17.16.

The Company's income and losses due to its purchased reinsurance agreements are not deferred and depreciated in the financial statements.

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Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

11. Financial Assets

11.1. Sub-categories of financial assets

			31 December 2008
	Purchase Value	Market Value	Book Value
FINANCIAL ASSETS AVAILABLE-FOR-SALE			
Treasury Bill	53,160,833.98	56,041,916.98	56,041,916.98
TOTAL	**53,160,833.98**	**56,041,916.98**	**56,041,916.98**
FINANCIAL ASSETS HELD-TO-MATURITY			
Government Bonds	40,008,248.00	41,405,748.00	40,739,318.01
Treasury Bill	73,759,766.44	76,328,091.24	74,706,469.50
TOTAL	**113,768,014.44**	**117,733,839.24**	**115,445,787.51**
TRADING FINANCIAL ASSETS			
Treasury Bill	268,061,068.43	294,356,099.35	294,356,099.35
Eurobond	13,633,348.40	-	16,457,072.68
Equity Shares	10,620,069.81	11,304,879.24	11,304,879.24
Investment Fund	2,348,410.35	-	2,601,736.14
TOTAL	**294,662,896.99**	**305,660,978.59**	**324,719,787.41**
FINAL TOTAL	**461,591,745.41**	**479,436,734.81**	**496,207,491.90**

11.2. Securities issued other than equity in the current period

None.

11.3. Securities issued representing the amortized borrowing in the current period

None.

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Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

11.4. Fair value of securities and long-term financial assets that are carried at purchase value in the balance sheet and cost of securities and long-term financial assets that are carried at fair value in the balance sheet

Purchase, fair value and book value of marketable securities are presented in Note 11.1 above.

Purchase, fair value and book value of long-term financial assets are presented below:

AFFILIATES

Listed:	Purchase Value	Market Value	Book Value
Anadolu Anonim Türk Sigorta Şirketi	91,285,856.73	70,893,896.81	70,893,896.81
T. Şişe ve Cam Sanayi A.Ş.	25,888.58	7,830.00	7,830.00
Anadolu Hayat Emeklilik A.Ş.	3,246,824.89	3,599,999.73	3,599,999.73
İş Girişim Yatırım Ortaklığı A.Ş.	3,379,220.90	1,622,400.00	1,622,400.00
T. Sınai Kalkınma Bankası A.Ş.	20,730,382.47	5,478,856.87	5,478,856.87
TOTAL	**118,668,173.57**	**81,602,983.41**	**81,602,983.41**

AFFILIATES

Unlisted:	Purchase Value	Market Value	Book Value
Axa Sigorta A.Ş.	37,738.87	-	37,738.87
Camiş Menkul Değerler A.Ş.	2,456.55	-	2,456.55
Çayırova Cam Sanayi A.Ş.	3,878.50	-	3,878.50
Güven Sigorta A.Ş.	98,548.17	-	98,548.17
İş Merkezleri Yönetim A.Ş.	23,890.29	-	23,890.29
İşnet Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	278,907.79	-	278,907.79
Allianz Sigorta A.Ş.	4,078,253.71	-	4,078,253.71
Tasfiye Halinde Miltaş Sigorta Aracılık A.Ş.	16,663.27	-	16,663.27
Paşabahçe Cam Sanayi A.Ş.	133,713.30	-	133,713.30
TOTAL	**4,674,050.45**	**-**	**4,674,050.45**

SUBSIDIARIES

Unlisted:	Purchase Value	Market Value	Book Value
Miltaş Turizm İnşaat Ticaret A.Ş.	746,206.67		746,206.67
TOTAL	**746,206.67**	**-**	**746,206.67**

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(Amounts expressed in Turkish Lira (TL) unless otherwise indicated

11.5. Marketable securities issued by the shareholders, affiliates and subsidiaries of the company classified under marketable securities and associates and their issuers

None.

11.6. Value increases of financial assets in the last three periods

Type of Financial Asset	31 December 2008	31 December 2007	31 December 2006
Financial Assets Available-for-Sale	2,881,083.98	-	-
Financial Assets Held-to-Maturity	1,677,773.07	-	-
Trading Financial Assets	30,056,890.42	36,607,075.81	14,695,525.74
Total	**34,615,747.47**	**36,607,075.81**	**14,695,525.74**

Value increases reflect the difference between the carrying value and cost of the financial assets.

11.7. Financial instruments

i) Information that enables the financial statement users to evaluate the financial position and performance of the Company is disclosed in Note 11.1.

ii) Information on the book values of the financial assets is disclosed Note 11.1.

iii) Comparison of the fair values and book values of financial assets is disclosed in Note 11.1.

iv) There are no financial assets overdue or impaired.

11.8. The Company does not apply any hedge accounting.

11.9. Exchange rate differences arising from the payments of monetary items or different exchange rates used in the current period or at initial recognition are reflected in profit or loss.

Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

12. Receivables and Payables

12.1. Details of the Company's receivables

	31 December 2008
Receivables from reinsurance operations (Deposits included)	128,332,174.67
Receivables due from reinsurance operations with related parties (Deposits included)	15,310,035.88
Total receivables from reinsurance operations	143,642,210.55
Doubtful receivables from operating and insurance operations	9,423,967.33
Provisions for doubtful receivables from operating and insurance operations (-)	(9,423,967.33)
Other receivables due from related parties	17,647.03
Other receivables	618,856.25
	144,278,713.83

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Notes to the Financial Statements as of 31 December 2008

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Aging of overdue but not impaired receivables from insurance activities is as follows:

	31 December 2008
0-30 days	104,332,189.67
31-60 days	7,296,455.89
61-90 days	-
over 90 days	2,251,780.66
Not due receivables	29,761,784.33
	143,642,210.55

	1 January-31 December 2008
Movements of provision for doubtful receivables	
Opening Balance	7,685,547.69
Expense for the period	-
Collections	(56,450.19)
Currency translation gains	1,794,869.83
Closing Balance	**9,423,967.33**

Aging of overdue and doubtful receivables from insurance activities is as follows:

	31 December 2008
0-30 days	-
31-60 days	-
61-90 days	-
Over 90 days	9,423,967.33
	9,423,967.33

12.2. Receivable-payable relationship with shareholders, affiliates and subsidiaries of the Company:

	Receivables		Payables	
	Trade	Other	Trade	Other
Shareholders	9,776,404.62	-	1,725,328.62	22,604.69 *
Subsidiaries	7,301.90	-		
Affiliates	5,533,631.26	-	-	-

* Dividends payable to shareholders.

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Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

12.3. No pledges and guarantees received for receivables.

12.4. Details of the Company's foreign currency denominated receivables without exchange rate guarantees are as follows:

31 December 2008

Foreign Currency	Amount	Exchange Rate	Amount TL
Banks (FC Deposit)			
USD	18,760,295.52	1.5123	28,371,194.92
CHF	1,506.89	1.4300	2,154.85
Euro	22,471,709.48	2.1408	48,107,435.65
GBP	787,747.02	2.1924	1,727,056.57
TOTAL			**78,207,841.99**
Foreign Currency Receivables			
Reinsurance operations			
USD	25,828,201.75	1.5123	39,059,989.51
CHF	17,382.06	1.4300	24,856.35
Euro	19,925,438.50	2.1408	42,656,378.74
GBP	15,036,124.54	2.1924	32,965,199.44
JPY	1,262,054.02	0.016732	21,116.69
TOTAL			**114,727,540.73**
Foreign Currency Payables			
Reinsurance operations			
USD	4,481,782.52	1.5123	6,777,799.70
CHF	1,188.57	1.4300	1,699.66
Euro	339,786.04	2.1408	727,413.95
GBP	5,260.33	2.1924	11,532.75
JPY	435,232.78	0.016732	7,282.31
TOTAL			**7,525,728.37**

13. Derivatives

None.

Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

14. Cash and Cash Equivalents

	31 December 2008
Cash	13,542.12
Cash at banks	489,456,111.20
Demand deposits	2,761,798.91
Time deposits	485,121,587.68
Repo	1,572,724.61
Investment Fund Type B*	2,601,736.14
Cheques	6,555.00
Total	**492,077,944.46**
Time and blocked deposits over 90 days (-)	(500.00)
Incurred interest income over cash and cash equivalent balances (-)	(2,218,238.31)
Total for cash flow	**489,859,206.15**

* Investment Funds are recognized under Financial Assets.

15. Capital

15.1. Transactions between the Company and its shareholders, showing its distribution made to the shareholders separately

The details of the transactions between the Company and its shareholders and the related balances as of the end of the period are presented in the Note on “Related Parties”.

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Notes to the Financial Statements as of 31 December 2008

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15.2. Reconciliation of carrying values of each capital account and each reserve as of the beginning and end of the period showing each change separately

CURRENT PERIOD	Capital	Revaluation of Financial Assets	Legal Reserves
I- Closing Balance of Prior Period (31/12/2007)	385,000,000	47,482,021.12	15,340,337.56
II- Effects of changes accounting policy	-	-	-
III- As restated(I + II) (01/01/2008)	385,000,000	47,482,021.12	15,340,337.56
A- Capital increase (A1 + A2)	-	-	-
1- Cash	-	-	-
2- Earnings and losses not shown in income statement	-	-	-
B- Equity shares purchased by the Company	-	-74,556,598.48	-
C- Profit net period	-	-	-
D- Dividends distributed	-	-	-
İ- Transfer	-	-	8,251,259.87
II- Closing Balance	385,000,000	-27,074,577.36	23,591,597.43

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Status Reserves	Other Reserves and Retained Earnings	Net Profit/Loss for the Period	Previous Years' Profits/Losses (-)	Total
48,500,000	137,925,333.11	72,675,659.89	-	706,923,351.68
-	-	-	-13,879,905.80	-13,879,905.80
48,500,000	137,925,333.11	72,675,659.89	-13,879,905.80	693,043,445.88
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-74,556,598.48
-	-	131,666,782.78	-	131,666,782.78
-	-	-30,569,134.32	-	-30,569,134.32
34,000,000	-	-42,106,525.57	-53,011,813.56	-52,867,079.26
82,500,000	137,925,333.11	131,666,782.78	-66,891,719.36	666,717,416.60

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Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

15.3. For each class of capital;

15.3.1. Number of equity shares

Paid-up capital of the Company as at the end of 2008 is composed of 38,500,000,000 shares.

15.3.2. Number of issued and fully paid shares and issued but not fully paid shares

None.

15.3.3. Nominal value of an equity share or equity shares without having nominal value

Nominal value of equity shares is TL 0.01 per share.

15.3.4. Reconciliation of the number of the equity shares at the beginning and ending of the period

	Equity shares (number)
Beginning of the period, 1 January 2008	**38,500,000,000**
Issued in the current period	-
End of the period, 31 December 2008	**38,500,000,000**

15.3.5. Rights, privileges and limitations on dividend payments and repayment of capital

None.

15.3.6. Equity shares held by the Company, its associates or its subsidiaries

There is no equity shares held by the Company.

Details of equity shares held by the Company's associates or subsidiaries are as follows:

	Equity shares	
	Nominal Value	%
Associates		
Güven Sigorta Türk A.Ş.	13,054,387.50	3.39
Allianz Sigorta A.Ş.	517,574.75	0.13
Axa Sigorta A.Ş.	351,951.60	0.09
T. Şişe Cam Fabrikaları A.Ş.	265,511.40	0.07
Çayırova Cam Sanayi A.Ş.	54,558.35	0.01

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15.3.7. Details for equity shares held for future sale for forward transactions and contracts, their terms and amounts

The Company has no sales or shares in relation to forward transactions and contracts.

15.4. Share based payments

None.

15.5. Subsequent events

The Company has no share transactions following to the balance sheet date.

16. Other Provisions and Capital Component of Discretionary Participation

16.1. Each income and expense item and their total amounts accrued under shareholders' equity in the current period in accordance with other standards an d interpretations

	31 December 2008
Valuation Difference for Affiliates	(76,540,369.48)
Valuation Difference for Financial Assets Available-for-sale	1,983,771.00
	(74,556,598.48)

16.2. Currency translation differences

The Company has no currency translation classified separately as an equity item.

16.3. Hedging for forecasted transactions and net investment hedging

None.

16.4. Hedging transactions

None.

16.5. Income and loss related to the affiliates recognized directly in equity in the current period

The income and losses relating to the shares of the Company affiliates quoted in ISE has been observed in the shareholders equity. Movements regarding Valuation of Financial Assets account are as follows.

Revaluation of Financial Assets	
Opening balance 1 January 2008	47,482,021.12
Affiliate Valuation Difference	(74,556,598.48)
Closing balance 31 December 2008	**(27,074,577.36)**

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Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

16.6. Revaluation increases in tangible fixed assets

As of 31.12.2008, the Company carries its tangible fixed assets at cost.

16.7. Deferred tax related to payables or receivables accounted in the shareholders equity

Deferred tax of TL 2,998,777.86, as a result of the adjustment of opening statements as at 1 January 2008, shown in Note 2.1.1.b accounted directly under shareholders equity.

17. Insurance Liabilities and Reinsurance Assets

17.1. Coverage to be provided for life and non-life insurances and coverage provided for life and non-life insurances based on asset

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

17.2. Number of life insurance policies, additions, disposals in the current period, and current life insurees and their mathematical reserves

None.

17.3. Branchwise breakdown of total insurance coverage provided to non-life insurances

Branchwise breakdown of total insurance coverage to non-life insurances are not registered.

17.4. Pension investment funds established by the Company and their unit prices

None.

17.5. Number and amount of participation certificates in portfolio and circulation

None.

17.6. Numbers and portfolio composition of additions, disposals, reversals and current individual and group pension participants

None.

17.7. Valuation methods used in profit share calculation for life insurances with profit shares

None.

17.8. Number of additions from individual pension participants and their group or individual gross and net share participations in the current period

None.

17.9. Number of transfers to individual pension portfolio from the other companies and their group or individual gross and net share participations

None.

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17.10. Number of transfers to individual pension portfolio from the other companies and their group or individual gross and net share participations

None.

17.11. Number of transfers from the Company's life portfolio to individual pension portfolio and their group or individual gross and net share participations

None.

17.12. Number of transfers from the Company's individual pension portfolio to the other company or not, and together their personal and corporate allocation and gross and net share participations

None.

17.13. Number of additions of life insurances and their group or individual allocation and gross and net premiums

None.

17.14. Number of disposals of life insurances and their group or individual allocation and gross net premiums and net mathematical reserves

None.

17.15. Profit share distribution rate of life insurances in the current period

None.

17.16. Amounts from insurance contracts in the financial statements

Reassurance receivables detailed in Note 12.1; reinsurance liabilities detailed in Note 19.1.

Details of the amounts recognized in profit or loss due to the various reinsurance agreements purchased to prevent loss payment to the company are presented in the table below.

Income and Expenses from Reinsurance Agreements

Ceded Premiums to Reinsurer (-)	(53,553,512.87)
Reinsurance Commissions Received	1,096,279.23
Reinsurance Share of Unearned Premiums Reserve	5,293,425.32
Reinsurance Share of Unearned Premiums Reserve Carried Forward (-)	(6,903,714.94)
Reinsurance Share of Claims Paid	20,171,838.19
Reinsurance Share of Outstanding Claims Reserve	34,404,320.26
Reinsurance Share of Outstanding Claims Reserve Carried Forward (-)	(43,093,652.11)
Total	**(42,585,016.92)**

The Company, as a ceding company, does not defer or depreciate any of its income or losses due to the purchased reinsurance agreements.

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Notes to the Financial Statements as of 31 December 2008

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17.17. Comparison of the incurred claims with past estimates (claim development)

Disclosed in Note 4.1.2.3.

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

Disclosed in Note 4.1.2.4.

17.19. Reconciliation of insurance payables, reinsurance assets and changes in deferred acquisition costs, if any.

	Reinsurance Receivables	Reinsurance Payables
Beginning of the period		
1 January 2008	76,467,411.63	28,941,014.17
Change in the current period	67,174,798.92	(433,828.31)
Ending of the period 31 December 2008	**143,642,210.55**	**28,507,185.86**

The Company has no deferred acquisition costs.

18. Investment Contract Liabilities

The Company has no investment contracts.

19. Trade and Other Payables, Deferred Income

19.1. Sub-classifications of presented items in line with the Company's operations

	31 December 2008
Payables from reinsurance operations (including deposits)	26,781,857.24
Payables to related parties from reinsurance operations (including deposits)	1,725,328.62
Total payables from reinsurance operations	28,507,185.86
Due to shareholders	22,604.69
Payables to other related parties	56,145.36
Other payables	237,963.84
Tax and other liabilities	10,365,326.10
Deferred income and expense	3,353,449.65
Other deferred income and expense accruals	39,175.87
TOTAL	**42,581,851.37**

19.2. Related Parties

Transactions and closing balances between the Company and its shareholders are presented in Note 45 on "Related Parties".

Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2008
(Amounts expressed in Turkish Lira (TL) unless otherwise indicated

20. Payables

The Company's payables are disclosed in Note 19.

21. Deferred Income Tax

Disclosed in Note 35.

22. Retirement Benefits

Provisional Article 23 of the Banking Act No: 5411 requires the transfer of pension funds, which are established for employees of financial institutions, insurance and reinsurance companies under Social Security Act, to Social Security Institution ("SSI") as of effective date of the Act within three years and principles and procedures of fund transfer pre-determined in accordance with the Council of Ministers' order no: 2006/11345 issued on 30 November 2006. However, transfer requirement in the related Act was annulled based on the application made by the Turkish President on November 2005 in accordance with the order of the Constitutional Court (no: E: 2005/39, K.2007/33) issued on 22 March 2007 as effective from the date of publishment in the Official Gazette no: 26479 on 31 March 2007.

On the other hand, the Act No: 5754 "Amendments in Social Securities and General Health Insurance Acts Specific Laws and Related Requirements" published in the Official Gazette No: 26870 on 8 May 2008, requires the transfer of participants or beneficiaries of pension funds to SSI as of the Act within three years and determines the extension period of the transfer as maximum of two years upon the order of Council of Ministers. The Act states that, as of the transfer date, present value of fund liabilities should be measured by considering the fund income and expense based on the insurance branches presented in the related act using 9.8% of technical interest rate in the actuarial calculation. The Act also specifies that the uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by institutions that made the fund transfers.

As a result of the actuarial calculations made in relation to the pension funds of Millî Reasürans T.A. Foundation for the Company Employees established in accordance with Provisional Article 20 of the Social Securities Act No:506, the Company has TL 18,182,599.46 and the same amount is recognized as provision.

Provision for Employment Termination Benefits

Under the Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who was qualified for such payment. Besides this, employees are entitled to employment termination benefits subsequent to the completion of their retirement period by gaining a right to receive termination benefit payments in accordance with the amended Article 60 of the applicable Social Insurance Law No: 506 and the related Decrees No: 2422 and 4447 issued on 6 March 1981 and 25 August 1999, respectively.

The amount payable as of 31 December 2008 is TL 2,173.19, as ceiling of monthly salary.

Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

Employment Termination Benefits liability is not subject to any provision requirement according to current legal regulations. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2008, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming the annual inflation rate of 5.4% and a discount rate 12%, resulting in a real discount rate of approximately 6.26%. The anticipated rate of forfeitures is considered and estimated rate of the Company's retirement pay is also taken into account. As the maximum liability is updated semi annually, the maximum amount of TL 2,260.04 effective from 1 December 2009 has been taken into calculation of provision from employment termination benefits.

Changes in provision for employment termination benefits as of 31 December 2008 are as follows:

	1 January-31 December 2008
Provision at 1 January 2008	4,388,533.14
Adjustment for 1 January 2008 opening	(1,391,029.14)
Beginning of period after adjustment	2,997,504.00
Employment Termination Benefits paid during the period	52,557.12
Provision at 31 December 2008	321,970.00
Total provision at 31 December 2008	3,319,474.00

23. Other Liabilities and Expense Accruals

23.1. Provisions related to employee benefits and others

Liabilities for Personnel Social Security	31 December 2008
Social security premiums payable	70,050.11
Other Provisions and Liabilities	
Provision for Employment Termination Benefits	3,319,474.00
Asset Deficits of Social Services Fund	18,182,599.46
Taxes and funds payable	854,337.92
	22,426,461.49

Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated

23.2. Off-balance sheet commitments

Type of commitment	31 December 2008
Letters of Credit	15,123,457.29

23.3. Provisions, contingent assets and liabilities

As of the balance sheet date, the total amount of litigations filed against the Company amounts to TL 1,000.00. The Company's total amount of litigations filed against third parties is TL 824,496.98.

As of the balance sheet date, the Company has no contingent assets.

23.4. Impairment in assets

None.

24. Net Insurance Premium Revenue

	1 January-31 December 2008
ACCIDENT	13,097,386.25
ILLNESS/HEALTH	94,294,759.16
MOTOR VEHICLES	170,728,253.51
RAIL VEHICLES	0
AIR CRAFTS	193,943.83
WATER CRAFTS	19,508,092.17
MARINE	30,480,613.11
FIRE AND NATURAL PERILS	229,025,819.27
GENERAL ACCIDENT	114,931,973.34
MOTOR VEHICLES LIABILITY	92,464,365.93
AIR CRAFTS LIABILITY	10,284.26
WATER CRAFTS LIABILITY	0
GENERAL LIABILITY	13,137,028.08
CREDIT	178,314.23
FIDELITY GUARANTEE	0
FINANCIAL LOSSES	2,319,351.12
LEGAL PROTECTION	297,128.77
LIFE	14,861,436.05
Total	**795,528,749.08**

Net premium income for the period for 1 January – 31 December 2008 is calculated gross premiums less reinsurers' share in premium.

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Notes to the Financial Statements as of 31 December 2008

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25. Fee Income

Service Income/(Expenses)	1 January-31 December 2008
Commissions received	1,096,279.23
Commissions paid (-)	(96,579,396.14)
Total	**(95,483,116.91)**

26. Investment Income

Income from Financial Investments	1 January-31 December 2008
Interest Income	111,640,215.88
Capital Gain/Loss on Shares	632,874.86
Dividend Income	439,270.22
Profit from Cashing of Financial Investment	14,349,038.04
Revaluation of Financial Investments	17,721,805.99
Currency Translation Gains/Losses	40,156,604.74
Income from Affiliates and Subsidiaries	
Dividend Income	25,093,121.76
Real Estate held for investment purposes	
Rent Income	8,082,466.14
Income from Derivatives	24,000.00
Other Investments	112,250.00
	218,251,647.63

27. Net Income Accrued on Financial Assets

Income from financial assets available-for-sale accounted directly in the shareholders equity is TL 1,983,771. There is no financial asset available-for-sale in the shareholders equity to be accounted in the income statement of the period.

28. Assets Held at Fair Value Reflected in Profit or Loss

Net gain/loss of assets held at fair value reflected in profit or loss in the income statement at the balance sheet date is TL 29,531,682.71.

Real estates held for investment purposed in the accompanying financial statements are valued on the basis of cost method.

29. Insurance Rights and Demands

Disclosed in Note 17.

Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated

30. Investment Agreement Rights

The Company has no investment allowances to be used in current and subsequent periods.

31. Other Expenses

Disclosed in Note 32.

32. Expense Types

32.1.

Operational Expenses	Non-life	Life
Acquisition Expenses	91,657,144.78	4,922,251.36
Personnel Wages and Expenses	18,714,284.59	590,590.92
Administration Expenses	4,994,530.73	309.00
Outsourced Services	134,150.75	-
Reinsurance Commissions	(1,071,300.31)	(24,978.92)
Other Operational Expenses	9,166,328.06	191,785.56
Total	**123,595,138.60**	**5,679,957.92**

General Administrational Expenses	
Real Estate Expenses	729,674.80
Commitments and Fees	2,213,175.14
Tax and Liabilities	3,645,385.16
Investment and Administration Expenses	1,040,394.48
Total	**7,628,629.58**

32.2. Leasing transactions

There is no financial leasing transaction.

32.3. Research and development expenses accounted in the current period as expense

None.

33. Employee Benefit Expenses

	1 January-31 December 2008
Retirement benefit provision	321,970.00
Retirement benefits paid	52,557.12
Personnel wages	15,204,219.87
Social service paid to the personnel	5,288,456.45
	20,867,203.44

The Company has no share-based payments in the current period.

Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

34. Finance Costs

34.1. Total financial expenses of the current period

None.

34.2. Financial expenses of the current period on shareholders, affiliates and subsidiaries

None.

34.3. Sales and purchases with shareholders, affiliates and subsidiaries

Details of transactions and closing balances of the Company with related parties are disclosed in Note 45 on "Related Parties".

34.4. Interest, rent and the like paid by and to shareholders, affiliates and subsidiaries

Rents Received:

	1 January-31 December 2008
Miltaş Turizm İnşaat A.Ş.	1,045,055.35
İş Bankası Nişantaşı Branch	165,400.00
İş Bankası Teşvikiye Branch	326,220.00
	1,536,675.35

Commissions received and paid for reinsurance transactions are disclosed in Note 45.2.

35. Income (Corporate) Tax

	31 December 2008
Current tax provision	
Corporate tax liability provision	33,590,534.96
Prepaid taxes and other liabilities	(32,255,212.92)
	1,335,322.04

	1 January-31 December 2008
Tax expense in the income statement	
Current tax expense/(income)	33,590,534.96
Deferred tax expense/income related to the occurrence and disappearance of the temporary differences	(959,257.15)
Total tax expense/(income)	**32,631,277.81**

Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated

	1 January-31 December 2008
Deferred tax accounted directly in shareholders' equity	
- Previous provision for employment termination benefits	599,500.80
- Actuarial income or expense for pension fund deficit	2,399,277.06
Total deferred tax accounted directly in shareholders' equity	**2,998,777.86**

Corporate Tax

The Company is subject to Turkish corporate taxes. Provisions are established in the enclosed financial statements for the estimated tax charge based on the Company's results for the current accounting period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-exempt expenses, and by deducting tax exempt income and other deductions (losses from the previous year and investment incentives, if any).

The effective tax rate used in 2008 is 20%.

In Turkey, advance tax returns are filled on a quarterly basis. The advance corporate income tax rate used in 2008 is 20%. Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records may revise assessments within five years.

Withholding Tax

In addition to corporate taxes, companies should also calculate withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of withholding tax is 15%. Undistributed profit shares and profit added paid-up capital are not subject to withholding tax.

Inflation Adjusted Legal Tax Calculation

Law No: 5024 requires the application of inflation accounting in Turkey in 2004 and future years for tax purposes, if the actual rate of inflation meets certain thresholds, using principles which do not differ substantially from the principles in TAS 29. Since the inflation rate in 2004 exceeded certain thresholds the Company adjusted inflation balances in accordance with Law No: 5024 which was used as opening balance as of 1 January 2005. However, as inflation did not meet the required thresholds in 2005, 2006, 2007 and 2008, no further inflation adjustment was made to the Company's statutory financial statements in 2005, 2006, 2007 and 2008.

Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

Deferred Tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements prepared in accordance with Turkish Accounting Standards ("TAS") and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes which are given below.

Tax rate is applied as 20% for the calculation of deferred tax asset and liabilities.

Items that are subject to deferred tax and corporate tax are summarized as follows:

	1 January-31 December 2008
Social Service Fund Asset Deficit Provision	2,399,277.06
Previous provision for employment termination benefits	599,500.80
Current Period provision for employment termination benefits	64,394.00
Depreciations	1,819.04
Financial Assets	893,044.11
Deferred Tax Assets	**3,958,035.01**

	2008
Movement of deferred tax asset/(liability):	
Opening balance at 1 January 2008*	2,998,777.86
Deferred tax expense recognized in the income statement	959,257.15
Closing balance at 31 December 2008	**3,958,035.01**

* Although there is no opening balance carried forward as of 31.12.2007, a total of TL 2,998,777.86 is accounted in previous balance sheet under calculated deferred tax as TL 2,720,117.48 on 31.03.2008 and TL 278,660.38 on 29.09.2008; details are given in Note 2.1.1.b.

Reconciliation of period tax with net income for the period is as follows:

	31 December 2008
Reconciliation of Tax Provision:	
Income before Tax	167,925,815.39
Tax calculated: 20%	(33,585,163.08)
Effect of additions	(5,435,396.75)
Effect of allowances	5,430,024.87
Corporate tax liability Provision on Profit for the Period (-)	33,590,534.96
Deferred Tax Income	**959,257.15**

Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2008

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36. Net Income from Currency Translations

Currency translations accounted for the period, excluding the ones due to fair price adjustment of financial instruments accounted in the income statement are as follows:

	1 January – 31 December 2008	
	Total Less Currency Translations Due to the Adjustment of Financial Instruments	Total Currency Translation Difference
Currency Translation Gain	30,197,337.65	40,156,604.74
Currency Translation Loss	(13,210,687.66)	(14,392,745.40)
Total	**16,986,649.99**	**25,763,859.34**

37. Earnings per Share

Earnings per share was indicated in the financial statements enclosed, since the Company's is not quoted in Stock Exchange.

38. Dividends per Share

Not calculated since there are no dividends per share announced as of 31.12.2008.

39. Cash generated from the operations

Cash flow statement is presented in the financial statements. Net cash flow from main operations is TL 32,192,033.95, net cash flow from investment operations is TL 215,623,516.90 and net cash flow from financial operations is TL -17,136,962.22.

Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

40. Equity Share Convertible Bonds

None.

41. Cash Convertible Privileged Equity Shares

None.

42. Risks

Details for the reserves in the financial statements are disclosed in Note 2.1.1.

43. Commitments

Type of Commitment	31 December 2008
Letters of Guarantee	15,123,457.29

There is no tangible asset and intangible asset that the Company made commitment to purchase.

44. Business Combinations

None as for the financial statement in question.

45. Related Parties

45.1. Name of parent company and ultimate owner (group)

The Company is under Türkiye İş Bankası A.Ş. group.

Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2008

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45.2. Sub-categories of the Company's operations

Details of payables and receivables to/from the Company's shareholders, associates and subsidiaries are as follows.

RECEIVABLES	
Shareholders	
Ergoisviçre Sigorta A.Ş. (Deposit)	17,870.69
Axa Sigorta A.Ş. (Current Account)	2,929,219.53
Güven Sigorta T.A.Ş.* (Current Account)	1,594,239.29
İstanbul Umum Sigorta A.Ş. (Current Account)	56,221.35
Allianz Sigorta A.Ş.* (Current Account+Deposit)	4,782,711.53
Başak Groupama Sigorta A.Ş. (Current Account)	396,142.23
	9,776,404.62
Associates	
Anadolu Hayat Emeklilik A.Ş. (Current Account+Deposit)	97,834.63
Anadolu Türk Anonim Sigorta Şirketi (Current Account+Deposit)	5,435,796.63
	5,533,631.26
Subsidiaries	
Miltaş Turizm İnşaat A.Ş.	7,301.90
PAYABLES	
Shareholders	
Axa Sigorta A.Ş. (Deposit)	59,462.17
AvivaSa Emeklilik A.Ş. (Current Account)	42,215.55
Başak Groupama Sigorta A.Ş. (Deposit Account)	76,738.97
Ergoisviçre (Current Account)	1,356,996.63
Güven Sigorta T.A.Ş. *(Deposit)	141,637.66
İstanbul Umum Sigorta A.Ş. (Deposit)	48,277.64
Dividend Payables to Shareholders	22,604.69
	1,747,933.31

(*) Since these companies are both shareholder and associates their Payables/Receivables are given in the list under Shareholders.

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Details of the Company's (reinsurance) transactions with shareholders, associates and subsidiaries are as follows.

	Anadolu Anonim Türk Sigorta Şirketi	Anadolu Hayat Emeklilik A.Ş.	Güven Sigorta T.A.Ş	Axa Sigorta A.Ş.	Başak Groupama Sigorta A.Ş.	Allianz Sigorta A.Ş.	Ergoisviçre Sigorta A.Ş.	AvivaSa Emeklilik A.Ş.	İstanbul Umum Sigorta A.Ş.
Premiums Received	71,006,826.73	599,976.22	17,809,368.16	23,453,067.69	18,914,247.91	53,057,605.71	52,740,984.02	1,463,488.74	-
Premiums Ceded	1,257,257.83	-	18,577.36	47,528.58	108,691.67	-3.27	1,106,020.61	-	-12.64
Commissions Received	24,830.23	-	-12,453.61	-38,561.14	-94,663.13	-0.66	179,498.61	-	-1.19
Commissions Paid	16,251,260.83	135,271.20	3,637,362.22	4,004,082.41	1,750,800.67	12,997,003.04	12,506,754.08	490,369.16	-
Claims Received	3,709,251.60	-	429,118.21	982,321.29	1,880,797.83	54,235.59	1,015,279.56	-	79,300.40
Claims Paid	49,817,247.12	238,686.68	9,821,961.08	14,560,506.45	17,228,706.28	26,472,694.22	44,510,898.84	314,224.00	-
Other Incomes	64,150.95	-	-6.52	561.52	-18.81	137,208.22	62,427.82	-	-
Other Expenses	16,782.96	-	35,259.77	33,681.25	25,496.72	64,894.86	-	-	11,709.17
Other Services	239,507.68	145,322.51	-	-	-	-	-	-	-

Purchase of services from İşnet Elektronik Bilgi Üretim Dağıtım Tic. ve İletişim Hiz. A.Ş, an affiliate of the Company not disclosed in the above statement since it is not an insurance company, amounts to TL 11,288.93.

45.3. Provision for doubtful receivables and their debts due from shareholders, associates and subsidiaries

None.

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45.4. Details of associates and subsidiaries in direct or indirect ownership, the names and participations of associates and subsidiaries, their profit/loss as of the latest financial statements available, the period for the financial statements in question and whether or not audited under SPK standards, the opinion on the audit report

	31 December 2008		According to the latest financial statements available					
Commercial Title of Associates and Securities for Investments	Participation Ratio (%)	Participation Amount (Nominal Value) (TL)	Earning/loss before Income Tax (TL)	Net profit/ loss (TL)	Period	Standard Applied	Audited or not	Auditor's Opinion
ASSOCIATES								
Anadolu Sigorta*	21.78	76,229,997	77,764,581	65,537,232	30.06.2008	SPK	Yes	-
Güven Sigorta T.A.Ş.	0.05	17,532	5,225,406	3,786,391	30.06.2008	TTK	(**)	(**)
Allianz Sigorta A.Ş.	2.85	5,694,000	61,758,658	51,387,872	30.06.2008	TTK	Yes	-
Axa Sigorta A.Ş.	0.00	7,907	77,923,049	50,271,405	31.12.2007	TTK	Yes	Positive
Çayırova Cam Sanayi A.Ş.	0.02	1,987	5,244,713	4,954,214	31.12.2007	TTK	No	-
T. Şişe ve Cam Fab. A.Ş.	0.00	7,250	50,803,056	50,803,056	30.06.2008	SPK	Yes	-
Miltaş Sigorta Aracılığı A.Ş.	6	3,000	125,073	125,073	30.06.2008	TTK	No	-
İş Net Bilgi Üretim Dağ. Tic. ve İlet. A.Ş.	1	120,000	1,209,351	908,200	31.12.2007	TTK	No	-
Paşabahçe Cam San. ve Tic. A.Ş.	0.02	39,565	(1,600,672)	(1,600,672)	30.06.2008	TTK	No	-
Camiş Menkul Değerler A.Ş.	0.05	1,000	236,330	236,330	30.06.2008	TTK	No	-
İş Merkezleri Yönetim ve İşletim A.Ş.	0.69	10,412	5,876,224	4,401,967	31.12.2007	TTK	No	-
SUBSIDIARIES								
Miltaş Turizm İnşaat Tic. A.Ş.	77	38,500	254,827	254,827	30.06.2008	TTK	No	-
SECURITIES FOR INVESTMENT								
Anadolu Hayat Emeklilik A.Ş.*	1	2,499,999	20,466,719	16,668,519	30.06.2008	SPK	Yes	-
T. Sınai Kalkınma Bankası A.Ş.*	1.20	6,020,722	50,774,000	44,806,000	30.06.2008	BDDK	Yes	-
İş Girişim Sermayesi Yatırım Ort. A.Ş.	4.44	1,040,000	-	(6,036)	31.12.2007	SPK	Yes	Positive
TOTAL		**91,731,871**						

SPK: Capital Markets Board
TTK: Turkish Commercial Code
BDDK: Banking Regulation and Supervision Board

(*) Taken from the financial statements of ISE (İstanbul Stock Exchange).
(**) No information available.

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Notes to the Financial Statements as of 31 December 2008

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45.5. Capitalization issue amount obtained due to capital increase from internal sources

Axa Sigorta A.Ş.	2,235.68
Allianz Sigorta A.Ş.	3,985,800.00
T. Sınai Kalkınma Bankası A.Ş.	1,204,144.37
Anadolu Anonim Türk Sigorta Şirketi	16,334,994.25
Anadolu Hayat Emeklilik A.Ş.	749,999.91
	22,277,174.21

45.6. Real rights on real estates and their values

None as of balance sheet date.

45.7. Amounts of guarantees, commitments, advances, turnover given on behalf of shareholders, associates and subsidiaries

None.

45.8. Related parties

Benefits provided to top management in the financial year are disclosed in Note 1.6, relations with shareholder, associates and subsidiaries and current account balances are disclosed in Note 45.2.

45.9. Provisions, contingent liabilities and contingent assets

None.

46. Subsequent Events

None.

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Notes to the Financial Statements as of 31 December 2008

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47. Other

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

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

Other Receivables from Related Parties			17,647.03
Debts		8,348.61	
Miltaş Turizm İnşaat Ticaret A.Ş.		7,301.90	
T. İş Bankası		1,735.00	
Other		261.52	
Other Receivables			618,856.25
Other		10,591.79	
Deposits and guarantees given		608,264.46	
Other Current Assets			9,518,417.55
Stocks for Future Months		45,095.05	
Prepaid taxes and funds		8,118,109.76	
Job advances		2,451.70	
Other Current Assets		1,352,761.04	
PTT advances	20.59		
Advances for Various Expenses	2,100.00		
Personnel Wages	946,530.45		
Expenses to be collected from Real Estates	57,789.48		
Golf Membership	45,809.35		
Deferred Consumption Expense (Singapore Br.)	300,511.17		
Other Non-Current Liabilities			3,958,035.01
Deferred Tax Assets		3,958,035.01	
Payables to Other Related Parties			56,145.36
Other Payables			237,963.84
Invoices Payable		237,963.84	
Other Technical Provisions (Net)			6,517,519.78
Equalization Reserve		6,517,519.78	
Other Profit Reserves			137,655,805.62
Earthquake Contingency Fund (from Destek Reasürans A.Ş)		40,465,269.95	
Earthquake Contingency Fund Carried Forward		97,190,535.67	

Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated)

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

Income/Profit and Expense/Loss from other operations and extraordinary operations			(7,452,060.67)
Provision Account		(8,246,603.79)	
Provision for Employment Termination Benefits	(321,970.00)		
Doubtful Receivable Provision	(1,738,419.64)		
Pension Fund Deficit Provision	(6,186,214.15)		
Rediscount Account		(219,601.83)	
Rediscounted Payable Income	152,802.94		
Receivable Rediscounted Expense	(372,404.77)		
Deferred Tax Asset Income		959,257.15	
Other Income and Profits		102,180.53	
Other expenses/losses (non deductible expenses)		(47,292.73)	

47.2. Total amount of each due to/from personnel items classified under "Other receivables" and "Other Short or Long Term Payables" exceeding one percent of total assets in the balance sheet

None.

47.3. Recovery receivables followed under the off-balance sheet accounts

None.

Millî Reasürans T.A.Ş.

Notes to the Financial Statements as of 31 December 2008

(Amounts expressed in Turkish Lira (TL) unless otherwise indicated

47.4. Descriptive disclosure in relation to amounts and resources of income, expenses and losses for the prior periods

Accumulated Profit	
Deferred Tax for Pension Fund Asset Deficit Provision	2,120,616.68
Adjustment of Provision for Employment Termination Benefits acc. to TAS-19	1,391,029.14
Adjustment of Employment Termination Benefits and Discounted Deferred Tax	599,500.80
Pension Fund Liability Accrual	278,660.38
Total	**4,389,807.00**

Accumulated Loss	
Social Service Fund Asset Deficit Provision	10,603,083.38
Provision for Unexpired Risks as of 31.12.2007	6,273,327.49
Social Service Fund Asset Deficit Difference (9.8% technical interest)	1,393,301.93
Adjustment of Acquisition Premium acc. to TAS	53,011,813.56
Total	**71,281,526.36**

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