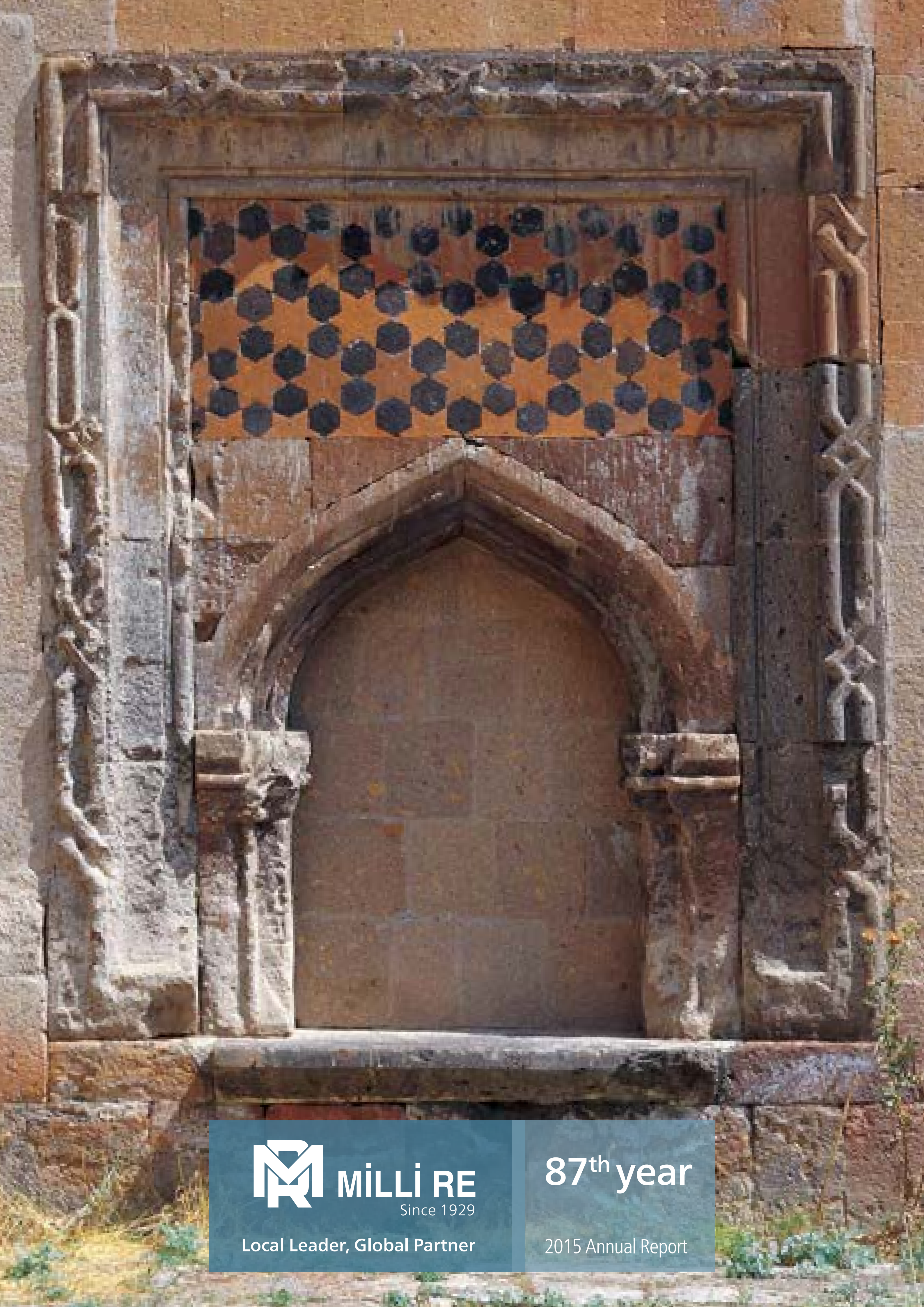

MİLLİ RE
Since 1929

Local Leader, Global Partner

87th year

2015 Annual Report

General Information

Millî Reasürans Türk Anonim Şirketi
2015 Annual Report
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Contents

The photographs used in this report are from the book entitled "Architecture in Northeastern Anatolia" which was published by Milli Re and were exhibited at Milli Re Art Gallery under the same name.

Vision

To maintain and further strengthen the key position in the local market and transform into a prominent reinsurance company in international markets.

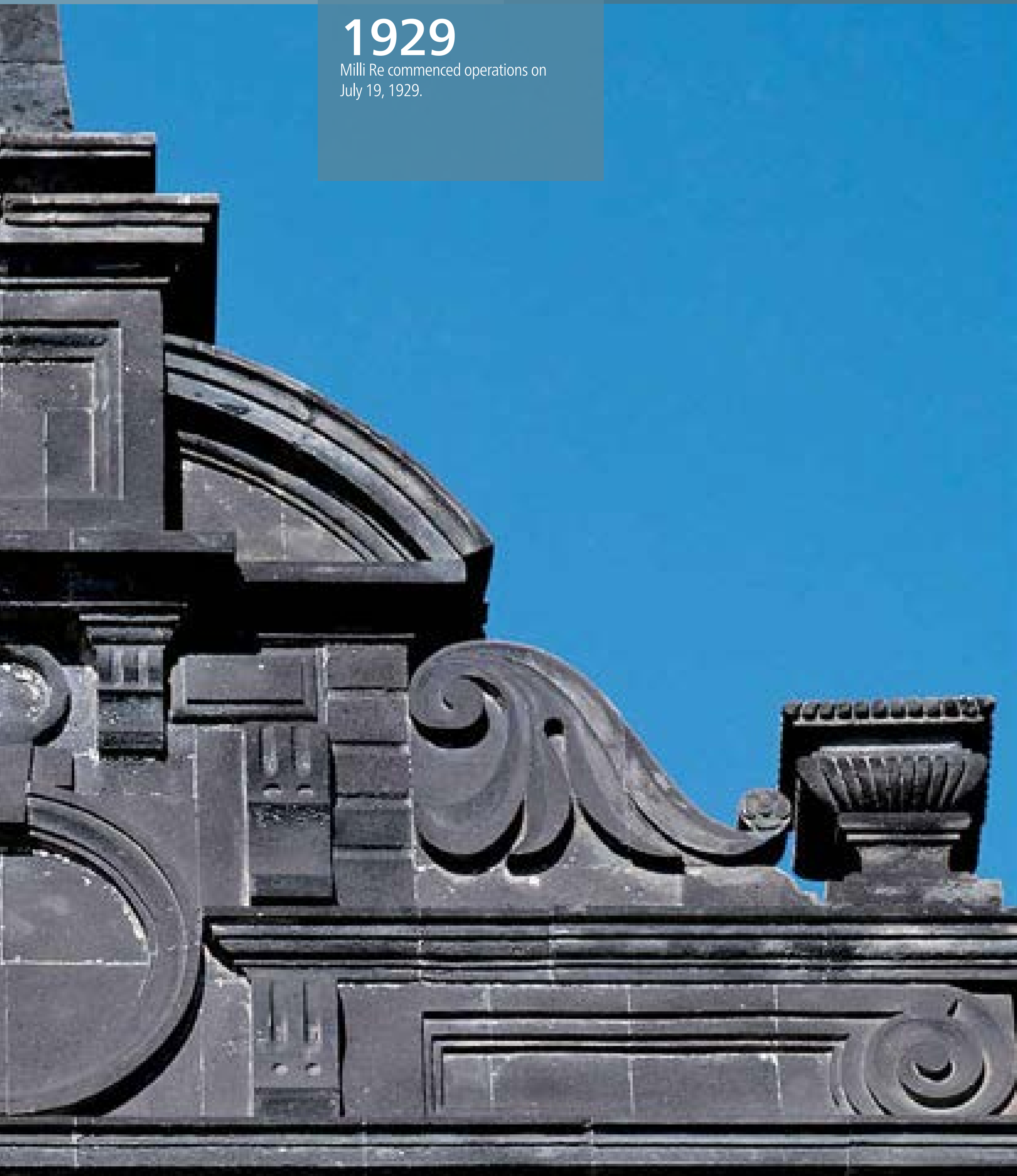
Mission

- Provide quality service and effective solutions with best practice standards.
- Further strengthen its strong capital structure and financial adequacy.
- Ensure ethical, transparent conduct and high standards in its relations and to create value for all counterparties.
- Further enhance the development and the performance of employees aligned with the company-wide strategic targets.

Milli Re has been efficiently providing reinsurance capacity needed by the Turkish insurance market with the best possible terms and conditions.

1929

Milli Re commenced operations on July 19, 1929.



Corporate Profile

Milli Re was set up by Türkiye İş Bankası (İşbank) to operate the compulsory reinsurance system on 26 February 1929, and commenced operations on 19 July 1929.

A global, prestigious and widely trusted reinsurer

Milli Re has taken on a significant role in the formation and development of the Turkish insurance industry and is world's single privately-owned company that has operated a compulsory reinsurance system for all lines of business. Having redefined its goals and strategies in alignment with the current conditions upon termination of the compulsory reinsurance system, the Company today continues to serve as a global, prestigious and trusted reinsurer.

A reliable and unrivalled position in the local market

Milli Re has been taking every effort to support the development of the insurance industry in Turkey and provide high quality service. The Company meets reinsurance capacity requirements of the market with best possible terms and conditions, contributing significantly to customer satisfaction of insurance companies by providing rapid claim settlements.

While operating the compulsory reinsurance system, the Company has also undertaken numerous contributions to our country such as;

- Nationalization of the Turkish insurance industry,
- Generating of continuous revenue for the Undersecretariat of Turkish Treasury,
- Reducing the outflow of foreign currency significantly,
- Execution of training and education programs in insurance business,
- Conducting top level international relations.

Management of the Federation of Afro-Asian Insurers and Reinsurers (FAIR) Pool

Milli Re managed Turkish Reinsurance Pool from 1963 to 1985, and the Economic Cooperation Organization (ECO) Pool from 1967 to 1995, which was originally established under the name of RCD Pool.

Managing the Federation of Afro-Asian Insurers and Reinsurers (FAIR) Pool since 1974, Milli Re has also taken on the management of the Turkish Catastrophe Insurance Pool (TCIP) between 2000 and 2005 where it was a co-founder.

Milli Re meets the reinsurance capacity requirements in the Turkish insurance sector with the best possible terms and conditions.

An internationally recognized reinsurer

Following the recent changes in the portfolio structure within the framework of its strategy to penetrate international markets, Milli Re began writing business from these markets in 2006. In line with this strategy, the Singapore branch was opened in 2007.

Having brought its justified reputation and technical knowledge gained in the Turkish market to international markets with the support of its financial strength, Milli Re has continued to maintain its credibility in international markets by displaying a strong performance in a short time.

On 4 June 2015, A.M. Best assigned Milli Re a global rating of B+ with a stable outlook. Milli Re's national scale rating was affirmed as "tr AA+" by Standard&Poor's (S&P) on 17 July 2015.

Milli Re's Singapore Branch provides service with an experienced and competent team of 11 people.

A preferred business partner in the local market as well as in the international arena

With a focus on the future, Milli Re has the structural competence and equity level necessary to achieve growth. The Company's main objective is to demonstrate sustainable growth and to reflect its strong position in the local insurance market to international markets in the context of a business philosophy that gives utmost attention to risk/return balance.

Milli Re Singapore Branch

Within the frame of its strategy to penetrate international markets, Milli Re, like many other international reinsurers, undertook a detailed analysis of the benefits of opening regional branches. Accordingly, it was decided to open a branch in Singapore in view of the relative weight of the Far East in the global insurance market, as well as its potential business volume and geographical location.

Singapore Office received license for operation from the Monetary Authority of Singapore (MAS) in November 2007 and began writing business from 1 April 2008. The activities of the Singapore Branch make up an important part of the international portfolio of Milli Re.

Anadolu Sigorta

Holding 57.31% share in its capital, Milli Re is the principal shareholder in Anadolu Anonim Türk Sigorta Şirketi, one of the largest and well-established insurance companies in the Turkish insurance industry.

Milli Re Shareholder Structure

Shareholder	Value of Stake (TL)	Stake (%)
İşbank	505,810,925.41	76.64
Milli Re Staff Pension Fund	69,585,027.60	10.54
Groupama Emeklilik A.Ş.	38,809,894.19	5.88
Republic of Turkey Prime Ministry Privatization Administration	22,240,455.60	3.37
Ziraat Bank	16,430,944.19	2.49
Other	7,122,753.01	1.08
Total	**660,000,000.00**	**100.00**

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

Capital Increases
There were no capital increases during 2015.

Changes in the Shareholder Structure during 2015
There were no changes in the shareholder structure during 2015.

Changes in the Articles of Association during 2015
There were no changes in the Articles of Association during 2015.

Disclosures on Preferred Shares
There are no preferred shares.

Milestones

1929	1963	1967	1970
Milli Re is founded by İşbank with a capital of TL 1,000,000 to operate the compulsory reinsurance system.	The management of "Turkish Reinsurance Pool", established to write international business was handed over to Milli Re in accordance with the agreement signed with Turkish insurance companies.	The management of "RCD Fire Reinsurance Pool", established under the agreement of "Cooperation for Regional Development" between Turkey, Iran and Pakistan, was given to Milli Re.	The management of the system known as "Decree Pool", established according to Decree no. 17 set out by the Ministry of Finance on the Protection of the Value of Turkish Currency was given to Milli Re. "Türk Sigorta Enstitüsü Vakfı" (Turkish Insurance Institute Foundation) was established by Milli Re and the Association of the Insurance and Reinsurance Companies of Turkey.
1974	**1982**	**1986**	**1991**
The management of "FAIR Reinsurance Pool" established by the Federation of Afro-Asian Insurers & Reinsurers (FAIR) was handed over to Milli Re.	Compulsory reinsurance cessions were changed from Quota Share basis to Surplus basis.	MİLTAŞ Sports Complex, built under the efforts of Milli Re, and which hosts the traditional "International Insurers Tennis Tournament" organization, was brought into the service of the market.	Milli Re began to offer additional reinsurance capacity to the market, by drawing up its first reinsurance treaties apart from "Compulsory Cessions" and "Decree Pool". First issue of "Reasürör" magazine, which is a scientific resource with full academic content including compilations, translations, interviews, and statistical information in a variety of branches, was published.
1993	**1994**	**1996**	**2000**
Milli Re moved to its new head office in Teşvikiye.	Milli Reasürans Art Gallery, a corporate gallery where art works by prominent local and foreign artists are exhibited, was opened.	Milli Reasürans Chamber Orchestra was established. The orchestra is made up of artists, most of whom also continue their solo music careers, and the orchestra performs with the participation of locally and internationally known conductors and musicians.	Turkish Catastrophe Insurance Pool (TCIP) set up alongside the "Compulsory Earthquake Insurance" system established by the Undersecretariat of Turkish Treasury became operational under the management of Milli Re.
2001	**2005**	**2006**	**2007**
Risk-based Compulsory Reinsurance System came to an end.	Milli Re became the only active and local reinsurance company in the Turkish market after the acquisition of Destek Reasürans T.A.Ş.	Milli Re began to write business from international markets. Decree Pool was terminated.	Singapore Branch, which is expected to play an important role for Milli Re in expanding in international markets, was opened.
2010	**2015**		
Milli Re acquired an additional 35.5% stake in Anadolu Sigorta, which is a group company. Accordingly, Milli Re, Turkey's one and only active local reinsurance company, increased its share in the capital of Anadolu Sigorta, one of the largest and well-established insurance companies in the sector, to 57.3%.	In its 87th year of operation, Milli Re increased its paid-up capital to TL 660 million and its shareholder's equity reached TL 1,184 million. By the close of the year assets were TL 2,648 million, premium volume was TL 997 million, 26% of which emanated from international portfolio.		

Chairman's Message

2015 has been a year of lost momentum in the growth of developed and emerging economies outside the United States.

2015 began with expectations that the Federal Reserve would start raising interest rates during the year, central banks in Europe and Japan would continue to practice expansionary policies and the geopolitical risks induced by the tensions between Russia and the West would remain on the agenda.

The recovery in the U.S. economy continued to gain momentum in 2015. Improving growth, an increase in real earnings and a fall in unemployment to its lowest since the 2008 crisis boosted the expectations that the Fed would start to raise interest rates.

Satisfied that the U.S. economy was ready for the increase in interest rates after nearly 10 years, the Fed raised interest rates by 25 basis points in the last month of the year. The Fed is expected to continue with its gradual interest rate increases in 2016 while the extent of rate hikes will depend on macroeconomic data releases, inflation being the most important.

The past year has been a difficult year for the European economy, the debt crisis in Greece having topped the agenda in Europe for some time.

The European Central Bank (ECB) spent the year pursuing policies aimed at managing the risk of deflation. Such ongoing expansionary monetary policies throughout the year precipitated losses in the value of the Euro. The ECB went to a reduction in the interest rate components, including the deposit in order to revive the loans and manage the risk of deflation in the Euro Zone.

One of the issues most talked about in 2015 was China's failure to demonstrate an adequate growth performance, and its repercussions on world economies, especially those of developing countries. China's economy demonstrated the lowest growth rate recorded in the last 15 years, at 6.9% as of the 3rd quarter of 2015. The slowdown in the world's second largest economy led to a decrease in global demand for commodities, and the decline in commodity prices, in particular oil, continued throughout the year.

Oil prices slumped by 35% in 2015 due to slowing Chinese economy and the refusal of oil producing countries to cut oil production. This sharp decline in oil prices hit oil exporters such as Russia and Brazil hard, precipitating a loss in the value of their currencies.

Fiscal policies of Middle East economies of which the majority of revenues based on oil exports, have come to the point of deterioration due to this sharp decline. It is envisaged that low levels of commodity prices, primarily oil prices, will continue for a while longer due to the expectation that excess global supply will continue and the slowdown in global growth..

A challenging year for Turkey's economy due to the global geopolitical developments and domestic fluctuations

Like other developing countries, Turkey's economy was exposed to the effects of global economic developments, increased geopolitical risks in neighboring countries and high inflation due to the depreciation of the Turkish Lira. Despite these negative factors, Turkey recorded a positive growth performance. In addition, the two general elections during the year did not affect the decisive and disciplined practices of public finance policy, and the improvement trend in budgetary performance was maintained.

With the increase in Turkey's risk premium in 2015, arising from volatility in the global markets, Turkish Lira lost value. The pass-through effect of the 20% depreciation of the Turkish Lira by the end of the year and the steep increase in food prices took the rate of inflation to a level beyond the CBRT's projection and target.

The most important factors in our Company's ability to achieve success, manage market risks and maintain a stable performance have been its strong financial structure combined with its capability to detect and assess market dynamics accurately and rapidly.

The fall in the Euro against the USD continued throughout the year, having a negative impact on net exports due to the fact that the majority of Turkey's export revenues are denominated in Euro while the majority of import expenses are in USD. The recovery in Europe, our main export region, has not yet reached the desired level, while problems experienced in the surrounding economies such as Russia and Iraq have negatively affected exports.

Developments in our market eased the placement of reinsurance agreements in 2015.
In Turkish insurance market, 2016 renewals of Proportional and Excess of Loss reinsurance agreements were smooth as last year.

The most important factor that suppresses prices of nat cat covers has been low-level of natural disaster losses in recent years, recorded at about USD 30 billion in 2015, well below the average damage for the last ten years, as well as relatively high retention levels among reinsurance buyers despite the increase in reinsurance capacity. These developments, which facilitate the placement of the reinsurance agreements, have been positively reflected in the Turkish insurance market.

According to 2015 year-end figures, Turkish insurance market generated approximately TL 31 billion premium, with an increase of 19.4 %. This marks a significant increase in the rate of growth from the 7.3% increase achieved in 2014.

88% of the total premiums were generated from Non-Life and 12% from Life insurance, with no change in market shares compared to last year.

Based on its many years of experience, our Company successfully maintained its position in the market in 2015.
Milli Re obtained satisfactory financial and operational results in its 87th year of operation. Our Company generated TL 997 million premium with an increase of 4% compared to the previous year; 74% of the total premium originating from local business, while 26% was from international operations.

By the end of 2015, Milli Re's asset size reached TL 2,648 million, its shareholders' equity reached TL 1,184 million and the Company recorded a net profit of TL 130 million.

Milli Re will continue to create added value for the country's economy and market under the guidance of its strategy focused on sustainable growth.
The most important factors in our Company's ability to achieve success, manage market risks and maintain a stable performance have been its strong financial structure combined with its capability to detect and assess market dynamics accurately and rapidly.

Together with these features, a deeply rooted and built corporate culture, an established reputation and reliability gained in local and international markets will be the main contributors in maintaining our Company's healthy growth and the leading position in years to come.

On behalf of myself and the Board of Directors, I would like to thank our shareholders, who have always offered their full support, to insurance companies for their confidence in us, and to our valuable employees for their contributions.

Mahmut MAGEMİZOĞLU
Chairman of the Board of Directors

General Manager's Message

US Federal Reserve (Fed) raised interest rates.

The US Federal Reserve (Fed) raised its policy interest rate by 25 basis points for the first time in 10 years on 16 December 2015.

The decision to increase interest rates was based on the Fed's confidence that the economy would continue to strengthen, that risks in the global economy had been reduced and in data releases showing that the recovery in the labor market would continue. Fed stated that interest rate increases would continue gradually in the coming period and would depend on economic growth and long-term inflation expectations.

Although an expected step, the markets welcomed the decision to raise interest rates and the USD demonstrated some rise against other currencies, compensating for the losses on US Treasury bonds.

Continued recovery of the US economy in 2015

The US economy grew by 2% in the third quarter of 2015 when compared to the same period of the previous year. As the recovery in employment continues, the rate of unemployment has fallen back to its pre-crisis levels. On the other hand, the low levels of commodity prices, particularly oil, and the continuing strength of the USD suggests that inflation will remain below the 2% target.

A more positive backdrop for the Euro Zone than in 2014

Although the slow recovery in the Euro Zone was a far cry from what had been desired, macroeconomic data releases in December 2015 showed a relatively positive picture.

Despite the European Central Bank's (ECB) inflation targeting policy, low energy prices kept general prices below the 2% inflation target.

The ECB is expected to revise and extend the duration and coverage of its asset purchasing program, which it had put into operation at the beginning of 2015, and which it plans to continue until September 2016.

Developing countries suffering from structural deficiencies

Developing economies experienced slower growth compared to that in previous years during 2015. A look at the growth composition of the countries in this group generally finds deficiencies in these countries' internal dynamics, for sustainable growth.

In many developing countries, the lack of production and employment policies that will ensure productivity growth and international competitiveness is a deterrent to development.

Significant capital outflows from developing countries and depreciation in local currencies as a result of the volatility in financial markets were observed in 2015, along with a relative improvement in advanced economies.

The slowdown in the Chinese economy becomes more apparent

The slowdown in economic growth and demand in China, the world's second largest economic power, has led to a decrease in production. This has resulted with a fall in global commodity prices, especially in energy and metal, and adversely impacted the economies of commodity exporters which are on the other side of the cycle leading to deterioration in the global growth.

25 quarters of success for Turkey's economy

Turkish economy, which has demonstrated an unexpected degree of resilience in the face of the fall in the Turkish Lira, which was a reflection of the global economy, grew by 5.7% in the fourth quarter of 2015. The total 4.0% growth rate achieved at the end of the year was one of the best performances among emerging economies, and the uninterrupted run of 25 quarters of growth points to the success of Turkey's structural strength.

Our Company continued to create ever increasingly value for the market and the national economy in 2015. Its asset size increased by 22% to TL 2,647.8 million, while shareholders' equity reached TL 1,183.9 million, with an increase of 29%.

With the Fed's confirmation that it would continue to increase interest rates in 2016, the challenges that emerging markets faced in 2015 will further continue in 2016, given their high dependence on foreign capital. While unlikely to decouple Turkey from these countries, the vitality in domestic demand and ability of the private sector to adapt rapidly to adverse global conditions with its flexible nature, suggest that the Turkish economy will reach its targeted performance.

Soft market set to continue for some time

Looking at our market, the downturn in rates is expected to continue for some time due to the abundance of reinsurance capacity. The main reason for the decline in prices is that the cost of the catastrophes which have taken place throughout the world in 2015 was the lowest level recorded since 2009. While economic loss arising from catastrophic events that occurred in 2015 was recorded at about USD 90 billion, the amount of insured loss was just over USD 30 billion.

Continuous technical loss from Motor Third Party Liability has a negative impact on the financial position of the companies.

According to figures for the end of 2015, Turkish insurance market generated approximately TL 31 billion of premiums with an increase of 19.4%. Compared with the 7.3% growth in 2014, the sector is observed to have exhibited a very successful performance in premium production in 2015.

In our country, despite a more disciplined attitude to pricing, there was a steep technical loss especially in the Motor Third Party Liability -largely due to lack of a stable legislation- affecting companies' financial structure negatively.

Wrapping up 2015 with results exceeding the targets

Milli Re's total premium production stood at TL 997 million, with an increase of about 4% in 2015. Premium income from local business increased by 2.6%, while there was an 8.5% increase in our premium income from international operations. We produce 74% of the total premium from local business, and 26% were obtained from international operations.

Milli Re is the only active local reinsurance company in Turkey. Participating in the proportional bouquets of 19 companies operating in our market, and leading 14, Milli Re has maintained a stable market share which was realized as 25% in 2016 renewals.

Thanks to its disciplined underwriting policy, which it has maintained uncompromisingly, and strong financial structure, Milli Re closed the 2015 operating year with a net profit of TL 130.2 million (a 328% increase), while our Company's asset size increased by 22% to TL 2,647.8 million, and its equity increased by 29% to TL 1,183.9 million.

As always, our Company aims to ensure its growth, development and success is sustainable in the future.

Analysts expect 2016 to be the most challenging year for the national economy in our recent history, due to both global and regional conditions. Thanks to our ability to accurately comprehend, asses and meet market demand, risk management skills and our strong financial structure, we believe we will overcome the difficulties we are likely to encounter.

Milli Re will continue to develop its activities, especially in international markets and to create value both for the market and the country economy in the coming period.

As it has always been, the aim of the Company is to have a sustainable growth, development and success. Our market experience and knowledge, built up over many years, will continue to guide in reaching our goals.

I would like to extend my thanks to our shareholders, our business partners, and employees who always stand by us, for the support and confidence that they provide.

Hasan Hulki YALÇIN
Director and General Manager

Turkish insurance industry produced nearly TL 31 billion premiums in 2015, with an increase of 19.4% year-on-year. Of the total premiums, 88% was generated from Non-Life insurance and 12% from Life insurance.

35%

The main reason for the increase in premium production in 2015 was the 35% growth in the Land Vehicles Liability.

Board of Directors

7
Kemal Emre SAYAR
Director

6
Burak SEZERCAN
Director

5
Erdal İNCELER
Director

2
Hülya ALTAY
Vice Chairman

1
Mahmut MAGEMİZOĞLU
Chairman

9
Hasan Hulki YALÇIN
Director and General Manager

3
İsmet ATALAY
Director

4
Aynur Dülger ATAKLI
Director

8
Salih KARADURMUŞ
Director

10
Fahriye ÖZGEN
Reporter of the Board of Directors

Board of Directors

1- Mahmut MAGEMİZOĞLU
Chairman

Mahmut Magemizoğlu is a graduate of Middle East Technical University, Faculty of Administrative Sciences, Department of Business Administration. He holds a master's degree in investment analysis from the University of Stirling (UK). Mahmut Magemizoğlu began his career at İşbank in 1982 on the Board of Inspectors and served in a number of the Bank's units. He has been functioning as Deputy Chief Executive of İşbank since his appointment on 2005. Besides his duty as Chairman in Anadolu Hayat Emeklilik A.Ş., Mahmut Magemizoğlu has been the Chairman of the Board of Directors at Milli Re since 29 April 2011 and also heads the Corporate Governance Committee.

2- Hülya ALTAY
Vice Chairman

Hülya Altay graduated from Ankara University, Faculty of Political Sciences, and joined İşbank in 1982 as an Assistant Economics Specialist. After serving in a number of the Bank's units and branches, she has been appointed as Deputy Chief Executive in April 2004 where she served until 2011. Functioned as the Chairman of İş Portföy Yönetimi A.Ş., Ms. Altay has been a member of the Board of Directors at Milli Re since 29 April 2011.

3- İsmet ATALAY
Director

İsmet Atalay graduated from the Faculty of Law, İstanbul University and he started his professional career as an independent lawyer in Kars and served as Kars Provincial Chairman of Republican People's Party (CHP) for 10 years. He entered to the Turkish Parliament (TBMM) as a representative of Kars in 1977, of Ardahan in 1995 and of İstanbul in 2002. In CHP, he served as a member of the Group Board, the General Administrative Committee, and the Central Executive Committee, and as a General Accountant. Served as a member of the Board of Directors of İşbank between 2008-2010, İsmet Atalay has been a member of the Board of Directors at Milli Re since 29 April 2011.

4- Aynur Dülger ATAKLI
Director

Aynur Dülger Ataklı graduated from the Department of Economics-Finance at the Faculty of Political Sciences at Ankara University. She attended post-graduate programs in the United States from 1988 and the Senior Public Administration Techniques and European Union program at The Royal Institute of Public Administration in the United Kingdom in 1990. She started her professional career in 1979 as a Research Assistant at the Faculty of Political Sciences of Ankara University. She later served as an Assistant Specialist and Specialist and member of the special commission at the State Planning Organization. She served as a Specialist, Department Head and Deputy General Manager at the Undersecretariat of Turkish Treasury. Aynur Dülger Ataklı served as a Member of the Board at Sivas Demir-Çelik İşletmeleri A.Ş. and as the Chairman of the Board at BETEK A.Ş. (Berlin), a member of the Board and High Advisory Board at the Ankara Art Institution and Alumni Association of Faculty of Political Sciences of Ankara University and also as the Head of the Civil Services Sports Club. She served as a Member of the Board at İşbank between 2011 and 2014, and at İş Portföy Yönetimi A.Ş. between 17 April and 12 May 2014. Mrs. Ataklı was elected to Milli Re's Board of Directors on 16 May 2014.

5- Erdal İNCELER
Director

Erdal İnceler holds a degree in economics from the Faculty of Economics and Administrative Sciences at the Middle East Technical University and a master's degree in international banking and finance from the University of Heriot-Watt in Edinburgh. Erdal İnceler began his career at İşbank as an Assistant Specialist in the Training Department in 1990. He was appointed as an Assistant Manager in 1999 and as a Group Manager in 2005 in the same Department. He served as a member of the Board of Auditors at İş Gayrimenkul Yatırım Ortaklığı A.Ş. and ASMAŞ, and as a member of the Board of Directors at Anadolu Hayat Emeklilik A.Ş. Erdal İnceler is currently the Human Resources Unit Manager at İşbank and has been functioning as a member of the Board of Directors at Milli Re since 29 March 2013.

6- Burak SEZERCAN
Director

Burak Sezercan graduated from the Department of Political Science and International Relations at Boğaziçi University. He holds a Master's degree in Banking and International Finance from the City University Cass Business School (UK). Burak Sezercan began his career in 1996 as an assistant inspector on the Board of Inspectors at İşbank. He was appointed as an Assistant Manager at the Risk Management Department in 2005 and as a Group Manager in the same Department in 2008. He was appointed as the Head of Strategy and Corporate Performance Management Department in 2011. Burak Sezercan has been serving as a member of the Board of Directors at Milli Re since 9 December 2014.

7- Salih KARADURMUŞ
Director
Salih Karadurmuş graduated from the Ankara Academy of Economics and Commercial Sciences and joined İşbank in 1983 and served in a number of the Bank's units and branches. Salih Karadurmuş, who holds the Financial Analyst and Cambist titles, has been serving as the Head of Commercial Banking Sales Department since 2013 and as a member of the Board of Directors at Milli Re since 25 March, 2015.

8- Kemal Emre SAYAR
Director
Kemal Emre Sayar is a graduate of the Faculty of Industrial Engineering at the Middle East Technical University. He holds a master's degree in Information Technologies in Management from Sabancı University and in Economics and Finance from the Boğaziçi University. Kemal Emre Sayar began his career in 1999 as an assistant inspector on the Board of Inspectors at İşbank, while from 2008 he served at the Change Management Directorate and the Strategy and Corporate Performance Management Department. Kemal Emre Sayar is currently the Subsidiaries Department Unit Manager at İşbank and has been a member of the Board of Directors at Milli Re since 30 November 2013.

9- Hasan Hulki YALÇIN
Director and General Manager
Hasan Hulki Yalçın attended TED Ankara College for his primary, secondary and high school education and graduated from the Middle East Technical University, Department of Economics. He then got his master's degree in international banking and finance from The University of Birmingham in the U.K. Mr. Yalçın joined İşbank as a member of the Board of Inspectors, where he worked for 14 years in different positions. He joined Milli Re in 2003 and attended various professional training programs abroad. Appointed as a member of the Board of Directors and General Manager on 16 January 2009, Hasan Hulki Yalçın is also a member of the Non-Life Management Committee of the Insurance Association of Turkey, and a member of the Board of Directors of Anadolu Anonim Türk Sigorta Şirketi.

10- Fahriye ÖZGEN
Reporter of the Board of Directors

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 or Vice Chairman's invitation, with the participation of the majority of the total number of directors on the Board.

Meeting agendas are drawn up in line with the proposals of the General Management. During the meetings, various topics that 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 17 times during 2015, with all members attending 12 of these meetings, whereas one member was excused from each one of five meetings.

Senior Management

6
Vehbi Kaan ACUN
Group Manager

4
Fatma Özlem CİVAN
Assistant General Manager

3
Yıldırım Kemal ÇUHACI
Assistant General Manager

1
Hasan Hulki YALÇIN
Director and General Manager

2
Barbaros YALÇIN
Assistant General Manager

5
Şule SOYLU
Group Manager

Senior Management

1- Hasan Hulki YALÇIN
Director and General Manager

Please see Board of Directors page for Mr. Yalçın's CV.

2- Barbaros YALÇIN
Assistant General Manager

Barbaros Yalçın holds a degree in Law from İstanbul University and began his career at Milli Re in the Fire Insurances Department. He has pursued professional studies in Switzerland and the UK. He served as the Vice President of the Turkish Earthquake Foundation and Turkish Insurance Institute Foundation, and also as the President of the Fire Insurances Investigation and Research Committee of the Insurance Association of Turkey. He has been appointed as Assistant General Manager on 1 September 1988.

3- Yıldırım Kemal ÇUHACI
Assistant General Manager

Mr. Çuhacı graduated with a B.A. degree in Political Science from Ankara University and started his business career in Milli Re's Marine Insurances Department in 1986. He attended the diploma courses in Chartered Insurance Institute in the UK in 1987 and was awarded the title of "Associate" in 1988. During his employment, he participated in various seminars and conferences abroad. He has been appointed as Assistant General Manager on 1 September 2011.

4- Fatma Özlem CİVAN
Assistant General Manager

Having completed her secondary and high school education at Robert College, Özlem Civan graduated with a B.A. degree in Business Administration in English from the Faculty of Business Administration at İstanbul University. Between 1990 and 1993, she worked in the Treasury and Fund Management Departments of several banks, embarking on her career in the insurance market in 1994 at the Reinsurance Department of Güneş Sigorta. Leaving her position as Group Manager in charge of Reinsurance, Casualty and Credit Insurance in September 2006, Özlem Civan joined Milli Re the same year. She has participated in a number of training programs and seminars on insurance and reinsurance, organized by leading international reinsurers and brokers. Özlem Civan has been appointed as Assistant General Manager on 1 September 2011.

5- Şule SOYLU
Group Manager

Şule Soylu graduated with a B.A. degree in Business Administration from the Faculty of Economic and Administrative Sciences at Anadolu University and received her master's degree in Financial Institutions from İstanbul University Institute of Business Economy. She began her professional career in Milli Re in 1990 and finished cum laude the Accounting Branch of the Turkish Insurance Institute. Currently serving as a Board Member of Turkish Insurance Institute Foundation and a member of the Financial and Accounting Committee of the Insurance Association of Turkey, Şule Soylu has been appointed as Group Manager on 1 September 2011.

6- Vehbi Kaan ACUN
Group Manager

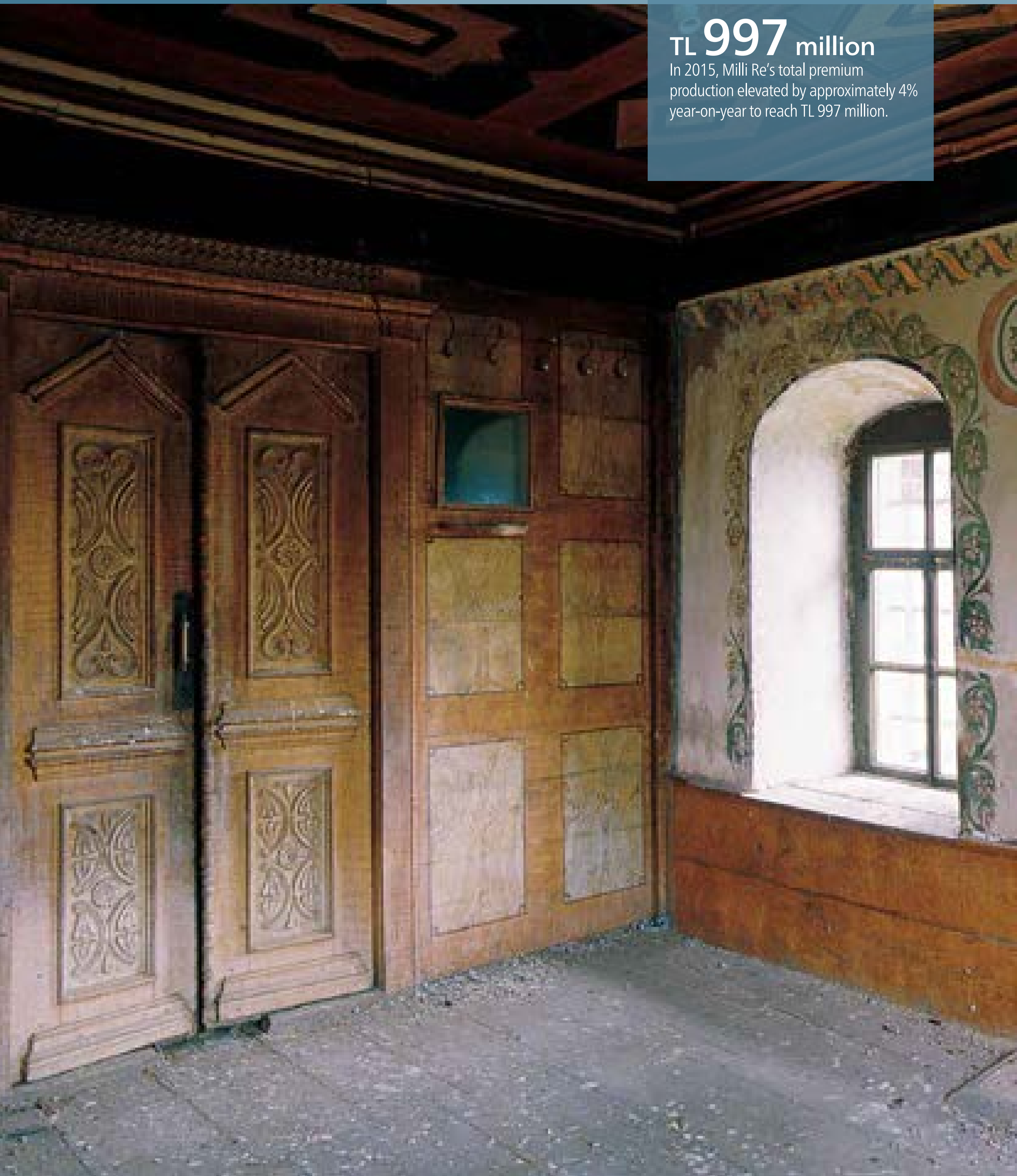
Vehbi Kaan Acun graduated from İstanbul University, Department of Economics in English. He started his career as an assistant inspector on İşbank's Board of Inspectors. After serving at İşbank for 8 years, he joined Milli Re in 2006. During his career at Milli Re, he also worked as a Coordinator in the Company's Singapore Branch. He participated in various seminars and conferences abroad and functions as the Vice President of the Turkish Insurance Institute Foundation Board. Vehbi Kaan Acun has been appointed as Group Manager at Milli Re on 1 June 2012.

Internal Systems Managers

Internal Audit Assistant Manager: Ekin ZARAKOL SAFİ
Term of Office: 2 years
Professional Experience: 13 years
Departments Previously Served: Turkish Reinsurance Pool Directorate, Internal Audit and Risk Management Directorate
Academic Background: Bachelor's Degree

Internal Control and Risk Management Assistant Manager: Duygu GÖLGE
Term of Office: 2 years
Professional Experience: 20 years
Departments Previously Served: Decree Pool Directorate
Academic Background: Master's Degree

Thanks to its disciplined business acceptance policy, which has been strictly maintained, and its strong financial structure, Milli Re closed the 2015 operating year with a net profit of TL 130.2 million, an increase of 328%.



TL 997 million

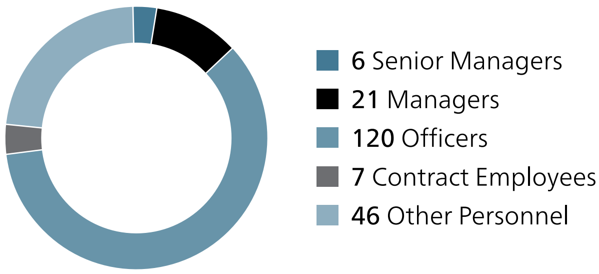
In 2015, Milli Re's total premium production elevated by approximately 4% year-on-year to reach TL 997 million.

Human Resources Applications

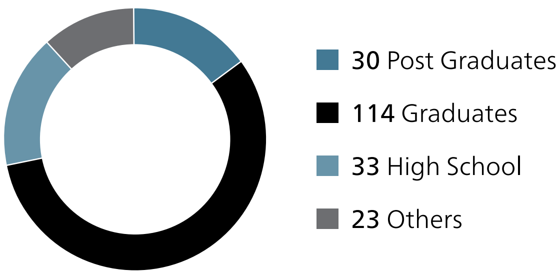
In recognition of the fact that people make up one of the primary strengths that help it achieving its targets, Milli Re possesses a highly qualified and committed work force, open to continuous learning and development. The Company's Human Resources policy is built on the fundamental principles of recruiting adequate candidates possessing the qualifications relevant to the vacant position; providing the business environment that is conducive to working efficiently, productively and happily; protecting and observing financial and moral rights of employees, providing fair and equal opportunities of development and training in view of personal skills enabling to foster social relationships that serve to motivate the individuals, and executing all internal processes efficiently.

As of year-end 2015, Milli Re had 200 employees on its payroll.

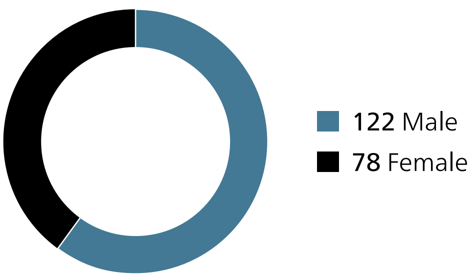
Employee Profile



Educational Background Profile



Human Resources Profile



Milli Re provides its personnel with a conductive business environment enabling to work efficiently, productively and happily; offers fair and equal opportunities that serve to increase the motivation of the employees.

Job Application

Job applications are made via **personel@millire.com** on our corporate website and other communication means and stored in the candidate pool established within our Company.

When needed, applications are examined and candidates who are seen appropriate for the positions are contacted.

Recruitment

Milli Re recruits candidates possessing the qualifications called for by the relevant position, while also paying attention to selecting individuals who will easily adjust to the corporate culture.

Performance Management

Performance appraisals of employees are conducted on an annual basis in accordance with the Performance Appraisal System Guidelines in place at the Company; based on the results of the appraisals conducted, career planning is made and training needs are identified.

Training

Training requirements identified according to performance appraisal results are used to formulate the training program, and employees are given opportunity to receive technical and personal development training in or out of Turkey as necessitated by their positions.

Career

Ever since its establishment, Milli Re had the policy of investing in its work force so that the staff is promoted to managerial positions. Promotions are made in line with the Personnel Regulation and the principles set forth in the collective agreement, done with the Workers' Trade Union, taking into consideration the results of Performance Appraisals.

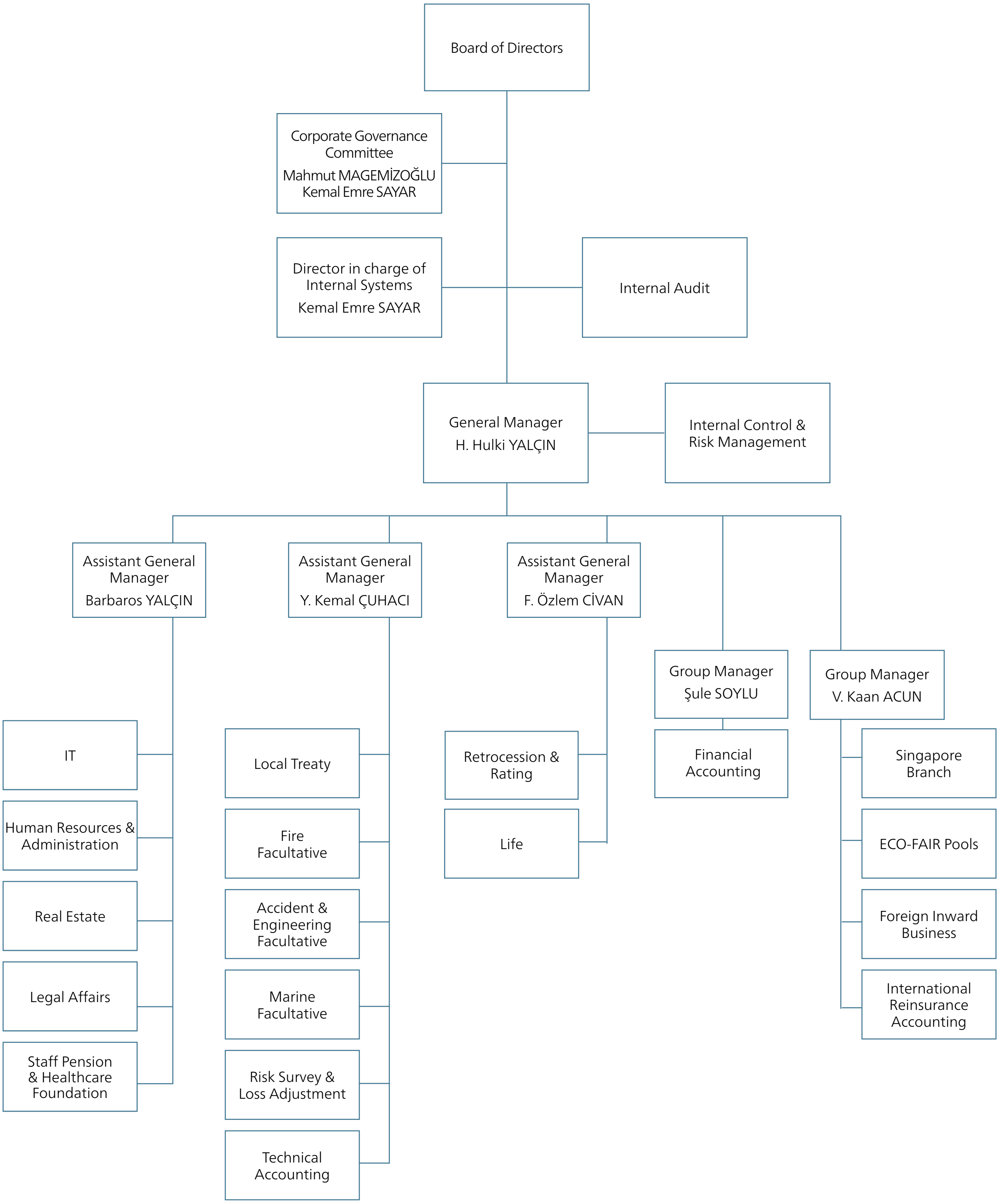
Compensation Policy

Our employees' salaries are adjusted in accordance with the terms of the collective bargaining agreement within the rules of related regulations.

Occupational Health and Safety

The obligations required by Law No. 6331 on Occupational Health and Safety have been fulfilled by the Personnel and Administrative Affairs Department at our Company.

Organization Chart



2015 Annual Report Compliance Statement

We hereby represent that Millî Reasürans T.A.Ş. 2015 Annual Report issued for its 87th 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 7 August 2007 by the Undersecretariat of Turkish Treasury.

February 22, 2016

Şule SOYLU	Yıldırım Kemal ÇUHACI	Hasan Hulki YALÇIN	Mahmut MAGEMİZOĞLU
Group Manager	Assistant General Manager	General Manager	Chairman of the Board of Directors

Report on the Audit of Board of Directors' Annual Report

Convenience Translation into English of the Independent Auditor's Report Related to Annual Report Originally Issued in Turkish

To Millî Reasürans Türk Anonim Şirketi General Assembly,

Report on the Audit of Board of Directors' Annual Report Based on Standards on Auditing which is a Component of The Turkish Auditing Standards Published by The Public Oversight Accounting and Auditing Standards Authority ("POA")

We have audited the accompanying annual report of Millî Reasürans Türk Anonim Şirketi (the "Company"), for the year ended 31 December 2015.

Board of Directors' Responsibility for the Annual Report

Pursuant to the article 514 of the Turkish Commercial Code numbered 6102 ("TCC") and Communiqué on Individual Retirement Saving and Investment System" ("Communiqué") issued on 7 August 2007 dated and 26606 numbered, management is responsible for the preparation of the annual report fairly and consistent with the financial statements and for such internal control as management determines is necessary to enable the preparation of such annual report.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's annual report based on our audit in accordance with article 397 of the TCC and Communiqué whether the financial information included in the accompanying annual report is consistent with the audited financial statements expressed in the auditor's report of the Company dated 8 February 2016 and provides fair presentation.

Our audit has been conducted in accordance with the Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") published by the POA and the insurance legislation. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information included in the annual report is consistent with the financial statements and provide fair presentation.

An audit also includes performing audit procedures in order to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment.

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

Opinion

In our opinion, the financial information included in the annual report is consistent, in all material respects, with the audited financial statements and provides a fair presentation.

Report on Other Regulatory Requirements

In accordance with the third clause of the article 402 of TCC, no material issue has come to our attention that shall be reported about the Company's ability to continue as a going concern in accordance with TAS 570 "Going Concern".

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

Alper Güvenç
Partner
10 March 2016
İstanbul, Turkey

Financial Rights Provided to the Members of the Governing Body and Senior Executives

The Company's Research & Development Activities

Financial Rights Provided to the Members of the Governing Body and Senior Executives and The Company's Research & Development Activities

Financial Rights Provided to the Members of the Governing Body and Senior Executives

The Company's Board of Directors is composed of Chairman, Vice Chairman and seven Board members. The Senior Management comprises of one General Manager, three Assistant General Managers, and two Group Managers. The chart below presents the benefits provided to the Senior Executives in 2014 and 2015 for comparison.

(TL)	2014	2015
Benefits such as salary, premium, bonus, dividend etc.	4,495,282	5,042,325
Travel, accommodation, entertainment expenses, and means in kind and in cash	245,394	247,488

The Company's Research & Development Activities

- Risk Management, Project Management and Purchasing IT Resource Management entered operation in order to update existing processes with process studies carried out under CobiT in 2015, and determine the risks in Information Technology, measure and facilitate necessary inspections within the scope of new process.

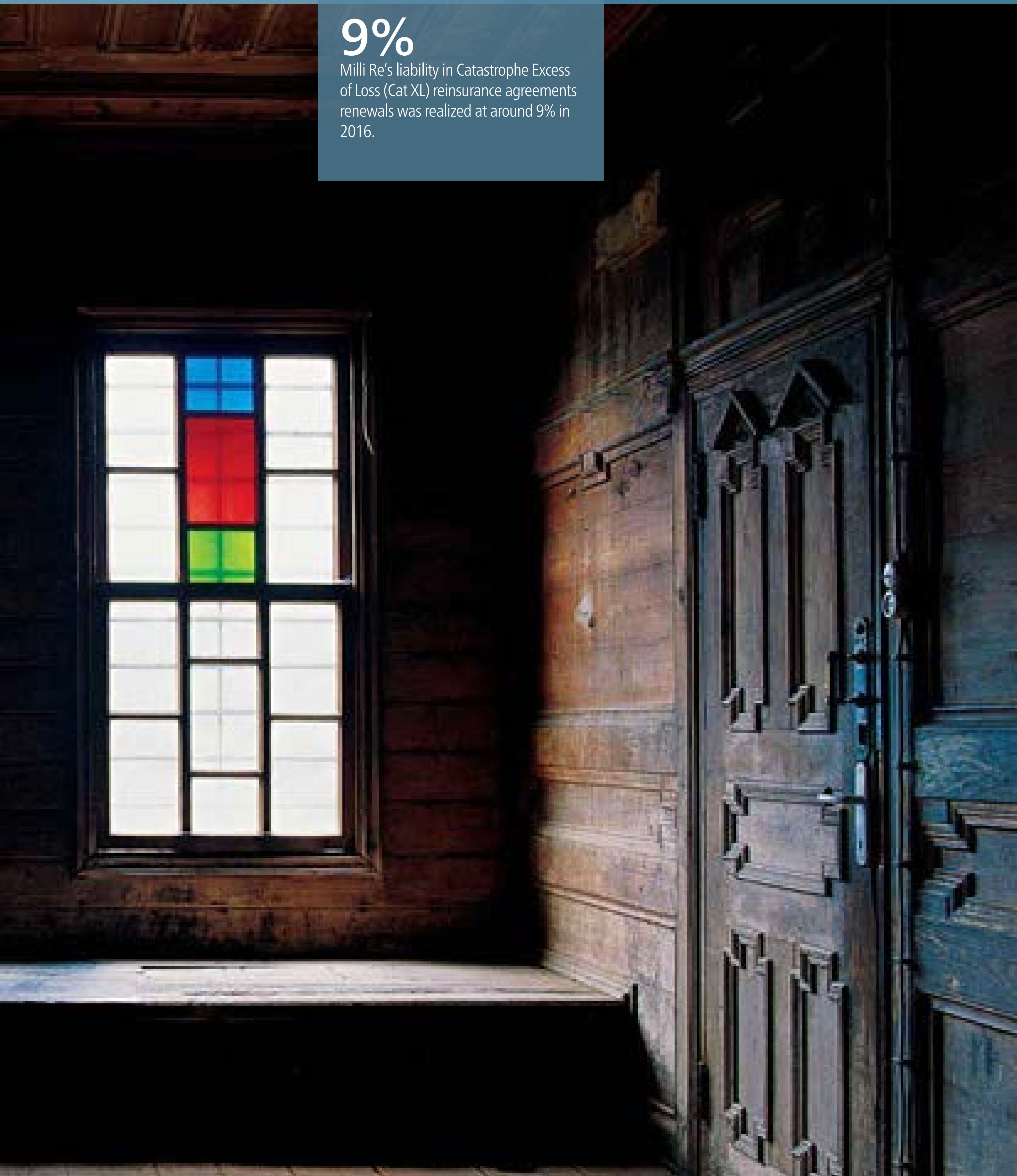
- A transformation project covering the Singapore Branch and the Head Office was initiated in 2015 to renew existing applications used for conducting, reporting and accounting of the reinsurance operations at our Company. At the end of the project, which will continue in 2016, different applications used in the Head Office and Singapore Branch will be fully standardized and integrated.

Company Activities and Major Developments in Activities

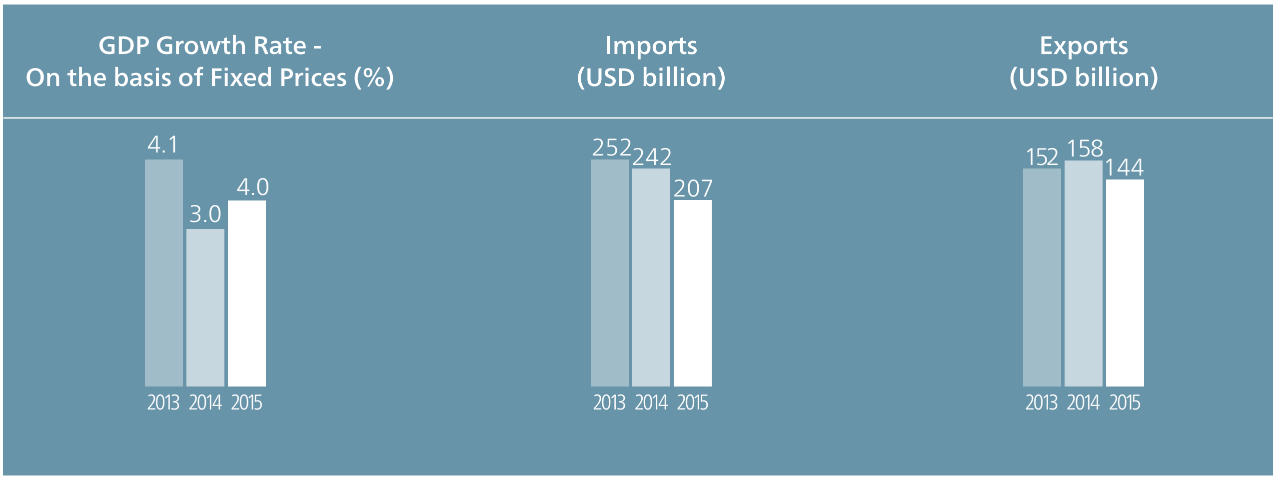
In the Turkish Insurance Market, 2016 renewals of Proportional reinsurance agreements and Catastrophic Excess of Loss reinsurance agreements were smooth, as last year.

9%

Milli Re's liability in Catastrophe Excess of Loss (Cat XL) reinsurance agreements renewals was realized at around 9% in 2016.



Turkish Economy and Outlook



Stronger than expected growth for the Turkish economy

GDP expanded by 2.5% in the first quarter of 2015 compared to the same quarter of the previous year; with the rate of growth realized at 3.7% in the second quarter, 3.9% in the third quarter, and 5.7% in the fourth quarter, exceeding expectations. Thus, as of the end of 2015, Turkey's economy posted 4.0% growth. As of the year-end, the agricultural sector had grown by 7.6%, manufacturing industrial production by 3.3% and the services sector by 4.8% on the basis of fixed prices. The Medium Term Program (MTP), which was revised in January 2016, sets out a growth rate of 4.5% in 2016.

According to the GDP data calculated using the production approach, the services sector provided the greatest contribution to growth, at 1.9 percentage points in the third quarter. As a result of the seasonal effects and the increase in agricultural production, the agricultural sector contributed 1.6 percentage points to the growth, its highest level for 10 years. The contribution from the industrial and construction sectors to growth remained limited, at 0.4 and 0.1 percentage points, respectively.

Fiscal discipline limits the deterioration in inflation and inflation expectations.

A slump in energy prices continued to have a positive influence on inflation while increasing cost elements limited the improvement in core inflation. The CPI, which had been 8.17% in 2014, was realized as 8.81% in December, 2015.

Unprocessed food prices played a significant role in the rise in annual inflation. The lagged effects of the depreciation in the Turkish Lira were reflected to inflation towards the end of the year, especially in the basic goods channel. On the other hand, the main factor keeping the rate of CPI inflation in check continued to be the downward trend in import prices in the last quarter of the year.

Domestic annual inflation in producer prices increased by 0.46 points to 5.71%. The decline in producer prices, primarily of oil, became a determining factor in international commodity prices. On the other hand, the annual rate of inflation in manufacturing industry increased to 6.38%, while the rate of inflation in manufacturing industry excluding oil and base metals rose to 8.44%.

Falling prices of energy, especially oil, helped bring down the current account deficit by 14.8% year-on-year to USD 40.3 billion.

4.0%

The Turkish economy far exceeded expectations with 4.0% growth in 2015.

A decline in exports

Turkey's exports contracted by 8.7% year-on-year in 2015 to stand at USD 144 billion. The rise of the USD against the Euro, sharp decline in export prices due to the general trend in global commodity prices and geopolitical developments had an influence in this weak export performance.

Turkey's total imports amounted to USD 207 billion in 2015, declining by 14.4%. Thus, the import coverage ratio of exports increased from 65.1% in 2014 to 69.5% in 2015. This led to a narrowing in the foreign trade deficit, which was realized at USD 63 billion in 2015, marking a decline of 25.2% year-on-year.

A 14.8% year-on-year decline in the current account deficit

The decline in energy prices, especially oil, contributed positively to the current account balance. The current account deficit was realized at USD 25.3 billion in the first nine months of 2015, marking a decline of 19.8% compared to the same period of the previous year; on a 12 month rolling basis, it was realized at USD 40.3 billion, with a decline of 14.8%. The Medium Term Program projects a current account deficit of USD 31.7 billion in 2015, and USD 28.6 billion in 2016, with the current account deficit projected to be 4.4% of GDP in 2015 and 3.9% in 2016.

In terms of the financing of the current account deficit, it appears that foreign capital has turned to long-term direct investments in the recent period. Direct foreign investment amounted to USD 8.7 billion in the first nine months of 2015, an increase of 71% compared to the same period of the previous year, there was an outflow of USD 11.7 billion in net portfolio investments during this period.

Both the Industrial Production Index and Capacity Utilization Rate increased in 2015 compared to the same period of the previous year. The Manufacturing Industry Capacity Utilization Rate had declined to 72.4% in the first quarter of 2015 but reached 75.8% in December, 2015 while the Industrial Production Index ended the year at 132.9%, and increase of 4.5% compared to the same period of 2014. During this period, the Manufacturing Industrial Production Index increased by 4.4%.

The tourism sector, so important to easing the current account balance, declined throughout 2015. Despite a 0.5% increase in the number of visitors in 2015 compared to the previous year, there was an 8.3% decline in Turkey's tourism receipts.

Unemployment is still a major problem.

While Turkey's economy grew by more than expected in 2015, unemployment remains a major problem for Turkey. The rate of unemployment stood at 10.4% at the end of 2014, coming down to 9.9% in May 2015, but edging back to 10.5% in October. Although Turkey showcased an important performance compared to other countries, including EU countries in providing employment growth, the increase in the rate of labor force participation in particular has prevented unemployment from falling. The unemployment rate is projected to be 10.2% in 2015 and 2016 in the Medium Term Program.

Turkish Economy and Outlook

A brighter outlook for economic activity in 2016

The process of stabilization in the Turkish economy, which continues steadily, and the macro-prudential measures that are being taken, are increasing the strength of our country's financial system against risks arising from the global financial markets. In this process, keeping the financial system's external debt at moderate levels and extending the term of borrowing becomes vital. Extending the term of external borrowing, in accordance with the macro-prudential measures, while the current account deficit has continued rebalancing, is considered an extremely positive development in this regard.

The easing of domestic uncertainty along with increasing consumer and investor confidence should support domestic demand. The partial implementation of investments in 2016 which had been deferred in 2015 due to the domestic uncertainties, with strong employment performance observed in the aftermath of the global crisis and the impact of recent wage developments on the income channel are likely to support domestic demand.

In addition, the projected decline in the current account deficit and strong public finances are creating space for economic policies to move in the direction of stabilizing against possible shocks. The recovery in economies in the European Union will continue to support our exports, although the uncertainty surrounding exports to the Middle East and Russia stand as risks.

In summary, some strengthening of domestic demand is expected in 2016 when compared to 2015. Despite geopolitical risks, external demand is set to recover with the support of recovering demand from the European Union. In this context, the improvement in the current account deficit is envisaged to continue with the contribution of the maintaining of macro-prudential policy measures and positive developments in foreign trade.

An Overview of the Turkish Insurance Industry in 2015

Turkish insurance industry produced nearly TL 31 billion in premiums in 2015, with an increase of 19.4% year-on-year. 88% of total premiums was generated by Non-Life and 12% from Life insurance with no significant change in the composition with respect to the previous year.

The most important reason for the 19.4% increase in premium production in 2015 was the growth of approximately 35% in the Land Vehicles Liability which constitutes 27.5% of Non-Life premium production. There was a significant increase in liabilities from previous years mainly due to the legislative changes that have been retroactively applied causing insurance companies to establish high levels of additional technical provisions. This resulted in a serious underwriting loss, and accordingly insurance companies were forced to increase policy premiums significantly.

Fire and Natural Disasters maintained its 16% share in Non-Life premium production, recording an increase of approximately 14% in premiums compared to last year. According to the figures announced, even though the number of covers given by insurance companies decreased for the Civil, Commercial and Industrial Risks when compared to last year, the amount of the premiums produced increased. The positive change registered in Industrial Risks last year continued also this year and the premium per policy increased by around 70%. These developments are indicators of more disciplined underwriting adopted by insurance companies in pricing of risks and determining the scope of coverage.

Land Vehicles is one of the largest contributors in premium production of Non-Life. Premium production in Land Vehicles, which comprises approximately 20% share in total Non-Life premium, increased by 9%, lower than the market average of last year. The most important reason for this situation is particularly pricing in the automobile category, where 65% of premium production originates, is subject to heavy competition and the level of premium increase only at par with inflation.

General Losses, in which 90% of the premium production originates from Agriculture and Engineering, has been increasing its share in Non-Life premium production each year. Agriculture has been the main driver in this trend. Agriculture has demonstrated a significant premium increase each year both due to TARSİM's efforts in increasing insurance-awareness among farmers, as well as the increase in losses caused by natural events such as flood, storm, hail and frost. Premium growth was 51% in 2015. Although premium production in Engineering increased by 17% compared to the previous year, the share of Engineering in General Losses has decreased gradually to 49% in 2015, below 50% for the first time, due to the significant rate of growth in Agriculture.

One of the largest contributors to premium production in Non-Life, the Land Vehicles, accounting for nearly 20% of total premiums, realized a 9% increase in premiums.

TL 31 billion

Turkish Insurance Industry produced TL 31 billion premium in 2015.

An Overview of the Turkish Insurance Industry in 2015

Marine, consisting of Cargo and Hull, accounted for just 2.5% of market’s total Non-Life premium income with 75% of premiums generated from Cargo and 25% from Hull. Approximately 13% increase in Marine premiums when compared to the previous year, stems from the 26% increase in Hull premium, even though this branch makes up only a quarter of total premium production in Marine.

While the share of General Liability insurance in Non-Life income remained unchanged at last year’s level, premium production rose by 19%. Some 70% of premium income was derived from the Third Party Liability and Employer Liability. Although premium income of the branch has been increasing steadily and in real terms for the last 3 years, there is significant potential for problems in the medium and long term in the insurance sector, arising from insufficient policy pricing against long-tail liabilities.

Life had long accounted for 15% of total premium production, but this ratio has declined to 12% in the last two years. Government contribution aimed at increasing the attractiveness of the Private Pension System as a saving mechanism and some regulations introduced to improve the System have been the main cause of the negative developments in Life.

On the other hand, in line with the development of Participation Banking in the country, certain progress was made and this situation has positive reflections to Life to some extent. Within the framework of all these developments, a significant premium growth of approximately 15% in Life has been achieved.

Long-standing structural feature of the insurance industry for many years has been the fact that around 75% of Non-Life premiums and approximately 83% of Life premiums have been generated by the top 10 companies. In addition, top five insurance companies produce nearly half of total premium in the market. This situation leads to the driving of insurance market by larger players with strong capital and, accordingly, narrowing of the scope of operations for small and medium-sized companies. Also, in the recent period, a wave of new regulations, especially concerning capital adequacy, leave these companies in an even more difficult situation. On the other hand, although there was no significant foreign capital inflow into the market in 2015, with the elimination of factors putting pressure on balance sheets in the long term, interest of foreign investors in our market is expected to continue.

Premium Income of the Market

Branches	2014 Premium Income (TL)	Share (%)	2015 Premium Income (TL)	Share (%)	Change (%)
Casualty	1,035,675,457	4.56	1,196,577,633	4.39	15.54
Health/Sickness	2,930,346,787	12.90	3,436,530,446	12.60	17.27
Land Vehicles	5,085,067,734	22.39	5,551,397,549	20.36	9.17
Railway Vehicles	10,586	0.00	16,835	0.00	59.03
Air Vehicles	58,724,204	0.26	75,365,723	0.28	28.34
Sea Vehicles	140,455,545	0.62	176,889,820	0.65	25.94
Transport	488,871,753	2.15	534,078,929	1.96	9.25
Fire and Natural Disasters	3,844,573,725	16.93	4,391,225,608	16.11	14.22
General Damages	2,429,292,744	10.70	2,978,132,377	10.92	22.59
Land Vehicles Liability	5,528,325,411	24.34	7,486,398,536	27.46	35.42
Air Vehicles Liability	92,765,288	0.41	123,098,712	0.45	32.70
Sea Vehicles Liability	9,409,070	0.04	16,758,157	0.06	78.11
Public Liability	634,407,542	2.79	758,010,417	2.78	19.48
Credit	138,958,449	0.61	185,239,267	0.68	33.31
Fidelity Guarantees	26,554,285	0.12	29,154,217	0.11	9.79
Financial Losses	178,765,763	0.79	226,583,127	0.83	26.75
Legal Protection	84,360,711	0.37	95,863,842	0.35	13.64
Support	2,984,038	0.01	3,165,708	0.01	6.09
Total Non-Life	22,709,549,092	87.40	27,264,486,899	87.90	20.10
Life	3,280,003,588	12.60	3,761,410,730	12.10	14.70
General Total	25,989,552,680	100.00	31,025,897,629	100.00	19.40

Source: Insurance Association of Turkey

An Overview of the Global Reinsurance Market in 2015

2016 renewals generally witnessed continuation of price reductions across most lines of business and territories in spite of some signs of price stabilization in a number of peak property catastrophe risks during June and July 2015 renewals. Pressure on pricing is partially driven by the longevity of benign catastrophe loss cycle, but also due to abundant capacity and flat to declining demand, as insurers tend to retain more risk and centralize their reinsurance purchase.

According to various sources, international property catastrophe rates declined by 5%-15%, in line with the reductions at January 2015 renewals. US catastrophe "loss-free" pricing was down by 3%-8%, similar to what was experienced in June/July 2015 renewals but showing a slowdown in comparison with 10%-15% pricing declines seen at January 2015 renewals. The main reason for the muted reduction for this segment was the more disciplined pricing approach of ILS markets which are still more focused in US and do not have the flexibility of traditional reinsurers. This in turn restrained further price deterioration in traditional reinsurance pricing for this market.

Global reinsurance capital was fairly stable at around USD 565 billion at the end of third quarter 2015, down by 2 percent from the year-end 2014, including alternative capital provided in the form of cat bonds, side-cars and ILWs which has reached roughly USD 69 billion. The slight reduction in capital was driven mainly by unrealized investment losses, adverse foreign exchange movement and in some cases companies shifting capital toward insurance lines and away from reinsurance in the given soft rate environment. Alternative capital continued to increase albeit at a slower rate. The main factor behind this was the notable increase in collateralized reinsurance although there was decline in capital from cat bonds due to increased competition from traditional reinsurance and collateralized markets as well as growing focus on M&A activity across the industry.

On the demand side, it was observed that some insurers bought more reinsurance with the intention of optimizing their reinsurance purchase by benefiting from rate reductions, but larger entities continued to increase their retention levels, limited to some extent by increased capital costs imposed by regulators and rating agencies. Buyers' tendency to tier reinsurers became more noticeable in 2016. As insurers continued to seek wider and multi-class capacity from fewer partners, reinsurers were compelled to increase their scale and ability to write business at a wider range for greater relevance on reinsurance panels, which in turn fueled further consolidation in the market.

M&A activity in insurance and reinsurance increased significantly in 2015, as companies felt the need to improve capital utilization and operational efficiency by means of increasing scale and stronger client relationships through diversifying product offerings and channels and broadening geographically at the back of continued pressure on results driven by lower earnings, reduced prior year reserve development and low interest rates. Sources indicate that the number of transactions in 2015 exceeded 750 with a striking 187% deal value increase over the year. Some major transactions which had large implications across reinsurance market included XL's acquisition of Catlin, Fairfax's acquisition of Brit, Endurance's acquisition of Montpelier Re, Fosun's acquisition of Ironshore, Tokio Marine's acquisition of HCC, Renaissance Re's acquisition of Platinum and the pending acquisitions of Chubb by Ace, Sirius by China Minscheng, Partner Re by Exor and Amlin by Mitsui Sumitomo. Over the near term and with the increasing appetite of Asian players, M&A activity is expected to continue as companies try to satisfy their strategic needs and asset gathering through acquisition.

Global reinsurance capital was fairly stable at around USD 565 billion at the end of third quarter 2015, down by 2 percent from the year-end 2014.

187%

M&A activity in global reinsurance industry rose significantly in 2015. The number of transactions exceeded 750 with a striking 187% increase in deal value reaching USD 89 billion over the year.

In accordance with preliminary industry reports, insured cat losses in 2015 were at their lowest levels since 2009. Global economic losses from natural and man-made catastrophes in 2015 amount to roughly USD 90 billion with insured losses slightly above USD 30 billion which was significantly lower than the ten year average of USD 55 billion. Insured losses from natural catastrophes were lower than in 2014, while man-made losses were higher, particularly driven by the explosions at the Port of Tianjin in China in August being one of the largest insured losses in Asia to-date. Insured loss estimate from the event currently ranges between USD 1.6 billion and USD 3.3 billion reflecting high degree of uncertainty due to various lines of business and coverages involved.

Severe winter conditions in US and Canada resulting around USD 2.1 billion insured loss and winter storms in Europe with insured losses of circa USD 2 billion were the most costly natural cat losses. Among other weather related events were the tropical cyclone in the Pacific in the first quarter, heavy rains in US and hail storms in Australia in the second quarter, typhoons in Asia, storms in North America, wildfires in California and drought in Canada in the third quarter and floods in the South of France, South Carolina and India, as well as the December storm in the UK and bushfires in Australia in the fourth quarter. Benign North Atlantic hurricane season kept the global insured losses at a low level. The year's most devastating natural catastrophe was the 7.8 magnitude earthquake in Nepal on 25 April, killing 9,000 and leaving 500,000 homeless. Economic loss was estimated to be more than USD 6 billion, only around USD 160 million was insured given the low insurance penetration in the region.

2015 witnessed a number of tragic aviation losses including TransAsia Aviation flight crashing in Taiwan costing 30 lives, the crash of Germanwings Airbus resulting in the loss of 150 lives, a Russian Metrojet Airbus allegedly taken down over Egypt costing 224 lives and the crash of a military transport plane during a test run.

Current capital levels, lack of major losses and still healthy but slightly deteriorating results of reinsurers have continued to soften terms and conditions almost in all lines and geographies across the world.

For US property cat, following previous years' compound rate reductions, there was a notable slowdown in price reductions especially visible for top end of programs. Coverage expansions including terrorism and hours clauses continued to be granted to buyers and multi-year coverages have become more common in large cat programs. Loss-free cat program rates were down by 3%-8% nation-wide, per risk covers also saw declines at similar levels, with loss impacted programs experiencing slightly decreased to slightly increased pricing. Pro-rata treaties saw 1-2 point increases in commissions.

Interest in Latin America persisted leading to continuation of downward pressure on rates. While cat rates declined by 3%-12.5%, pro-rata treaties where commissions were stable to 2 points up, have become more placeable due to soft market conditions.

Severe winter conditions in US and Canada resulting around USD 2.1 billion insured loss and winter storms in Europe with insured losses of circa USD 2 billion were the most costly natural cat losses in 2015.

USD 30 billion
The cost of the insured cat losses to the sector in 2015 was slightly above USD 30 billion.

In Europe, property cat rates continued to decline by 5% to 15% on risk adjusted basis within major markets like France, Germany, Italy, Scandinavia and the UK. Cover purchased was largely stable and with the exception of some insurers with Solvency II considerations buying more reinsurance, buyers in most territories tended to take price reductions as savings as opposed to utilizing them for further purchase. Risk XL programs also saw declines in the range of 5% to 15%, while pro-rata commissions were generally flat to up by 2.5%. Broadened event definitions and changes in exclusions were also common across Europe.

Against around 10%-15% increase in capacity due to new entrants in the Middle East and North Africa, lead reinsurers were compelled to be more competitive in order to secure their positions. Terms in pro-rata treaties which dominate these markets, largely remained unchanged with movement in commissions between flat to 2% up. Property cat rates were down by 7.5% to 10%, while risk xl pricing depending on the claims experience ranged between stable to 10% down.

In Australia and New Zealand, downward pressure on rates as well as easing of terms and conditions were persistent due to an oversupply of capacity fueled by consolidations on the primary side. Loss-free cat xl programs saw risk adjusted premium reductions of 12.5% to 17.5%. However, there was still an increasing demand for natural catastrophe covers due to the regulatory requirements to purchase vertical coverage up to the 200 year return period in Australia and up to the 1,000 year return period in New Zealand from 2017 onwards, subject to a transition period. Pro-rata commission rates were flat to 2 points up.

There was abundant capacity for the Asia Pacific and the region continued to benefit from rate reductions with the exception of rate increases for programs affected by Tianjin losses. Buyers were largely focused on cost savings as opposed to expansions in terms and conditions.

Retrocession pricing showed circa 5 %-10% reduction, showing a notable slowdown compared to the previous year as a result of limited new capacity and larger demand from buyers who preferred traditional over alternative capacity. There was generally expanded coverage in retrocession programs such as full worldwide covers. It was observed that some clients showed tendency to switch from aggregate to occurrence protection.

Turkish Reinsurance Market and Milli Re in 2015

2016 renewals in the Proportional and Excess of Loss reinsurance agreements were completed smoothly in the Turkish insurance industry. Rates of catastrophic agreements have been kept low thanks to losses from natural disasters remaining low in recent years, especially so in 2015, when at around USD 30 billion, which is well below the loss in the last 10 years, as well as reinsurance buyers' tendency to keep relatively high retentions despite the increase in reinsurance capacity. These developments, which have supported the placement of the reinsurance agreements, were positively reflected to the Turkish insurance sector.

For risk covers, there were no major changes in 2016 renewal, with all companies apart from five continuing to obtain their risk protection through proportional reinsurance contracts written on a bouquet basis as in 2015, while the remaining five companies obtained their risk protections through Excess of Loss agreements. Important factors in facilitating the placements of reinsurance programs were the absence of significant loss in terms of risks and natural disasters in 2015, positive results achieved in the scope of these agreements, and the continuation of companies' disciplined business acceptance policies in a consistent manner.

Milli Re participated in proportional bouquets of 19 insurance companies, leading 14. The Company's market share which was 26% in 2015 was realized as 25% in 2016 renewals. Milli Re has continued to participate in the programs of four companies who obtain their risk protections via Excess of Loss agreements, as last year.

No significant change was observed in the composition of premium from Proportional and Excess of Loss reinsurance agreements which Milli Re participates in. The distribution of premiums by lines was as follows; Fire (50%), Marine (8%), Accident (12%), Engineering (29%) and Land Vehicle and Land Vehicle Liability (1%). The volume of premiums from Proportional and Excess of Loss reinsurance agreements is projected to increase by about 2% in 2016 when compared to 2015.

In view of these factors, there was no difficulty in renewing the Cat XL programs for 2016. These are purchased for protection of risks retained under Fire and Engineering branches against natural catastrophes such as earthquakes, flood, and storms.

Limits of these agreements are determined by taking the Istanbul earthquake accumulation of companies into consideration. Although there was a decrease of around 3% in earthquake accumulation of companies in the area in question compared to 2015, largely due to the relative strengthening of the Euro against the TL when compared to last year, the total limit of Cat XL cover has increased to Euro 4,350 million. While the increased limit of the cover indicated that companies bought more protection than last year, the 8% decline in the amount of premiums paid for Cat XL cover compared to last year (to approximately Euro 84 million) demonstrates that more protection was purchased at a lower cost. Accordingly, it could be calculated that in our market, the cost of risk-adjusted Catastrophe Excess of Loss programs decreased by approximately 5-10%.

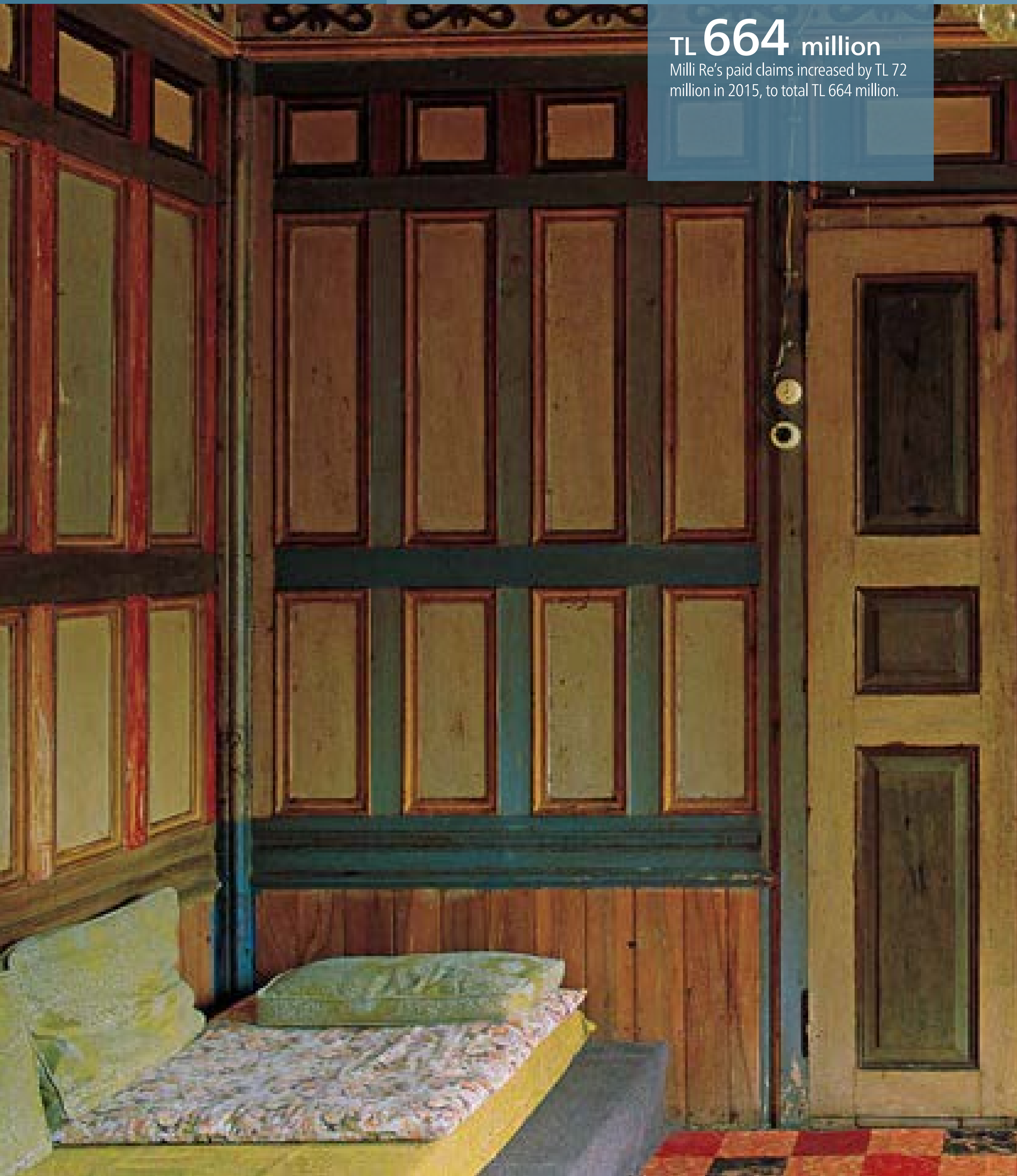
Milli Re's average share in terms of Catastrophe Excess of Loss programs was 9%.

Important factors in facilitating the placements of reinsurance programs were the absence of significant damage in terms of the risks and natural disasters in 2015, the positive results achieved in the scope of these agreements, and the continuation of the companies' disciplined business acceptance policies in a consistent manner.

25%

Milli Re maintained a 25% market share in 2016 renewals by participating and leading proportional bouquets of 14 companies.

Owing to its strong liquidity, and balanced maturity distribution of invested assets, Milli Re fulfilled all of its legal and commercial obligations without any financial difficulty.



TL 664 million

Milli Re's paid claims increased by TL 72 million in 2015, to total TL 664 million.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Financial Strength Figures

Financial Ratios (%)	2011	2012	2013*	2014*	2015
1. Capital Adequacy Ratios					
Gross Premiums/Shareholders' Equity	222	157	109	104	84
Shareholders' Equity/Total Assets	28	37	43	42	45
Shareholders' Equity/Net Technical Provisions	41	64	80	79	92
2. Asset Quality and Liquidity Ratios					
Liquid Assets/Total Assets	56	59	55	57	56
Liquidity Ratio **	141	157	152	156	150
Current Ratio	103	117	119	118	118
Premium and Reinsurance Receivables/Total Assets	15	10	9	8	7
3. Operational Ratios					
Retention Ratio	91	90	86	86	88
Paid Claims/Paid Claims+Outstanding Claims	52	53	47	44	43
4. Profitability Ratios					
Gross					
Loss Ratio	96	70	69	69	81
Expense Ratio	24	26	29	28	28
Combined Ratio	120	96	98	97	109
Net					
Loss Ratio	103	76	78	78	88
Expense Ratio	26	28	33	32	32
Combined Ratio	129	104	111	110	120
Profit Before Tax/Gross Written Premiums	(15)	10	18	3	13
Gross Financial Profit/Gross Written Premiums	5	-	17	3	16
Technical Profit/Gross Written Premiums	(20)	10	1	-	(3)
Profit Before Tax/Average Total Assets	(9)	6	9	1	5
Profit Before Tax/Average Shareholders' Equity (Except Profit)	(22)	19	25	4	15

* 2013 and 2014 figures are restated.
** Due to the change in the calculation method of the Liquidity Ratio last 5 year rates have been revised.

An Assessment of Financial Strength, Profitability and Solvency Margin

Milli Re generated TL 997 million premium in 2015, with 4% increase year-on-year. Claims paid by the Company increased by TL 72 million and materialized as TL 664 million.

Company's Cash and Financial Assets correspond to 56% of Total Assets. Owing to its strong liquidity, and the balanced maturity distribution of invested assets, Milli Re fulfilled all of its legal and commercial obligations without any financial difficulty.

Details on technical results are presented in the section "Milli Re Technical Results in 2015".

An Assessment of the Company Capital

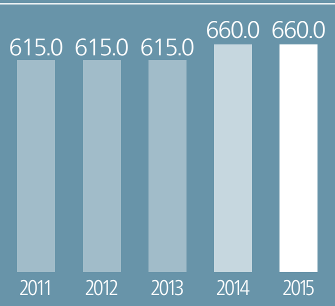
The Company's capital adequacy is calculated in accordance with the principles set out in the "Regulation on the Measurement and Evaluation of Capital Adequacy of Insurance, Reinsurance and Pension Companies" published in the Official Gazette issue 29454 dated 23 August 2015. According to the calculation based on the principles specified by the Regulation, 2015 capital adequacy result yielded a surplus of TL 578.0 million.

The Company has sufficient shareholders' equity to cover losses that might result from its existing liabilities and potential risks.

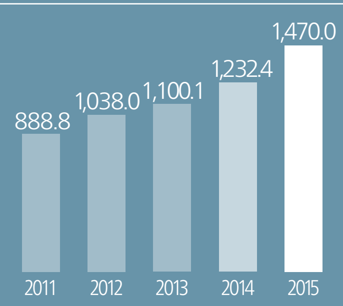
Capital Adequacy (TL million)	2013*	2014*	2015**
Required Capital	284.2	319.7	342.8
Available Capital	581.8	652.9	920.8
Capital Adequacy Result	297.6	333.2	578.0

* Capital Adequacy for 2013 and 2014 is recalculated.
** Recalculated pursuant to the updating of Undersecretariat of Turkish Treasury dated 26 February 2016.

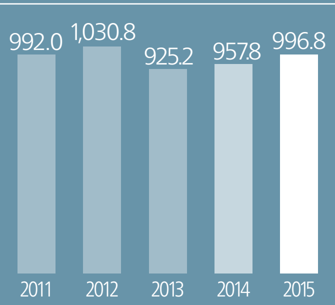
Paid-up Capital (TL million)



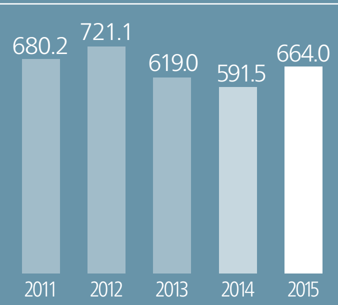
Liquid Assets (TL million)



Premium Income (TL million)



Paid Claims (TL million)



Milli Re Technical Results in 2015

Milli Re's total premium production increased by 4% to TL 996,757,230 in 2015. 74% of the total premium was generated from local business and 26% from international operations, thus representing a slight difference from the corresponding ratios which were 75% and 25%, respectively in 2014.

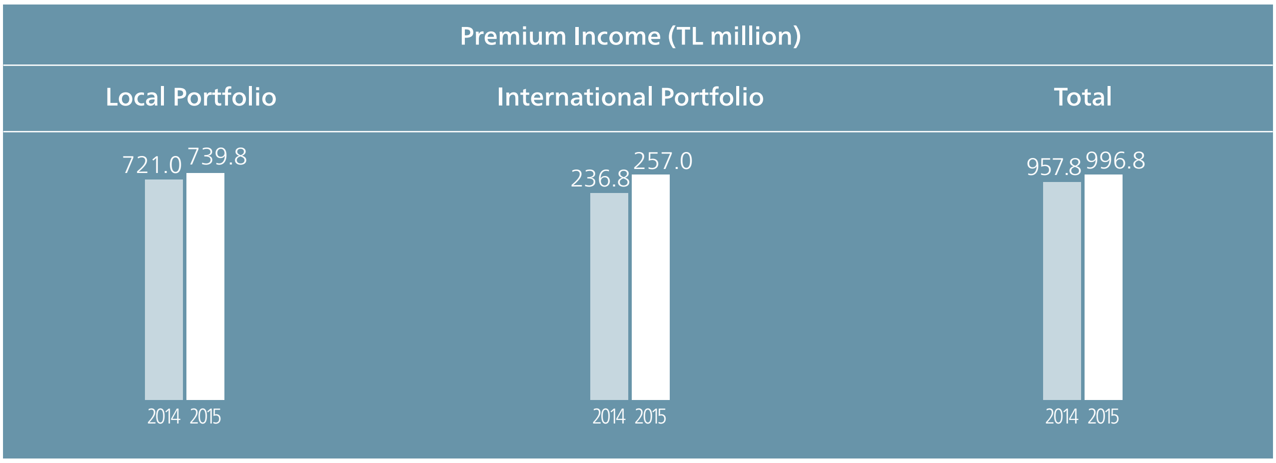
Milli Re's premium income from local businesses increased modestly by 2.6%, because of the Company's strategy not to renew some programs in Fire, Engineering, Land Vehicles Liability, the negative effects of the soft market affecting the rates of Cat XL reinsurance programs and the reduction/termination of our participation in the programs by two foreign-owned companies.

In the international portfolio, premium increased by 8.5% on the back of the participation to FAIR Reinsurance Pool programs and business accepted by Singapore Branch.

Milli Re's technical operations have resulted in a loss due to paid claims showing an increase of 12%, against an increase of 4% in written premiums and also a wider difference between technical provisions carried forward and technical provisions allocated in 2015.

Gross Premium Income and Breakdown of Branches (TL)

Branches	2014	Share (%)	2015	Share (%)	Change (%)
Casualty	25,697,737	2.75	32,371,002	3.31	25.97
Health/Sickness	20,497,465	2.20	18,321,685	1.88	(10.61)
Land Vehicles	13,663,229	1.46	15,688,267	1.61	14.82
Railway Vehicles	-	-	-	-	-
Air Vehicles	587,311	0.06	303,658	0.03	(48.30)
Sea Vehicles	25,923,816	2.78	30,893,622	3.16	19.17
Transport	40,866,724	4.38	46,311,839	4.74	13.32
Fire and Natural Disasters	423,759,684	45.38	435,561,347	44.58	2.78
General Damages	293,964,844	31.48	318,608,928	32.61	8.38
Land Vehicles Liability	42,190,723	4.52	24,446,055	2.50	(42.06)
Air Vehicles Liability	-	-	-	-	-
Sea Vehicles Liability	55,132	0.01	51,035	0.01	(7.43)
Public Liability	44,554,626	4.77	52,634,513	5.39	18.13
Credit	171,372	0.02	67,721	0.01	(60.48)
Fidelity Guarantees	499,932	0.05	629,517	0.06	25.92
Financial Losses	1,186,278	0.13	1,005,424	0.10	(15.25)
Legal Protection	119,530	0.01	106,919	0.01	(10.55)
Total Non-Life	933,738,403	100.00	977,001,532	100.00	4.63
Total Non-Life	**933,738,403**	**97.49**	**977,001,532**	**98.02**	**4.63**
Life	**24,082,962**	**2.51**	**19,755,698**	**1.98**	**(17.97)**
General Total	**957,821,365**	**100.00**	**996,757,230**	**100.00**	**4.07**



Premium Income (TL)

Branches	2011	2012	2013	2014	2015
Casualty	16,325,714	20,232,092	22,937,900	25,697,737	32,371,002
Health/Sickness	70,708,153	49,617,380	24,283,988	20,497,465	18,321,685
Land Vehicles	137,304,815	69,215,017	16,693,706	13,663,229	15,688,267
Railway Vehicles	-	-	-	-	-
Air Vehicles	692,224	547,007	914,270	587,311	303,658
Sea Vehicles	25,882,903	33,509,000	26,903,870	25,923,816	30,893,622
Transport	32,948,542	41,531,057	41,088,970	40,866,724	46,311,839
Fire and Natural Disasters	333,882,824	390,629,537	420,382,014	423,759,684	435,561,347
General Damages	244,702,151	300,549,820	269,552,559	293,964,844	318,608,928
Land Vehicles Liability	76,245,857	60,708,247	32,664,040	42,190,723	24,446,055
Air Vehicles Liability	-	-	-	-	-
Sea Vehicles Liability	39,718	108,210	71,286	55,132	51,035
Public Liability	32,587,765	40,386,247	44,643,344	44,554,626	52,634,513
Credit	246,253	201,612	103,791	171,372	67,721
Fidelity Guarantees	1,132,124	1,320,041	484,452	499,932	629,517
Financial Losses	1,103,347	1,582,337	2,600,254	1,186,278	1,005,424
Legal Protection	755,797	155,754	83,403	119,530	106,919
Total Non-Life	**974,558,187**	**1,010,293,358**	**903,407,847**	**933,738,403**	**977,001,532**
Life	**17,434,891**	**20,487,622**	**21,743,651**	**24,082,962**	**19,755,698**
General Total	**991,993,078**	**1,030,780,980**	**925,151,498**	**957,821,365**	**996,757,230**

Milli Re Technical Results in 2015

Technical Profitability (TL)					
Branches	2011	2012	2013	2014	2015
Casualty	(4,254,284)	(968,668)	1,641,447	2,306,221	9,803,094
Health/Sickness	(29,326,697)	6,424,875	3,409,797	1,815,894	(6,434,021)
Land Vehicles	(11,446,956)	(3,176,588)	(7,139,051)	1,040,497	(4,432,171)
Railway Vehicles	-	-	-	-	-
Air Vehicles	(882,321)	1,290,563	714,229	715,726	(415,726)
Sea Vehicles	(1,102,633)	6,221,438	6,795,787	(12,072,728)	1,645,617
Transport	6,447,198	14,011,402	2,475,216	13,430,888	1,801,192
Fire and Natural Disasters	(48,749,986)	32,994,001	23,478,949	100,962,221	40,114,600
General Damages	(28,734,583)	27,479,708	2,823,727	30,852,994	(17,015,577)
Land Vehicles Liability	(82,507,452)	10,660,977	(34,975,758)	(69,278,192)	(52,580,639)
Air Vehicles Liability	227	-	(2,256)	615	-
Sea Vehicles Liability	143,824	(101,791)	66,778	21,020	31,147
Public Liability	1,271,840	3,345,969	5,708,723	(72,961,039)	(5,228,951)
Credit	2,794	(126,106)	(36,838)	(959,123)	336,636
Fidelity Guarantees	(529,943)	687,052	(124,846)	(220,253)	(2,144,703)
Financial Losses	401,592	(225,347)	935,782	1,428,883	370,538
Legal Protection	581,197	(184,522)	526,506	115,171	86,918
Total Non-Life	**(198,686,183)**	**98,332,963**	**6,298,192**	**(2,801,205)**	**(34,062,046)**
Life	**2,564,291**	**6,769,639**	**4,420,486**	**5,329,457**	**2,716,662**
General Total	**(196,121,892)**	**105,102,602**	**10,718,678**	**2,528,252**	**(31,345,384)**

Technical Profitability Ratios (%)					
	2011	2012	2013	2014	2015
Gross					
Loss Ratio	96	70	69	69	81
Expense Ratio	24	26	29	28	28
Combined Ratio	120	96	98	97	109
Net					
Loss Ratio	103	76	78	78	88
Expense Ratio	26	28	33	32	32
Combined Ratio	129	104	111	110	120

Local Portfolio

In 2015, Turkish insurance industry recorded an overall increase of 19.4% in Life and Non-Life premium production. In Non-Life, an increase of approximately 20% was realized, mainly due to the growth in Land Vehicles Liability premium production.

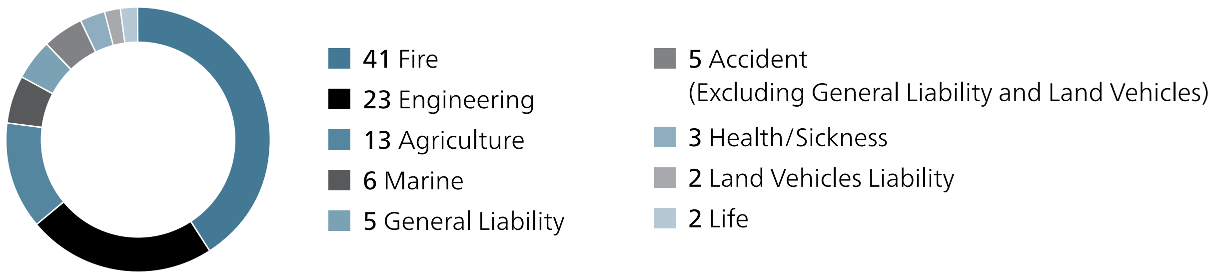
The main reasons behind the limited 2.6% increase in Milli Re's local premium income, which represents a significant difference from the composition of premium production in the market can be listed as;

- the Company's policy to minimize its involvement in loss-yielding reinsurance agreements in Fire, Engineering, Land Vehicles and Land Vehicles Liability,
- a foreign-capital insurance company's decision to cede within the group programs,
- the significant reduction in our share of another foreign-capital company, following a decision taken at the group-level.

Furthermore, another factor suppressing local premium income was the rate reductions reflecting global soft market condition in Cat XL programs, in which the Company has a 9% share.

On the premise that independent evaluation of the Land Vehicles will not be a sensible approach given that the premium production in the Land Vehicles amounted to just 0.02% of local premium production and the share of paid and outstanding claims in the total is less than 0.5% in 2015, there was no separate assessment for Land Vehicles.

Breakdown of Local Premium by Branches (%)



Local Portfolio	2011	2012	2013	2014	2015
Premium (TL)	776,680,082	782,190,454	703,516,548	721,053,209	739,801,769
Share in Total Premium (%)	78.3	75.9	76.0	75.3	74.2

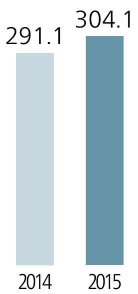
Premium Income (TL mn)

Fire

Fire has the highest share in Milli Re's local premium income, with 41% and premium generated from this line amounted to TL 304 million, marking an increase of 4.5% compared to the previous year. Premium production in this line fell short of expectations due to the Company's withdrawal from some reinsurance programs, as well as the decision by other two foreign-owned companies to utilize group reinsurance protection partially or completely. In addition, price reductions in line with soft market conditions in Cat XL reinsurance programs which Milli Re participates in was another factor affecting premium production negatively.

The reason for the significant decrease in the branch's technical profitability when compared to the previous year was the approximately 37% increase in paid claims as well as a modest 4.5% increase in premium income.

The Company generated 69.7% of its total premium in Fire from local business.



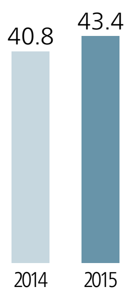
Profitability Ratios in Fire (%)	2014	2015
Gross		
Loss Ratio	52	59
Expense Ratio	26	26
Combined Ratio	78	85
Net		
Loss Ratio	64	73
Expense Ratio	33	31
Combined Ratio	97	104
Technical Profit/Loss (TL mn)	**41.7**	**17.6**

Marine

Marine, comprised of Cargo and Hull, accounted for 6% of the Company's local premium income. The branch recorded a 6.1% increase in premium production and a 26.6% decline in paid claims, compared to last year having a positive impact on technical profitability. Despite the Company's decision to end its participation in the Eximbank reinsurance program, the branch's expense ratio increased with respect to last year owing to the refund of profit commissions from previous years, which were accounted for this year.

As a result of the decrease in paid claims in Marine, as well as the absence of negative effect caused by the ceding of outstanding claims provision relating to the previous year, the branch recorded a profit of TL 12.4 million in 2015, in contrast with TL 2.5 million loss in 2014.

56.1% of the Company's total premium production in this branch was generated from local business.



Profitability Ratios in Marine (%)	2014	2015
Gross		
Loss Ratio	78	55
Expense Ratio	28	34
Combined Ratio	106	89
Net		
Loss Ratio	84	48
Expense Ratio	30	37
Combined Ratio	114	85
Technical Profit/Loss (TL mn)	**(2.5)**	**12.4**

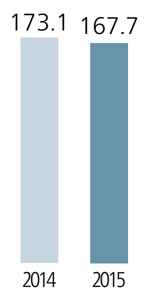
Engineering

Premium production in Engineering, the second largest branch accounting for 23% of the local premium income of Milli Re, decreased by 3.2% compared to the previous year. The reason for this decline was the fact that most of the premium generated in construction, obtained from large projects which showed largest growth (36%) were ceded facultatively. The reason that the premium increase in the Electronic Equipment and Machinery Breakdown sub-branches was not reflected to the Company's premium income was that they were retained by cedants due to their relatively low sums insured. On the other hand, in addition to the policy of minimizing the level of participation in some reinsurance programs in this branch as in the Fire, the downward trend in the pricing of Cat XL reinsurance programs due to global soft market conditions markets had a negative impact on the Company's premium income.

Engineering recorded a TL 6.8 million loss in 2015, compared to a profit of TL 26.7 million in 2014. The reason for this was the decline in premium production in response to the increase in claims paid, and the absence of favorable movements in outstanding claims provisions in contrast with the previous year. 88.7% of the Company's total premium in this branch was generated from local business.

Profitability Ratios in Engineering (%)	2014	2015
Gross		
Loss Ratio	45	63
Expense Ratio	27	30
Combined Ratio	72	93
Net		
Loss Ratio	58	77
Expense Ratio	34	37
Combined Ratio	92	114
Technical Profit/Loss (TL mn)	**26.7**	**(6.8)**

Premium Income (TL mn)

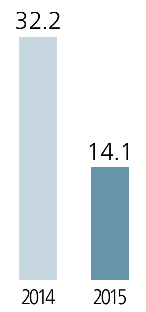


Land Vehicles Liability

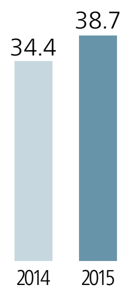
In 2015, Land Vehicles Liability had a 2% share in Milli Re's local income compared to share of 3% in 2014 and the premium production of this branch decreased by 56% to TL 14.1 million. The most important reason behind this decrease was the Company's policy to withdraw or reduce its involvement in some of the Excess of Loss reinsurance agreements that it participated in during previous years, as well as the absence of premium loadings against losses which had been made in previous years.

Despite the high loss ratio compared to last year due to the decrease in premium production, the absence of a notable change in provisions for outstanding claims in 2014 resulted in a decline in Technical Loss from this branch. The Company generated 57.8% of its total premium production in Land Vehicles Liability from local business.

Profitability Ratios in Land Vehicles Liability (%)	2014	2015
Gross		
Loss Ratio	284	494
Expense Ratio	(3)	1
Combined Ratio	281	495
Net		
Loss Ratio	284	492
Expense Ratio	(3)	1
Combined Ratio	281	493
Technical Profit/Loss (TL mn)	**(63.2)**	**(56.0)**



Premium Income (TL mn)



General Liability

Constituting 5% of Milli Re's local premium income, General Liability premiums remained at the same level as in the previous year. Premium production in this branch increased by 12.8% compared to 2014, reaching TL 38.7 million. Premium production increased at a rate lower than the industry premium production due to the measures taken by the Company to increase retention limits in proportional treaties.

The main reason for a lower technical loss in 2015 was the difference between carried forward and established Provisions for Outstanding Claims, which decreased from TL 56 million in 2014 to TL 26 million in 2015.

The Company generated 73.7% of its total premium production in General Liability branch from local business.

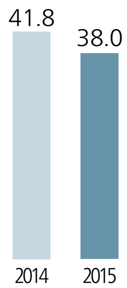
Profitability Ratios in General Liability (%)	2014	2015
Gross		
Loss Ratio	205	137
Expense Ratio	35	35
Combined Ratio	240	172
Net		
Loss Ratio	204	133
Expense Ratio	35	35
Combined Ratio	239	168
Technical Profit/Loss (TL mn)	**(60.1)**	**(10.1)**

Accident (Excluding General Liability and Land Vehicles)

Nearly all Accident premiums are derived from the Personal Accident, Compulsory Personal Accident insurance for Buses, Theft and Glass Breakage. This line had a 5% share in total Milli Re's local premium production in 2015, with premium of around TL 38 million, showing a decrease of 9.1% compared to the previous year. The main reason for this is Theft insurance, as well as a decline of premiums on the Compulsory Personal Accident insurance for Buses, for which the Company's risk appetite is low.

There was no significant difference in the technical profitability of the branch compared to last year, due to a decrease in the paid claims and the premium income as well as lack of significant changes adversely affecting the results in the technical provisions.

The Company generated 68.7% of its total premium production in Accident (Excluding General Liability and Land Vehicles) from local business.



Profitability Ratios in Accident (Excluding General Liability and Land Vehicles) (%)	2014	2015
Gross		
Loss Ratio	68	72
Expense Ratio	39	32
Combined Ratio	107	104
Net		
Loss Ratio	67	71
Expense Ratio	39	32
Combined Ratio	106	103
Technical Profit/Loss (TL mn)	**6.1**	**5.5**

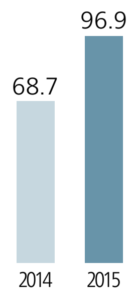
Agriculture

Premium production in Agriculture, whose share in Milli Re's local premium income has been rising every year (reaching 13% in 2015), increased by 41% compared to the previous year to amount to TL 96.9 million. Nearly all of the premiums generated in this branch originated from the Company's 10% participation in the reinsurance agreement of Agricultural Insurance Pool (TARSİM).

Technical results of the branch demonstrated positive developments compared to the previous year, resulting in a profit of TL 3.8 million in 2015. Despite a 37% increase in paid claims, due to the high growth in premium production, absence of sliding scale commission returns and consequently, the decrease of the commission rate led to the profitable results in Agriculture branch.

89.9% of the Company's total premium production in Agriculture was obtained from local businesses.

Premium Income (TL mn)



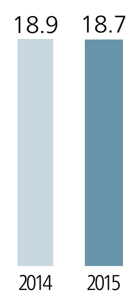
Profitability Ratios in Agriculture (%)	2014	2015
Gross		
Loss Ratio	73	79
Expense Ratio	38	24
Combined Ratio	111	103
Net		
Loss Ratio	73	79
Expense Ratio	38	24
Combined Ratio	111	103
Technical Profit/Loss (TL mn)	**(2.5)**	**3.8**

Health/Sickness

Health and Sickness is a branch where Milli Re does not have high risk appetite due to the negative results in the past. By the end of 2015, Milli Re had participated in the treaties of only two companies in order to monitor developments in the market. With a 3% share in the Company's total local premium income, the branch's premium production decreased by 1%. Milli Re's risk appetite in this branch is not high, since the results of the complementary and supporting health insurance have not yet developed to an extent which allows a meaningful assessment.

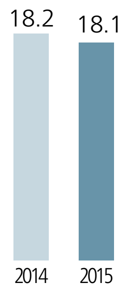
The main reason for the technical loss this year, in contrast with last year, was the adverse developments in both Outstanding Loss provisions and Unearned Premium Reserves carried forward.

Local business accounted for 100% of the Company's total premium production in Health/Sickness.



Profitability Ratios in Health/Sickness (%)	2014	2015
Gross		
Loss Ratio	83	125
Expense Ratio	9	7
Combined Ratio	92	132
Net		
Loss Ratio	83	125
Expense Ratio	9	7
Combined Ratio	92	132
Technical Profit/Loss (TL mn)	**2.2**	**(5.1)**

Premium Income (TL mn)



Life

Life had a 2% share in Milli Re's local premium income in 2015. Premium production in this branch did not change in 2015 because of the termination of our participation in some reinsurance programs due to excessive price competition, and reduction of our share in other treaties.

Despite the positive impact of the change in the provision for outstanding claims and the decline in paid losses last year, technical profit of the branch decreased to TL 2.2 million due to the increase in profit commission paid in proportional agreements that the Company participates in, and absence of positive development in Unearned Premium Reserves carried forward relating to the previous year.

Local business accounted for 91.7% of the Company's total premium production in the Life branch.

Profitability Ratios in Life (%)	2014	2015
Gross		
Loss Ratio	48	40
Expense Ratio	43	48
Combined Ratio	91	88
Net		
Loss Ratio	41	39
Expense Ratio	45	52
Combined Ratio	86	91
Technical Profit/Loss (TL mn)	**5.0**	**2.2**

International Portfolio

Milli Re started playing an even more active role in international reinsurance markets since 2006, with the purpose of maintaining stable premium volume and improving technical profitability through diversification of its portfolio.

A significant portion of the developing international portfolio is made up of business from countries which fall under the scope of the FAIR Reinsurance Pool that has been managed by Milli Re since its establishment in 1974.

In addition to this, Milli Re has further enhanced the diversification and geographical expansion of the international portfolio by providing conventional reinsurance capacity as well as capital contribution to selected Continental European and Lloyd's market players as well as capital support to few Lloyd's syndicates which participate in the retrocession programs of the Company. Meanwhile, Milli Re Singapore Branch, which started writing business in 2008, continues to work efficiently in the Far East, a region that presents significant potential.

Overseas businesses underwritten by Milli Re are categorized under five main groups:

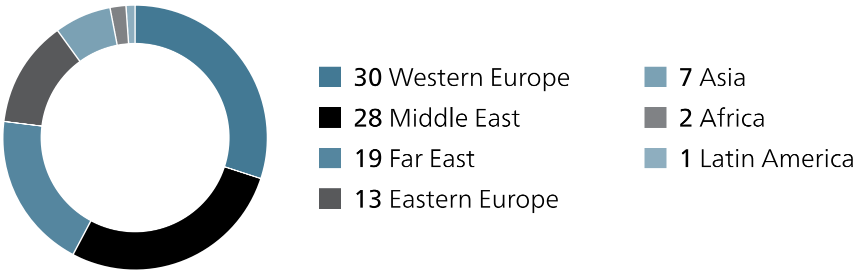
- Business from emerging markets (General Acceptances)
- Business from developed markets (Special Acceptances)
- Singapore Branch business
- FAIR/ECO/TRP business
- Business from Turkish Republic of Northern Cyprus (TRNC)

Breakdown of Premiums of International Portfolio by Branches (%)

International Portfolio	2011	2012	2013	2014	2015
Premium (TL)	215,312,996	248,590,527	221,634,950	236,768,156	256,955,461
Share in Total Premium (%)	21.7	24.1	24.0	24.7	25.8

International Portfolio

Geographic Breakdown of International Portfolio by Locations of Ceding Companies (%)



* Business from Turkish Republic of Northern Cyprus (TRNC) is included in Eastern Europe.

Split of International Premium by Source of Production (%)

Developed Markets

As part of international expansion strategy, Milli Re began writing business from select Continental European and Lloyd's market players starting from 2007, by participating in conventional reinsurance contracts and also providing capacity to a few syndicates. This part of the portfolio roughly corresponds to 29% of total international premium generated in 2015.

Soft market conditions prevailing virtually in all lines and territories combined with more disciplined underwriting strategies of cedants under this portfolio resulted with some reduction in premium. However the impact of this was largely muted by the dominant market position and efficiency of the ceding companies in cycle management. Given benign cat loss activity, results from this portfolio were favorable in 2015 as well. Despite the competitive pressures, in 2016 renewals, Milli Re was able to renew expiring lines in all programs.

Common characteristics of emerging markets and developments in these markets

Playing an important role within Milli Re's international portfolio, emerging markets share some common characteristics including rapid economic growth, increasing investment in infrastructure, low insurance penetration and density ratios, a significant share of non-life insurance policies in companies' portfolios and excessive competition.

Common characteristics of the reinsurance structures in these markets include low retention levels of insurance companies, widespread use of proportional reinsurance and the constant growth in reinsurance capacity.

Some of the characteristics and developments in various emerging markets in 2015 are presented below:

Middle East/North Africa

A number of factors have taken their toll on the pace of economic growth in the Middle East and North Africa since the middle of 2014, including the ongoing volatility in oil prices and increased defense budgets in the largest economies of the Middle East, such as Saudi Arabia and the United Arab Emirates because of the war in Yemen. The current situation will lead some countries in the region to reduce their investment in infrastructure and, in the medium term, is expected to adversely affect the insurance industry.

While the Health and Motor branches are becoming increasingly mandatory in the area and have attracted attention with their pace of growth, the trend in takaful insurance has been somewhat disappointing, with this segment not yet gaining an important market identity.

An important development in the region is expected to be the easing (and eventual lifting) of the sanctions imposed on Iran, which had become steadily more restrictive since they were initially introduced in 2009. With the sanctions lifted, Iran will be reopened to foreign investment, which is expected to give rise to a revival of the insurance sector. The opening up of the country's reinsurance market to western reinsurers is expected to be a positive step in the development and growth of the industry.

In terms of losses, 2015 was generally calm in the Middle East region. The Saudi Arabian market, which had higher loss frequency in the past, also showed a positive trend in losses. The continued soft market conditions and the effects of higher reinsurance capacity in the region were also reflected to pricing, with prices tending remain flat in loss hit programs, while there were reductions in the prices of loss-free programs.

Although the insurance regulations in the region are not generally satisfactory, in Saudi Arabia, which has suffered from losses in recent years, the underwriting, technical provisions and actuarial supported pricing that the insurance authority has been implementing for Motor and Health branches over the last 2 years, as well as capital adequacy taken the attention. These regulations have been found to have positive effects on the results of the various branches. Legislative changes that will be introduced to Fire in 2016 are also expected to improve the results of this branch.

The reinsurance capacity available to the North Africa region has increased by between 10% and 20%, due to the absence of natural disasters in the region in recent years, the absence of major loss in the programs covering risk losses in 2015, and the low frequency of losses. In addition, agreement terms have remained stable in general, or improved in favor of ceding companies. Accordingly, while the prices in the loss-free catastrophic treaties fell by up to 10%, programs covering risk losses recorded decreases of up to 5% even in loss hit programs, and loss-free programs have seen prices decline by as much as 10%.

The ongoing 50% compulsory reinsurance cessions in Algerian market constitute an obstacle to global reinsurers who aim to enter or enhance existing shares in the market. Establishing new companies in the Casablanca Financial Center, which started operations in 2012 with the aim of positioning Morocco as a financial hub, continued in 2015. In addition, Engineering is expected to post rapid growth if the draft law being prepared on the mandatory insurance for the construction risks in the country is enacted. On the other hand, in accordance with a new law recently enacted in Morocco, should insurance companies accept reinsurers whose international credit ratings are not “A-” and above in the reinsurance panels, they are required to set aside provisions at a certain ratio related to the reinsurer’s rating. This has had a negative impact on reinsurance companies which play an active role in the country but which do not meet these criteria.

The Indian Peninsula

India remains an attractive insurance market with its low insurance penetration rate. India is the world’s 15th largest market in terms of premium volume and is expected to rise to the tenth place by 2020. Premium production grew in 2015 in line with various legislative changes, increasing insurance awareness and increased investment in infrastructure projects. A similar situation in the Non-Life insurance industry is expected in 2016.

The country’s Insurance Supervision and Development Authority (IRDA) began to introduce regulations aimed at tackling some of the challenges the market faced such as technical profitability, insurance penetration rate and, most importantly, attracting capital to the sector. Accordingly, foreign reinsurance companies are now able to open branches in the country. This permission, granted to foreign reinsurers, is seen as an important step for IRDA to gain greater competence in reinsurance and in transforming the premiums collected in the country by foreigners unto investment.

Catastrophic events remain a serious problem for India. The insurance sector has started to see such climate-induced disasters as a serious threat. The “Hudhud” Storm and “Jammu and Kashmir” Floods which occurred in the northeast of the country in 2014 caused serious economic and insured losses. Floods in the Chennai Metropolitan Region in 2015 led to around USD 3 billion in economic losses, while insured losses are expected to reach USD 300 million.

In this context, although many reinsurance companies operating in India started using Nat Cat models, it is thought that the sector needs to strengthen its efforts to develop these models. The insurance industry in India has been developing in recent years in terms of profitability, and it is often stated that this opportunity should be used as an additional reserve for catastrophic events.

Another problem for the industry is pricing of the risks, which have a direct impact on the technical results. Despite the weak technical results, causing foreign reinsurers to leave the proportional programs which are intensely used in the market, pricing measures taken by the IRDA are expected to demonstrate positive effects over time.

Although some changes to the treaty conditions were expected in 2015 renewals due to "Hudhud" Storm and "Jammu and Kashmir" Floods losses, there has not been a significant change in pricing of the excess of loss programs and commissions of the proportional treaties.

Pakistan is the second largest economy in the region, and another market with growth potential in the Indian Peninsula, with a population approaching 185 million and about USD 1.7 billion in premiums. According to a new regulation set out by the insurance authority SCEP (Securities & Exchange Commission of Pakistan), traditional insurance companies in the country were also expected to offer takaful products in 2012. However, upon the legal objections of the takaful companies the uncertainty surrounding this situation remained for a long period of time, paving the way for traditional insurance companies to offer takaful policies from 2015. Nevertheless, the governments of China and Pakistan signed a USD 46 billion "Pakistan-China Economic Corridor (PCEC)" agreement in April 2015, which is planned to be completed in the next 10 years. This agreement is expected to lead to the revival of stable economy of Pakistan with energy and infrastructure projects, also promoting growth in the insurance market.

Eastern Europe/Russia

Oversupply of reinsurance capacity in Eastern Europe continued in 2015 as in previous years, and this situation provided room to be more flexible in their reinsurance panels to the ceding companies. At the same time, it has led to falling prices and changing conditions in favor of ceding companies. In addition, the capacity which group reinsurance companies provide to the group insurance companies continued to increase.

There were no losses affecting catastrophic treaties in 2015. Increasing competition in the region led to a decline of nearly 10% in the price of loss-free agreements. Meanwhile, there has been an increase in loss frequency of individual risk treaties in the region. In addition, the capacity of the risk excess of loss programs has increased. Accordingly, there has been an increase of between 10% and 30% in the price of the loss hit risk programs. In parallel with the demands for increased capacity of the ceding companies, prices of loss-free risk agreements increased by nearly 10%.

Insurance market players in the European Union member states, which constitute the majority of the region, intensively prepared to be eligible for the criteria set out by the Solvency II Directive which entered force on 1 January 2016. The year 2015 has proven a challenging one for many insurance and reinsurance companies in the region, due to the understanding of the standards -particularly concerning capital requirements- and the alignment process, high costs, and doubts experienced in receiving approval from the relevant authorities during the implementation. Accordingly, companies continued to seek new reinsurance solutions or purchase additional capacity against the negative developments in 2015.

Despite the decrease in the number of insurance companies operating in the country there are still more than 300 players in Russia. The Russian insurance market is a huge one where pricing is technically low due to intense competition. Despite the major losses that have emerged in recent years such as Zagorskaya and Achinks and increase in loss frequency, the improvement in the prices of Fire and Engineering has not proven sufficient, and low-price trends in the reinsurance market have continued.

Premium income, especially in Fire and Engineering, continued to decrease due to the depreciation of currency in the country and the economic recession as a result of political sanctions imposed by the European Union and the United States of America. Under the current circumstances it seems to be the primary objective of insurance companies is to protect the current portfolio, and to create technical profitability and maintain it. Some government officials aim to establish a local state-owned reinsurance company and initiate the compulsory reinsurance system against the risk of expansion of sanctions and becoming increasingly worse. The decision was taken in this direction in 2015 and the debate about the working mechanism of the system is under way.

Far East

The Tianjin Port explosion in 2015 was a reminder to the industry that accumulation is not just an issue for natural perils but all man-made perils as well. This is especially so in emerging markets where growths are disproportionate in regions; at the same time risk management and data quality play catch-up to economic and business development.

As mentioned in the previous years, the low insurance penetration rate in the region may entice new players and greater appetites into the region with the potential opportunities but these may turn into pitfalls. Few, if any, foresaw the staggering growth and concentration of risks at the Tianjin port. To date, the high-end of the loss estimate still stands at USD 3.3 billion since the last estimate was made in September 2015.

The soft market is continuing but to a lesser extent than previous years. Capacity continues to be more than adequate. The global economic slowdown is beginning to show its impact on some of the treaties' premium income and we expect this negative impact to be greater in the coming years.

Amidst this challenging environment, Milli Re continues to patiently seek good business partners and deepen existing ones. Regulatory development/changes to security rating requirements are expected to continue, providing another set of challenges. Nevertheless, Milli Re will continue to work with its partners for the long term.

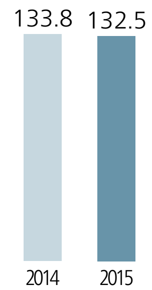
Fire

Fire premiums from international operations stood at TL 132.5 million, demonstrating a limited increase compared to the previous year on the back of successful retention of the existing portfolio despite soft market conditions and excess capacity, the continuation of underwriting measures being taken within the context of our strategy of focusing on the bottom line and the positive impact of exchange rate movements. Fire premiums constituted 52% of the overall international portfolio premium.

With payments for earthquake losses set off from the Equalization Reserve and the positive effects of technical reserve releases, a significant technical profit was achieved from the developed markets. However, despite a decline recorded in paid claims in 2015, the technical profit decreased to TL 22.9 million in the international fire portfolio, given that there was no repeat of the positive effects this year.

The Company generated 30.3% of its total fire premiums from the international portfolio.

Premium Income (TL mn)



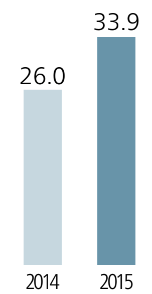
Profitability Ratios in Fire (%)	2014	2015
Gross		
Loss Ratio	42	90
Expense Ratio	27	27
Combined Ratio	69	117
Net		
Loss Ratio	42	93
Expense Ratio	30	30
Combined Ratio	72	123
Technical Profit/Loss (TL mn)	**60.6**	**22.9**

Marine

As a result of period shift in the statement of accounts of various agreements and the positive impact of exchange rate movements, the Company's premium production in the Marine from the international portfolio expanded by 30.4% year-on-year to TL 33.9 million.

Despite the positive developments in premium production, the adverse effect of increases in Outstanding Losses and Unearned Premium Reserves Carried Forward from the previous year resulted in a technical loss of TL 8.9 million.

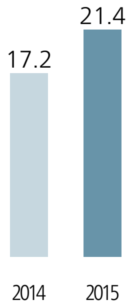
43.9% of the Company's total Marine premiums were generated from the international business.



Profitability Ratios in Marine (%)	2014	2015
Gross		
Loss Ratio	61	125
Expense Ratio	31	27
Combined Ratio	92	152
Net		
Loss Ratio	60	117
Expense Ratio	33	28
Combined Ratio	93	145
Technical Profit/Loss (TL mn)	**3.9**	**(8.9)**

International Portfolio

Premium Income (TL mn)



Engineering

Premium production in Engineering from the international portfolio rose by 24.4% year-on-year to TL 21.4 million in 2015.

In addition to increased risk losses which had significantly affected the emerging markets portfolio in 2015, the adverse effects of Premiums Ceded to Reinsurers and Unearned Premium Reserves caused a technical loss of TL 7.8 million.

11.3% of the Company's total Engineering premium production was generated from international business.

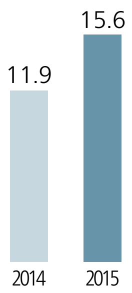
Profitability Ratios in Engineering (%)	2014	2015
Gross		
Loss Ratio	61	104
Expense Ratio	35	33
Combined Ratio	96	137
Net		
Loss Ratio	78	122
Expense Ratio	46	38
Combined Ratio	124	160
Technical Profit/Loss (TL mn)	**(1.0)**	**(7.8)**

Land Vehicles (Own Damage)

Premium production of Land Vehicles (Own Damage) from the international book expanded by 31.1% to TL 15.6 million in 2015. This increase was mainly due to the developed market portfolio as well as exchange rate movements.

Due to the increase in commission expenses and outstanding losses related to the emerging markets portfolio, as well as increase in Unearned Premium Reserves pricing from premium rise regarding developed markets portfolio, a technical loss of TL 3 million was recorded.

As a result of the Company's ongoing policy of minimizing its involvement in treaties of loss-producing lines, the share of the international portfolio to the Company's total premium production in the Land Vehicles (Own Damage) branch increased to 99.2%.



Profitability Ratios in Land Vehicles (Own Damage) (%)	2014	2015
Gross		
Loss Ratio	61	77
Expense Ratio	15	46
Combined Ratio	76	123
Net		
Loss Ratio	60	75
Expense Ratio	15	49
Combined Ratio	75	124
Technical Profit/Loss (TL mn)	**2.6**	**(3.0)**

Land Vehicles Liability

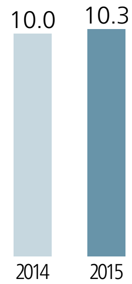
In this branch, where premiums consisted entirely of business from the Turkish Republic of Northern Cyprus, there was no significant year-on-year change in the Company's premium production and the Land Vehicles Liability premium from international operations stood at TL 10.3 million.

A technical profit of TL 3.4 million was attained in this branch. This profit stemmed largely from the impact of Unexpired Risk Reserves carried forward which were recorded for the first time last year, leading to a negative impact on the technical results.

The Company generated 42.2% of its total Land Vehicles Liability premium from international portfolio.

Profitability Ratios in Land Vehicles Liability (%)	2014	2015
Gross		
Loss Ratio	50	43
Expense Ratio	17	29
Combined Ratio	67	72
Net		
Loss Ratio	50	43
Expense Ratio	17	29
Combined Ratio	67	72
Technical Profit/Loss (TL mn)	**(6.1)**	**3.4**

Premium Income (TL mn)



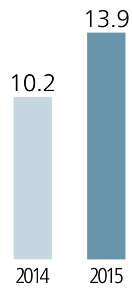
General Liability

Premium production of General Liability in the international book mainly emanates from the developed markets portfolio and expanded by 36.3% year-on-year to reach TL 13.9 million in 2015 due to the favorable effects of exchange rate movements.

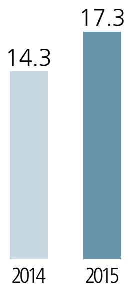
The net loss ratio receded to 85% in 2015 due to the increase in premium production, and the released technical provisions. Because of the positive effect of Unexpired Risk Reserves carried forward, a technical profit of TL 4.9 million was registered.

The Company generated 26.3% of its total General Liability premiums from the international portfolio.

Profitability Ratios in General Liability (%)	2014	2015
Gross		
Loss Ratio	160	103
Expense Ratio	26	21
Combined Ratio	186	124
Net		
Loss Ratio	169	85
Expense Ratio	30	24
Combined Ratio	199	109
Technical Profit/Loss (TL mn)	**(12.9)**	**4.9**



Premium Income (TL mn)



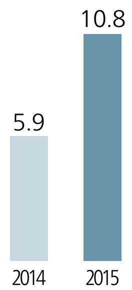
Accident (Excluding General Liability and Land Vehicles Own Damage)

The Company's premium production in Accident increased by 21% to TL 17.3 million due to period shifts in the statement of accounts related to emerging markets, and positive effects of exchange rate movements.

With the adverse effects of increased Paid and Outstanding Claims and Unearned Premium Reserves technical profit, which was TL 4.2 million the previous year, declined to TL 1.7 million.

The Company generated 31.3% of its total Accident premiums from the international portfolio.

Profitability Ratios in Accident (Excluding General Liability and Land Vehicles Own Damage) (%)	2014	2015
Gross		
Loss Ratio	58	85
Expense Ratio	37	33
Combined Ratio	95	118
Net		
Loss Ratio	55	85
Expense Ratio	37	34
Combined Ratio	92	119
Technical Profit/Loss (TL mn)	**4.2**	**1.7**



Agriculture

Premium production from Agriculture in the international book expanded by 83.1% year-on-year, mainly due to period shifts in the statement of accounts, and exchange rate movements to reach TL 10.8 million in 2015. The total premium in this branch emanates from emerging markets.

Net loss ratio increased due to Outstanding Claims and Unearned Premium Reserves rises and TL 5.7 million technical loss was recorded in this branch.

The Company generated 10.1% of its total Agriculture premiums from the international portfolio.

Profitability Ratios in Agriculture (%)	2014	2015
Gross		
Loss Ratio	69	175
Expense Ratio	41	34
Combined Ratio	110	209
Net		
Loss Ratio	78	191
Expense Ratio	44	38
Combined Ratio	122	229
Technical Profit/Loss (TL mn)	**(0.6)**	**(5.7)**

Life

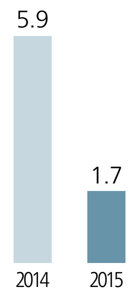
Life premiums, which are written from emerging markets, declined from TL 5.9 million in 2014 to TL 1.7 million in 2015 as a result of the treaty cancellations.

Despite the decrease in premium production and the increase in the expense ratio due to adverse effects of changes in deferred commissions with the positive effects of Unearned Premium Reserves carried forward, the profit of this branch registered a nominal increase from TL 0.4 million last year to TL 0.5 million in 2015.

8.3% of the total premiums generated in the Life insurance branch stemmed from the international business.

Profitability Ratios in Life (%)	2014	2015
Gross		
Loss Ratio	57	14
Expense Ratio	14	77
Combined Ratio	71	91
Net		
Loss Ratio	23	12
Expense Ratio	42	75
Combined Ratio	65	87
Technical Profit/Loss (TL mn)	**0.4**	**0.5**

Premium Income (TL mn)



Milli Re is determined to maintain its leading position in the local reinsurance market and maintain the stable development of international operations in the coming period.

87 years

In addition to the reputation and reliability it has gained in the last 87 years, Milli Re is a preferred business partner with its robust financial structure.

Internal Audit Practices

Internal audit is an independent and objective assurance and advisory activity, which seeks to improve an organization's activities and to add value to them. Internal audit helps an organization to achieve its goals by introducing a systematized and disciplined approach directed towards the objective of assessing and improving the risk management, control and governance processes.

In this context, the primary functions of internal audit include constant auditing of all business and transactions of the Company in terms of their compliance with the related regulations, as well as the Company's internal guidelines, its management strategy and policies; and detection and prevention of any irregularities, mistakes, or fraud, and assurance of the efficiency and adequacy of internal control and risk management systems.

In conjunction with the above, an important aspect of the Department's duties is to provide opinions and suggestions for efficient and productive use of resources to improve and add value to the Company's activities.

The Internal Audit Department of Milli Re was established on 1 January 2005 and began operations on 1 April 2005. Internal audit operations continued under the framework of the "Regulation on Internal Systems of Insurance and Reinsurance Companies" published in the Official Gazette No. 26913 dated 21 June 2008.

The Internal Audit Department, in order to allow an independent and objective assessment, is operatively connected directly to the Board of Directors. The conclusions of the audit are reported to the Board of Directors through the Board member responsible for Internal Systems.

In addition, all employees in the Internal Audit Department are required to comply with the code of ethics in the International Internal Audit Standards (integrity, objectivity, confidentiality, competence) and demonstrate the necessary professional care when performing the audit activities.

The Internal Audit Department carries out its activities with a risk-focused audit approach. This approach aims to increase the efficiency and effectiveness of internal control, giving priority to the more risk bearing process and units. Every year in December, an Internal Audit Plan containing the audit work to be done next year is prepared and presented to the Board of Directors for approval, taking into account the date of the last inspection and risk assessments of the unit.

In accordance with the Internal Audit Plan approved by the Board at the end of 2014, the Internal Audit Department completed on-site inspection of all units, and the Company's Singapore Branch by using audit technics such as observation, interview, examination, confirmation, realization/recalculation, and data analysis, during 2015. The audit produced no findings that might have an adverse impact on the Company's financial structure.

The Internal Audit Department continues to work with the support of the management and in cooperation with the employees in line with its target of improving the Company's operations and adding value to them.

Internal Control Practices

Internal control system has an important role in ensuring the performance of the Company's operations, within the framework of efficiency, productivity, compliance and reliability principles.

The purpose of the internal control system is to ensure that the Company's assets are well protected; its activities are carried out efficiently and effectively and in adherence to the Company regulations and policies, and also to the customs of Insurance Industry. Reliability, consistency and integrity of accounting and financial reporting systems and prompt accessibility of the information within the organization are also aimed by the overall internal control scheme and associated policies.

In conjunction with this overall purpose, internal control activities are designed to encapsulate the Company's core operational activities and any processes related to those operational activities, communication channels and information systems, financial reporting systems, and compliance controls. Internal control operations continue under the framework of the "Regulation on Internal Systems of Insurance and Reinsurance Companies" published by Undersecretariat of Turkish Treasury.

In order to perform internal control activities, the "Control Center" has been structured through the establishment of the "Internal Control and Risk Management Department", while the "Control Environment" has been structured through assignment of Company employees within the scope of these activities. The Control Group consists of 23 people, out of whom 4 are located in the Control Center and 19 are in the Control Environment.

Activities Conducted from the Control Center

Work flows, duties and responsibilities, authorities and limits related to Company activities are documented and communicated to the entire personnel; they are reviewed and updated in line with the changing conditions and risks. The personnel have complete, accurate and up to date information associated with their duties and responsibilities.

Control activities cover the entire business processes and operations of the Company. Business processes and the processes related to information technologies, risks related to these processes are identified in a written form, controls for the identified risks are established. Control activities are carried out according to the frequency of business processes and in accordance with the principles set out in the annual Internal Control Plan.

Findings ascertained as a result of the controls, the evaluation of the findings and the recommendations regarding the actions to be taken for the elimination of findings are monthly reported to the General Manager by the Internal Control and Risk Management Department with the "Internal Control Report". The outcomes of internal control activities are also monitored regularly by the Board of Directors.

Authorities of the users on the systems are defined in accordance with the principle of segregation of duties. The actions the users perform within the framework of these authorizations, as well as log records of the actions of the critical processes are systematically checked through reports coming out of the log management system and are controlled instantly on a daily basis and compliance with the principle of segregation of duties are reviewed systematically. In addition, authorities of the users requested in line with the activities, following the approval of the relevant business unit, are evaluated and approved by the Internal Control and Risk Management Department for compliance with the principle mentioned.

System development requests of the users in line with business requirements, requests for changes and for solutions in respect of problems that have occurred in the systems are monitored through the Help Desk and critical issues that may affect the financial statements or could lead to legal risks are primarily solved.

If a negative aspect is identified within the framework of all control activities, urgent action is taken for implementing the necessary corrections and for preventing recurrence of the error.

Activities Conducted from the Control Environment

Internal control activities to be performed in the business units are based on the control points stated in the relevant department's flowchart, as well as risk and control points defined by the Control Center, while those to be performed at the IT Center are based on COBIT (Control Objectives for Information Related Technologies) standards.

In this context, core reinsurance and other activities, technical and financial accounting, payments, processes for the fulfilment of legal obligations, procedures for debt collection, financial statements and reports, marketing, processes related to reporting and information systems are controlled based on the frequency of their respective application process. Issues identified through the controls performed at business units are reported to the Control Center via Risk Warning Reports. Therefore, preemptive and complementary actions can urgently be taken, and appropriate and feasible solutions to improve processes and activities can be introduced.

Affiliates

Anadolu Anonim Türk Sigorta Şirketi

Anadolu Anonim Türk Sigorta Şirketi (Anadolu Sigorta) is Turkey's first national insurance company, which was established on 1 April 1925. As one of the sector's leaders in premium production, the Company succeeded in being the first Turkish insurance company to exceed the USD 1 billion threshold in total premium production in 2007. The ISO 9001:2000 Quality Management System Certificate that Anadolu Sigorta holds and which validates the implementation of its quality management system according to the international standards has been renewed with ISO 9001:2008 certificate on June 2010. Anadolu Sigorta operates in all non-life insurance branches.

Fitch Ratings confirmed Anadolu Sigorta's ratings for International Insurer Financial Strength as BBB-, for National Insurer Financial Strength as AA+ (tur), both with stable outlook.

Milli Re became the principal shareholder in Anadolu Sigorta with a shareholding of 57.31% in total, upon purchase of an additional 35.53% share in Anadolu Sigorta on 30 September 2010. The remaining 42.69% of the Company's shares are publicly-traded.

Pursuant to the Communiqué on the Preparation of Consolidated Financial Statements of Insurance, Reinsurance and Pension Companies published in the Official Gazette issue 27097 dated 31 December 2008 and to the Turkish Accounting Standards 27, Milli Re consolidates the financial results of Anadolu Sigorta on a line-by-line basis since 30 September 2010.

www.anadolusigorta.com.tr

Miltaş Turizm İnşaat Ticaret A.Ş.

Miltaş Sports Complex has been serving the insurance sector since 1986 with its facilities in various sports, particularly tennis and basketball. The Complex has been hosting the International Insurance Tennis Tournament every June since 1986, providing a unique environment that brings together international reinsurers and brokers engaged in the Turkish insurance market with the insurers. In addition to tennis and basketball courses organized every year for various age groups, private tennis lessons are available in the Complex.

Milli Re owns 77% share in Miltaş Turizm İnşaat Ticaret A.Ş. Within the frame of the exception stipulated in the Communiqué on the Preparation of Consolidated Financial Statements of Insurance, Reinsurance and Pension Companies published in the Official Gazette issue 27097 dated 31 December 2008, Miltaş Turizm İnşaat Ticaret A.Ş., which is a subsidiary of the Company, is excluded from the scope of consolidation, due to the fact that the subsidiary's total assets correspond to less than 1% of the Company's total assets.

www.miltasturizm.com.tr

Issues Related to the General Assembly

During 2015, all of the resolutions adopted by the General Assembly of Shareholders have been fulfilled, and the targets set in the prior period have been achieved.

Annual General Meeting Agenda

1. Opening and forming the Presiding Board,
2. Reading and deliberation of the 2015 Activity Report drawn up by the Board of Directors,
3. Reading the Statutory Auditors' report,
4. Reading, deliberation and approval of the Company's Financial Statements for 2015,
5. Approval of the selection for the free seat of the Board Directors in accordance with Articles 363 of the Turkish Commercial Code (TCC) and Article 12 of the Company's Articles of Association,
6. Individual acquittal of the members of the Board of Directors of their fiduciary responsibilities,
7. Determination of the manner and date of distribution of profit,
8. Election to the seats on the Board of Directors,
9. Determination of Statutory Auditor,
10. Determination of the remuneration to be paid to the members of the Board of Directors,
11. Authorizing the Board Directors to perform the transactions set out in Articles 395 and 396 of the TCC.

Report by the Board of Directors

Distinguished Shareholders,

We respectfully present the balance sheet, income statement, profit distribution chart, statement of changes in equity, and the cash flow statement showing the results achieved in 2015 marking the Company's 87th year of operation for the perusal and approval of the Esteemed Assembly. These documents are prepared in line with the provisions of applicable legislation and the principles and guidelines set out by the Undersecretariat of Turkish Treasury.

Considering the economic crises in Greece, Russia and Ukraine, the adverse situation in the economies of Brazil and China, and the constantly worsening Syrian crisis, it would be hard to claim that 2015 was a positive year for the global economy. Volatility and uncertainty in the financial markets continued due to a lack of stability in the global monetary policy and growth. The downward trend in prices of commodities such as oil, energy, metals and food in international markets continued in the last quarter of 2015 as well. This situation in global markets has affected the economies of developing countries and, accordingly, the economy of our country. Eight member states in the Euro Zone, including Greece, Italy, Southern Cyprus and Portugal, have yet to reach their 2008 GDP levels. Growth and exports in BRICS countries Brazil, China, Russia, and South Africa (excluding India) have lost significant momentum for economic or political reasons. The uncertainty in global financial markets is expected to continue for some time.

2015 was a year of decline in exports for our country, particularly due to the rise of the USD and decline in commodity prices. An unexpected slide in oil prices was reflected positively to our energy imports, but the other side of the coin is that a large part of Turkey's exports are to energy-exporting countries, and thus Turkey's exports were hit hard. Revenues from the shuttle trade and tourism revenues also decreased, and ultimately our export income decreased by approximately 9% in 2015. Aside from external influences, political uncertainty in the country with two general elections held during the year, along with renewed and intensifying terrorist attacks caused a significant decrease in consumer confidence, real sector confidence and overall economic confidence. With the effect of the weakening in the Turkish Lira, the GDP figure in USD terms was estimated to be around USD 720 billion in 2015, recording a serious decline in 2015, with per capita income of just over USD 9,000. However, despite all of the external and internal risks, based on figures announced for the first three quarters of the year, our country's economy still managed to grow by around 4%, exceeding market expectations, with the agricultural sector providing the greatest contribution at around 11%. Moreover, the services sector, accounting for approximately 60% of GDP, also contributed to this growth. Therefore, when the year-end results are announced, the growth rate of 2015 is also estimated to have exceeded expectations.

It is observed that, across the globe, in 2015 the insurance industry recorded its lowest level of costs since 2009 for catastrophe losses. Natural and man-made catastrophes occurring during the year resulted in USD 90 billion of total direct economic losses, saddling the insurance industry with a little over USD 30 billion of losses. In 2015, there was a decline in losses from natural catastrophes compared to the previous year, while man-made losses increased, especially due to the violent explosions that occurred in China. The Tianjin explosions, which took place at container storage station at the Port of Tianjin on 12 August 2015, caused a heavy loss of life and property. The loss, which is considered as one of the largest losses that has occurred in Asia to date, could reach up to USD 3.3 billion.

Among the natural catastrophes that occurred in 2015, the most costly losses for the insurance market were the losses caused by the severe winter weather in the US and Canada which caused USD 2 billion in total insured loss, with a cost of approximately USD 2 billion of insured loss from storms that occurred in Europe during the winter months. In addition, tropical cyclones which hit Pacific coasts, excessive rainfall in the United States of America, hail storms in Australia, typhoons in Asia, hurricanes in North America, large fires in California from extreme heat, drought in Canada, floods in the South of France, South Carolina and India, storms affecting England and forest fires in Australia were other significant sources of losses arising from extreme weather events. The largest natural disaster during the year was the 7.8 magnitude earthquake in Nepal on 25 April, which killed 9,000 people and left more than 500,000 homeless. Although it is estimated that this earthquake could cause economic losses of more than USD 6 billion, because of the low insurance penetration in the region, insured loss is expected to remain in the vicinity of just USD 160 million.

Although no official data has been disclosed on our country's insurance industry, according to data released by the Insurance Association of Turkey, total premium production of our country increased by about 20% in 2015 compared to the previous year, marking about 10% in real terms, to reach around TL 31 billion. The main reason for this situation was the 35% growth in the Land Vehicles Liability insurance (which had the highest weight in total premiums) in 2015 to reach premium production of TL 7.5 billion due to the increases in the prices forming a basis for premiums. The growth rate of other branches with a significant share in total premiums was 23% for General Losses, 20% for General Liability 20%, 17% for Health/Sickness, 15% for Accident, 14% for Fire/Natural Disaster, and around 9% for Land Vehicles.

Writing business from the Turkish insurance industry since 1929, Milli Re began to focus on international markets in 2006 in line with its strategy of international expansion, and the Singapore Branch, which was established as part of this strategy, began operations in 2008. Having thus started to take on a more active role in international reinsurance markets, Milli Re participates in a significant portion of the reinsurance agreements of the vast majority of international insurance companies operating in the Turkish insurance market, and leading the Proportional reinsurance agreements of 14 companies. This situation demonstrates the knowledge of the local market, experience, the soundness of its financial structure of our Company, and refers to the reputation in the eyes of international reinsurance companies.

Our Company's total premium production amounted to TL 996.8 million in 2015, 74.2% of which (TL 739.8 million) was generated from local business and 25.8% (TL 257 million) from the international portfolio. Milli Re's total premium production increased by 4.1% year-on-year. The Company posted a total operating profit of TL 130.2 million in 2015. TL 161.5 million was derived from financial operations and TL 31.3 million loss from technical operations. The Company's paid-up capital stands at TL 660 million, while its total assets increased to TL 2,647.8 million and its shareholders' equity to TL 1,183.9 million. The Company aims to maintain its leadership and preserve its market share in the Turkish market in the coming years, and to sustain consistent development in the international portfolio.

We would like to extend our thanks to our esteemed shareholders and our employees, who provided the greatest contribution to our Company to maintain its prestige and reliability acquired during the last 87 years and who are the greatest supporters in Milli Re's efforts to be a preferred business partner with its robust financial structure.

BOARD OF DIRECTORS

Information on the Company's Activities

Repurchased own shares by the Company
None.

Disclosures concerning special audit and public audit during the reporting period
Our Company was not subjected to public audit in 2015.

Lawsuits filed against the Company and the members of the governing body and potential results
There are no lawsuits brought against the Company and the members of the governing body, which are of a nature that might affect the Company's financial standing and its activities.

There are no administrative or judicial sanctions imposed against the Company or the members of the governing body on account of any practice violating the provisions of legislation.

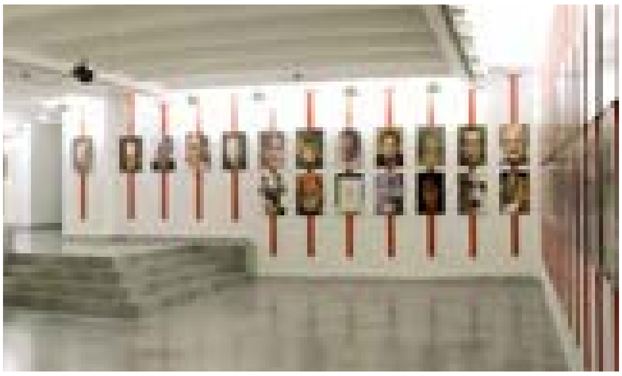
Extraordinary General Meetings held during the reporting period
The Company did not hold an extraordinary general meeting during 2015.

Expenses incurred in the reporting period in relation to donations, grants, and social responsibility projects
The Company's donations under this heading amounted to TL 17,200 in 2015.

Relations with the controlling company or an affiliate thereof
Between our Company and our controlling shareholder İşbank and other Group Companies affiliated to İşbank, there is no:
- Transfer of receivables, payables or assets,
- Legal transaction creating liability such as providing suretyship, guarantee or endorsement,
- Legal transaction that might result in transfer of profit.

All commercial transactions the Company realized with its controlling shareholder and with the Group Companies affiliated thereto during 2015 were carried out on an arm's length basis, according to the terms and conditions known to us, related counter performances have been carried out, and the Company did not register any loss on account of any such transaction.

Corporate Social Responsibility



Milli Re Art Gallery

The story of the Milli Re Art Gallery started in 1994 when Milli Re has reserved a section of its business building in Teşvikiye for artistic and cultural activities, and designed a library, an auditorium and a gallery in this section.

In the twenty two years since its debut, Milli Re Art Gallery has organized many exhibitions, all of which were widely acclaimed in art circles and followed with interest. The gallery has published a lot of books articles with texts by famous Turkish and foreign authors and art critics, most of which are referenced in the art literature.

Some of the exhibitions put on display at the Milli Re Art Gallery are also displayed in other countries, including, among others, Germany, Slovenia, Bosnia-Herzegovina, Georgia and Finland. Besides the "Rural Architecture in the Eastern Black Sea Region" exhibition displayed at many universities and international museums both in Turkey and abroad since 2005, "Mylasa Labraunda/Milas Çomakdağ" exhibition received invitations from major museums and universities abroad and exhibited in several countries and cities. The gallery, which provided an exhibition entitled "A memory of Art Transcending 20 years: The Milli Re Gallery" in 2015, has gained the distinction of being a space for artists and art lovers with the original works created over the years, and is known for its uncompromising artistic identity.

All details on exhibitions and publications are available on **www.millireasuranssanatgalerisi.com.**

Milli Re Chamber Orchestra

Milli Re Chamber Orchestra, which is constituted of artists most of whom also pursue solo music careers, was established in 1996. Having performed its first concert on 10 April 1996, the Milli Re Chamber Orchestra has signed its name under numerous successful concerts since its foundation with famous Turkish and foreign conductors and musicians. Bringing universal polyphonic music, which enriches our cultural life, to music-lovers through concerts and recitals, the Milli Re Chamber Orchestra performs at the concert hall in the Milli Re building from September through May every year.

In addition to the regularly performed concerts, the Orchestra takes part in various national and international festivals. The Milli Re Chamber Orchestra also released two CDs, titled "Romantic Era Strings Music" and "Şensoy Plays Tura".

Milli Re continued to extend support to art through sponsorship of the International İstanbul Music Festivals, held in 2006, 2008, 2010, 2012 and 2014 respectively.

Reasürör Magazine

Quarterly published since 1991, the Reasürör Magazine provides an academic content including compilations, translations, interviews, and statistical information in a variety of branches. The Reasürör Magazine serves as a valuable scientific resource for use by the industry employees and students pursuing their studies at various levels in insurance education.

All issues of the Reasürör Magazine can be accessed at the addresses **www.millire.com** and **www.millire.com.tr.**

Miltaş Sports Complex

Miltaş Sports Complex has been serving the insurance sector since 1986 with its facilities in various sports, particularly tennis and basketball. The Complex has been hosting the International Insurance Tennis Tournament every year in early summer since 1986, providing a unique environment that brings together foreign reinsurers and brokers engaged in the Turkish insurance market with the insurers. In addition to tennis and basketball courses organized every year for various age groups, private tennis lessons are available in the Complex.

Milli Re Library

Milli Re Library is a specialized library in which publications, periodicals and other materials concerning the insurance industry and related topics are collected, organized and put to the service of users under a modern information and document management approach.

The Milli Re Library is market's most extensive library in terms of books and periodicals. The library also supports the libraries of Insurance Vocational Schools of Higher Education, which were established or are in the process of being established in Turkey, by sending books and periodicals.

The Library is open from 09:00 until 12:00 and from 13:00 until 17:00 hours on weekdays, and the catalogues of available publications can be accessed at **www.kutuphane.millire.com.**

Turkish Insurance Institute Foundation (TII)

The Turkish Insurance Institute Foundation (TII) was established jointly by Milli Re and the Insurance Association of Turkey in 1970. Continuing its training and consulting services for the insurance industry since then, the TII organizes training programs for institutions and organizations on insurance technology, law and administrative issues.

The purpose of the Foundation is to increase the penetration of insurance in Turkey, advance the insurance business, train staff for the insurance sector, identify, investigate, prepare informative broadcasts, and review economic, legal and technical matters and issues in all insurance branches including social insurance.

The "Basic Insurance Training Program", which is a long-term insurance training course, has opened annually since 1970 and has the distinction of being one of the most comprehensive training programs in the field of insurance. So far, a total of 2,600 participants have graduated from the program. In addition, the company's "Advanced Insurance Training Programs" are the only project and practice-oriented training programs in the sector.

Other training programs of the Foundation are short-term and provided by senior bureaucrats and/or specialist professionals in the industry. The content of the training is selected in accordance with the industry's needs and from topics which are on the agenda at the time.

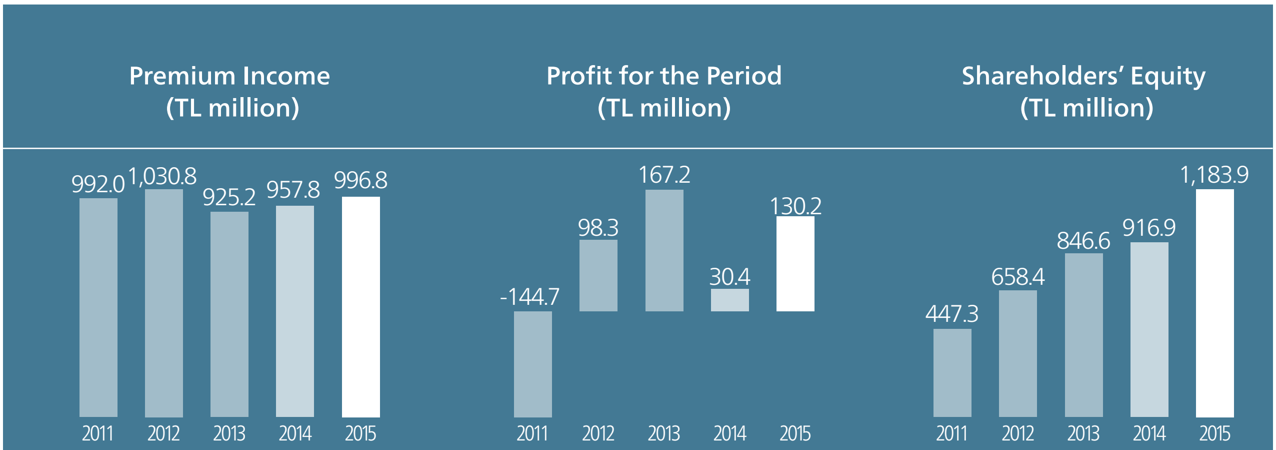
Financial Status

Key Financial Indicators

Financial Results (TL million)	2014*	2015	Change (%)
Total Assets	2,167.6	2,647.8	22.2
Shareholders' Equity	916.9	1,183.9	29.1
Technical Income	2,186.0	2,359.2	7.9
Technical Profit/Loss	2.5	(31.4)	-
Financial Income	58.3	194.4	233.4
Financial Profit/Loss	27.9	161.6	479.6
Profit/Loss for the Period	30.4	130.2	328.4

Ratios (%)	2014*	2015
Liquid Assets/Total Assets	57	56
Gross Written Premiums/Shareholders' Equity	104	84
Profit Before Tax/Gross Written Premiums	3	13
Shareholders' Equity/Total Assets	42	45
Profit Before Tax/Average Shareholders' Equity (Excluding profit)	4	15
Profit Before Tax/Average Total Assets	1	5
Net Loss Ratio	78	88

* * The figures of 2014 are restated.



* The figures of 2013 and 2014 are restated.

Key Financial Figures

(TL)	2011	2012	2013*	2014*	2015
Assets					
Cash and Cash Equivalents	582,286,838	677,226,863	603,582,774	742,193,459	991,998,486
Securities	306,538,179	360,820,842	497,248,099	490,228,721	477,908,745
Affiliates	227,120,790	330,278,828	381,857,848	407,993,857	445,245,371
Fixed Assets	46,841,614	45,615,896	195,869,451	215,502,409	426,968,376
Doubtful Receivables (Net)	0	0	0	0	0
Total Assets	1,594,891,858	1,763,913,538	1,991,784,422	2,167,578,400	2,647,784,232
Liabilities					
Technical Provisions	1,079,305,637	1,026,897,719	1,056,899,201	1,164,240,501	1,288,838,393
Shareholders' Equity**	447,269,521	658,397,986	846,566,588	916,933,700	1,183,898,933
Income and Expense Items					
Technical Income	1,937,552,261	2,266,964,100	2,109,803,536	2,185,963,569	2,359,174,044
Technical Expenses	2,133,674,154	2,161,861,498	2,099,084,858	2,183,435,317	2,390,519,428
Technical Profit/Loss	(196,121,892)	105,102,602	10,718,678	2,528,252	(31,345,384)
Financial Income	86,126,846	44,254,248	195,734,639	58,307,722	194,375,685
Financial Expenses	28,925,708	43,718,498	33,909,941	20,897,332	24,961,583
General Expenses	5,816,234	7,289,532	5,343,785	9,512,740	7,825,311
Financial Profit/Loss	51,384,904	(6,753,784)	156,480,913	27,897,650	161,588,791
Profit/Loss for the Period	(144,736,989)	98,348,818	167,199,591	30,425,902	130,243,407

* The figures of 2013 and 2014 are restated.
** Including Profit/Loss for the Period

An Evaluation of 2015 Financial Results

The Company's financial investments are made in accordance with the Asset Investment Guidelines, which was formulated under the provisions of the "Regulation Amending the Regulation on the Financial Structures of Insurance, Reinsurance and Pension Companies" published in the Official Gazette issue 27877 dated 17 March 2011.

The investment portfolio of the Company consists of financial investment instruments offering a high yield and liquidity and which involve minimum risk. Part of our portfolio is managed by İş Portföy Yönetimi A.Ş. (İş Asset Management). The Company's financial results are presented in detail below.

Investment Income

Income from Bank Deposits, Government Bonds and private sector bond coupons increased in 2015 due to the increase in Bank Deposits interest rates and the Company's income from financial investments rose by 24.25% year-on-year to reach TL 105,821,748. In addition, Income from Disposal of Assets increased by 53.01% with the weighted impact of the sale of a subsidiary in our portfolio.

The Company registered a 169% year-on-year increase in foreign exchange gains due to the movements in exchange rates during the reporting period. Income from subsidiaries and joint ventures increased due to the dividend income received from our subsidiary.

Our Company started to measure its properties using the fair value method from 1 September 2015. As a result of the new value calculation method, the appreciation of investment property that occurred during the current year was accounted in the investment property capital gains item and with its weighted impact, there was an increase in Income from Property, Plant and Equipment.

At the bottom line, Milli Re's investment income totaled TL 292,239,946 in 2015 with an increase of 83.25%.

(TL)	2014	2015	Change (%)
Investment Income	**159,472,072**	**292,239,946**	**83.25**
Income from Financial Assets	85,167,377	105,821,748	24.25
Income from Disposal of Financial Assets	30,235,052	46,261,965	53.01
Valuation of Financial Assets	(2,715,810)	(1,047,109)	(61.44)
Foreign Exchange Gains	14,784,524	39,769,808	169.00
Income from Subsidiaries and Joint Ventures	347,307	12,039,179	3,366
Income from Property, Plant and Equipment	31,417,437	89,172,855	183.83
Income from Derivative Transactions	236,185	66,500	(71.84)
Other Investments	-	155,000	+

Investment Expenses

The Company's investment expenses decreased by 10.74% year-on-year in 2015. In accordance with the provisions of the Communiqué published by the Undersecretariat of Turkish Treasury, a portion of the financial income and expense items was transferred to the technical income and expense accounts for the related branches. Detailed information of this implementation is presented in the section entitled "Notes to the Financial Statements for 2015" of this Annual Report.

A total of TL 100,911,677 from investment income and TL 50,358,095 from general expenses was transferred from financial accounts to technical accounts in 2015.

(TL)	2014	2015	Change (%)
Investment Expenses	**(135,838,712)**	**(121,243,981)**	**(10.74)**
Investment Management Expenses - Incl. Interest	(277,185)	(2,121,010)	665.20
Loss from Disposal of Financial Assets	(9,871,181)	(1,410,932)	(85.71)
Investment Income Transferred to Non-Life Technical Account	(111,330,054)	(100,911,677)	(9.36)
Loss from Derivative Transactions	(97,745)	-	-
Foreign Exchange Losses	(6,885,399)	(6,826,180)	(0.86)
Depreciation and Amortization Expenses	(1,300,588)	(1,543,485)	18.68
Other Investment Expenses	(6,076,560)	(8,430,697)	38.74

Income and Expenses from Other and Extraordinary Operations

The "Income and Expenses from Other and Extraordinary Operations" account resulted with a loss of TL 9,407,174 on the back of the Deferred Tax Liabilities.

(TL)	2014	2015	Change (%)
Income and Expenses From Other and Extraordinary Operations	**4,264,290**	**(9,407,174)**	**-**
Provisions	4,352,561	(19,376)	-
Rediscounts	340,606	(458,919)	-
Deferred Taxation (Deferred Tax Assets)	1,045,346	-	-
Deferred Taxation (Deferred Tax Liabilities)	0	(9,045,756)	-
Other Income	145,797	1,927,908	1,222
Other Expenses and Losses	(1,620,020)	(1,811,031)	11.79

At the bottom line, the Company's total assets increased by 22.15% year-on-year to reach TL 2,647,784,232. Having booked a net profit of TL 30,425,902 for the year ending 31 December 2014, the Company posted a net profit of TL 130,243,407 in 2015.

Dividend Distribution Policy

In relation to dividend distribution, maintaining a balance between the Company's interests and shareholders' expectations, and due regard paid to the Company's profitability are the main factors to be taken into consideration.

Dividend distribution principles that are determined within the framework of the applicable legislation and the Company's articles of association are presented below:

Profit distribution at the Company is decided by the General Assembly of Shareholders based on the proposal set forth by the Board of Directors in view of the provisions of the Turkish Commercial Code and other applicable legislation governing the Company.

The Company's net profit consists of the revenues generated up until the end of a fiscal year less general expenses, depreciation, all reserves deemed necessary, taxes and similar legal and financial obligations, along with previous years' losses, if any.

Net profit, which is calculated as mentioned above, is allocated and distributed in the order written below:

a) An amount equal to 5% of the net annual profit is set aside as general legal reserves every year until such reserves reach 20% of the paid-in capital.
b) Once the legal limit is reached, the amounts stipulated by Article 519/2(a) and (b) of the Turkish Commercial Code are added to the general legal reserves.
c) A first dividend equal to 10% of the remaining net profit is distributed to shareholders.
d) In the event that the Company has repurchased its own shares, reserves equal to the amount that would cover the acquisition costs will be set aside pursuant to Article 520 of the Turkish Commercial Code.
e) A natural disaster and catastrophe fund may be set aside from the remaining amount, if deemed necessary, of amounts to be determined upon the proposal set forth by the Board of Directors and based on the resolution passed by the General Assembly.
f) From the balance that remains after setting aside the legal reserves, first dividends and funds mentioned above from the net profit, a 3.5% proportion is paid out to founder shares, and up to 3% to employees, provided that the amount does not exceed a level three times' the recipients' salaries.
g) From the amount remaining after the above mentioned allocations and distributions, a second dividend is paid to shareholders upon the proposal set forth by the Board of Directors and based on the resolution passed by the General Assembly, in line with the provisions of the applicable legislation.
h) In pursuance with the provision of Article 519/2(c) of the Turkish Commercial Code, 10% of the total amount to be distributed to those who will receive a share of the profit will be added to legal reserves.
i) The balance will be utilized in a form and manner to be determined by the General Assembly.

Provisions of Article 519/3 of the Turkish Commercial Code are reserved.

Unless and until the reserves that are legally required to be set aside and the first dividends determined for shareholders in the Articles of Incorporation are set aside, no decision may be taken to set aside further reserves, to carry forward profit to the following year or to distribute any share of the profit to the Board of Directors members, founders and employees.

The distribution of the cash dividend must be realized by the end of the second month following the date of the Annual General Meeting in which the profit distribution decision was passed. The distribution of a dividend in the form of dematerialized shares is carried out upon receipt of legal permissions.

Dividend Distribution Proposal

Out of TL 130,243,407.00	that constitutes the pretax profit reported in the 2015 balance sheet,
Less TL 0.00	to be set aside as provision for taxes provided that there is a balance after assessment of taxes, such balance will be added to optional reserves;
Yielding TL 130,243,407.00	which is the pretax profit reported in the 2015 balance sheet,
Less TL 23,723,323.00	which is the amount of subsidiary sale revenue not taken into consideration within the scope of article 5/1-e of the Corporate Tax Law.
and less TL 12,694,585.00	accumulated losses
from the remaining amount of TL 93,825,499.00,	
TL 4,691,274.95	which is 5% pretax profit, be set aside for legal reserves as per section 27/a of the articles of association;
from the remaining amount of TL 89,134,224.05,	
TL 8,913,422.41	which is 10% of pretax profit, be distributed to shareholders as first dividends as per section 27/c of the articles of association,
and from the remaining amount of TL 80,220,801.64,	as per section 27/f of the articles of association,
TL 2,807,728.06	set aside for founders' shares and
TL 2,406,624.05	for distribution to personnel,
and from the remaining amount of TL 75,006,449.53,	
a total of TL 31,086,577.59	be set aside for second dividends as per section 27/g of the articles of association,
and from the remaining amount of TL 43,919,871.94,	
TL 1,221,435.21	be set aside as statutory reserves as per Article 519/2(c) of the Turkish Commercial Code
the entirety of the remaining amount of TL 42,698,436.73	be transferred to optional reserves.

Provided that the proposal presented above is approved by your Esteemed Assembly, profit share distribution will take place on 30 March 2016. We extend our thanks to our business partners and our employees who contributed to the positive results achieved in 2015.

BOARD OF DIRECTORS

Risks and Assessment of the Governing Body

Risk Management Practices

Given the risk-focused nature of the insurance business, insurance and reinsurance companies establish risk management systems and processes, and systematically monitor risk exposure, as part of their primary activities. Therefore, the Company has been implementing risk management techniques for many years; development of these techniques has gained even greater importance due to the adverse developments in the Turkish and worldwide financial markets during the recent years, as well as because of the unforeseen natural disasters that occurred.

The aim of the risk management system is to define the risks arising from the Company's activities. to determine related limits, to measure, monitor, control the risks effectively, to take necessary precautions and to do the necessary reporting to related authorities, as well as to protect Milli Re's reputation and to ensure that liabilities to insurance companies are fulfilled completely and in a timely manner.

The function of the Risk Committee, established to determine risk management strategies and policies that the Company will follow and submit them to the Board of Directors for approval, is to evaluate the risk management activities of the "Internal Control and Risk Management Department" in accordance with the procedures governing risk management functions and to monitor the implementation of these functions throughout the Company.

The "Risk Catalogue", which aims to form a common terminology within the Company and in which possible risks are classified and defined by examples, is updated in accordance with changing conditions and approved by the Board of Directors.

Moreover, the measurement methods of the risks that the Company is/may be exposed to, risk tolerance, duties and responsibilities related to risk measurement, risk limits, determination methods of these limits, action plans in case of limit violations, duties and responsibilities related to limits, and situations that necessitate approval and confirmation are detailed in the "Application Principles in Respect of Risk Limits", which is approved by the Board of Directors and updated in accordance with changing conditions.

The risk management duties and responsibilities of the Internal Control and Risk Management Department, which is a separate body organized independently from the Company's executive functions, are as follows:

- To determine, define, measure, monitor and control risks
- To determine the risk management principles, procedures and policies predicated on the risk management strategies and to submit them to the Risk Committee
- To declare risk management principles, procedures and policies throughout the Company
- To provide the implementation of the policies and compliance with them
- To develop risk management techniques and methods, to ensure that risks are within the determined limits and to monitor limit violations, if any,
- To carry out reporting and announcement activities in respect of risk management.
- To follow-up the developments on international markets and conduct studies within this framework.

Basic Risks and Measurement Methods

Risks that the Company is and/or may be exposed to are classified under two headings: financial and non-financial risks. Explanations regarding the definitions and assessment methods of basis risks are stated below.

Financial Risks

Reinsurance Risk
This risk arises from the inaccurate and inefficient application of reinsurance techniques in the process of making profit by underwriting and retrocession activities.

When measuring the Reinsurance Risk, it is reviewed whether underwriting is carried out within predefined limits and principles, and whether the Company's retention limits and reinsurance protection limits are compliant with the criteria set out in the Risk Limits Implementation Guidelines.

When preparing retrocession agreements for the purpose of covering the liabilities arising from underwritten business, the Company's capitalization, market conditions, underwriting limits in relation to the branches for which agreements will be issued, risk profiles, loss experiences, accumulation that may occur in the event of a catastrophe risk, regional event limits, and modeled loss amounts, if applicable, are taken into consideration.

Credit Risk
This risk expresses the probability of loss arising from the full or partial default of the counterparties (security issuers, insurance/reinsurance companies, other debtors) with which the Company has a business relationship.

Credit risk is measured by both quantitative and qualitative methods. The key criteria in the selection of reinsurers, participating in the retrocession agreements made for covering the Company's liabilities arising from business acceptances in various lines of business, is the credit ratings of reinsurers. On the other hand, the payment performance and financial condition of counterparties are also taken into account.

In order to assess the concentration regarding the cession of the risk to one or several certain reinsurers, premiums ceded to reinsurers are taken into account and multiplication factors are defined based on whether reinsurers are licensed in Turkey or not, whether they are part of the list of companies formed by the Undersecretariat of Turkish Treasury according to financial and technical qualification criteria, and also whether cession is made to a group company or not. Based on the limits set by the Undersecretariat of Turkish Treasury, premium cessions in excess of these limits are considered as concentration, and are multiplied by risk factors defined by the Undersecretariat of Turkish Treasury and included in the capital adequacy calculation.

Moreover, bad debt balances, the distribution of the Company's investment portfolio in terms of counterparties, and the ratings of private sector bond issuers in the portfolio are monitored subject to the principles defined in the Company Investment Policy.

Asset - Liability Management Risk
This risk expresses the potential loss that might arise from the management of the Company assets without considering the characteristics of the Company's liabilities and optimizing the risk-return balance.

This risk, which is measured by quantitative methods, includes all other financial risks of the Company with the exception of reinsurance and credit risk. The components of the risk are described below:

a- Market Risk
This risk expresses the probability of loss resulting from interest rate risk, exchange rate risk or equity position risk arising in the Company's financial position from market volatility which could result from changes in interest rates, exchange rates, equity prices, commodity prices or option prices.

When determining the Company's market risk exposure, the Value at Risk method is used. This method measures the maximum loss of value which might arise at various confidence levels in the investment portfolio due to volatility in the markets. Value at Risk is calculated using the "Historical Simulation Method" where historical data and different scenarios are taken into account. Calculations are based on 250 working days, a 99% confidence level and a 1 day holding period.

In addition to the daily calculated Value at Risk, the following tests are applied:

- Back Testing
- Stress Tests
- Scenario Analysis

These tests are used to support the Value at Risk method while calculating the loss of value caused by unexpected and extraordinary circumstances and intend to test the accuracy of the measurement results and monitor the sensitivity of the portfolio to changes in the basic risk factors through creating different scenarios.

Market risk limits are set out in the "Application Principles in Respect of Risk Limits", while limits and application guidelines on the investment portfolio are set out in the "Derivatives Policy", the "Macro Asset Investment Policy", the "Investment Policy" and the "Alternative Investment Plan" of the relevant year. The specified limits are analyzed regularly.

b- Liquidity Risk

This risk defines the probability of loss the Company may be exposed to due to unavailability of cash holdings or cash inflows in quantity and quality to fully and timely satisfy its obligations as a result of the imbalance in the Company's cash flows.

This risk is measured using quantitative methods, and any liquidity deficit is observed via maturity analysis of assets and liabilities in the balance sheet. Moreover, level of liquid assets covering liabilities is monitored by using the liquidity ratio and assessed using the limits determined.

c- Capital Investment Risk

This risk expresses the loss that may arise in the value of capital investments or dividend income due to general market conditions and/or to the problems in managerial or financial structure of the invested companies.

Market values of the equities followed-up under financial assets held for trading account and under available-for-sale financial assets and subsidiaries accounts are evaluated on the basis of Borsa İstanbul (BİST) data. Capital investments regarding capital market instruments, which are unlisted in BİST, are subject to the approval of the Board of Directors.

d- Real Estate Investment Risk

This risk expresses the negative impact on assets which are sensitive to real estate prices, due to adverse movements or excessive volatilities in real estate prices or the sale of the real estates under actual value.

Real Estate Investment Risk is monitored in accordance with valuation reports which are to be prepared in accordance with the related provisions of the legislation and taking into consideration the Company's requirements and investment policies. Besides by applying a defined downward stress on the expertise values, loss amount in the value of real estates and shareholders' equity is monitored.

Non-Financial Risks

Operational Environment Risk

This risk is defined as the risk of negative impact of external factors (political, economic, demographic etc.) of the Company's operating environment, on the operational ability of the Company.

Qualitative methods are used to measure this risk. The underwriting portfolio is monitored on country basis to see if there are any business acceptances from countries that are defined as "unapproved" due to political or economic conditions and also credit ratings of countries, generating the highest share of estimated premium income in respect of developing market acceptances are analyzed.

Strategy Risk

This risk arises due to the inefficient managerial and organizational structure of the Company, inability of the management to develop effective strategies or non-disclosure and/or lack of implementation of these strategies, erroneous business decisions, and improper application of decisions or noncompliance with the changing market dynamics.

Qualitative methods are used to measure the level of this risk. On the basis of "Self-Assessment Methodology", "Questionnaire" and/or "Interview" methods are used to determine the impact and probability level of the risk as "High", "Acceptable" or "Low".

Model Risk

This risk expresses the probability of loss that may occur if the models that the Company uses within the risk measurement processes are inappropriately designed or not properly implemented.

In the measurement and evaluation of Model Risk, "Questionnaire" and/or "Interview" methods are used on the basis of "Self-Assessment Methodology", to determine the impact and probability level of the risk as "High", "Acceptable" or "Low".

Operational Risk

This risk expresses the probable losses arising from inappropriate or inoperative business processes, human errors, technological or infrastructural interruptions, changes in management or processes, inaccurate internal/ external reporting or external factors occurring while the Company conducts its vital functions necessary for the continuation of business, and inability to secure low cost and high efficiency as a result of business interruption due to disasters.

Qualitative and quantitative methods are used together in measuring the operational risk. Factor Based Standard Approach, which is developed under Solvency II framework, is applied as a quantitative method. In this method, the required capital for operational risks is calculated by multiplying gross technical provisions and gross earned premiums by the factors in respect of the relevant lines of business.

"Self-Assessment Methodology", which allows determination of the risks related to activities conducted with the involvement of staff performing such activities, is applied as a qualitative method for operational risk. The level of the operational risk that the Company is exposed to is subsequently classified as "High", "Acceptable" or "Low" depending on the result of the assessments.

Reputation Risk

This risk can be defined as the probable loss due to loss of confidence of counterparties or damage to the "Company Reputation" resulting from failures in the performance of the Company or noncompliance with current regulations.

Qualitative methods are used to measure the level of the risk. On the basis of "Self-Assessment Methodology", "Questionnaire" and/or "Interview" methods are used to determine the impact and probability level of the risk as "High", "Acceptable" or "Low".

Information Technologies Risk

Loss that may occur in Information Technology (IT) processes, assets and resources that constitute the entire hardware, applications and communication channels used in the Company's operations, due to internal and/ or external disruptions in activities and processes such as strategic management, cost management, human resources management, risk management, incident and problem management, information security, backup process, procurement processes, supplier selection and assessment, user identification and access management,

management of critical resources, data security, integrity and availability, software and hardware procurement and modification, testing and release management, service quality and continuity, business continuity, disaster recovery and configuration management, management of environmental and physical factors.

Risks related to the Company's information technologies are measured and evaluated based on Control Objectives for Information and Related Technologies (COBIT), which is an international framework for IT management, as well as other internationally accepted practices, in accordance with the Information Technology Risk Management Application Procedures.

On the other hand, Contingency Management process, defined for the management and monitoring of sub-risks in relation to Business Continuity and IT Continuity, is carried out within the framework of the applicable legislation. Internal training programs are organized and tests/drills are undertaken each year within the context of Contingency Management. Accordingly as part of the business processes and information systems, an exercise study was performed in the Disaster Center on 12 December, 2015, providing connections through the Company's servers located in Disaster Center located outside of Istanbul. This study was made by viewing and entering data and confirmed that the sources related to critical processes and the data that are stored in these sources could be accessed in accordance with recovery point objectives.

All findings obtained as a result of the measurement of the above-mentioned risks, analyses and assessments regarding the findings are regularly reported by the Internal Control and Risk Management Department to the General Manager, Risk Committee and Board of Directors, as well as to the Directorate of Subsidiaries of İşbank.

If the impact and probability level of the risks are found "High", the Board of Directors determines an action plan regarding the necessary actions.

Assessment of Capital Adequacy

The Company's capital adequacy is measured according to the provisions of "Regulation in Respect of Measurement and Assessment of Capital Adequacy of Insurance, Reinsurance and Pension Companies", which was published by Undersecretariat of Turkish Treasury and assessments regarding the results are submitted to the Risk Committee, Board of Directors and Subsidiaries Division of İşbank via the "Risk Assessment Report".

The factor-based method, used according to the aforementioned regulation, is a method which determines the amount of capital required for each type of risk, and thus allows the calculation of the total required capital.

Transactions Carried out with Milli Re's Risk Group

Being a member of İşbank 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, banking, portfolio management, information technologies services and risk management.

Risk management activities are carried out in compliance with Consolidated Risk Policies of the risk group. Possible risks and findings from their measurement are regularly monitored through reporting systems set up within the group.

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

The Annual Reports of the Parent Company in the Group of Companies

The Annual Reports of the Parent Company in the Group of Companies

a- The Parent Company Milli Re holds shares representing 57.31% of the capital of Anadolu Anonim Türk Sigorta Şirketi directly, and 1% and 20% of the capital of Anadolu Hayat ve Emeklilik A.Ş. directly and indirectly, respectively.

b- Enterprises that belong to the Group do not hold shares in the capital of the Parent Company, Milli Re.

c- The Company's Consolidated and Unconsolidated Internal Audit and Risk Management Policies are formulated within the frame of the relevant consolidated policies of the group of companies to which the Company is affiliated, and covers the Company's subsidiaries subject to consolidation on a line-by-line basis. These are based on the operating principles of Türkiye İş Bankası A.Ş.

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Financial Statements Together with Independent Auditors' Report Thereon

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

Independent Auditors' Report

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

KPMG

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To the Board of Directors of Millî Reasürans Türk Anonim Şirketi

Report on the Financial Statements

We have audited the accompanying unconsolidated balance sheet of Millî Reasürans Türk Anonim Şirketi ("the Company") as at 31 December 2015 and the related unconsolidated statement of income, changes in equity and unconsolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the "Insurance Accounting and Reporting Legislation" which includes the accounting principles and standards, in force as per the insurance legislation, and the requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with audit standards in force as per insurance legislation and Independent Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement and provide a true and fair view of the Company.

An audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of Millî Reasürans Türk Anonim Şirketi as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with the Insurance Accounting and Reporting Legislation.

Millî Reasürans Türk Anonim Şirketi

Independent Auditors' Report

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

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2015, the Company's bookkeeping activities are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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

Alper Güvenç
Partner

8 February 2016
İstanbul, Turkey

Additional paragraph for convenience translation to English:

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

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Financial Statements as at and For The Year Ended 31 December 2015

We confirm that the unconsolidated financial statements and related disclosures and footnotes as at 31 December 2015 which were prepared in accordance with the accounting principles and standards in force as per the regulations of T.C. Başbakanlık Hazine Müsteşarlığı are in compliance with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies" and the financial records of our Company.

Istanbul, 8 February 2016

Şule SOYLU	Kemal ÇUHACI	Hasan Hulki YALÇIN	Ertan TAN
Group Manager	Assistant General Manager	General Manager	Actuary

Contents

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Balance Sheet
As at 31 December 2015

(Currency: Turkish Lira (TL))

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

ASSETS			
I- Current Assets	Note	Audited Current Period 31 December 2015	Audited Prior Period 31 December 2014
A- Cash and Cash Equivalents	14	991,998,486	742,193,459
1- Cash	14	34,971	16,329
2- Cheques Received		--	--
3- Banks	14	991,963,515	742,177,130
4- Cheques Given and Payment Orders		--	--
5- Bank Guaranteed Credit Card Receivables With Maturity Less Than Three Months		--	--
6- Other Cash and Cash Equivalents		--	--
B- Financial Assets and Financial Investments with Risks on Policyholders	11	477,908,745	490,228,721
1- Available-for-Sale Financial Assets	11	477,908,745	484,276,534
2- Held to Maturity Investments		--	--
3- Financial Assets Held for Trading	11	--	5,952,187
4- Loans and Receivables		--	--
5- Provision for Loans and Receivables		--	--
6- Financial Investments with Risks on Life Insurance Policyholders		--	--
7- Company's Own Equity Shares		--	--
8- Diminution in Value of Financial Investments		--	--
C- Receivables from Main Operations	12	181,305,786	177,242,782
1- Receivables from Insurance Operations		--	--
2- Provision for Receivables from Insurance Operations		--	--
3- Receivables from Reinsurance Operations	12	117,776,513	116,110,547
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited to Insurance & Reinsurance Companies	12	63,529,273	61,132,235
6- Loans to the Policyholders		--	--
7- Provision for Loans to the Policyholders		--	--
8- Receivables from Private Pension Operations		--	--
9- Doubtful Receivables from Main Operations	4.2,12	12,133	9,788
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(12,133)	(9,788)
D- Due from Related Parties		--	--
1- Due from Shareholders		--	--
2- Due from Associates		--	--
3- Due from Subsidiaries		--	--
4- Due from Joint Ventures		--	--
5- Due from Personnel		--	--
6- Due from Other Related Parties		--	--
7- Rediscount on Receivables from Related Parties		--	--
8- Doubtful Receivables from Related Parties		--	--
9- Provision for Doubtful Receivables from Related Parties		--	--
E- Other Receivables	12	605,367	406,631
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given	4.2,12	210,429	272,965
4- Other Miscellaneous Receivables	4.2,12	394,938	133,666
5- Rediscount on Other Miscellaneous Receivables		--	--
6- Other Doubtful Receivables	12	63,177	63,177
7- Provision for Other Doubtful Receivables	4.2,12	(63,177)	(63,177)
F- Prepaid Expenses and Income Accruals		111,793,456	110,754,503
1- Deferred Acquisition Costs	17	100,548,550	92,115,629
2- Accrued Interest and Rent Income		--	--
3- Income Accruals	4.2	10,785,341	18,383,498
4- Other Prepaid Expenses		459,565	255,376
G- Other Current Assets		11,835,658	9,250,002
1- Stocks to be Used in the Following Months		41,277	26,281
2- Prepaid Taxes and Funds	12	11,292,292	8,759,639
3- Deferred Tax Assets		--	--
4- Job Advances	12	2,042	2,042
5- Advances Given to Personnel		--	--
6- Inventory Count Differences		--	--
7- Other Miscellaneous Current Assets		500,047	462,040
8- Provision for Other Current Assets		--	--
I- Total Current Assets		1,775,447,498	1,530,076,098

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Balance Sheet
As at 31 December 2015

(Currency: Turkish Lira (TL))

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

ASSETS			
II- Non-Current Assets	Note	Audited Current Period 31 December 2015	Audited Prior Period 31 December 2014
A- Receivables from Main Operations		--	--
1- Receivables from Insurance Operations		--	--
2- Provision for Receivables from Insurance Operations		--	--
3- Receivables from Reinsurance Operations		--	--
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited for Insurance and Reinsurance Companies		--	--
6- Loans to the Policyholders		--	--
7- Provision for Loans to the Policyholders		--	--
8- Receivables from Individual Pension Business		--	--
9- Doubtful Receivables from Main Operations	4.2,12	14,221,013	11,695,323
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(14,221,013)	(11,695,323)
B- Due from Related Parties		--	--
1- Due from Shareholders		--	--
2- Due from Associates		--	--
3- Due from Subsidiaries		--	--
4- Due from Joint Ventures		--	--
5- Due from Personnel		--	--
6- Due from Other Related Parties		--	--
7- Rediscount on Receivables from Related Parties		--	--
8- Doubtful Receivables from Related Parties		--	--
9- Provision for Doubtful Receivables from Related Parties		--	--
C- Other Receivables		--	--
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given		--	--
4- Other Miscellaneous Receivables		--	--
5- Rediscount on Other Miscellaneous Receivables		--	--
6- Other Doubtful Receivables		--	--
7- Provision for Other Doubtful Receivables		--	--
D- Financial Assets	9	445,245,371	407,993,857
1- Investments in Equity Shares		--	--
2- Investments in Associates		--	--
3- Capital Commitments to Associates		--	--
4- Investments in Subsidiaries	9	445,245,371	407,993,857
5- Capital Commitments to Subsidiaries		--	--
6- Investments in Joint Ventures		--	--
7- Capital Commitments to Joint Ventures		--	--
8- Financial Assets and Financial Investments with Risks on Policyholders		--	--
9- Other Financial Assets		--	--
10- Impairment in Value of Financial Assets		--	--
E- Tangible Assets	6	419,380,392	214,716,021
1- Investment Properties	6,7	270,568,050	194,364,045
2- Impairment for Investment Properties		--	--
3- Owner Occupied Property	6	147,116,950	31,962,582
4- Machinery and Equipments		--	--
5- Furniture and Fixtures	6	4,955,519	3,925,734
6- Motor Vehicles	6	1,239,468	1,312,210
7- Other Tangible Assets (Including Leasehold Improvements)		--	--
8- Tangible Assets Acquired Through Finance Leases		--	--
9- Accumulated Depreciation	6	(4,499,595)	(16,848,550)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		--	--
F- Intangible Assets	8	7,587,984	786,388
1- Rights	8	4,448,929	2,666,031
2- Goodwill		--	--
3- Pre-operating Expenses		--	--
4- Research and Development Costs		--	--
5- Other Intangible Assets		--	--
6- Accumulated Amortization	8	(2,399,309)	(1,879,643)
7- Advances Paid for Intangible Assets	8	5,538,364	--
G- Prepaid Expenses and Income Accruals		122,987	--
1- Deferred Acquisition Costs		--	--
2- Income Accruals		--	--
3- Other Prepaid Expenses		122,987	--
H- Other Non-Current Assets	21	--	14,006,036
1- Effective Foreign Currency Accounts		--	--
2- Foreign Currency Accounts		--	--
3- Stocks to be Used in the Following Years		--	--
4- Prepaid Taxes and Funds		--	--
5- Deferred Tax Assets	21	--	14,006,036
6- Other Miscellaneous Non-Current Assets		--	--
7- Amortization on Other Non-Current Assets		--	--
8- Provision for Other Non-Current Assets		--	--
II- Total Non-Current Assets		872,336,734	637,502,302
TOTAL ASSETS		2,647,784,232	2,167,578,400

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Balance Sheet
As at 31 December 2015

(Currency: Turkish Lira (TL))

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

LIABILITIES			
III- Short-Term Liabilities	Note	Audited Current Period 31 December 2015	Audited Prior Period 31 December 2014
A- Financial Liabilities	20	86,678,332	--
1- Borrowings from Financial Institutions		--	--
2- Finance Lease Payables		--	--
3- Deferred Leasing Costs		--	--
4- Current Portion of Long Term Debts		--	--
5- Principal Installments and Interests on Bonds Issued		--	--
6- Other Financial Assets Issued		--	--
7- Valuation Differences of Other Financial Assets Issued		--	--
8- Other Financial Liabilities	4.2,20	86,678,332	--
B- Payables Arising from Main Operations	19	44,146,054	43,148,405
1- Payables Arising from Insurance Operations		--	--
2- Payables Arising from Reinsurance Operations		43,014,872	41,910,954
3- Cash Deposited by Insurance and Reinsurance Companies		1,131,182	1,237,451
4- Payables Arising from Pension Operations		--	--
5- Payables Arising from Other Operations		--	--
6- Discount on Payables from Other Operations		--	--
C-Due to Related Parties	19	66,378	81,488
1- Due to Shareholders	45	53,738	53,738
2- Due to Associates		--	--
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		--	--
6- Due to Other Related Parties	45	12,640	27,750
D- Other Payables	19	2,229,087	439,815
1- Deposits and Guarantees Received		--	42,417
2- Payables to Social Security Institution Related to Treatment Expenses		--	--
3- Other Miscellaneous Payables	19,4.2	2,229,087	397,398
4- Discount on Other Miscellaneous Payables		--	--
E-Insurance Technical Provisions	17	1,265,406,202	1,141,736,356
1- Reserve for Unearned Premiums - Net	17	396,032,867	359,959,784
2- Reserve for Unexpired Risks- Net	17	27,889,285	41,148,829
3- Life Mathematical Provisions - Net	17	491,937	368,342
4- Provision for Outstanding Claims - Net	17	840,992,113	740,259,401
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net		--	--
F- Provisions for Taxes and Other Similar Obligations	19	1,673,213	1,393,094
1- Taxes and Funds Payable		1,528,221	1,294,711
2- Social Security Premiums Payable		144,992	98,383
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		--	--
4- Other Taxes and Similar Payables		--	--
5- Corporate Tax Payable		--	--
6- Prepaid Taxes and Other Liabilities Regarding Current Year Income		--	--
7- Provisions for Other Taxes and Similar Liabilities		--	--
G- Provisions for Other Risks		--	--
1- Provision for Employee Termination Benefits		--	--
2- Provision for Pension Fund Deficits		--	--
3- Provisions for Costs		--	--
H- Deferred Income and Expense Accruals	19	3,518,287	7,114,035
1- Deferred Commission Income	10,19	362,614	445,382
2- Expense Accruals	19	2,989,356	6,493,459
3- Other Deferred Income	19	166,317	175,194
I- Other Short Term Liabilities		--	--
1- Deferred Tax Liabilities		--	--
2- Inventory Count Differences		--	--
3- Other Various Short Term Liabilities		--	--
III - Total Short Term Liabilities		1,403,717,553	1,193,913,193

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Balance Sheet
As at 31 December 2015

(Currency: Turkish Lira (TL))

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

LIABILITIES			
IV- Long-Term Liabilities	Note	Audited Current Period 31 December 2015	Audited Prior Period 31 December 2014
A- Financial Liabilities		--	--
1- Borrowings from Financial Institutions		--	--
2- Finance Lease Payables		--	--
3- Deferred Leasing Costs		--	--
4- Bonds Issued		--	--
5- Other Financial Assets Issued		--	--
6- Valuation Differences of Other Financial Assets Issued		--	--
7- Other Financial Liabilities		--	--
B- Payables Arising from Operating Activities		--	--
1- Payables Arising from Insurance Operations		--	--
2- Payables Arising from Reinsurance Operations		--	--
3- Cash Deposited by Insurance and Reinsurance Companies		--	--
4- Payables Arising from Pension Operations		--	--
5- Payables Arising from Other Operations		--	--
6- Discount on Payables from Other Operations		--	--
C- Due to Related Parties		--	--
1- Due to Shareholders		--	--
2- Due to Associates		--	--
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		--	--
6- Due to Other Related Parties		--	--
D- Other Payables		--	--
1- Deposits and Guarantees Received		--	--
2- Payables to Social Security Institution Related to Treatment Expenses		--	--
3- Other Miscellaneous Payables		--	--
4- Discount on Other Miscellaneous Payables		--	--
E-Insurance Technical Provisions	17	23,432,191	22,504,145
1- Reserve for Unearned Premiums - Net		--	--
2- Reserve for Unexpired Risks - Net		--	--
3- Life Mathematical Provisions - Net		--	--
4- Provision for Outstanding Claims - Net		--	--
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net	17	23,432,191	22,504,145
F-Other Liabilities and Relevant Accruals		--	--
1- Other Liabilities		--	--
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		--	--
3- Other Liabilities and Expense Accruals		--	--
G- Provisions for Other Risks	23	35,008,709	34,135,279
1- Provisions for Employment Termination Benefits	23	6,649,770	5,804,554
2- Provisions for Pension Fund Deficits	22,23	28,358,939	28,330,725
H-Deferred Income and Expense Accruals	19	43,333	92,083
1- Deferred Commission Income		--	--
2- Expense Accruals		--	--
3- Other Deferred Income	19	43,333	92,083
I- Other Long Term Liabilities	21	1,683,513	--
1- Deferred Tax Liabilities	21	1,683,513	--
2- Other Long Term Liabilities		--	--
IV - Total Long Term Liabilities		60,167,746	56,731,507

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Balance Sheet
As at 31 December 2015

(Currency: Turkish Lira (TL))

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

EQUITY			
V- Equity	Note	Audited Current Period 31 December 2015	Audited Prior Period 31 December 2014
A- Paid in Capital		**660,000,000**	**660,000,000**
1- (Nominal) Capital	2.13,15	660,000,000	660,000,000
2- Unpaid Capital (-)		--	--
3- Positive Capital Restatement Differences		--	--
4- Negative Capital Restatement Differences (-)		--	--
5- Unregistered Capital		--	--
B- Capital Reserves	**15**	**102,768,415**	**(11,907,682)**
1- Share Premiums		--	--
2- Cancellation Profits of Equity Shares		--	--
3- Profit on Sale Assets That Will Be Transferred to Capital		--	--
4- Currency Translation Adjustments	15	(19,573,401)	(11,907,682)
5- Other Capital Reserves		122,341,816	--
C- Profit Reserves		**139,649,789**	**117,604,060**
1- Legal Reserves	15	49,622,694	49,622,694
2- Statutory Reserves	15	--	--
3- Extraordinary Reserves	15	12,899	12,899
4- Special Funds		--	--
5- Revaluation of Financial Assets	11,15	90,674,929	68,254,045
6- Other Profit Reserves	15	(660,733)	(285,578)
D- Retained Earnings		**163,931,907**	**144,560,677**
1- Retained Earnings		163,931,907	144,560,677
E- Accumulated Losses		**(12,694,585)**	**(23,749,257)**
1- Accumulated Losses		(12,694,585)	(23,749,257)
F-Net Profit/(Loss) for the Year		**130,243,407**	**30,425,902**
1- Net Profit for the Year		106,520,084	30,425,902
2- Net Loss for the Year		--	--
3- Net Profit for the Period not Subject to Distribution		23,723,323	--
V- Total Equity		**1,183,898,933**	**916,933,700**
TOTAL EQUITY AND LIABILITIES		**2,647,784,232**	**2,167,578,400**

(*) See Note 2.1.6

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Income For the Year Ended 31 December 2015

(Currency: Turkish Lira (TL))

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

I- TECHNICAL SECTION	Note	Audited Current Period 31 December 2015	Audited Prior Period 31 December 2014
A- Non-Life Technical Income		**1,006,724,212**	**903,782,393**
1- Earned Premiums (Net of Reinsurer Share)		840,267,533	758,299,437
1.1- Written Premiums (Net of Reinsurer Share)	17	862,688,148	804,260,503
1.1.1- Written Premiums, gross	17	977,001,532	933,738,403
1.1.2- Written Premiums, ceded	10, 17	(114,313,384)	(129,477,900)
1.1.3- Written Premiums, SSI share		--	--
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17, 29	(35,680,159)	(10,708,123)
1.2.1- Reserve for Unearned Premiums, gross	17	(37,430,378)	(10,826,828)
1.2.2- Reserve for Unearned Premiums, ceded	10,17	1,750,219	118,705
1.2.3- Reserve for Unearned Premiums, SSI share		--	--
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		13,259,544	(35,252,943)
1.3.1- Reserve for Unexpired Risks, gross		14,148,426	(36,420,090)
1.3.2- Reserve for Unexpired Risks, ceded		(888,882)	1,167,147
2- Investment Income - Transferred from Non-Technical Section		100,911,676	111,330,054
3- Other Technical Income (Net of Reinsurer Share)		65,545,003	34,152,902
3.1- Other Technical Income, gross		65,545,003	34,155,847
3.2- Other Technical Income, ceded		--	(2,945)
4. Accrued Salvage and Subrogation Income		--	--
B- Non-Life Technical Expense		**(1,040,786,258)**	**(906,583,598)**
1- Incurred Losses (Net of Reinsurer Share)		(740,930,585)	(625,105,520)
1.1- Claims Paid (Net of Reinsurer Share)	17, 29	(640,661,376)	(564,497,059)
1.1.1- Claims Paid, gross	17	(657,489,735)	(580,662,730)
1.1.2- Claims Paid, ceded	10, 17	16,828,359	16,165,671
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17, 29	(100,269,209)	(60,608,461)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(108,990,658)	(64,032,241)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10, 17	8,721,449	3,423,780
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
2.1- Provision for Bonus and Discounts, gross		--	--
2.2- Provision for Bonus and Discounts, ceded		--	--
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	(728,774)	(792,223)
4- Operating Expenses	32	(298,871,321)	(280,685,855)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		(255,578)	--
5.1- Mathematical Provisions		(255,578)	--
5.2- Mathematical Provisions, ceded		--	--
6- Other Technical Expense		--	--
6.1- Other Technical Expense, gross		--	--
6.2- Other Technical Expense, ceded		--	--
C- Net Technical Income-Non-Life (A - B)		**(34,062,046)**	**(2,801,205)**
D- Life Technical Income		**19,541,877**	**21,023,279**
1- Earned Premiums (Net of Reinsurer Share)		17,904,430	19,456,394
1.1- Written Premiums (Net of Reinsurer Share)	17	18,297,354	18,845,399
1.1.1- Written Premiums, gross	17	19,755,699	24,082,962
1.1.2- Written Premiums, ceded	10, 17	(1,458,345)	(5,237,563)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17, 29	(392,924)	610,995
1.2.1- Reserve for Unearned Premiums, gross	17	84,139	60,476
1.2.2- Reserve for Unearned Premiums, ceded	10, 17	(477,063)	550,519
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
1.3.1- Reserve for Unexpired Risks, gross		--	--
1.3.2- Reserve for Unexpired Risks, ceded		--	--
2- Investment Income		1,466,954	1,489,069
3- Unrealized Gains on Investments		--	--
4- Other Technical Income (Net of Reinsurer Share)		170,493	77,816
4.1- Other Technical Income, gross		59,603	77,816
4.2- Other Technical Income, ceded		110,890	--
5- Accrued Salvage and Subrogation Income		--	--

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Income For the Year Ended 31 December 2015

(Currency: Turkish Lira (TL))

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

I- TECHNICAL SECTION	Note	Audited Current Period 31 December 2015	Audited Prior Period 31 December 2014
E- Life Technical Expense		**(16,825,215)**	**(15,693,822)**
1- Incurred Losses (Net of Reinsurer Share)		(6,575,473)	(7,744,956)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(6,111,970)	(6,801,752)
1.1.1- Claims Paid, gross	17	(6,492,393)	(10,861,957)
1.1.2- Claims Paid, ceded	10,17	380,423	4,060,205
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(463,503)	(943,204)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(828,662)	(1,109,506)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10, 17	365,159	166,302
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
2.1- Provision for Bonus and Discounts, gross		--	--
2.2- Provision for Bonus and Discounts, ceded		--	--
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	131,983	273,294
3.1- Change in Mathematical Provisions, gross	29	131,983	273,294
3.1.1- Actuarial Mathematical Provisions	29	131,983	273,294
3.1.2- Profit Sharing Provisions (Provisions for Policies Investment Risks of Which Belong to Life Insurance Policyholders)		--	--
3.2- Change in Mathematical Provisions, ceded		--	--
3.2.1- Actuarial Mathematical Provisions, ceded		--	--
3.2.2- Profit Sharing Provisions, ceded (Provisions for Policies Investment Risks of Which Belong to Life Insurance Policyholders)		--	--
4- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	(199,272)	79,365
5- Operating Expenses	32	(10,182,453)	(8,301,525)
6- Investment Expenses		--	--
7- Unrealized Losses on Investments		--	--
8- Investment Income Transferred to the Non-Life Technical Section		--	--
F- Net Technical Income- Life (D - E)		**2,716,662**	**5,329,457**
G- Pension Business Technical Income		--	--
1- Fund Management Income		--	--
2- Management Fee		--	--
3- Entrance Fee Income		--	--
4- Management Expense Charge in case of Suspension		--	--
5- Income from Private Service Charges		--	--
6- Increase in Value of Capital Allowances Given as Advance		--	--
7- Other Technical Expense		--	--
H- Pension Business Technical Expense		--	--
1- Fund Management Expense		--	--
2- Decrease in Value of Capital Allowances Given as Advance		--	--
3- Operating Expenses		--	--
4- Other Technical Expenses		--	--
I- Net Technical Income - Pension Business (G - H)		--	--

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Income For the Year Ended 31 December 2015

(Currency: Turkish Lira (TL))

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

II- NON-TECHNICAL SECTION	Note	Audited Current Period 31 December 2015	Audited Prior Period 31 December 2014
C- Net Technical Income - Non-Life (A-B)		**(34,062,046)**	**(2,801,205)**
F- Net Technical Income - Life (D-E)		**2,716,662**	**5,329,457**
I - Net Technical Income - Pension Business (G-H)		--	--
J- Total Net Technical Income (C+F+I)		**(31,345,384)**	**2,528,252**
K- Investment Income		**292,239,946**	**159,472,072**
1- Income from Financial Assets	4.2	105,821,748	85,167,377
2- Income from Disposal of Financial Assets	4.2	46,261,965	30,235,052
3- Valuation of Financial Assets	4.2	(1,047,109)	(2,715,810)
4- Foreign Exchange Gains	4.2	39,769,808	14,784,524
5- Income from Associates		--	--
6- Income from Subsidiaries and Joint Ventures	4.2	12,039,179	347,307
7- Income from Property, Plant and Equipment	7	89,172,855	31,417,437
8- Income from Derivative Transactions	4.2	66,500	236,185
9- Other Investments		155,000	--
10- Income Transferred from Life Section		--	--
L- Investment Expense		**(121,243,981)**	**(135,838,712)**
1- Investment Management Expenses (inc. interest)	4.2	(2,121,010)	(277,185)
2- Diminution in Value of Investments		--	--
3- Loss from Disposal of Financial Assets	4.2	(1,410,932)	(9,871,181)
4- Investment Income Transferred to Non-Life Technical Section		(100,911,677)	(111,330,054)
5- Loss from Derivative Transactions	4.2	--	(97,745)
6- Foreign Exchange Losses	4.2	(6,826,180)	(6,885,399)
7- Depreciation and Amortization Expenses	6,8	(1,543,485)	(1,300,588)
8- Other Investment Expenses		(8,430,697)	(6,076,560)
M- Income and Expenses From Other and Extraordinary Operations		**(9,407,174)**	**4,264,290**
1- Provisions	47	(19,376)	4,352,561
2- Rediscounts	47	(458,919)	340,606
3- Specified Insurance Accounts		--	--
4- Monetary Gains and Losses		--	--
5- Deferred Taxation (Deferred Tax Assets)	35	--	1,045,346
6- Deferred Taxation (Deferred Tax Liabilities)	35	(9,045,756)	--
7- Other Income		1,927,908	145,797
8- Other Expenses and Losses		(1,811,031)	(1,620,020)
9- Prior Year's Income		--	--
10- Prior Year's Expenses and Losses		--	--
N- Net Profit for the Year		**130,243,407**	**30,425,902**
1- Profit for the Year		130,243,407	30,425,902
2- Corporate Tax Provision and Other Fiscal Liabilities	35	--	--
3- Net Profit for the Year		130,243,407	30,425,902
4- Monetary Gains and Losses		--	--

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Changes in Equity
For the Year Ended 31 December 2015

(Currency: Turkish Lira (TL))

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

Audited Changes in Equity - 31 December 2014

	Note	Paid-in capital	Own shares of the company	Revaluation of financial assets	Inflation adjustment
I- Balance at the end of the previous year - 31 December 2013		**615,000,000**	--	**25,630,918**	--
II- Correction		--	--	--	--
III- Restated Balances 1 January 2014		**615,000,000**	--	**25,630,918**	--
A- Capital increase		45,000,000	--	--	--
1- In cash		--	--	--	--
2- From reserves		45,000,000	--	--	--
B- Purchase of own shares		--	--	--	--
C- Gains or losses that are not included in the statement of income		--	--	--	--
D- Change in the value of financial assets	15	--	--	42,623,127	--
E- Currency translation adjustments		--	--	--	--
F- Other gains or losses		--	--	--	--
G- Inflation adjustment differences		--	--	--	--
H- Net profit for the year		--	--	--	--
I - Other reserves and transfers from retained earnings	38	--	--	--	--
J- Dividends paid		--	--	--	--
IV - Balance at the end of the year - 31 December 2014	**15**	**660,000,000**	--	**68,254,045**	--

Audited Changes in Equity - 31 December 2015

	Note	Paid-in capital	Own shares of the company	Revaluation of financial assets	Inflation adjustment
I- Balance at the end of the previous year - 31 December 2014		**660,000,000**	--	**68,254,045**	--
II- Correction		--	--	--	--
III- Restated Balances 1 January 2015		**660,000,000**	--	**68,254,045**	--
A- Capital increase		--	--	--	--
1- In cash		--	--	--	--
2- From reserves		--	--	--	--
B- Purchase of own shares		--	--	--	--
C- Gains or losses that are not included in the statement of income		--	--	--	--
D- Change in the value of financial assets	15	--	--	22,420,884	--
E- Currency translation adjustments		--	--	--	--
F- Other gains or losses		--	--	--	--
G- Inflation adjustment differences		--	--	--	--
H- Net profit for the year		--	--	--	--
I - Other reserves and transfers from retained earnings	38	--	--	--	--
J- Dividends paid		--	--	--	--
IV - Balance at the end of the year - 31 December 2015	**15**	**660,000,000**	--	**90,674,929**	--

(*) See Note 2.1.6

Currency translation adjustment	Legal reserves	Statutory reserves	Other reserves and retained earnings	Net profit for the year	Retained earnings	Total
(9,246,073)	49,622,694	39,500,000	5,247,629	22,638,914	(46,388,171)	702,005,911
--	--	--	--	144,560,677	--	144,560,677
(9,246,073)	49,622,694	39,500,000	5,247,629	167,199,591	(46,388,171)	846,566,588
--	--	(39,500,000)	(5,500,000)	--	--	--
--	--	--	--	--	--	--
--	--	(39,500,000)	(5,500,000)	--	--	--
--	--	--	--	--	--	--
--	--	--	(20,308)	--	--	(20,308)
--	--	--	--	--	--	42,623,127
(2,661,609)	--	--	--	--	--	(2,661,609)
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	30,425,902	--	30,425,902
--	--	--	--	(167,199,591)	167,199,591	--
--	--	--	--	--	--	--
(11,907,682)	49,622,694	--	(272,679)	30,425,902	120,811,420	916,933,700

Currency translation adjustment	Legal reserves	Statutory reserves	Other reserves and retained earnings	Net profit for the year	Retained earnings	Total
(11,907,682)	49,622,694	--	(272,679)	30,425,902	120,811,420	916,933,700
--	--	--	--	--	--	--
(11,907,682)	49,622,694	--	(272,679)	30,425,902	120,811,420	916,933,700
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	121,966,661	--	--	121,966,661
--	--	--	--	--	--	22,420,884
(7,665,719)	--	--	--	--	--	(7,665,719)
	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	130,243,407	--	130,243,407
--	--	--	--	(30,425,902)	30,425,902	--
--	--	--	--	--	--	--
(19,573,401)	49,622,694	--	121,693,982	130,243,407	151,237,322	1,183,898,933

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Cash Flows For the Year Ended 31 December 2015

(Currency: Turkish Lira (TL))

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

	Note	Audited Current Period 31 December 2015	Audited Prior Period 31 December 2014
A. Cash flows from operating activities			
1. Cash provided from insurance activities		--	--
2. Cash provided from reinsurance activities		1,088,213,091	1,033,473,414
3. Cash provided from private pension business		--	--
4. Cash used in insurance activities		--	--
5. Cash used in reinsurance activities		(1,101,409,824)	(1,034,790,926)
6. Cash used in private pension business		--	--
7. Cash provided from operating activities		**(13,196,733)**	**(1,317,512)**
8. Interest paid		--	--
9. Income taxes paid		--	--
10. Other cash inflows		5,956,258	4,639,218
11. Other cash outflows		(6,134,078)	(5,776,167)
12. Net cash provided from operating activities		**(13,374,553)**	**(2,454,461)**
B. Cash flows from investing activities			--
1. Proceeds from disposal of tangible assets		155,000	238
2. Acquisition of tangible assets	6, 8	(7,997,656)	(1,355,124)
3. Acquisition of financial assets	11	(555,614,361)	(739,648,087)
4. Proceeds from disposal of financial assets	11	601,245,811	783,167,936
5. Interests received		100,917,317	81,124,940
6. Dividends received		14,692,935	2,347,202
7. Other cash inflows		48,870,269	30,277,501
8. Other cash outflows		(302,288,624)	(10,348,530)
9. Net cash provided by/(used in) investing activities		**(100,019,309)**	**145,566,076**
C. Cash flows from financing activities		--	--
1. Equity shares issued		--	--
2. Cash provided from loans and borrowings		--	--
3. Finance lease payments		--	--
4. Dividends paid		--	--
5. Other cash inflows		86,678,332	--
6. Other cash outflows		--	--
7. Net cash provided by financing activities		**86,678,332**	**--**
D. Effect of exchange rate fluctuations on cash and cash equivalents		**(451)**	**(124)**
E. Net increase/(decrease) in cash and cash equivalents		**(26,715,981)**	**143,111,491**
F. Cash and cash equivalents at the beginning of the year	**14**	**660,133,827**	**517,022,336**
G. Cash and cash equivalents at the end of the year	**14**	**633,417,846**	**660,133,827**

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Profit Distribution For the Year Ended 31 December 2015

(Currency: Turkish Lira (TL))

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

	Note	Audited Current Period 31 December 2015 (**)	Audited Prior Period 31 December 2014 (*)
I. DISTRIBUTION OF THE PERIOD PROFIT			
1.1. PERIOD PROFIT (*)		106,520,084	11,054,672
1.2. TAXES AND DUTIES PAYABLE	35	--	--
1.2.1. Corporate Tax (Income Tax)	35	--	--
1.2.2. Income Tax Deductions		--	--
1.2.3. Other Taxes and Legal Duties		--	--
A. CURRENT PERIOD PROFIT (1.1 - 1.2)		**106,520,084**	**11,054,672**
1.3. ACCUMULATED LOSSES (-)		(12,694,585)	(23,749,257)
1.4. FIRST LEGAL RESERVES (-)		(4,691,275)	--
1.5. OTHER STATUTORY RESERVES (-)		--	--
B. NET PROFIT AVAILABLE FOR DISTRIBUTION		**89,134,224**	**(12,694,585)**
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		--	--
1.6.1. To owners of ordinary shares		--	--
1.6.2. To owners of privileged shares		--	--
1.6.3. To owners of redeemed shares		--	--
1.6.4. To holders profit sharing bonds		--	--
1.6.5. To holders of profit and loss sharing certificates		--	--
1.7. DIVIDENDS TO PERSONNEL (-)		--	--
1.8. DIVIDENDS TO FOUNDERS (-)		--	--
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)		--	--
1.10.1. To owners of ordinary shares		--	--
1.10.2. To owners of privileged shares		--	--
1.10.3. To owners of redeemed shares		--	--
1.10.4. To holders profit sharing bonds		--	--
1.10.5. To holders of profit and loss sharing certificates		--	--
1.11. SECOND LEGAL RESERVES (-)		--	--
1.12. STATUTORY RESERVES (-)		--	--
1.13. EXTRAORDINARY RESERVES		--	--
1.14 OTHER RESERVES		--	--
1.15 SPECIAL FUNDS		--	--
II. DISTRIBUTION OF RESERVES		--	--
2.1. APPROPRIATED RESERVES		--	--
2.2. SECOND LEGAL RESERVES (-)		--	--
2.3. DIVIDENDS TO SHAREHOLDERS (-)		--	--
2.3.1. To owners of ordinary shares		--	--
2.3.2. To owners of privileged shares		--	--
2.3.3. To owners of redeemed shares		--	--
2.3.4. To holders of profit sharing bonds		--	--
2.3.5. To holders of profit and loss sharing certificates		--	--
2.4. DIVIDENDS TO PERSONNEL (-)		--	--
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
III. EARNINGS PER SHARE		--	--
3.1. TO OWNERS OF ORDINARY SHARES		--	--
3.2. TO OWNERS OF ORDINARY SHARES (%)		--	--
3.3. TO OWNERS OF PRIVILEGED SHARES		--	--
3.4. TO OWNERS OF PRIVILEGED SHARES (%)		--	--
IV. DIVIDEND PER SHARE		--	--
4.1. TO OWNERS OF ORDINARY SHARES		--	--
4.2. TO OWNERS OF ORDINARY SHARES (%)		--	--
4.3. TO OWNERS OF PRIVILEGED SHARES		--	--
4.4. TO OWNERS OF PRIVILEGED SHARES (%)		--	--

(*) Profit for the period 31 December 2014, arising from 75% of affiliate and sales revenue and the amount of TL 23,723,323 which is reserved for pursuing in "Period Profits No Longer Distributed" item of account under equity is not take into the consideration within the scope of 5. Article of the Corporate Tax Law. Statement of profit appropriation is not prepared since period income does not exist in 2014.

(**) Profit distribution table has not been filled yet, due to profit distribution proposal for the year 2015 has not prepared by the Board of Directors.

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 31 December 2015

(Currency: Turkish Lira (TL))

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

1 General information

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

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

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

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

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

1.3 Business of the Company

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

1.4 Description of the main operations of the Company

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

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

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

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

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

	31 December 2015	31 December 2014
Senior managers	6	6
Managers	21	20
Officers	120	120
Contracted personnel	7	7
Other personnel	46	48
Total	**200**	**201**

1.6 Wages and similar benefits provided to the senior management

For the year ended 31 December 2015, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers is amounting to TL 5,042,324 (31 December 2014: TL 4,495,282).

(Currency: Turkish Lira (TL))

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

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

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

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

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

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

The accompanying financial statements comprise only the unconsolidated financial information of the Company. As further discussed in note 2.2 - *Consolidation,* the Company has prepared consolidated financial statements as at 31 December 2015 separately.

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

Trade name of the Company:	Millî Reasürans Türk Anonim Şirketi
Registered address of the head office:	Maçka Cad. No: 35 34367 Şişli/İstanbul
The web page of the Company:	www.millire.com

There has been no change in the aforementioned information subsequent to the previous reporting date.

1.10 Subsequent events

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

2 Summary of significant accounting policies

2.1 Basis of preparation

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

The Company maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), and other accounting and financial reporting principles, statements and guidance (collectively "the Reporting Standards") in accordance with the "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies" as promulgated by the Turkish Treasury based on Article 18 of the Insurance Law and Article 11 of the Individual *(Personal)* Pension Savings and Investment System Law numbered 4632.

According to numbered 4th related law Accounting for subsidiaries, associates, joint ventures, consolidated financial statements, financial statements which disclosed public regulated by the Turkish Treasury.

The Company prepares its financial statements are regulated in form and content in order to compare the financial statements of prior period and with other companies according to "Communique on Presentation of Financial Statements " which is published in the Official Gazette dated 18 April 2008 and numbered 26851.

Additional paragraph for convenience translation to English

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

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

Accounting in hyperinflationary countries

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

With respect to the declaration of the Turkish Treasury with the article dated 4 April 2005 and numbered 19387, financial statements as of 31 December 2004 are adjusted for the opening balances of 2005 in accordance with the section with respect to inflation accounting of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated 15 January 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Turkish Treasury. Accordingly, as at 31 December 2015, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded before 1 January 2005 are measured as restated to 31 December 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded after 1 January 2005 are measured at their nominal values.

Other accounting policies

The Company recorded premiums, commissions and claims accruals based on the notifications sent by the insurance and reinsurance companies after the closing of their balances. Premiums, commissions and claims accruals are recorded in the accompanying financial statements with the three-month delay. Therefore, related income statement balances include last quarter results for the year ended 31 December 2014 and nine-month results as at and for the period ended 30 September 2015 and accordingly related balance sheet balances as at 31 December 2015 do not reflect the actual position. According to the letter dated 31 August 2010 and numbered B.02.1.HZN.0.10.03.01/42139 sent by the Turkish Treasury to the Company, it is stated that account statements sent by the ceding companies are subject to possible delays and the Turkish Treasury is considered special situations of the reinsurance companies in their regulations.

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

2.1.3 Current and presentation currency

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

2.1.4 Rounding scale of the amounts presented in the financial statements

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

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

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

2.1.6 Accounting policies, changes in accounting estimates and errors

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

Fire and earthquake premiums obtained from foreign reinsurance treaties could not accounted on the basis of branches in the previous years due to limitations imposed by local legislation of the foreign countries, notification characteristics of the treaties and total premiums used by foreign companies in the reconciliation process. Therefore, all premiums obtained from aforementioned treaties are accounted on the fire branch. According to the letter dated 2 August 2011 and numbered B.02.1.HZN.0.10.03.01/38732 sent by the Turkish Treasury to the Company, it is allowed to use average rate calculated over separately reported fire and earthquake premiums for unclassified premiums of proportioned treaties. Furthermore, according to the letter dated 12 August 2011 sent by the Turkish Treasury to the Company, prospective application as at 30 June 2011 effective from 1 January 2011 is allowed since retrospective application is impossible. Accordingly, financial statements prepared as at 31 December 2015, premiums obtained from foreign proportioned treaties are accounted on the basis of average earthquake premium ratio calculated from foreign proportioned treaties over the period of 1 January - 31 December 2015. The same ratio is used for unproportioned reinsurance treaties in accordance with the Communiqué released on 28 July 2010 and numbered 27655 "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves". Distribution of commissions and claims between the fire and earthquake branches is parallel with the aforementioned method.

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

According to 16th article of "Circular on Actuarial Chain Ladder Method (2010/12)" dated 20 September 2010 and announced by Turkish Treasury, ACML calculation should be made through main branches. However, as at 31 December 2012, the Company has calculated ACML reserve for General Losses main branch as two separate subbranches namely agriculture and non agriculture branches. Because, Agriculture and Engineering subbranches under General Losses main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Losses branch produces unreliable and improper results. The Company applied to Turkish Treasury on 17 January 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Losses branch as agriculture and non agriculture subbranches separately. Turkish Treasury has given permission the Company in order to calculate IBNR reserve for General Losses within two subbranches with the letter dated 28 January 2013 and numbered 24179134. As at 31 December 2015, the Company recognised the amount that arised due to change in calculation method for IBNR on General Losses branch.

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

Accounting policy changes regarding subsequent measurement of owner occupied properties

According to standard "TAS 16 - Property Plant and Equipment", subsequent to initial measurement, tangible assets could be measured with historical cost basis method or revaluation method if the fair value could be measured in a reliable manner.

The Company has changed historical cost basis method with revaluation method for owner occupied properties according to accounting policy change since 30 September 2015. According to standard "TAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors", if the Company changes historical cost basis method with revaluation method regarding the measurement of tangible assets accounting policy, there is no need to adjust the prior periods' financial statements. But the Company should present the valuation differences as revaluation differences in the financial statements at when this change happened.

As of 31 December 2015, according to real estate appraisal reports, the fair value of owner occupied properties is amounting to TL 147,116,950. The revaluation difference amounting to TL 128,780,859 excluding tax amounting to TL 122,341,816 is presented under the other profit reserves in equity.

Accounting policy changes regarding subsequent measurement of investment property

According to standard "TAS 40 - Investment Property", the Company has a choice to apply historical cost basis method or fair value method for investment properties subsequent to initial measurement. Reporting standards allow the Company to change the method determined before to provide more reasonable information about the financial statements to financial statement readers.

"TAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors" identifies this kind of change as an optional change and the Company has to restate previous financial statements regarding the measured effects. Beginning from third quarter of 2015, the Company has started measuring the fair value of investment properties which were measured by historical cost basis method before. Also the effects of accounting policy change have been provided by updating the previous financial statements.

As of 31 December 2015, according to real estate appraisal reports, the fair value of owner occupied properties is amounting to TL 270,568,050. The revaluation difference TL 248,763,907 is presented as income from property, plant and equipment account in current year profit and amounting to TL 163,931,907 as previous years' profit in equity and amounting to TL 72,393,805 as income from property, plant and equipment.

(Currency: Turkish Lira (TL))

The effects of accounting policy changes regarding subsequently measured investment properties in financial statements at 31 December 2014 and 31 December 2013 are presented below:

		31 December 2014
	Previously Reported	Restated
Investment properties	41,342,839	194,364,045
Accumulated depreciation	(36,387,246)	(16,848,550)
Deferred tax assets	22,634,031	14,006,036
Prior years' profit	(23,749,257)	120,811,420
Net profit for the period	11,054,672	30,425,902
Depreciation and amortization expenses	(2,127,443)	(1,300,588)
Income from property, plant and equipment	11,853,524	31,417,437
Deferred tax assets account (profit/loss account)	2,064,884	1,045,346

		31 December 2013
	Previously Reported	Restated
Investment Properties	41,342,839	174,800,132
Accumulated depreciation	(34,560,842)	(15,849,001)
Deferred tax assets	24,710,359	17,101,902
Net income of the period	22,638,914	167,199,591

2.2 Consolidation

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

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

The Company has not consolidated Miltaş Turizm A.Ş., the subsidiary of the Company, based on the exception specified in the Circular for Consolidation; as the amount of total assets of such subsidiary was below 1% of total assets of the Company. The Company accounted for this subsidiary at cost as of 31 December 2015 and 2014.

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

2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. As at 31 December 2015, the Company operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

2.4 Foreign currency transactions

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

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

2.5 Tangible assets

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

The Company has changed historical cost basis method with revaluation method for owner occupied properties. Fair values of owner occupied properties have been reflected in the financial statements instead of historical cost values since third quarter of 2015.

The fair values of owner occupied properties were provided by CMB licensed real estate companies. The fair values excluding the accumulated depreciation are reflected in the financial statements.

Increase arising from the revaluation of owner occupied properties is presented under the other profit reserves in the equity excluding tax.

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

Lands are not amortised due to their unlimited useful lives. Tangible assets are depreciated on a straight-line basis over their estimated useful lives (3-15 years) over the cost of the asset and revaluated amounts.

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

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

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

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

(Currency: Turkish Lira (TL))

Depreciation rates and estimated useful lives are as follows:

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

2.6 Investment property

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

Investment properties are initially recorded at cost and subsequently measured at their fair values. The changes which result of fair value valuation recognised in the income statement (Note 2.1.6).

Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of retirement or disposal.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The fair value on the date of change in the usage is considered as cost in the reclassification recognition when investment property that measured with fair value is reclassificated as a tangible asset.

2.7 Intangible assets

The Company's intangible assets consist of computer software.

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

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

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

2.8 Financial assets

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

Securities are recognized and derecognized at the date of settlement.

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

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

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

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

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

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

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

2.9 Impairment on assets

Impairment on financial assets

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

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

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

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

Impairment on tangible and intangible assets

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

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

(Currency: Turkish Lira (TL))

2.10 Derivative financial instruments

As of the reporting date, the Company does not have any derivative financial instruments (31 December 2014: None). Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 - *Financial Instruments: Recognition and measurement*.

Derivative financial instruments are initially recognized at their fair value.

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

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

2.11 Offsetting of financial assets

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

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

2.12 Cash and cash equivalents

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

2.13 Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group by having 76.64% of the outstanding shares of the Company. As at 31 December 2015 and 2014, the share capital and ownership structure of the Company are as follows:

	31 December 2015		31 December 2014	
Name	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Türkiye İş Bankası A.Ş.	505,810,925	76.64	505,810,925	76.64
Millî Reasürans T.A.Ş. Mensupları Yardımlaşma Sandığı Vakfı	69,585,028	10.54	69,585,028	10.54
Groupama Emeklilik A.Ş.	38,809,894	5.88	38,809,894	5.88
T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı	22,240,456	3.37	22,240,456	3.37
T.C. Ziraat Bankası A.Ş.	16,430,944	2.49	16,430,944	2.49
Others	7,122,753	1.08	7,122,753	1.08
Paid in capital	**660,000,000**	**100.00**	**660,000,000**	**100.00**

Sources of the capital increases during the year

None.

Privileges on common shares representing share capital

There are no privileges on common shares representing share capital.

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

Registered capital system in the Company

None.

Repurchased own shares by the Company

None.

2.14 Insurance and investment contracts - classification

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

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

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

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

2.15 Insurance contracts and investment contracts with discretionary participation feature

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

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

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

(iii) that are contractually based on:

- *(1)* the performance of a specified pool of contracts or a specified type of contract;
- *(2)* realized and/or unrealized investments returns on a specified pool of assets held by the Issuer; or
- *(3)* the profit or loss of the Company, Fund or other entity that issues the contract.

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

2.16 Investment contracts with DPF

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

2.17 Liabilities

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

2.18 Income taxes

Corporate tax

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

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

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

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods. As at 31 December 2015, the Company has deductible tax losses, amounting to TL 50,197,498 (31 December 2014: TL 58,603,684).

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

Deferred tax

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

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

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

Transfer pricing

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

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

2.19 Employee benefits

Pension and other post-retirement obligations

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

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

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

Employees of the Company are the members of "Millî Reasürans Türk Anonim Şirketi Memurları Emekli ve Sağlık Sandığı ("Millî Reasürans Pension Fund") which is established in accordance with the temporary Article 20 of the Social Security Act No: 506. As per the temporary sub article No: 20 of the Article 73 of the Social Security Law, pension funds should be transferred to the Social Security Institution within three years after the publication of the a aforementioned Law published in the Official Gazette numbered 26870 and dated 8 May 2008. The related three-year transfer period has been prolonged for two years by the Cabinet decision, which was published on the Official Gazette dated 9 April 2011. Accordingly, the three-year period expired on 8 May 2011 was extended to the 8 May 2015. In 2015, the due date has been extended to an unlimited time and the principles and applications of the transfer will be determined by the Decree of the Council of Ministers separately.

Lastly, first paragraph of temporary 20th article of 5510 numbered Law, article 51 of the law regarding changing of several laws and delegated legislations and the law of occupational health and safety which are published in 23 April 2015 dated Official Gazette is changed as following.

Funds participating, pensioned or endowed and beneficiaries of the established funds for the personnel of banks, insurance and reinsurance companies, chambers of commerce, chamber of industries, stock exchanges or is organized by them under the temporary 20th article of law no. 506, council of ministers is entitled to determine the date of transfer to Social Security Institution. As of the transfer date, fund participatings are regarded as social insurant in accordance with the (a) subclause of first sub articles of 4th article of related law.

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

The cash value of the obligations of the pension fund for each member of the fund including members left the fund as of the transfer date will be calculated according to following assumptions:

a) Technical deficit rate of 9.80% shall be used in the actuarial calculation of the value in cash, and

b) Gains and losses of the funds stems from benefits covered by the aforementioned Law taken into accounts to calculate present value of the obligations.

Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2015 is TL 3,828 (31 December 2014: TL 3,438).

(Currency: Turkish Lira (TL))

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 - *Employee Benefits*. After the revision of TAS 19, as the amount of actuarial gain and loss are presented under the other profit reserves, which were previously shown under the income statement. The major actuarial assumptions used in the calculation of the total liability as at 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Discount rate	3.77%	3.77%
Expected rate of salary/limit increase	5.00%	5.00%
Estimated employee turnover rate	2.00%	2.00%

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

Other benefits

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

2.20 Provisions

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

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

2.21 Revenue recognition

Written premiums

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

Claims paid

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

Commission income and expenses

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

Interest income and expenses

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

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

Trading income/expense

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

Dividends

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

2.22 Leasing transaction

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

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

2.23 Dividend distribution

As a result of the General Assembly Meeting of the Company held on 25 March 2015, the Company has profit amounting to TL 11,054,672 for 2015, it has been decided unanimously that the profit distribution is not made and offsetted by losses in previous years.

2.24 Reserve for unearned premiums

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

- Reserve for unearned premiums are calculated on the basis of 1/8 for reinsurance and retrocession transactions that are not subject to basis of day or 1/24 due to application limitations,
- For commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves.

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

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

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

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

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

2.25 Provision for outstanding claims

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

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

Except for the life branch, provision for outstanding claims consists of claims are recorded in the year in which they occur, based on reported claims and the difference between the result of the actuarial chain ladder method whose content and application criteria stated by the Turkish Treasury and reported but not settled claims are considered as incurred but not reported ("IBNR") claims. Actuarial chain ladder method may be differentiated by the Turkish Treasury for reinsurance companies due to their special conditions.

Methods for the calculation of provision for incurred but not reported claims are determined by the Turkish Treasury in the life-branch.

5 December 2014 dated "Circular regarding Provision for Outstanding Claims (2014/16)" and 2010/12 numbered "Circular regarding actuarial chain ladder method "of Turkish Treasury is abolished except Article 9 and 10. According to circular that explains ACML measurement method, insurance and reinsurance companies calculate ACML with six different methods as "Standard Chain, Damage/Premium, Cape Cod, Frequency/Intense, Munich Chain and Bornhuetter-Ferguson".

(Currency: Turkish Lira (TL))

The methods selected for each branch is provided in the following section. The Company has not performed big claim elimination by Box Plox method.

Branches	31 December 2015	31 December 2014
Fire and Natural Disasters	Standard Chain	Standard Chain
General Damages (*)	Standard Chain	Standard Chain
General Responsibility	Standard Chain	Standard Chain
Compulsory Traffic	Standard Chain	Standard Chain
Transportation	Standard Chain	Standard Chain
Water Vehicles	Standard Chain	Standard Chain
Land Vehicles	Standard Chain	Standard Chain
Accident	Standard Chain	Standard Chain
Health	Standard Chain	Standard Chain
Air Vehicles	Standard Chain	Standard Chain
Legal Protection	Standard Chain	Standard Chain
Water Vehicles Responsibility	Sector Average (Insurance Association of Turkey 09/2015)	Sector Average (Insurance Association of Turkey 09/2014)
Air Vehicles Responsibility	Sector Average (Insurance Association of Turkey 09/2015)	Sector Average (Insurance Association of Turkey 09/2014)
Indemnity	Sector Average (Insurance Association of Turkey 09/2015)	Sector Average (Insurance Association of Turkey 09/2014)
Financial Losses	Sector Average (Insurance Association of Turkey 09/2015)	Sector Average (Insurance Association of Turkey 09/2014)
Credit	Sector Average (Insurance Association of Turkey 09/2015)	Sector Average (Insurance Association of Turkey 09/2014)
Life	Sector Average (Insurance Association of Turkey 09/2015)	Sector Average (Insurance Association of Turkey 09/2014)

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

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

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

According to 5 December 2014 dated "Circular regarding Provision for Outstanding Claims (2014/16)" of Turkish Treasury, the Company constitutes data by taking base of acceptance year rather than accident period for the reason of characteristic of reinsurance operations in course of ACML calculation and calculates ACML once in a year as of year end. The methods indicated in the table are calculated according to paid claim.

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

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

In accordance with 5 December 2014 dated and 2014/15 numbered "Circular for Provision for Outstanding Claims" of Turkish Treasury, ACML calculation should be on main branch. However, as at 31 December 2012, the Company has calculated ACML reserve for General Losses main branch as two separate subbranches namely agriculture and non agriculture branches. Because, Agriculture and Engineering subbranches under General Losses main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Losses branch produces unreliable and improper results. The Company applied to Turkish Treasury on 17 January 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Losses branch as agriculture and non agriculture subbranches separately. Turkish Treasury has given permission the Company in order to calculate IBNR reserve for General Losses within two subbranches with the letter dated 28 January 2013 and numbered 24179134. As at 31 December 2015, the Company recognised the amount that arised due to change in calculation method for IBNR on General Losses branch.

As at the reporting date, as a result of actuarial chain ladder method; the Company except Singapore branch recorded 100% of additional negative IBNR amounting to TL 52,091,457 (31 December 2014: TL 73,634,948 negative IBNR) as provision for outstanding claims. As at the reporting date, TL 26,507,042 (31 December 2014: TL 38,202,017) of IBNR provision is recorded for Singapore branch.

2.26 Mathematical provisions

In accordance with the Communiqué on Technical Reserves, companies operating in life and non-life insurance branches are obliged to allocate adequate mathematical reserves based on actuarial basis to meet liabilities against policyholders and beneficiaries for long-term life, health and personal accident insurance contracts. Actuarial mathematical provisions, according to formulas and basis in approved technical basis of tariffs for over one year-length life insurance, are calculated by determining the difference between present value of liabilities that the Company meets in future and current value of premiums paid by policyholder in future (prospective method).

Mathematical provisions are recorded based on the data sent by ceding companies.

2.27 Reserve for unexpired risk

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

According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated 28 July 2010; besides the net reserve for unexpired risk detailed in the above, gross reserve for unexpired risk is also calculated. The test is performed on main branch basis and in case where the net and gross expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that main branch is added to the reserves of that branch. Difference between the gross and net amount is represents reinsurer's share. Premiums paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms.

In accordance with the 2015/30 numbered sector announce, as of 31 December 2015 opening claims reserve amount that used for determination of expected loss ratio for determining calculation of provision of unexpired risks is redetermined consistently with current period.

Calculation of Reserve for unexpired risks is made on the basis of main branches, within the context of circular of Turkish Treasury, numbered 2012/15 and dated 10 December 2012.

As at the reporting date, the Company has provided net reserve for unexpired risk amounting to TL 27,889,285 in the accompanying unconsolidated financial statements (31 December 2014: TL 41,148,829).

2.28 Equalization provision

In accordance with the Communiqué on Technical Reserves put into effect starting from 1 January 2008, the companies should provide equalization provision in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Equalization provision, started to be provided in 2008, is calculated as 12% of net premiums written in credit insurance and earthquake branches. In the calculation of net premiums, fees paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. The companies should provide equalization provision up to reaching 150% of the highest premium amount written in a year within the last five years. In case where claims incurred, the amounts below exemption limits as stated in the contracts and the share of the reinsurance firms cannot be deducted from equalization provisions. Claims payments are deducted from first year's equalization provisions by first in first out method.

With the Communiqué released on 28 July 2010 and numbered 27655 "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves", ceded premiums of earthquake and credit for non-proportional reinsurance contracts covered multiple branches should be calculated according to percentage of premiums of those branches within the total premiums unless the Company is determined any other methods. Share of earthquake and credit premium of written premiums for non-proportional reinsurance contracts is based on share of earthquake and credit premiums of proportional reinsurance contracts. In accordance with the Communiqué on Technical Reserves, the Company considers 11% of net death premium (including damage payments) as earthquake premium and 12% of that amount is calculated as equalization provision since the Company not having sufficient data for calculation. After five financial years, in case that provision amount is less than previous year amount depending on written premiums, the difference is recognized in other profit reserves under equity. This amount recorded in equity can either be kept under reserves or can also be used in capital increase or paying claims.

Equalization provisions are presented under "other technical reserves" within long term liabilities in the accompanying unconsolidated financial statements. As at the reporting date, the Company has recognized equalization provision amounting to TL 23,432,191 (31 December 2014: TL 22,504,145).

As at 31 December 2015, the Company has deducted TL 21,443,124 (31 December 2014: TL 19,975,104) from equalization provision in consequence of realized earthquake losses.

2.29 Related parties

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

2.30 Earning per share

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

2.31 Subsequent events

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

2.32 New standards and interpretations not yet adopted

A number of new standards and amendments to existing standards and interpretations which are not adopted in the preparation of accompanying financial statements and are not yet effective for the year ended 31 December 2015. It is not expected that these new standards and updated standards have an effect on Company's consolidated financial statements except TFRS 9.

TFRS 9 *Financial Instruments: Recognition and Measurement*

An entity shall apply TFRS 9 for annually years beginning on or after 1 January 2018. An earlier application is permitted. If an entity adopts this TFRS in its financial statements for a period beginning before 1 January 2012, then prior periods are not needed to be restated. The objective of TFRS 9, being the first phase of the project, is to establish principles for the financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of amounts, timing and uncertainty of the entity's future cash flows. With TFRS 9 an entity shall classify financial assets as subsequently measured at either amortized cost or fair value on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristic of the financial assets. The guidance in TAS 39 on impairment of financial assets and hedge accounting continues to apply.

3 Critical accounting estimates and judgments in applying accounting policies

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

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

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

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

Note 4.1 - Management of insurance risk

Note 4.2 - Financial risk management

Note 7 - Investment properties

Note 9 - Investments in subsidiaries

Note 10 - Reinsurance assets/liabilities

Note 11 - Financial assets

Note 12 - Loans and receivables

Not 17 - Insurance liabilities and reinsurance assets

Not 17 - Deferred acquisition costs

Note 21 - Deferred income taxes

Note 23 - Other liabilities and cost provisions

4 Management of insurance and financial risk

4.1 Management of insurance risk

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

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

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

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

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

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

Sensitivity to insurance risk

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

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

(Currency: Turkish Lira (TL))

Insurance risk concentrations

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

	31 December 2015		
Branches	Gross total claims liability (*)	Reinsurance share of total claims liability	Net total claims liability
Fire and natural disasters	257,562,428	(3,932,757)	253,629,671
General losses	205,986,129	(1,249,099)	204,737,030
Motor vehicles liability (MTPL)	65,973,000	(57,815)	65,915,185
General responsibility	34,082,624	(3,462,636)	30,619,988
Transportation	27,275,598	(3,987,289)	23,288,309
Health	18,518,721	--	18,518,721
Water vehicles	21,895,715	(3,746,793)	18,148,922
Accident	13,843,356	(33,066)	13,810,290
Motor vehicles	11,441,909	(358,391)	11,083,518
Life	6,492,393	(380,423)	6,111,970
Air crafts	448,125	--	448,125
Financial Losses	188,113	--	188,113
Guarantee	173,639	(513)	173,126
Credit	97,262	--	97,262
Water vehicles liability	2,811	--	2,811
Legal protection	305	--	305
Total	**663,982,128**	**(17,208,782)**	**646,773,346**

	31 December 2014		
Branches	Gross total claims liability (*)	Reinsurance share of total claims liability	Net total claims liability
Fire and natural disasters	222,265,164	(7,135,888)	215,129,276
General losses	169,420,036	(2,133,697)	167,286,339
Motor vehicles liability (MTPL)	68,451,348	(88,493)	68,362,855
Water vehicles	27,969,012	(1,203,274)	26,765,738
General responsibility	24,313,984	(1,753,858)	22,560,126
Transportation	20,861,102	(3,017,852)	17,843,250
Health	18,655,171	59	18,655,230
Accident	15,343,854	(683,063)	14,660,791
Motor vehicles	12,297,273	(124,928)	12,172,345
Life	10,861,957	(4,060,205)	6,801,752
Credit	372,275	--	372,275
Guarantee	367,178	(24,632)	342,546
Air crafts	192,391	--	192,391
Financial Losses	100,518	--	100,518
Water vehicles liability	52,940	--	52,940
Legal protection	484	(45)	439
Total	**591,524,687**	**(20,225,876)**	**571,298,811**

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

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

In the current year, there are no material changes in the assumptions of measurement of insurance assets and liabilities.

4.2 Management of financial risk

Introduction and overview

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

- credit risk
- liquidity risk
- market risk

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

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

Credit risk

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

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

Doubtful receivables are monitored quarterly.

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

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

(Currency: Turkish Lira (TL))

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

	31 December 2015	31 December 2014
Cash and cash equivalents *(Note 14)* [(*)]	991,963,515	742,177,130
Financial assets and financial investments with risks on policyholders *(Note 11)* [(**)]	390,407,868	392,171,211
Receivables from main operations *(Note 12)*	181,305,786	177,242,782
Reinsurer share in provision for outstanding claims *(Note 10), (Note 17)*	25,358,546	16,271,938
Prepaid taxes and funds *(Note 12)*	11,292,292	8,759,639
Income accruals	10,785,341	18,383,498
Other receivables *(Note 12)*	605,367	406,631
Other current asset *(Note 12)*	2,042	2,042
Total	**1,611,720,757**	**1,355,414,871**

(*) Cash on hands balance amounting to TL 34,971 are not included (31 December 2014: TL 16,329).
(**) Equity shares amounting to TL 87,500,877 are not included (31 December 2014: TL 98,057,510).

31 December 2015 ve 2014, the aging of the receivables from main operations and related provisions are as follows:

	31 December 2015		31 December 2014	
	Gross amount	Provision	Gross amount	Provision
Not past due	120,942,345	--	110,377,761	--
Past due 0-30 days	28,609,797	--	27,463,748	--
Past due 31-60 days	7,017,186	--	3,788,459	--
Past due 61-90 days	6,261,012	--	9,245,173	--
More than 90 days	32,708,592	(14,233,146)	38,072,752	(11,705,111)
Total	**195,538,932**	**(14,233,146)**	**188,947,893**	**(11,705,111)**

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

	31 December 2015	31 December 2014
Provision for receivables from insurance operations at the beginning of the year	11,705,111	10,917,347
Collections during the period *(Note 47)*	(1,206)	(6,074)
Foreign currency translation effect *(Note 47)*	2,529,241	793,838
Provision for receivables from insurance operations at the end of the year	**14,233,146**	**11,705,111**

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

	31 December 2015	31 December 2014
Provision for other receivables at the beginning of the year	63,177	63,177
Collections during the period *(Note 47)*	--	--
Impairment losses provided during the period *(Note 47)*	--	--
Provision for other receivables at the end of the year	**63,177**	**63,177**

(Currency: Turkish Lira (TL))

Liquidity risk

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

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

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

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

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

Management of the liquidity risk

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

Maturity distribution of monetary assets and liabilities:

31 December 2015	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Cash and cash equivalents	991,998,486	67,476,869	825,646,530	35,431,171	48,610,833	14,833,083
Financial assets (*)	390,407,868	167,645,284	8,222,052	10,189,134	24,271,704	180,079,694
Receivables from main operations	181,305,786	100,763,331	18,542,563	7,636,671	54,363,221	--
Other receivables and current assets	22,685,042	22,472,571	--	--	212,471	--
Total monetary assets	**1,586,397,182**	**358,358,055**	**852,411,145**	**53,256,976**	**127,458,229**	**194,912,777**
Insurance technical provisions (**)	840,992,113	--	--	--	--	840,992,113
Payables arising from main operations	44,146,054	37,689,786	2,256,879	4,199,389	--	--
Provisions for other risks and expense accruals	37,998,065	2,989,356	--	--	--	35,008,709
Other liabilities	88,907,419	2,229,087	86,678,332	--	--	--
Provisions for taxes and other similar obligations	1,673,213	1,673,213	--	--	--	--
Due to related parties	66,378	66,378	--	--	--	--
Total monetary liabilities	**1,013,783,242**	**44,647,820**	**88,935,211**	**4,199,389**	**--**	**876,000,822**

(*) Equity shares amounting to TL 87,500,877 are not included.

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

(Currency: Turkish Lira (TL))

31 December 2014	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Cash and cash equivalents	742,193,459	197,081,321	484,662,026	35,093,224	253,356,888	--
Financial assets (*)	392,171,211	139,109,421	19,864,697	6,912,959	18,824,946	207,459,188
Receivables from main operations	177,242,782	93,184,405	22,971,439	11,275,299	49,811,639	--
Other receivables and current assets	27,551,810	27,276,803	--	--	275,007	--
Total monetary assets	**1,339,159,262**	**456,651,950**	**527,498,162**	**53,281,482**	**94,268,480**	**207,459,188**
Insurance technical provisions (**)	740,259,401	--	--	--	--	740,259,401
Payables arising from main operations	43,148,405	39,311,514	3,836,891	--	--	--
Provisions for other risks and expense accruals	40,628,738	6,493,459	--	--	--	34,135,279
Other liabilities	439,815	439,815	--	--	--	--
Provisions for taxes and other similar obligations	1,393,094	1,393,094	--	--	--	--
Due to related parties	81,488	81,488	--	--	--	--
Total monetary liabilities	**825,950,941**	**47,719,370**	**3,836,891**	**--**	**--**	**774,394,680**

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

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

Market risk

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

Foreign currency risk

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

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

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

31 December 2015	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	207,647,730	5,780,963	2,461,213	215,889,906
Receivables from main operations	33,916,936	12,488,931	98,595,107	145,000,974
Total foreign currency assets	**241,564,666**	**18,269,894**	**101,056,320**	**360,890,880**
Liabilities:				
Payables arising from main operations	(12,729,746)	(3,116,263)	(8,809,601)	(24,655,610)
Insurance technical provisions (*)	(124,218,422)	(82,928,141)	(99,396,067)	(306,542,630)
Total foreign currency liabilities	**(136,948,168)**	**(86,044,404)**	**(108,205,668)**	**(331,198,240)**
Net on-balance sheet position	**104,616,498**	**(67,774,510)**	**(7,149,348)**	**29,692,640**

(Currency: Turkish Lira (TL))

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

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

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

Foreign currency rates used for the translation of foreign currency denominated monetary assets and liabilities as at reporting dates are as follows:

	At the end of the period		Average	
	US Dollar	Euro	US Dollar	Euro
31 December 2015	2.9076	3.1776	2.7184	3.0175
31 December 2014	2.3189	2.8207	2.1876	2.9061

Exposure to foreign currency risk

A 10 percent depreciation of the TL against the following currencies as at 31 December 2015 and 2014 would have increased or decreased equity and profit or loss (excluding tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 10 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

	31 December 2015		31 December 2014	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	10,461,650	10,461,650	5,198,284	5,198,284
Euro	(6,777,451)	(6,777,451)	(7,673,982)	(7,673,982)
Others	(714,935)	(714,935)	165,033	165,033
Total, net	**2,969,264**	**2,969,264**	**(2,310,665)**	**(2,310,665)**

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

(Currency: Turkish Lira (TL))

Exposure to interest rate risk

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

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

	31 December 2015	31 December 2014
Financial assets		
Financial assets with fixed interest rates:	**1,122,595,981**	**926,323,734**
Cash at banks (Note 14)	984,451,410	736,573,600
Available for sale financial assets - Government bonds - TL (Note 11)	133,614,651	171,980,488
Available for sale financial assets - Private sector bonds - TL (Note 11)	4,529,920	17,769,646
Financial assets with variable interest rate:	**84,618,013**	**63,311,656**
Available for sale financial assets - Government bonds- TL (Note 11)	8,128,488	7,600,154
Available for sale financial assets - Private sector bonds - TL (Note 11)	76,489,525	50,638,385
Financial assets held for trading - Private sector bonds - TL (Note 11)	--	5,073,117
Financial Liabilities:		
Financial liabilities with fixed interest rate:	**86,678,332**	**--**
Funds from repo transactions (Note 20)	86,678,332	--

Interest rate sensitivity of the financial instruments

Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income as at and for 31 December 2015 and 2014 of the floating rate non-trading financial assets and financial liabilities held at 31 December 2015 and 2014. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or Loss		Equity	
31 December 2015	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp increase**
Financial assets held for trading	--	--	--	--
Available for sale financial assets	--	--	(2,981,643)	2,981,643
Total, net	**--**	**--**	**(2,981,643)**	**2,981,643**

	Profit or Loss		Equity	
31 December 2014	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp increase**
Financial assets held for trading	(24,576)	12,785	(24,576)	12,785
Available for sale financial assets	--	--	(4,479,247)	4,474,742
Total, net	**(24,576)**	**12,785**	**(4,503,823)**	**4,487,527**

Fair value information

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

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

(Currency: Turkish Lira (TL))

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

Classification relevant to fair value information

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

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

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

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

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

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

	31 December 2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available for sale financial assets *(Note 11)* (*)	459,199,530	18,205,108	--	477,404,638
Subsidiaries *(Note 9)* (**)	444,152,664	--	--	444,152,664
Total financial assets	**903,352,194**	**18,205,108**	**--**	**921,557,302**

(*) As at 31 December 2015, securities that are not publicly traded amounting to TL 504,107 have been measured at cost.

(**) As at 31 December 2015, subsidiaries that are not publicly traded amounting to TL 1,092,707 have been measured at cost.

	31 December 2014			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading *(Note 11)*	5,952,187	--	--	5,952,187
Available for sale financial assets *(Note 11)* (*)	473,205,689	6,533,319	--	479,739,008
Subsidiaries *(Note 9)* (**)	406,901,150	--	--	406,901,150
Total financial assets	**886,059,026**	**6,533,319**	**--**	**892,592,345**

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

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

Equity share price risk

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

(Currency: Turkish Lira (TL))

The effect of changes in fair values of the associates and the available-for-sale financial assets on equity that is resulted from the fluctuations on index (all of the other variables are assumed to be fixed) are as follows as at 31 December 2015 and 2014.

	Change in index	31 December 2015	31 December 2014
Market price of equity	10%	53,165,354	49,954,206

The effect of changes in fair values of the financial assets held for trading on profit or loss that is resulted from the fluctuations on index (all of the other variables are assumed to be fixed) are as follows as at 31 December 2015 and 2014.

	Change in index	31 December 2015	31 December 2014
Market price of equity	10%	--	87,907

Gain and losses from financial assets

Gains and losses recognized in the statement of income, net:	31 December 2015	31 December 2014
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)*	3,198,617	(7,131,785)
Interest income from bank deposits	74,986,352	58,414,660
Interest income from debt securities classified as available-for-sale financial assets	20,457,518	36,092,465
Income from equity shares	10,368,915	8,081,920
Foreign exchange gains	39,769,808	14,784,524
Interest income from debt securities classified as held for trading financial assets	360,987	2,356,733
Income from investment funds	9,308,317	13,578,942
Interest income from repos	724,800	1,293,630
Income from derivative transactions	66,500	236,185
Income from subsidiaries	12,039,179	347,307
Other	31,631,098	54
Investment income	**202,912,091**	**128,054,635**
Loss from derivative transactions	-	(97,745)
Foreign exchange losses	(6,826,180)	(6,885,399)
Loss from disposal of financial assets	(1,410,932)	(9,871,181)
Investment management expenses (including interest)	(2,121,010)	(277,185)
Investment expenses	**(10,358,122)**	**(17,131,510)**
Investment income, net	**192,553,969**	**110,923,125**

Gains and losses recognized in the statement of equity, net:	31 December 2015	31 December 2014
Fair value changes in available for sale financial assets *(Note 15)*	25,619,501	35,491,342
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)*	(3,198,617)	7,131,785
Total	**22,420,884**	**42,623,127**

(Currency: Turkish Lira (TL))

Capital management

The Company's capital management policies include the following:

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

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies" issued by Turkish Treasury on 23 August 2015 dated and 29454 numbered; the Company measured its minimum capital requirement as TL 341,205,541 as at 31 December 2015 (31 December 2014: TL 286,515,145). As at 31 December 2015 and 2014, the capital amount of the Company presented in the unconsolidated financial statements are TL 1,183,898,933 and TL 916,933,700 respectively and capital surplus of the Company is amounting to TL 579,575,477 according to the communiqué.

5 Segment reporting

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

As at 31 December 2015, the Company operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

6 Tangible assets

Movement in tangible assets in the period from 1 January to 31 December 2015 is presented below:

	1 January 2015	Additions	Foreign currency translation effect (*)	Disposals	Revaluation surplus	31 December 2015
Cost:						
Investment properties *(Note 7)*	194,364,045	--	--	--	76,204,005	270,568,050
Owner occupied land and buildings (*)	31,962,582	--	--	--	115,154,368	147,116,950
Furniture and fixtures	3,925,734	1,039,060	125,653	(134,928)	--	4,955,519
Motor vehicles	1,312,210	--	106,473	(179,215)	--	1,239,468
	231,564,571	**1,039,060**	**232,126**	**(314,143)**	**191,358,373**	**423,879,987**
Accumulated depreciation:						
Investment properties *(Note 7)*	--	--	--	--	--	--
Owner occupied properties	13,195,225	585,090	--	--	(13,626,492)	153,823
Furniture and fixtures	2,602,542	645,960	62,879	(58,400)	--	3,252,981
Motor vehicles	1,050,783	154,041	67,182	(179,215)	--	1,092,791
	16,848,550	**1,385,091**	**130,061**	**(237,615)**	**(13,626,492)**	**4,499,595**
Carrying amounts	**214,716,021**					**419,380,392**

(*) Owner occupied properties have been presented with fair values in the financial statements starting from 30 September 2015, previously they were presented with their historical cost.

(Currency: Turkish Lira (TL))

As of 31 December 2015, owner occupied properties are evaluated with their fair value. Appraisal reports were provided by CMB licensed real estate appraisal company at June 2015 and July 2015. There is no mortgage on the property.

As of 31 December 2015, the fair values (excluding VAT) and net carrying values of owner occupied properties are presented below:

Owner occupied land and buildings	Appraisal value	Net Book Value (31 December 2015)
Central Management Building	147,116,950	146,963,127
Total	**147,116,950**	**146,963,127**

Fair value measurement

The fair values of owner occupied land and buildings were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as level 2.

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

	1 January 2014	Additions	Foreign currency translation effect (*)	Disposals	Revaluation surplus	31 December 2014
Cost:						
Investment properties *(Note 7)*	174,800,132	--	--	--	19,563,913	194,364,045
Owner occupied land and buildings	31,392,945	569,637	--	--	--	31,962,582
Furniture and fixtures	3,540,753	606,104	26,967	(248,090)	--	3,925,734
Motor vehicles	1,278,823	--	33,387	--		1,312,210
	211,012,653	**1,175,741**	**60,354**	**(248,090)**	**19,563,913**	**231,564,571**
Accumulated depreciation:						
Investment properties *(Note 7)*	--	--	--	--	--	--
Owner occupied properties	12,565,779	629,446	--	--	--	13,195,225
Furniture and fixtures	2,444,180	377,455	26,348	(245,441)	--	2,602,542
Motor vehicles	839,042	194,750	16,991	--	--	1,050,783
	15,849,001	**1,201,651**	**43,339**	**(245,441)**		**16,848,550**
Carrying amounts	**195,163,652**					**214,716,021**

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

As of 31 December 2015 and 31 December 2014, there is no mortgage on Company's tangible assets.

7 Investment properties

Additions and disposals for investment properties is given "6- Tangible Assets" note in table of current period movement of tangible assets.

Investment property is presented by fair value method as of third quarter of 2015 on balance sheet and detailed information regarding the policy change is given 2.1.6 note. The Company's investment properties gained TL 76,204,005 amount of value in 2015 in the context of expertise report prepared by independent professional valuation specialists authorized by Capital Markets Board of Turkey. From investment property, TL 12,968,850 amount of rent income is obtained from investment properties in the current accounting period (31 December 2014: TL 11,853,524)

As at 31 December 2015, inflation adjusted cost and fair value amounts of the Company's investment properties are amounting to TL 270,568,050 (31 December 2014: TL 194,364,045).

(Currency: Turkish Lira (TL))

Expertise reports regarding these properties is prepared by CMB licensed real estate appraisal companies. There is not any mortgage on related property. There is no mortgage on the property in question.

As at 31 December 2015 and 2014, details of investment properties and the fair values are as follows:

	31 December 2015 Carrying amount	31 December 2014 Carrying amount	Date of expertise report	Value of expertise report
Çifteler Land	5,000	108	30 September 2015	5,000
Villa Office Block	39,000,000	19,316,437	30 September 2015	39,000,000
Suadiye Fitness Center	18,280,000	13,055,407	30 September 2015	18,280,000
Tunaman Garage	85,400,000	63,676,994	30 September 2015	85,400,000
Operating Center Rental Offices	127,883,050	98,315,099	30 September 2015	127,883,050
Carrying amounts	**270,568,050**	**194,364,045**		**270,568,050**

Fair value measurement

The fair values of investment properties were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as level 2.

8 Intangible assets

Movement in intangible assets in the period from 1 January to 31 December 2015 is presented below:

	1 January 2015	Additions	Foreign currency translation effects (*)	Disposal	31 December 2015
Cost:					
Advances on intangible fixed assets (**)	--	5,538,364	--	--	5,538,364
Other intangible assets	2,666,031	1,420,232	362,666	--	4,448,929
	2,666,031	**6,958,596**	**362,666**	**--**	**9,987,293**
Accumulated amortization:					
Other intangible assets	1,879,643	158,394	361,272	--	2,399,309
	1,879,643	**158,394**	**361,272**	**--**	**2,399,309**
Carrying amounts	**786,388**				**7,587,984**

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

(**) Given referring to reinsurance computer software.

(Currency: Turkish Lira (TL))

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

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

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

9 Investments in associates

	31 December 2015		31 December 2014	
	Carrying value	Participation rate %	Carrying value	Participation rate %
Anadolu Sigorta	444,152,664	57.31	406,901,150	57.31
Miltaş Turizm İnşaat Ticaret Anonim Şirketi	1,092,707	77.00	1,092,707	77.00
Subsidiaries, net	445,245,371		407,993,857	
Financial asset total	445,245,371		407,993,857	

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the year	Audited	Period
Subsidiaries:						
Miltaş Turizm Inşaat Ticaret A.Ş.	4,153,320	3,837,630	--	88,895	Not Audited	31 December 2015
Anadolu Sigorta (*)	4,548,870,173	863,218,237	64,827,919	74,982,806	Audited	31 December 2015

(*) Consolidated financial information as at 31 December 2015 of Anadolu Sigorta has been presented.

(Currency: Turkish Lira (TL))

10 Reinsurance asset and liabilities

As at 31 December 2015 and 2014, outstanding reinsurance assets and liabilities of the Company, as Reinsurance company in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	31 December 2015	31 December 2014
Receivables from reinsurance companies *(Note 12)*	16,292,221	17,756,749
Cash deposited to reinsurance companies	16,987,330	18,999,668
Provision for outstanding claims, ceded *(Note 4.2)*, *(Note 17)*	25,358,546	16,271,938
Reserve for unearned premiums, ceded *(Note 17)*	8,311,202	7,038,046
Total	**66,949,299**	**60,066,401**

There is no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	31 December 2015	31 December 2014
Deferred commission income *(Note 19)*	362,614	445,382
Total	**362,614**	**445,382**

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

	31 December 2015	31 December 2014
Premiums ceded during the period *(Note 17)*	(115,771,729)	(134,715,463)
Reserve for unearned premiums, ceded at the beginning of the period *(Note 17)*	(7,038,046)	(6,368,822)
Reserve for unearned premiums, ceded at the end of the period *(Note 17)*	8,311,202	7,038,046
Premiums earned, ceded *(Note 17)*	**(114,498,573)**	**(134,046,239)**
Claims paid, ceded during the period *(Note 17)*	17,208,782	20,225,876
Provision for outstanding claims, ceded at the beginning of the period *(Note 17)*	(16,271,938)	(12,681,856)
Provision for outstanding claims, ceded at the end of the period *(Note 17)*	25,358,546	16,271,938
Claims incurred, ceded *(Note 17)*	**26,295,390**	**23,815,958**
Commission income accrued from reinsurers during the period *(Note 32)*	1,346,191	1,353,839
Deferred commission income at the beginning of the period *(Note 19)*	445,382	372,409
Deferred commission income at the end of the period *(Note 19)*	(362,614)	(445,382)
Commission income earned from reinsurers *(Note 32)*	**1,428,959**	**1,280,866**
Changes in provision for outstanding claims, reinsurers' share *(Note 17)*	**(888,882)**	**1,167,147**
Total, net	**(87,663,106)**	**(107,782,269)**

11 Financial assets

As at 31 December 2015 and 2014, the Company's financial assets are detailed as follows:

	31 December 2015	31 December 2014
Financial assets held for trading	--	5,952,187
Available for sale financial assets	477,908,745	484,276,534
Total	**477,908,745**	**490,228,721**

As at 31 December 2015, there are no financial assets held for trading of the Company.

(Currency: Turkish Lira (TL))

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

	31 December 2014			
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Private sector bonds - TL	4,990,000	4,991,033	5,073,117	5,073,117
		4,991,033	**5,073,117**	**5,073,117**
Non-fixed income financial assets:				
Equity shares		1,946,821	879,070	879,070
		1,946,821	**879,070**	**879,070**
Total financial assets held for trading		**6,937,854**	**5,952,187**	**5,952,187**

As at 31 December 2015 and 2014, the Company's available for sale financial assets are as follows:

	31 December 2015			
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Government bonds - TL	143,796,999	146,059,445	141,743,139	141,743,139
Private sector bonds - TL	79,034,800	78,959,454	81,019,445	81,019,445
	222,831,799	**225,018,899**	**222,762,584**	**222,762,584**
Non-fixed income financial assets:				
Equity shares		57,514,333	87,500,877	87,500,877
Investment funds		165,786,834	167,645,284	167,645,284
		223,301,167	**255,146,161**	**255,146,161**
Total available-for-sale financial assets	**222,831,799**	**448,320,066**	**477,908,745**	**477,908,745**

	31 December 2014			
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Government bonds - TL	171,362,688	175,256,514	179,580,642	179,580,642
Private sector bonds - TL	67,473,900	67,051,039	68,408,031	68,408,031
		242,307,553	**247,988,673**	**247,988,673**
Non-fixed income financial assets:				
Equity shares		56,887,745	97,178,440	97,178,440
Investment funds		137,985,799	139,109,421	139,109,421
		194,873,544	**236,287,861**	**236,287,861**
Total available-for-sale financial assets		**437,181,097**	**484,276,534**	**484,276,534**

All debt instruments presented above are traded in the capital markets. As at 31 December 2015, equity shares classified as available for sale financial assets with a carrying amount of TL 504,107 are not publicly traded (31 December 2014: TL 4,537,526).

(Currency: Turkish Lira (TL))

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

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

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

Year	Change in value increase/(decrease)	Total increase/(decrease) in value
2015	22,420,884	90,674,929
2014	42,623,127	68,254,045
2013	26,891,618	25,630,918

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

	31 December 2015			
	Face value	Cost	Fair value	Carrying value
Available for sale financial assets - Private sector bonds	3,100,000	3,100,000	3,157,102	3,157,102
Available for sale financial assets - Equity shares		49,352,135	80,822,633	80,822,633
Available for sale financial assets - Investment funds		136,291,750	136,556,466	136,556,466
Total		**188,743,885**	**220,536,201**	**220,536,201**

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

(Currency: Turkish Lira (TL))

As at 31 December 2015 and 2014, the movement of the financial assets is presented below:

	31 December 2015		
	Trading	Available-for-sale	Total
Balance at the beginning of the period	**5,952,187**	**484,276,534**	**490,228,721**
Unrealized exchange differences on financial assets	--	--	--
Acquisitions during the period	--	555,614,361	555,614,361
Disposals (sale and redemption)	(6,181,114)	(595,064,697)	(601,245,811)
Change in the fair value of financial assets	228,927	33,560,566	33,789,493
Change in amortized cost of the financial assets	--	(5,582,883)	(5,582,883)
Bonus shares acquired	--	5,104,864	5,104,864
Balance at the end of the period	--	**477,908,745**	**477,908,745**

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

(Currency: Turkish Lira (TL))

12 Loans and receivables

	31 December 2015	31 December 2014
Receivables from main operations *(Note 4.2)*	181,305,786	177,242,782
Prepaid taxes and funds *(Note 19)*	11,292,292	8,759,639
Other receivables *(Note 4.2)*	605,367	406,631
Other current asset	2,042	2,042
Total	**193,205,487**	**186,411,094**
Short-term receivables	193,205,487	186,411,094
Medium and long-term receivables	--	--
Total	**193,205,487**	**186,411,094**

As at 31 December 2015 and 2014, receivables from main operations are detailed as follows:

	31 December 2015	31 December 2014
Receivables from insurance companies	52,193,561	49,936,460
Receivables from agencies, brokers and intermediaries	49,290,731	48,417,338
Receivables from reinsurance companies *(Note 10)*	16,292,221	17,756,749
Total receivables from insurance operations, net	**117,776,513**	**116,110,547**
Cash deposited to insurance and reinsurance companies	63,529,273	61,132,235
Doubtful receivables from main operations	14,233,146	11,705,111
Provision for doubtful receivables from main operations	(14,233,146)	(11,705,111)
Receivables from main operations	**181,305,786**	**177,242,782**

As at 31 December 2015 and 2014, mortgages and collaterals obtained for receivables are disclosed as follows:

	31 December 2015	31 December 2014
Letters of guarantees	7,322,980	5,586,771
Mortgage notes	2,041	2,041
Total	**7,325,021**	**5,588,812**

Provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 14,233,146 for main operations (31 December 2014: TL 11,705,111) and TL 63,177 (31 December 2014: TL 63,177) for other receivables.

b) Provision for premium receivables (due): None (31 December 2014: None).

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

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

13 Derivative financial instruments

As at 31 December 2015 and 2014, the Company does not have any derivative financial instruments.

14 Cash and cash equivalents

As at 31 December 2015 and 2014, cash and cash equivalents are as follows:

	31 December 2015		31 December 2014	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	34,971	16,329	16,329	13,024
Bank deposits	991,963,515	742,177,130	742,177,130	603,569,750
Cash and cash equivalents in the balance sheet	**991,998,486**	**742,193,459**	**742,193,459**	**603,582,774**
Bank deposits - blocked	(500)	(500)	(500)	(500)
Time deposits with maturities longer than 3 months	(356,545,936)	(79,404,377)	(79,404,377)	(85,071,502)
Interest accruals on bank deposits	(2,034,204)	(2,654,755)	(2,654,755)	(1,488,436)
Cash and cash equivalents presented in the statement of cash flows	**633,417,846**	**660,133,827**	**660,133,827**	**517,022,336**

As at 31 December 2015 and 2014, bank deposits are further analyzed as follows:

	31 December 2015	31 December 2014
Foreign currency denominated bank deposits		
- time deposits	208,369,605	147,378,170
- demand deposits	7,496,092	5,597,504
Bank deposits in Turkish Lira		
- time deposits	776,081,805	589,195,430
- demand deposits	16,013	6,026
Cash at banks	**991,963,515**	**742,177,130**

15 Equity

Paid in capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group having 76.64% of outstanding shares. As at 31 December 2015 and 2014, the shareholding structure of the Company is presented below:

	31 December 2015		31 December 2014	
Name	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Türkiye İş Bankası A.Ş.	505,810,925	76.64	505,810,925	76.64
Millî Reasürans T.A.Ş. Mensupları Yardımlaşma Sandığı Vakfı	69,585,028	10.54	69,585,028	10.54
Groupama Emeklilik A.Ş.	38,809,894	5.88	38,809,894	5.88
T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı	22,240,456	3.37	22,240,456	3.37
T.C. Ziraat Bankası A.Ş.	16,430,944	2.49	16,430,944	2.49
Other	7,122,753	1.08	7,122,753	1.08
Paid in capital	**660,000,000**	**100.00**	**660,000,000**	**100.00**

(Currency: Turkish Lira (TL))

As at 31 December 2015, the issued share capital of the Company is TL 660,000,000 (31 December 2014: TL 660,000,000) and the share capital of the Company consists of 66,000,000,000 (31 December 2014: 66,000,000,000 shares) issued shares with TL 0.01 nominal value each. There are no privileges over the shares of the Company.

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

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

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

Legal reserves

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

The movements of legal reserves are as follows:

	31 December 2015	31 December 2014
Legal reserves at the beginning of the period	**49,622,694**	**49,622,694**
Transfer from profit	--	--
Legal reserves at the end of the period	**49,622,694**	**49,622,694**

As at 31 December 2015 and 2014, "Other Reserves and Retained Earnings" includes and use properties revaluation differences extraordinary reserves.

Extraordinary reserves

The movement of extraordinary reserves is as follows:

	31 December 2015	31 December 2014
Extraordinary reserves at the beginning of the period	**12,899**	**5,512,899**
Amount for capital increase	--	(5,500,000)
Extraordinary reserves at the end of the period	**12,899**	**12,899**

Other profit reserves

According to revision on TAS 19, actuarial profit and losses that recognized in income statement in termination indemnity calculation before, is recognized in "Other Profit Reserves" account under equity in current period financial statements. The amount of TL (660,733) (31 December 2014: TL (285,578)) regarding actuarial calculation is presented in other profit reserves account, in calculation of termination indemnity as of 31 December 2015.

Movement of other profit reserves is presented below:

	31 December 2015	31 December 2014
Other profit reserves at the beginning of the period	**(285,578)**	**(265,270)**
Actuarial gains/losses	(375,155)	(20,308)
Other profit reserves at the end of the period	**(660,733)**	**(285,578)**

(Currency: Turkish Lira (TL))

Statutory reserves

After the allocation of first legal reserves and first dividend to shareholders, reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly. As at 31 December 2015, there are no funds allocated in this manner (31 December 2014: None).

Foreign currency translation differences

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. As at 31 December 2015, foreign currency translation loss amounting to TL 19,573,401 (31 December 2014: TL 11,907,682 loss) stems from Singapore Branch whose functional currency is US Dollars.

Other capital reserves

According to IAS 16 - "Property Plant and Equipment", property, plant and equipments are initially recorded at cost and can be subsequently measured at their fair values. The Company has started to show based on the revaluation model by measuring over fair value as of the third quarter of the current year by making changes in the use of the property which is measuring the cost model in the financial statements before.

Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

According to expertise reports, fair value of property for use is calculated as TL 147,116,950 and revaluation differences amounted TL 128,780,860 TL is recognized in 'Other Capital Reserves' account under equity amounting to TL 122,341,816 with net tax effect in financial statements as of 31 December 2015 (31 December 2014: None).

Valuation of financial assets

As of 31 December 2015 and 2014 detailed change of fair value of marketable securities, debt securities and subsidiaries classified as available for sale financial assets is as following:

	31 December 2015	31 December 2014
Fair value reserves at the beginning of the period	**68,254,045**	**25,630,918**
Change in the fair value during the period *(Note 4.2)*	25,278,317	41,063,988
Deferred tax effect *(Note 4.2)*	(298,539)	(4,146,289)
Net gains transferred to the statement of income *(Note 4.2)*	(3,198,617)	7,131,785
Deferred tax effect *(Note 4.2)*	639,723	(1,426,357)
Fair value reserves at the end of the period	**90,674,929**	**68,254,045**

Profit for the period that is extraneous from the distribution

In accordance with tax legislation, 75% of profits from sales of participation shares and real states included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years.

In the direction of sector announcement made by Treasury dated 27 October, 2008 and numbered 2008/41, the Company classified the gain on sale dated 10 April 2015 from the land in real estate amounting to TL 23,723,323 (31 December 2014: None) as of 31 December 2015.

16 Other reserves and equity component of discretionary participation

As at 31 December 2015 and 2014, other reserves are explained in detail in Note 15 - *Equity* above.

As at 31 December 2015 and 2014, the Company does not hold any insurance or investment contracts which contain a DPF.

(Currency: Turkish Lira (TL))

17 Insurance contract liabilities and reinsurance assets

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

As at 31 December 2015 and 2014, technical reserves of the Company are as follows:

	31 December 2015	31 December 2014
Reserve for unearned premiums, gross	404,344,069	366,997,830
Reserve for unearned premiums, ceded *(Note 10)*	(8,311,202)	(7,038,046)
Reserves for unearned premiums, net	**396,032,867**	**359,959,784**
Provision for outstanding claims, gross	866,350,659	756,531,339
Provision for outstanding claims, ceded *(Note 10)*	(25,358,546)	(16,271,938)
Provision for outstanding claims, net	**840,992,113**	**740,259,401**
Reserve for unexpired risks, gross	28,168,127	42,316,553
Reserve for unexpired risks, ceded *(Note 10)*	(278,842)	(1,167,724)
Reserve for unexpired risks, net	**27,889,285**	**41,148,829**
Equalization provision, net	**23,432,191**	**22,504,145**
Mathematical provisions	**491,937**	**368,342**
Total technical provisions, net	**1,288,838,393**	**1,164,240,501**
Short-term	1,265,406,202	1,141,736,356
Medium and long-term	23,432,191	22,504,145
Total technical provisions, net	**1,288,838,393**	**1,164,240,501**

(Currency: Turkish Lira (TL))

As at 31 December 2015 and 2014, movements of the insurance liabilities and related reinsurance assets are presented below:

	31 December 2015		
Reserve for unearned premiums	**Gross**	**Ceded**	**Net**
Reserve for unearned premiums at the beginning of the period	366,997,830	(7,038,046)	359,959,784
Premiums written during the period	996,757,231	(115,771,729)	880,985,502
Premiums earned during the period	(959,410,992)	114,498,573	(844,912,419)
Reserve for unearned premiums at the end of the period	**404,344,069**	**(8,311,202)**	**396,032,867**

	31 December 2014		
Reserve for unearned premiums	**Gross**	**Ceded**	**Net**
Reserve for unearned premiums at the beginning of the period	356,231,478	(6,368,822)	349,862,656
Premiums written during the period	957,821,365	(134,715,463)	823,105,902
Premiums earned during the period	(947,055,013)	134,046,239	(813,008,774)
Reserve for unearned premiums at the end of the period	**366,997,830**	**(7,038,046)**	**359,959,784**

	31 December 2015		
Provision for outstanding claims	**Gross**	**Ceded**	**Net**
Provision for outstanding claims at the beginning of the period	756,531,339	(16,271,938)	740,259,401
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	773,801,448	(26,295,390)	747,506,058
Claims paid during the period	(663,982,128)	17,208,782	(646,773,346)
Provision for outstanding claims at the end of the period	**866,350,659**	**(25,358,546)**	**840,992,113**

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

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

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

Total amount of insurance risk on a branch basis

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

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

None.

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

None.

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

None.

Pension investment funds established by the Company and their unit prices

None.

Number and amount of participation certificates in portfolio and circulation

None.

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

None.

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

None.

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

None.

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

None.

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

None.

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

None.

Profit share distribution rate of life insurances

None.

(Currency: Turkish Lira (TL))

Deferred commission expenses

The Company capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As at 31 December 2015, short-term deferred expenses amounting to TL 100,548,550 (31 December 2014: TL 92,115,629) totally consist of deferred commission expenses.

As at 31 December 2015 and 2014, the movement of deferred commission expenses is presented below:

	31 December 2015	31 December 2014
Deferred commission expenses at the beginning of the period	92,115,629	87,498,692
Commissions accrued during the period *(Note 32)*	237,519,964	222,705,718
Commissions expensed during the period *(Note 32)*	(229,087,043)	(218,088,781)
Deferred commission expenses at the end of the period	**100,548,550**	**92,115,629**

18 Investment contract liabilities

None.

19 Trade and other payables and deferred income

	31 December 2015	31 December 2014
Payables arising from reinsurance operations	44,146,054	43,148,405
Short/long term deferred income and expense accruals	3,561,620	7,206,118
Taxes and other liabilities and similar obligations	1,673,213	1,393,094
Due to related parties *(Note 45)*	66,378	81,488
Other payables	2,229,087	439,815
Total	**51,676,352**	**52,268,920**
Short-term liabilities	51,633,019	52,176,837
Long-term liabilities	43,333	92,083
Total	**51,676,352**	**52,268,920**

As at 31 December 2015 and 2014, other payables largely consist of outsourced benefits and services.

Short/long term deferred income and expense accruals include deferred commission income *(Note 10)* amounting to TL 362,614 (31 December 2014: TL 445,382).

As at 31 December 2015, the amounting of the expense accruals TL 2,989,356 (31 December 2014: TL 6,493,459) are detailed in the table below.

	31 December 2015	31 December 2014
Provision for assessment	--	2,910,801
Dividend accrual	1,856,235	1,637,335
Bonus accrual	--	837,981
Other accruals	1,133,121	1,107,342
Total	**2,989,356**	**6,493,459**

(Currency: Turkish Lira (TL))

Prepaid income and expense accruals are TL 209,650 (31 December 2014: TL 267,277) consist of long-term and short term other deferred income.

Corporate tax liabilities and prepaid taxes are disclosed below:

	31 December 2015	31 December 2014
Taxes paid during the year	(11,292,292)	(8,759,639)
Corporate tax liabilities	-	--
Prepaid assets, net (Note 12)	**(11,292,292)**	**(8,759,639)**

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

None.

20 Financial liabilities

The Company's financial liabilities from repo transactions is amounted TL 86,678,332 as of 31 December 2015 (31 December 2014: None). The maturity of repo transactions on 10 February 2016 and interest rate of 13.40%.

21 Deferred tax

As at 31 December 2015 and 2014, deferred tax assets and liabilities are attributable to the following:

	31 December 2015	31 December 2014
	Deferred tax assets/(liabilities)	Deferred tax assets/(liabilities)
Reserve for unexpired risks	5,577,857	8,229,766
Provision for the pension fund deficits	5,671,788	5,666,145
Deferred tax effect of current period tax losses	10,039,500	13,968,912
Equalization provision	253,684	351,529
Provisions for employee termination benefits	1,329,954	1,160,911
Valuation differences in financial assets	815,618	127,730
Provision for doubtful receivables	369,862	299,505
Provision for assessment	--	192,409
Reserve for dividend	360,012	--
Discount of receivables and payables	8,607	(4,648)
Amortization correction differences	(203,454)	(224,009)
Income accruals	(2,157,068)	(3,676,700)
Valuation differences in subsidiaries	(4,872,635)	(3,457,519)
Real estate valuation differences	(18,877,238)	(8,627,995)
Deferred tax (liabilities)/assets, net	**(1,683,513)**	**14,006,036**

(Currency: Turkish Lira (TL))

As at 31 December 2015 and 31 December 2014, the Company has deductible tax losses presented below with maturities and amounts in detail. The Company has recognised deferred tax assets on these tax losses because it is probable that future taxable profit will be available in accordance with the Company's projections.

	31 December 2015	31 December 2014
31 December 2016	50,197,498	58,603,684
Deductible tax losses	**50,197,498**	**58,603,684**

Movement of deferred tax assets are given below:

Movement of deferred tax (assets)/liabilities:	31 December 2015	31 December 2014
Opening balance at 1 January	**14,006,036**	**17,101,902**
Recognised in profit or loss	(9,045,756)	1,045,346
Recognised in equity	(6,643,793)	(4,141,212)
Deferred tax (assets)/liabilities:	**(1,683,513)**	**14,006,036**

22 Retirement benefit obligations

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

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

Following annulment of the temporary Article 23 of the Banking Law, the new law "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" was published in the Official Gazette dated 8 May 2008 and came into force. The new law requires transfer of the participants or beneficiaries of pension funds to Social Security Institution as at the effective date of the Act within 3 years and prescribe the extension period of the transfer as maximum of two years upon the order of the Cabinet. Accordingly, the three-year period expired on 8 May 2011 was extended to the 8 May 2013. On 8 March 2012, "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" numbered 28227, was published on Official Gazette and 4th article of this act changed "two years" phrase as "four years" which takes part on second sentence of first clause of 20th article of the code numbered 5510. Also, under the scope of Decree of the council of ministers numbered 2013/4617 was published on Official Gazette numbered 28636, on 3 May 2013 and 20th temporary article of the Social Security Laws numbered 506 banks, insurance and reinsurance companies, chambers of commerce, stock markets or participants of pension funds and salary or income provided ones and their shareholders' transfer duration has been extended one year to the Social Security Institution by Decree of the council of ministers. Under the scope of Decree of Turkish Ministry of Labour and Social Security numbered 174, according to 20th temporary article of the Social Security Laws numbered 5510, the Council of Ministers postpone transfer of the funds until 8 May 2015 with the decision of The Council of Ministers dated 24 February 2014.

Lastly, first paragraph of temporary 20th article of 5510 numbered Law, article 51 of the law regarding changing of several laws and delegated legislations and the law of occupational health and safety which are published in 23 April 2015 dated Official Gazette is changed as following.

"Council of minister is entitled to determine the Social Security Intuition's turnover date for banks, assurance and reinsurance companies, chamber of commerce and industry, stock markets or pension fund' partnerships that is constituted by them for union employees along with monthly income endowed people and their rights holder within the scope of 506 numbered law' provisional 20. Article. As part of this law' 4. article' first sub-article' (a) clause, pension fund partnerships are counted as insured as of the turnover date."

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

(Currency: Turkish Lira (TL))

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

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

a) technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and

b) uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by the entities who transfer the funds.

In accordance with the law; after fund affiliates along with monthly salary and/or revenue endowed people and their rights holder transfer to Social Security Intuition, these people' uncovered social rights and payments is paid, even if it is written in the foundation's obligation which they are belong to, by funds and fund affiliate's employer institutions.

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

The technical financial position of the Millî Reasürans Pension Fund is audited by the registered actuary in accordance with the Article 21 of the Insurance Law and Actuary Act. As per the calculations based on the above mentioned assumptions, actuarial and technical deficit amounting to TL 28,358,939 (31 December 2014: TL 28,330,725) is accounted as "Provision for pension fund deficits" in the accompanying unconsolidated financial statements.

An actuarial report has been obtained from registered actuary regarding calculation of the amount to be paid to the Social Security Institution by the Company in accordance with the new law. The CSO 1980 mortality table and 9.8% of technical deficit interest rate are taken into account in the calculation of the said technical deficit. No real increase/decrease is anticipated in salary and health expenses. The health benefits to be paid will be considered by the Group management due to the changes in the Social Security Institution legislation and other regulations. At 31 December 2015 and 2014, technical deficit from pension funds comprised the following:

	31 December 2015	31 December 2014
Net present value of total liabilities other than health	(92,355,113)	(85,239,925)
Net present value of insurance premiums	17,661,596	15,749,955
Net present value of total liabilities other than health	**(74,693,517)**	**(69,489,970)**
Net present value of health liabilities	(11,172,968)	(9,900,232)
Net present value of health premiums	9,681,587	8,632,751
Net present value of health liabilities	**(1,491,381)**	**(1,267,481)**
Pension fund assets	**47,825,959**	**42,426,726**
Amount of actuarial and technical deficit	**(28,358,939)**	**(28,330,725)**

(Currency: Turkish Lira (TL))

Plan assets are comprised of the following items:

	31 December 2015	31 December 2014
Cash and cash equivalents	40,973,136	36,076,138
Associates	6,759,312	6,193,278
Other	93,511	157,310
Total plan assets	**47,825,959**	**42,426,726**

23 Provision for other liabilities and charges

As at 31 December 2015 and 2014; the provisions for other risks are disclosed as follows:

	31 December 2015	31 December 2014
Provision for pension fund deficits *(Note 22)*	28,358,939	28,330,725
Provision for employee termination benefits	6,649,770	5,804,554
Total provision for other risks	**35,008,709**	**34,135,279**

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

	31 December 2015	31 December 2014
Provision at the beginning of the period	5,804,554	5,844,190
Interest cost *(Note 47)*	428,118	410,561
Service cost *(Note 47)*	405,492	362,845
Payments during the period *(Note 47)*	(457,337)	(838,428)
Actuarial differences	468,943	25,386
Provision at the end of the period	**6,649,770**	**5,804,554**

24 Net insurance premium

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

25 Fee revenue

None.

26 Investment income

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

27 Net income accrual on financial assets

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

28 Asset held at fair value through profit or loss

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

(Currency: Turkish Lira (TL))

29 Insurance rights and claims

	31 December 2015		31 December 2014	
	Life	Non-Life	Life	Non-Life
Claims paid, net off reinsurers' share	(6,111,970)	(640,661,376)	(6,801,752)	(564,497,059)
Changes in provision for outstanding claims, net off reinsurers' share	(463,503)	(100,269,209)	(943,204)	(60,608,461)
Changes in reserve for unearned premium, net off reinsurers' share	(392,924)	(35,680,159)	610,995	(10,708,123)
Changes in reserve for unexpired risks, net off reinsurers' share	--	13,259,544	--	(35,252,943)
Change in equalization provision, net off reinsurers' share	(199,272)	(728,774)	79,365	(792,223)
Change in life mathematical provisions, net off reinsurers' share	131,983	(255,578)	273,294	--
Total	**(7,035,686)**	**(764,335,554)**	**(6,781,302)**	**(671,858,809)**

30 Investment contract benefits

None.

31 Other expenses

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

32 Operating expenses

For the years ended 31 December 2015 and 2014, the operating expenses are disclosed as follows:

	31 December 2015		31 December 2014	
	Life	Non life	Life	Non life
Commission expenses *(Note 17)*	8,950,911	220,136,132	7,617,519	210,471,262
Commissions to the intermediaries accrued during the period (Note 17)	8,863,918	228,656,046	7,973,014	214,732,704
Changes in deferred commission expenses (Note 17)	86,993	(8,519,914)	(355,495)	(4,261,442)
Employee benefit expenses *(Note 33)*	799,808	36,549,645	772,694	34,909,424
Foreign exchange losses	241,415	22,737,610	122,711	18,868,395
Administration expenses	217,634	10,733,188	162,680	7,952,930
Commission income from reinsurers *(Note 10)*	(76,340)	(1,352,619)	(161,755)	(1,119,111)
Commission income from reinsurers accrued during the period (Note 10)	(35,951)	(1,310,240)	(173,576)	(1,180,263)
Change in deferred commission income (Note 10)	(40,389)	(42,379)	11,821	61,152
Outsourced benefits and services	19,512	800,332	27,327	1,120,861
Other	29,513	9,267,033	(239,651)	8,482,094
Total	**10,182,453**	**298,871,321**	**8,301,525**	**280,685,855**

(Currency: Turkish Lira (TL))

33 Employee benefit expenses

For the years ended 31 December 2015 and 2014, employee benefit expenses are disclosed as follows:

	31 December 2015		31 December 2014	
	Life	Non life	Life	Non life
Wages and salaries	563,471	25,887,407	522,125	23,701,423
Employer's share in social security premiums	137,113	5,623,924	168,276	6,902,123
Pension fund benefits	99,224	5,038,314	82,293	4,305,878
Total *(Note 32)*	**799,808**	**36,549,645**	**772,694**	**34,909,424**

34 Financial costs

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

35 Income tax expense

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

	31 December 2015	31 December 2014
Corporate tax expense:		
Corporate tax provision	--	--
Deferred taxes:		
Origination and reversal of temporary differences	(9,045,756)	1,045,346
Total income tax expense/(income)	**(9,045,756)**	**1,045,346**

A reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the year ended 31 December 2015 and 2014 is as follows:

	31 December 2015		31 December 2014	
Profit before taxes	**139,289,163**	**Tax rate (%)**	**28,675,699**	**Tax rate (%)**
Taxes on income per statutory tax rate	27,857,833	20.00	5,876,111	20.00
Tax exempt income	(19,203,838)	(13.78)	(7,274,152)	(24.76)
Non-deductible expenses	391,761	0.28	352,695	1.20
Total tax expense recognized in profit or loss	**9,045,756**	**6.49**	**(1,045,346)**	**(3.56)**

36 Net foreign exchange gains

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

(Currency: Turkish Lira (TL))

37 Earnings per share

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

	31 December 2015	31 December 2014
Net profit for the period	130,243,407	30,425,902
Weighted average number of shares (*)	66,000,000,000	66,000,000,000
Earnings per share (TL)	0,00197	0,00046

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

38 Dividends per share

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

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

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

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

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

As a result of the Ordinary General Meeting of the Company held on 25 March 2015, the Company has profit amounting to TL 11,054,672 for 2014. It has been decided unanimously that the profit distribution is not made and reduced towards by carry forward losses from previous years.

(Currency: Turkish Lira (TL))

39 Cash generated from operations

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

40 Convertible bonds

None.

41 Redeemable preference shares

None.

42 Risks

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

Legal process has been initiated in regard to 2007 and 2008, the cases that is resulted against us by the report date have been moved to higher court and instituted provision is resolved because in respect of all cases according to related periods, final judicial process is expected to result on behalf of the company. Besides that agreement application is made for the order of payment that is arriving to the company in respect for next period. Because the parties could not reach a settlement, a legal process has been started for the years 2009, 2010 and 2011 and the payment regarding to the revenue authorities was paid. (31 December 2014: TL 2,910,801).

43 Commitments

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

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

TL commitments	31 December 2015	31 December 2014
Within one year	828,666	707,413
Between two to five years	897,722	1,473,777
More than 5 years	--	--
Total of minimum rent payments	**1,726,388**	**2,181,190**

44 Business combinations

None.

(Currency: Turkish Lira (TL))

45 Related party transactions

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

The related party balances as of 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Türkiye İş Bankası A.Ş.	709,729,211	301,073,001
Other	430	822
Banks	**709,729,641**	**301,073,823**
Equity shares of the related parties *(Note 11)*	80,822,633	84,666,975
Bonds issued by İş GYO A.Ş. *(Note 11)*	--	1,623,247
Investment funds founded by İş Portföy Yönetimi A.Ş. *(Note 11)*	116,579,044	93,777,905
Investment funds founded by İş Yatırım Menkul Değerler A.Ş. *(Note 11)*	19,977,422	28,398,072
Bonds issued by İş Finansal Kiralama A.Ş. *(Note 11)*	3,157,102	4,539,735
Bonds issued by İş Yatırım Menkul Değerler A.Ş. *(Note 11)*	--	9,830,300
Financial assets	**220,536,201**	**222,836,234**
Anadolu Sigorta	7,565,788	3,204,989
Axa Sigorta A.Ş.	4,273,009	7,655,182
Anadolu Hayat Emeklilik A.Ş.	286,760	188,831
Groupama Sigorta A.Ş.	167,561	1,689,735
İstanbul Umum Sigorta A.Ş.	109,963	105,003
Ziraat Sigorta A.Ş.	81,886	--
Ziraat Hayat ve Emeklilik	47,220	433,125
Ergo Sigorta A.Ş.	18,246	18,246
Receivables from main operations	**12,550,433**	**13,295,111**
Due to shareholders	53,738	53,738
Due to other related parties	12,640	27,750
Due to related parties	**66,378**	**81,488**
Ergo Sigorta A.Ş.	5,304,570	3,619,529
Güven Sigorta T.A.Ş.	1,360,722	2,192,741
Allianz Sigorta A.Ş.	874,590	751,048
Groupama Sigorta A.Ş.	55,043	60,224
Axa Sigorta A.Ş.	50,953	54,833
İstanbul Umum Sigorta A.Ş.	40,403	44,343
Ziraat Sigorta A.Ş.	--	352,262
Payables from main operations	**7,686,281**	**7,074,980**

No guarantees have been taken against receivables from related parties.

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

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

(Currency: Turkish Lira (TL))

The transactions with related parties during the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Anadolu Sigorta	101,325,349	95,204,719
Axa Sigorta A.Ş.	48,212,402	43,051,681
Ergo Sigorta A.Ş.	14,189,023	17,563,499
Ziraat Sigorta A.Ş.	12,178,834	9,462,839
Groupama Sigorta A.Ş.	11,167,164	12,215,432
Allianz Sigorta A.Ş.	933,867	1,001,533
Anadolu Hayat Emeklilik A.Ş.	858,013	859,473
Ziraat Hayat ve Emeklilik	390,235	1,949,018
Güven Sigorta T.A.Ş.	315	2,048,792
AvivaSa Emeklilik A.Ş.	--	(382)
Premiums received	**189,255,202**	**183,356,604**
Ergo Sigorta A.Ş.	12,902	10,111
Anadolu Sigorta	10,030	185,578
Groupama Sigorta A.Ş.	3,800	7,992
Axa Sigorta A.Ş.	2,172	3,447
Güven Sigorta T.A.Ş.	767	1,359
İstanbul Umum A.Ş.	1	34
Allianz Sigorta A.Ş.	(34)	90
Premiums ceded	**29,638**	**208,611**
Anadolu Sigorta	14,392	(267)
Groupama Sigorta A.Ş.	7,659	(2,839)
Ergo Sigorta A.Ş.	5,134	(330)
Axa Sigorta A.Ş.	3,037	399
Güven Sigorta T.A.Ş.	1,389	(182)
Allianz Sigorta A.Ş.	1	(4)
İstanbul Umum A.Ş.	--	(2)
Commissions received	**31,612**	**(3,225)**
Anadolu Sigorta	21,562,258	21,022,017
Axa Sigorta A.Ş.	7,953,361	7,705,485
Ergo Sigorta A.Ş.	2,975,744	4,382,862
Ziraat Sigorta A.Ş.	2,861,183	2,259,787
Groupama Sigorta A.Ş.	1,323,906	1,968,242
Anadolu Hayat Emeklilik A.Ş.	223,783	263,521
Allianz Sigorta A.Ş.	146,237	1,812,204
AvivaSa Emeklilik A.Ş.	--	(191)
Güven Sigorta T.A.Ş.	(62,182)	(1)
Commissions given	**36,984,290**	**39,413,926**

(Currency: Turkish Lira (TL))

	31 December 2015	31 December 2014
Anadolu Sigorta	53,073,935	38,357,876
Axa Sigorta A.Ş.	41,100,417	12,458,213
Groupama Sigorta A.Ş.	19,670,681	28,775,974
Ergo Sigorta A.Ş.	13,250,572	16,418,632
Ziraat Sigorta A.Ş.	5,780,262	2,986,945
Allianz Sigorta A.Ş.	4,209,033	9,570,599
Güven Sigorta T.A.Ş.	2,361,285	4,307,333
Ziraat Hayat ve Emeklilik	749,298	735,576
Anadolu Hayat Emeklilik A.Ş.	167,542	100,216
AvivaSa Emeklilik A.Ş.	--	54,000
Claims paid	**140,363,025**	**113,765,364**
Anadolu Sigorta	469,767	486,089
Groupama Sigorta A.Ş.	269,451	233,044
Axa Sigorta A.Ş.	196,702	133,552
Ergo Sigorta A.Ş.	121,500	211,383
Güven Sigorta T.A.Ş.	95,107	77,160
İstanbul Umum A.Ş.	21,018	16,835
Allianz Sigorta A.Ş.	16,536	14,241
Reinsurance's share of claims paid	**1,190,081**	**1,172,304**
Anadolu Sigorta	715,473	105,489
Axa Sigorta A.Ş.	690,593	(63,408)
Ergo Sigorta A.Ş.	421,667	(47,895)
Groupama Sigorta A.Ş.	273,437	51,753
Allianz Sigorta A.Ş.	148,657	370,011
Ziraat Sigorta A.Ş.	49,556	6,349
Anadolu Hayat Emeklilik A.Ş.	10,326	823
AvivaSa Emeklilik A.Ş.	--	35
Other income	**2,309,709**	**423,157**
Axa Sigorta A.Ş.	1,139,001	187,955
Ergo Sigorta A.Ş.	358,197	353,710
Güven Sigorta T.A.Ş.	264,090	33
Anadolu Sigorta	242,021	68,894
Groupama Sigorta A.Ş.	125,132	36,872
Allianz Sigorta A.Ş.	115,889	209,265
Ziraat Sigorta A.Ş.	13,525	7,444
Anadolu Hayat Emeklilik A.Ş.	1,918	4,060
Ziraat Hayat ve Emeklilik	506	7,229
AvivaSa Emeklilik A.Ş.	--	5
Other expenses	**2,260,279**	**875,467**

(Currency: Turkish Lira (TL))

46 Subsequent events

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

47 Other

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

They are presented in the related notes above.

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

None.

Subrogation recorded in "Off-Balance Sheet Accounts"

None.

Real rights on immovable and their values

None.

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

None.

As at and for the year ended 31 December 2015 and 2014, details of rediscount and provision expenses are as follows:

Provision expenses	31 December 2015	31 December 2014
Provision for pension fund deficits	(28,214)	7,985,301
Assessment	2,910,801	(2,910,801)
Provision expenses for doubtful receivables (*)	(2,528,035)	(787,764)
Provision for employee termination benefits *(Note 23)*	(376,273)	65,023
Other	2,345	802
Provisions	**(19,376)**	**4,352,561**

(*) Provision income stems from foreign exchange translation effect on doubtful receivables from main operations amounting to TL (2,528,035).

Rediscount expenses	31 December 2015	31 December 2014
Rediscount income/(expense) from reinsurance receivables	(3,584)	929
Rediscount income/(expense) from reinsurance payables	(455,335)	339,677
Total of rediscounts	**(458,919)**	**340,606**

Millî Reasürans Türk Anonim Şirketi

Consolidated Financial Statements Together with Independent Auditors' Report Thereon

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

Information on Consolidated Subsidiaries

Anadolu Anonim Türk Sigorta Şirketi

Active in the business of insurance and reinsurance in non-life branches, Anadolu Sigorta was founded on 1925 at the initiative of Atatürk and under the leadership of İşbank, Turkey's first national bank.

Pioneering its sector ever since it was founded, Anadolu Sigorta is committed to offering only high-quality products and services and to ensuring their sustainability with its expert and experienced staff, solid financial basis and high-tech infrastructure, dynamic approach towards continuous development and improvement, and extensive network of expert agents.

Anadolu Sigorta's shares are quoted on the Borsa İstanbul (BİST) National Market under the symbol "ANSGR". The major shareholder of Anadolu Sigorta is Millî Reasürans with its 57.3% share, and 48% of the Company is open to public.

Headquartered in İstanbul, Anadolu Sigorta brings its products to its customers via regional offices in İstanbul (2), Ankara, Adana, Antalya, Bursa, Samsun, Trabzon, and İzmir, a branch in the Turkish Republic of Northern Cyprus, and about 2,400 agencies.

Anadolu Sigorta uses the bank branches within the bancassurance network as fundamental element of its service delivery in Turkey. Together with all İşbank branches, Türkiye Sınai Kalkınma Bankası, Arap Türk Bankası, Alternatifbank, Albaraka Türk Katılım Bankası, and Finansbank branches are serving as Anadolu Sigorta agencies.

In 2015, Anadolu Sigorta expanded its total premium production by 20.15% year-on-year to TL 3.6 billion and controlled a 13.24% share of the overall market among non-life companies.

Anadolu Sigorta registered its highest premium production in the Motor Vehicles Liability branch with TL 1,042.8 million, followed by Motor Vehicles with TL 845.7 million in 2014. Trailing these two branches, in order, were Fire and Natural Disasters with TL 637.5 million, Illness/Health with TL 328.3 million, General Losses with TL 298.8 million, and General Liability with TL 122.9 million.

Total unconsolidated assets of Anadolu Sigorta were up 28.5% year-to-year and reached TL 4,888 million at year end 2015 while its shareholders' equity registered TL 1,202 million with 14.3% increase. Posting TL 65.6 million in unconsolidated gross profit, the Company successfully reached its target of 2015 in terms of sustainable profitability.

Millî Reasürans Türk Anonim Şirketi

Independent Auditors' Report

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

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To the Board of Directors of Millî Reasürans Türk Anonim Şirketi

Report on the Financial Statements

We have audited the accompanying consolidated balance sheet of Millî Reasürans Türk Anonim Şirketi ("the Company") as at 31 December 2015 and the related consolidated statement of income, changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the "Insurance Accounting and Reporting Legislation" which includes the accounting principles and standards, in force as per the insurance legislation, and the requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with audit standards in force as per insurance legislation and Independent Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement and provide a true and fair view of the Company.

An audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Millî Reasürans Türk Anonim Şirketi as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with the Insurance Accounting and Reporting Legislation.

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2015, the Company's bookkeeping activities are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

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

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

Alper Güvenç
Partner

19 February 2016
İstanbul, Turkey

Additional paragraph for convenience translation to English:

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

Millî Reasürans Türk Anonim Şirketi

Consolidated Financial Statements as at and For The Year Ended 31 December 2015

We confirm that the consolidated financial statements and related disclosures and footnotes as at 31 December 2015 which were prepared in accordance with the accounting principles and standards in force as per the regulations of T.C. Başbakanlık Hazine Müsteşarlığı are in compliance with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies" and the financial records of our Company.

Istanbul, 19 February 2016

Şule SOYLU	Kemal ÇUHACI	Hasan Hulki YALÇIN	Ertan TAN
Group Manager	Assistant General Manager	General Manager	Actuary

Contents

Millî Reasürans Türk Anonim Şirketi

Consolidated Balance Sheet
As at 31 December 2015

(Currency: Turkish Lira (TL))

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

ASSETS			
I- Current Assets	Note	Audited Current Period 31 December 2015	Restated (*) Audited Prior Period 31 December 2014
A- Cash and Cash Equivalents	**14**	**3,296,902,698**	**2,348,242,173**
1- Cash	14	53,835	53,676
2- Cheques Received		--	--
3- Banks	14	2,929,798,391	2,098,910,576
4- Cheques Given and Payment Orders	14	(125,585)	(171,519)
5- Bank Guaranteed Credit Card Receivables With Maturity Less Than Three Months	14	367,176,057	249,449,440
6- Other Cash and Cash Equivalents		--	--
B- Financial Assets and Financial Investments with Risks on Policyholders	**11**	**1,133,957,261**	**1,114,726,681**
1- Available-for-Sale Financial Assets	11	1,022,265,854	906,847,326
2- Held to Maturity Investments	11	15,555,214	73,670,047
3- Financial Assets Held for Trading	11	96,232,135	140,006,920
4- Loans and Receivables		--	--
5- Provision for Loans and Receivables		--	--
6- Financial Investments with Risks on Life Insurance Policyholders		--	--
7- Company's Own Equity Shares		--	--
8- Diminution in Value of Financial Investments	11	(95,942)	(5,797,612)
C- Receivables from Main Operations	**12**	**1,102,022,681**	**971,491,906**
1- Receivables from Insurance Operations	12	869,275,449	751,368,850
2- Provision for Receivables from Insurance Operations	12	(8,305,178)	(7,677,067)
3- Receivables from Reinsurance Operations	12	169,725,737	159,969,053
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited to Insurance & Reinsurance Companies	12	71,326,673	67,831,070
6- Loans to the Policyholders		--	--
7- Provision for Loans to the Policyholders		--	--
8- Receivables from Private Pension Operations		--	--
9- Doubtful Receivables from Main Operations	4.2,12	150,770,368	113,390,295
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(150,770,368)	(113,390,295)
D- Due from Related Parties		**--**	**--**
1- Due from Shareholders		--	--
2- Due from Associates		--	--
3- Due from Subsidiaries		--	--
4- Due from Joint Ventures		--	--
5- Due from Personnel		--	--
6- Due from Other Related Parties		--	--
7- Rediscount on Receivables from Related Parties		--	--
8- Doubtful Receivables from Related Parties		--	--
9- Provision for Doubtful Receivables from Related Parties		--	--
E- Other Receivables	**12**	**10,983,942**	**5,727,672**
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given	12	568,349	631,683
4- Other Miscellaneous Receivables	12	10,415,593	5,095,989
5- Rediscount on Other Miscellaneous Receivables		--	--
6- Other Doubtful Receivables	4.2,12	63,177	63,177
7- Provision for Other Doubtful Receivables	4.2,12	(63,177)	(63,177)
F- Prepaid Expenses and Income Accruals		**382,912,914**	**315,596,207**
1- Deferred Acquisition Costs	17	366,089,853	294,618,259
2- Accrued Interest and Rent Income		--	--
3- Income Accruals	4.2,12	16,363,166	20,722,572
4- Other Prepaid Expenses	4.2,12	459,895	255,376
G- Other Current Assets		**35,540,786**	**11,480,486**
1- Stocks to be Used in the Following Months		1,090,552	238,539
2- Prepaid Taxes and Funds	12,19	33,690,959	10,608,131
3- Deferred Tax Assets		--	--
4- Job Advances	12	255,077	167,145
5- Advances Given to Personnel	12	4,151	4,631
6- Inventory Count Differences		--	--
7- Other Miscellaneous Current Assets	12	500,047	462,040
8- Provision for Other Current Assets		--	--
I- Total Current Assets		**5,962,320,282**	**4,767,265,125**

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi

Consolidated Balance Sheet
As at 31 December 2015

(Currency: Turkish Lira (TL))
Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

ASSETS			
II- Non-Current Assets	Note	Audited Current Period 31 December 2015	Restated (*) Audited Prior Period 31 December 2014
A- Receivables from Main Operations		--	--
1- Receivables from Insurance Operations		--	--
2- Provision for Receivables from Insurance Operations		--	--
3- Receivables from Reinsurance Operations		--	--
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited for Insurance and Reinsurance Companies		--	--
6- Loans to the Policyholders		--	--
7- Provision for Loans to the Policyholders		--	--
8- Receivables from Individual Pension Business		--	--
9- Doubtful Receivables from Main Operations	4.2,12	14,221,013	11,695,323
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(14,221,013)	(11,695,323)
B- Due from Related Parties		--	--
1- Due from Shareholders		--	--
2- Due from Associates		--	--
3- Due from Subsidiaries		--	--
4- Due from Joint Ventures		--	--
5- Due from Personnel		--	--
6- Due from Other Related Parties		--	--
7- Rediscount on Receivables from Related Parties		--	--
8- Doubtful Receivables from Related Parties		--	--
9- Provision for Doubtful Receivables from Related Parties		--	--
C- Other Receivables	4.2,12	2,207,981	--
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given		--	--
4- Other Miscellaneous Receivables	4.2,12	2,839,780	--
5- Rediscount on Other Miscellaneous Receivables	4.2,12	(631,799)	--
6- Other Doubtful Receivables		--	--
7- Provision for Other Doubtful Receivables		--	--
D- Financial Assets	9	165,528,161	149,298,487
1- Investments in Equity Shares		--	--
2- Investments in Associates	9	164,435,454	148,205,780
3- Capital Commitments to Associates		--	--
4- Investments in Subsidiaries	9	1,092,707	1,092,707
5- Capital Commitments to Subsidiaries		--	--
6- Investments in Joint Ventures		--	--
7- Capital Commitments to Joint Ventures		--	--
8- Financial Assets and Financial Investments with Risks on Policyholders		--	--
9- Other Financial Assets		--	--
10- Impairment in Value of Financial Assets		--	--
E- Tangible Assets	6	510,242,396	279,861,279
1- Investment Properties	6,7	324,911,650	230,606,045
2- Impairment for Investment Properties		--	--
3- Owner Occupied Property	6	158,649,350	38,751,315
4- Machinery and Equipments	6	41,909,394	34,554,018
5- Furniture and Fixtures	6	17,209,219	15,701,150
6- Motor Vehicles	6	1,859,204	2,674,433
7- Other Tangible Assets (Including Leasehold Improvements)	6	20,322,655	19,401,127
8- Tangible Assets Acquired Through Finance Leases	6	4,166,354	4,166,354
9- Accumulated Depreciation	6	(58,785,430)	(65,993,163)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		--	--
F- Intangible Assets	8	59,597,284	63,041,229
1- Rights	8	97,650,098	90,745,932
2- Goodwill	8	16,250,000	16,250,000
3- Pre-operating Expenses		--	--
4- Research and Development Costs		--	--
5- Other Intangible Assets		--	--
6- Accumulated Amortization	8	(69,276,525)	(45,684,081)
7- Advances Paid for Intangible Assets	8	14,973,711	1,729,378
G- Prepaid Expenses and Income Accruals		5,344,867	3,562,038
1- Deferred Acquisition Costs	17	5,221,880	3,562,038
2- Income Accruals		--	--
3- Other Prepaid Expenses	4.2	122,987	--
H- Other Non-Current Assets	21	13,948,959	31,926,180
1- Effective Foreign Currency Accounts		--	--
2- Foreign Currency Accounts		--	--
3- Stocks to be Used in the Following Years		--	--
4- Prepaid Taxes and Funds		--	--
5- Deferred Tax Assets	21	13,948,959	31,926,180
6- Other Miscellaneous Non-Current Assets		--	--
7- Amortization on Other Non-Current Assets		--	--
8- Provision for Other Non-Current Assets		--	--
II- Total Non-Current Assets		756,869,648	527,689,213
TOTAL ASSETS		6,719,189,930	5,294,954,338

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi

Consolidated Balance Sheet
As at 31 December 2015

(Currency: Turkish Lira (TL))

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

LIABILITIES			
III- Short-Term Liabilities	Note	Audited Current Period 31 December 2015	Restated (*) Audited Prior Period 31 December 2014
A- Financial Liabilities	**20**	**297,347,979**	**--**
1- Borrowings from Financial Institutions		--	--
2- Finance Lease Payables		--	--
3- Deferred Leasing Costs		--	--
4- Current Portion of Long Term Debts		--	--
5- Principal Installments and Interests on Bonds Issued		--	--
6- Other Financial Assets Issued		--	--
7- Valuation Differences of Other Financial Assets Issued		--	--
8- Other Financial Liabilities		297,347,979	--
B- Payables Arising from Main Operations	**19**	**373,784,676**	**333,218,811**
1- Payables Arising from Insurance Operations		216,615,209	206,687,366
2- Payables Arising from Reinsurance Operations		43,014,872	41,910,954
3- Cash Deposited by Insurance and Reinsurance Companies		5,496,957	8,514,584
4- Payables Arising from Pension Operations		--	--
5- Payables Arising from Other Operations		108,657,638	76,105,907
6- Discount on Payables from Other Operations		--	--
C-Due to Related Parties	**19**	**158,568**	**81,488**
1- Due to Shareholders		53,738	53,738
2- Due to Associates		--	--
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		92,190	--
6- Due to Other Related Parties		12,640	27,750
D- Other Payables	**19**	**62,710,887**	**48,001,148**
1- Deposits and Guarantees Received		3,177,561	2,958,994
2- Payables to Social Security Institution Related to Treatment Expenses		27,524,238	16,625,234
3- Other Miscellaneous Payables		32,516,197	28,666,170
4- Discount on Other Miscellaneous Payables		(507,109)	(249,250)
E-Insurance Technical Provisions	**17**	**4,108,661,380**	**3,357,104,047**
1- Reserve for Unearned Premiums - Net	17	1,846,273,474	1,528,917,388
2- Reserve for Unexpired Risks- Net	17	32,682,256	80,455,896
3- Life Mathematical Provisions - Net	17	491,937	368,342
4- Provision for Outstanding Claims - Net	17	2,229,213,713	1,747,362,421
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net		--	--
F- Provisions for Taxes and Other Similar Obligations	**19**	**38,761,168**	**28,779,229**
1- Taxes and Funds Payable		36,015,743	26,416,196
2- Social Security Premiums Payable		2,745,425	2,363,033
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		--	--
4- Other Taxes and Similar Payables	-	--	--
5- Corporate Tax Payable		1,769,959	21,081,960
6- Prepaid Taxes and Other Liabilities Regarding Current Year Income		(1,769,959)	(21,081,960)
7- Provisions for Other Taxes and Similar Liabilities		--	--
G- Provisions for Other Risks		**--**	**--**
1- Provision for Employee Termination Benefits		--	--
2- Provision for Pension Fund Deficits		--	--
3- Provisions for Costs		--	--
H- Deferred Income and Expense Accruals	**19**	**75,955,282**	**75,756,584**
1- Deferred Commission Income	10,19	39,714,319	34,699,722
2- Expense Accruals	19	36,066,016	40,881,668
3- Other Deferred Income	19	174,947	175,194
I- Other Short Term Liabilities	**23**	**1,492,709**	**1,433,153**
1- Deferred Tax Liabilities		--	--
2- Inventory Count Differences		--	--
3- Other Various Short Term Liabilities	23	1,492,709	1,433,153
III - Total Short Term Liabilities		**4,958,872,649**	**3,844,374,460**

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi

Consolidated Balance Sheet
As at 31 December 2015

(Currency: Turkish Lira (TL))

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

LIABILITIES			
IV- Long-Term Liabilities	Note	Audited Current Period 31 December 2015	Restated (*) Audited Prior Period 31 December 2014
A- Financial Liabilities		--	--
1- Borrowings from Financial Institutions		--	--
2- Finance Lease Payables		--	--
3- Deferred Leasing Costs		--	--
4- Bonds Issued		--	--
5- Other Financial Assets Issued		--	--
6- Valuation Differences of Other Financial Assets Issued		--	--
7- Other Financial Liabilities		--	--
B- Payables Arising from Operating Activities		--	--
1- Payables Arising from Insurance Operations		--	--
2- Payables Arising from Reinsurance Operations		--	--
3- Cash Deposited by Insurance and Reinsurance Companies		--	--
4- Payables Arising from Pension Operations		--	--
5- Payables Arising from Other Operations		--	--
6- Discount on Payables from Other Operations		--	--
C- Due to Related Parties		--	--
1- Due to Shareholders		--	--
2- Due to Associates		--	--
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		--	--
6- Due to Other Related Parties		--	--
D- Other Payables		--	--
1- Deposits and Guarantees Received		--	--
2- Payables to Social Security Institution Related to Treatment Expenses		--	--
3- Other Miscellaneous Payables		--	--
4- Discount on Other Miscellaneous Payables		--	--
E-Insurance Technical Provisions	17	104,977,919	83,054,021
1- Reserve for Unearned Premiums - Net		--	--
2- Reserve for Unexpired Risks - Net		--	--
3- Life Mathematical Provisions - Net		--	--
4- Provision for Outstanding Claims - Net		--	--
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net	17	104,977,919	83,054,021
F-Other Liabilities and Relevant Accruals		--	--
1- Other Liabilities		--	--
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		--	--
3- Other Liabilities and Expense Accruals		--	--
G- Provisions for Other Risks	23	50,253,639	46,763,394
1- Provisions for Employment Termination Benefits	23	21,894,700	18,432,669
2- Provisions for Pension Fund Deficits	22,23	28,358,939	28,330,725
H-Deferred Income and Expense Accruals	19	43,332	92,083
1- Deferred Commission Income		--	--
2- Expense Accruals		--	--
3- Other Deferred Income	19	43,332	92,083
I- Other Long Term Liabilities		--	--
1- Deferred Tax Liabilities		--	--
2- Other Long Term Liabilities		--	--
IV - Total Long Term Liabilities		155,274,890	129,909,498

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi

Consolidated Balance Sheet
As at 31 December 2015

(Currency: Turkish Lira (TL))

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

EQUITY

V- Equity	Note	Audited Current Period 31 December 2015	Restated (*) Audited Prior Period 31 December 2014
A- Paid in Capital		**660,000,000**	**660,000,000**
1- (Nominal) Capital	2.13,15	660,000,000	660,000,000
2- Unpaid Capital (-)		--	--
3- Positive Capital Restatement Differences		--	--
4- Negative Capital Restatement Differences (-)		--	--
5- Unregistered Capital		--	--
B- Capital Reserves	**15**	**117,604,491**	**(6,859,068)**
1- Share Premiums		--	--
2- Cancellation Profits of Equity Shares		--	--
3- Profit on Sale Assets That Will Be Transferred to Capital		--	--
4- Currency Translation Adjustments	15	(19,573,401)	(11,907,682)
5- Other Capital Reserves	15	137,177,892	5,048,614
C- Profit Reserves		**103,545,587**	**97,148,770**
1- Legal Reserves	15	80,567,006	77,369,316
2- Statutory Reserves	15	6,759,148	4,441,017
3- Extraordinary Reserves	15	34,827,040	12,047,517
4- Special Funds		--	--
5- Revaluation of Financial Assets	11,15	28,234,178	49,409,155
6- Other Profit Reserves	15	24,218,264	24,941,814
7- Subsidiary Capital Correction	15	(71,060,049)	(71,060,049)
D- Retained Earnings		**195,873,555**	**144,703,437**
1- Retained Earnings		195,873,555	144,703,437
E- Accumulated Losses		**--**	**--**
1- Accumulated Losses		--	--
F-Net Profit/(Loss) for the Year		**156,222,767**	**80,363,867**
1- Net Profit for the Period		131,042,910	79,540,889
2- Net Loss for the Period		--	--
3- Net Profit for the Period not Subject to Distribution		25,179,857	822,978
G- Minority Shares		**371,795,991**	**345,313,374**
V- Total Equity		**1,605,042,391**	**1,320,670,380**
TOTAL EQUITY AND LIABILITIES		**6,719,189,930**	**5,294,954,338**

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Income For the Year Ended 31 December 2015

(Currency: Turkish Lira (TL))

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

I- TECHNICAL SECTION	Note	Audited Current Period 31 December 2015	Restated (*) Audited Prior Period 31 December 2014
A- Non-Life Technical Income		**3,868,158,939**	**3,348,472,224**
1- Earned Premiums (Net of Reinsurer Share)		3,362,793,609	2,997,531,819
1.1- Written Premiums (Net of Reinsurer Share)	17	3,631,983,131	3,131,619,183
1.1.1- Written Premiums, gross	17	4,487,551,165	3,844,788,600
1.1.2- Written Premiums, ceded	10,17	(756,056,567)	(639,067,377)
1.1.3- Written Premiums, SSI share		(99,511,467)	(74,102,040)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(316,963,162)	(71,406,993)
1.2.1- Reserve for Unearned Premiums, gross	17	(374,332,005)	(73,295,604)
1.2.2- Reserve for Unearned Premiums, ceded	10,17	39,086,070	(49,046)
1.2.3- Reserve for Unearned Premiums, SSI share		18,282,773	1,937,657
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	47,773,640	(62,680,371)
1.3.1- Reserve for Unexpired Risks, gross		45,621,785	(63,767,740)
1.3.2- Reserve for Unexpired Risks, ceded		2,151,855	1,087,369
2- Investment Income - Transferred from Non-Technical Section		377,454,291	301,839,464
3- Other Technical Income (Net of Reinsurer Share)		71,477,926	36,941,711
3.1- Other Technical Income, gross		71,477,926	36,944,656
3.2- Other Technical Income, ceded		--	(2,945)
4. Accrued Salvage and Subrogation Income		56,433,113	12,159,230
B- Non-Life Technical Expense		**(3,805,677,102)**	**(3,222,295,801)**
1- Incurred Losses (Net of Reinsurer Share)		(2,802,133,939)	(2,361,395,001)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(2,320,746,150)	(1,983,768,035)
1.1.1- Claims Paid, gross	17	(2,538,268,492)	(2,100,564,859)
1.1.2- Claims Paid, ceded	10,17	217,522,342	116,796,824
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(481,387,789)	(377,626,966)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(731,830,650)	(451,754,342)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10,17	250,442,861	74,127,376
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
2.1- Provision for Bonus and Discounts, gross		--	--
2.2- Provision for Bonus and Discounts, ceded		--	--
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	(21,724,626)	(16,762,259)
4- Operating Expenses	32	(908,004,593)	(800,916,609)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		(255,578)	--
5.1- Mathematical Provisions		(255,578)	--
5.2- Mathematical Provisions, ceded		--	--
6- Other Technical Expense		(73,558,366)	(43,221,932)
6.1- Other Technical Expense, gross		(73,558,366)	(43,221,932)
6.2- Other Technical Expense, ceded		--	--
C- Net Technical Income-Non-Life (A - B)		**62,481,837**	**126,176,423**
D- Life Technical Income		**19,541,877**	**21,023,279**
1- Earned Premiums (Net of Reinsurer Share)		17,904,430	19,456,394
1.1- Written Premiums (Net of Reinsurer Share)	17	18,297,354	18,845,399
1.1.1- Written Premiums, gross	17	19,755,699	24,082,962
1.1.2- Written Premiums, ceded	10,17	(1,458,345)	(5,237,563)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(392,924)	610,995
1.2.1- Reserve for Unearned Premiums, gross	17	84,139	60,476
1.2.2- Reserve for Unearned Premiums, ceded	10,17	(477,063)	550,519
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
1.3.1- Reserve for Unexpired Risks, gross		--	--
1.3.2- Reserve for Unexpired Risks, ceded		--	--
2- Investment Income		1,466,954	1,489,069
3- Unrealized Gains on Investments		--	--
4- Other Technical Income (Net of Reinsurer Share)		170,493	77,816
4.1- Other Technical Income, gross		59,603	77,816
4.2- Other Technical Income, ceded		110,890	--
5- Accrued Salvage and Subrogation Income		--	--

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Income
For the Year Ended 31 December 2015

(Currency: Turkish Lira (TL))

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

I- TECHNICAL SECTION	Note	Audited Current Period 31 December 2015	Restated [*] Audited Prior Period 31 December 2014
E- Life Technical Expense		**(16,825,215)**	**(15,693,822)**
1- Incurred Losses (Net of Reinsurer Share)		(6,575,473)	(7,744,957)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(6,111,970)	(6,801,752)
1.1.1- Claims Paid, gross	17	(6,492,393)	(10,861,957)
1.1.2- Claims Paid, ceded	10,17	380,423	4,060,205
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(463,503)	(943,205)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(828,662)	(1,109,507)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10,17	365,159	166,302
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
2.1- Provision for Bonus and Discounts, gross		--	--
2.2- Provision for Bonus and Discounts, ceded		--	--
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	131,983	273,294
3.1- Change in Mathematical Provisions, gross	29	131,983	273,294
3.1.1- Actuarial Mathematical Provisions	29	131,983	273,294
3.1.2- Profit Sharing Provisions (Provisions for Policies Investment Risks of Which Belong to Life Insurance Policyholders)		--	--
3.2- Change in Mathematical Provisions, ceded		--	--
3.2.1- Actuarial Mathematical Provisions, ceded		--	--
3.2.2- Profit Sharing Provisions, ceded (Provisions for Policies Investment Risks of Which Belong to Life Insurance Policyholders)		--	--
4- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	(199,272)	79,365
5- Operating Expenses	32	(10,182,453)	(8,301,524)
6- Investment Expenses		--	--
7- Unrealized Losses on Investments		--	--
8- Investment Income Transferred to the Non-Life Technical Section		--	--
F- Net Technical Income- Life (D - E)		**2,716,662**	**5,329,457**
G- Pension Business Technical Income		--	--
1- Fund Management Income		--	--
2- Management Fee		--	--
3- Entrance Fee Income		--	--
4- Management Expense Charge in case of Suspension		--	--
5- Income from Private Service Charges		--	--
6- Increase in Value of Capital Allowances Given as Advance		--	--
7- Other Technical Expense		--	--
H- Pension Business Technical Expense		--	--
1- Fund Management Expense		--	--
2- Decrease in Value of Capital Allowances Given as Advance		--	--
3- Operating Expenses		--	--
4- Other Technical Expenses		--	--
I- Net Technical Income - Pension Business (G - H)		**--**	**--**

[*] See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Income
For the Year Ended 31 December 2015

(Currency: Turkish Lira (TL))
Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1.1

II- NON-TECHNICAL SECTION	Note	Audited Current Period 31 December 2015	Restated (*) Audited Prior Period 31 December 2014
C- Net Technical Income - Non-Life (A-B)		**62,481,837**	**126,176,423**
F- Net Technical Income - Life (D-E)		**2,716,662**	**5,329,457**
I - Net Technical Income - Pension Business (G-H)		**--**	**--**
J- Total Net Technical Income (C+F+I)		**65,198,499**	**131,505,880**
K- Investment Income		**659,953,132**	**423,455,812**
1- Income from Financial Assets	4.2	288,672,778	214,542,234
2- Income from Disposal of Financial Assets	4.2	55,904,227	61,386,475
3- Valuation of Financial Assets	4.2	32,495,483	16,705,624
4- Foreign Exchange Gains	4.2	149,059,354	74,755,504
5- Income from Associates	4.2	30,635,392	21,855,676
6- Income from Subsidiaries and Joint Ventures	4.2	4,075	347,307
7- Income from Property, Plant and Equipment	7	101,851,209	33,232,443
8- Income from Derivative Transactions	4.2	741,200	441,863
9- Other Investments		589,414	188,686
10- Income Transferred from Life Section		--	--
L- Investment Expense		**(503,350,993)**	**(411,814,463)**
1- Investment Management Expenses (inc. interest)	4.2	(3,060,240)	(413,808)
2- Diminution in Value of Investments		(2,824,154)	(3,509,979)
3- Loss from Disposal of Financial Assets	4.2	(11,039,996)	(17,584,246)
4- Investment Income Transferred to Non-Life Technical Section		(377,454,292)	(301,839,464)
5- Loss from Derivative Transactions	4.2	(74,638)	(282,254)
6- Foreign Exchange Losses	4.2	(67,687,210)	(57,145,242)
7- Depreciation and Amortization Expenses	6,8	(32,779,765)	(24,962,910)
8- Other Investment Expenses		(8,430,698)	(6,076,560)
M- Income and Expenses From Other and Extraordinary Operations		**(31,797,769)**	**(9,037,365)**
1- Provisions	47	(25,565,845)	(16,008,099)
2- Rediscounts	47	999,672	(3,019,675)
3- Specified Insurance Accounts		--	--
4- Monetary Gains and Losses		--	--
5- Deferred Taxation (Deferred Tax Assets)	35	--	6,875,889
6- Deferred Taxation (Deferred Tax Liabilities)	35	(14,290,010)	--
7- Other Income		9,528,258	5,288,210
8- Other Expenses and Losses		(2,469,844)	(2,173,690)
9- Prior Year's Income		--	--
10- Prior Year's Expenses and Losses		--	--
N- Net Profit for the Year		**188,232,910**	**113,027,904**
1- Profit for the Year		190,002,869	134,109,864
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(1,769,959)	(21,081,960)
3- Net Profit for the Year		188,232,910	113,027,904
3.1-Groups Profit/(Loss)		156,222,767	80,363,867
3.2-Minority Shares		32,010,143	32,664,037
4- Monetary Gains and Losses		--	--

(*) See Note 2.1.6

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2015

(Currency: Turkish Lira (TL))

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

Audited Changes [(*)] in Equity - 31 December 2014

	Note	Paid-in capital	Own shares of the company	Revaluation of financial assets	Inflation adjustment
I - Balance at the end of the previous year - 31 December 2013	**15**	**615,000,000**	**--**	**18,869,209**	**--**
II - Correction [(*)]		**--**	**--**	**--**	**--**
III - Restated balances (I+II) (1 January 2014)		**615,000,000**	**--**	**18,869,209**	**--**
A- Capital increase (A1+A2)		45,000,000	--	--	--
1- In cash		--	--	--	--
2- From reserves		*45,000,000*	--	--	--
B - Effects of changes in group structure		--	--	--	--
C - Purchase of own shares		--	--	--	--
D - Gains or losses that are not included in the statement of income		--	--	--	--
E - Change in the value of financial assets		--	--	30,539,946	--
F - Currency translation adjustments		--	--	--	--
G - Other gains or losses		--	--	--	--
H - Inflation adjustment differences		--	--	--	--
I - Net profit for the year		--	--	--	--
J - Other reserves and transfers from retained earnings		--	--	--	--
K - Dividends paid		--	--	--	--
IV - Balance at the end of the year - 31 December 2014	**15**	**660,000,000**	**--**	**49,409,155**	**--**

Audited Changes in Equity - 31 December 2015

	Note	Paid-in capital	Own shares of the company	Revaluation of financial assets	Inflation adjustment
I - Balance at the end of the previous year - 31 December 2014	**15**	**660,000,000**	**--**	**49,409,155**	**--**
II - Correction		**--**	**--**	**--**	**--**
III - Restated balances (I+II) (1 January 2015)		**660,000,000**	**--**	**49,409,155**	**--**
A- Capital increase (A1+A2)		--	--	--	--
1- In cash		--	--	--	--
2- From reserves		--	--	--	--
B - Effects of changes in group structure		--	--	--	--
C - Purchase of own shares		--	--	--	--
D - Gains or losses that are not included in the statement of income		--	--	--	--
E -Change in the value of financial assets		--	--	(21,174,977)	--
F - Currency translation adjustments		--	--	--	--
G - Other gains or losses		--	--	--	--
H - Inflation adjustment differences		--	--	--	--
I - Net profit for the year		--	--	--	--
J - Other reserves and transfers from retained earnings		--	--	--	--
K - Dividends paid		--	--	--	--
IV - Balance at the end of the year - 31 December 2015	**15**	**660,000,000**	**--**	**28,234,178**	**--**

[(*)] See Note 2.1.6

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

Currency translation adjustment	Legal reserves	statutory Reserves	Other reserves and retained earnings	Net profit for the year	Retained earnings	Total equity before minority shares	Minority share	Total
(9,246,073)	**76,312,898**	**43,612,652**	**(24,809,529)**	**71,800,159**	**(97,983,106)**	**693,556,210**	**281,987,556**	**975,543,766**
--	--	--	**(207)**	**144,700,744**	**27,700,804**	**172,401,341**	**20,138,604**	**192,539,945**
(9,246,073)	**76,312,898**	**43,612,652**	**(24,809,736)**	**216,500,903**	**(70,282,302)**	**865,957,551**	**302,126,160**	**1,168,083,711**
--	--	(39,500,000)	(5,500,000)	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	*(39,500,000)*	*(5,500,000)*	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	267,622	--	--	267,622	386,206	653,828
--	--	--	--	--	--	30,539,946	10,136,971	40,676,917
(2,661,609)	--	--	--	--	--	(2,661,609)	--	(2,661,609)
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	--	80,363,867	--	80,363,867	32,664,037	113,027,904
--	1,056,418	328,365	1,020,010	(216,500,903)	214,985,739	889,629	--	889,629
--	--	--	--	--	--	--	--	--
(11,907,682)	**77,369,316**	**4,441,017**	**(29,022,104)**	**80,363,867**	**144,703,437**	**975,357,006**	**345,313,374**	**1,320,670,380**

Currency translation adjustment	Legal reserves	statutory Reserves	Other reserves and retained earnings	Net profit for the year	Retained earnings	Total equity before minority shares	Minority share	Total
(11,907,682)	**77,369,316**	**4,441,017**	**(29,022,104)**	**80,363,867**	**144,703,437**	**975,357,006**	**345,313,374**	**1,320,670,380**
--	--	--	--	--	--	--	--	--
(11,907,682)	**77,369,316**	**4,441,017**	**(29,022,104)**	**80,363,867**	**144,703,437**	**975,357,006**	**345,313,374**	**1,320,670,380**
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
--	--	--	121,598,260	--	--	121,598,260	809,659	122,407,919
--	--	--	--	--	--	(21,174,977)	(2,570,431)	(23,745,408)
(7,665,719)	--	--	--	--	--	(7,665,719)	--	(7,665,719)
--	--	--	--	--	9,519,361	9,519,361	7,090,930	16,610,291
--	--	--	--	--	--	--	--	--
--	--	--	--	156,222,767	--	156,222,767	32,010,144	188,232,911
--	3,197,690	2,318,131	32,586,991	(80,363,867)	41,650,757	(610,298)	--	(610,298)
--	--	--	--	--	--	--	(10,857,685)	(10,857,685)
(19,573,401)	**80,567,006**	**6,759,148**	**125,163,147**	**156,222,767**	**195,873,555**	**1,233,246,400**	**371,795,991**	**1,605,042,391**

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Cash Flows For the Year Ended 31 December 2015

(Currency: Turkish Lira (TL))

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

	Note	Audited Current Period 31 December 2015	Audited Prior Period 31 December 2014
A. Cash flows from operating activities			
1. Cash provided from insurance activities		3,792,126,779	3,057,769,886
2. Cash provided from reinsurance activities		1,082,027,764	1,009,325,193
3. Cash provided from private pension business		--	--
4. Cash used in insurance activities		(3,634,027,829)	(2,929,122,653)
5. Cash used in reinsurance activities		(893,254,430)	(803,997,793)
6. Cash used in private pension business		--	--
7. Cash provided from operating activities		**346,872,284**	**333,974,633**
8. Interest paid		--	--
9. Income taxes paid		(22,398,667)	(22,930,452)
10. Other cash inflows		925,534,252	667,872,563
11. Other cash outflows		(1,310,262,560)	(791,279,095)
12. Net cash provided from operating activities		**(60,254,691)**	**187,637,649**
B. Cash flows from investing activities		--	--
1. Proceeds from disposal of tangible assets		18,142,811	238
2. Acquisition of tangible assets	6, 8	(30,156,258)	(22,199,158)
3. Acquisition of financial assets	11	(1,165,407,715)	(1,280,823,743)
4. Proceeds from disposal of financial assets	11	1,219,198,917	1,327,186,209
5. Interests received		271,228,019	296,835,030
6. Dividends received		6,170,248	5,210,648
7. Other cash inflows		393,855,080	138,471,262
8. Other cash outflows		(330,550,178)	(292,691,169)
9. Net cash provided by/(used in) investing activities		**382,480,925**	**171,989,317**
C. Cash flows from financing activities		--	--
1. Equity shares issued		--	--
2. Cash provided from loans and borrowings		--	--
3. Finance lease payments		--	--
4. Dividends paid		(12,871,811)	--
5. Other cash inflows		297,347,979	--
6. Other cash outflows		(8,876,616)	--
7. Net cash provided by financing activities		**275,599,552**	--
D. Effect of exchange rate fluctuations on cash and cash equivalents		**1,930,699**	**1,700,942**
E. Net increase/(decrease) in cash and cash equivalents		**599,756,484**	**361,327,908**
F. Cash and cash equivalents at the beginning of the year	**14**	**1,703,863,051**	**1,342,535,143**
G. Cash and cash equivalents at the end of the year	**14**	**2,303,619,535**	**1,703,863,051**

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

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Profit Distribution For the Year Ended 31 December 2015

(Currency: Turkish Lira (TL))

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

	Note	Audited Current Period 31 December 2015 (**)	Audited Prior Period 31 December 2014
I. DISTRIBUTION OF THE PERIOD PROFIT (*)			
1.1. PERIOD PROFIT		106,520,084	11,054,672
1.2. TAXES AND DUTIES PAYABLE	35	--	--
1.2.1. Corporate Tax (Income Tax)	35	--	--
1.2.2. Income Tax Deductions		--	--
1.2.3. Other Taxes and Legal Duties		--	--
A. CURRENT PERIOD PROFIT (1.1 - 1.2)		**106,520,084**	**11,054,672**
1.3. ACCUMULATED LOSSES (-)		(12,694,585)	(23,749,257)
1.4. FIRST LEGAL RESERVES (-)		(4,691,275)	--
1.5. OTHER STATUTORY RESERVES (-)		--	--
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5)]		**89,134,224**	**(12,694,585)**
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		--	--
1.6.1. To owners of ordinary shares		--	--
1.6.2. To owners of privileged shares		--	--
1.6.3. To owners of redeemed shares		--	--
1.6.4. To holders profit sharing bonds		--	--
1.6.5. To holders of profit and loss sharing certificates		--	--
1.7. DIVIDENDS TO PERSONNEL (-)		--	--
1.8. DIVIDENDS TO FOUNDERS (-)		--	--
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)		--	--
1.10.1. To owners of ordinary shares		--	--
1.10.2. To owners of privileged shares		--	--
1.10.3. To owners of redeemed shares		--	--
1.10.4. To holders profit sharing bonds		--	--
1.10.5. To holders of profit and loss sharing certificates		--	--
1.11. SECOND LEGAL RESERVES (-)		--	--
1.12. STATUTORY RESERVES (-)		--	--
1.13. EXTRAORDINARY RESERVES		--	--
1.14 OTHER RESERVES		--	--
1.15 SPECIAL FUNDS		--	--
II. DISTRIBUTION OF RESERVES		--	--
2.1. APPROPRIATED RESERVES		--	--
2.2. SECOND LEGAL RESERVES (-)		--	--
2.3. DIVIDENDS TO SHAREHOLDERS (-)		--	--
2.3.1. To owners of ordinary shares		--	--
2.3.2. To owners of privileged shares		--	--
2.3.3. To owners of redeemed shares		--	--
2.3.4. To holders of profit sharing bonds		--	--
2.3.5. To holders of profit and loss sharing certificates		--	--
2.4. DIVIDENDS TO PERSONNEL (-)		--	--
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
III. EARNINGS PER SHARE		--	--
3.1. TO OWNERS OF ORDINARY SHARES		--	--
3.2. TO OWNERS OF ORDINARY SHARES (%)		--	--
3.3. TO OWNERS OF PRIVILEGED SHARES		--	--
3.4. TO OWNERS OF PRIVILEGED SHARES (%)		--	--
IV. DIVIDEND PER SHARE		--	--
4.1. TO OWNERS OF ORDINARY SHARES		--	--
4.2. TO OWNERS OF ORDINARY SHARES (%)		--	--
4.3. TO OWNERS OF PRIVILEGED SHARES		--	--
4.4. TO OWNERS OF PRIVILEGED SHARES (%)		--	--

(*) Profit for the period 31 December 2014, arising from 75% of affiliate and sales revenue and the amount of TL 23,723,323 which is reserved for pursuing in "Period Profits No Longer Distributed" item of account under equity is not take into the consideration within the scope of 5. Article of the Corporate Tax Law. Statement of profit appropriation is not prepared since period income does not exist in 2014.

(**) Profit distribution table has not been filled yet, due to profit distribution proposal for the year 2015 has not prepared by the Board of Directors.

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

1 General information

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

As at 31 December 2015, the shareholder having direct or indirect control over the shares of Millî Reasürans Türk Anonim Şirketi (the "Company") is Türkiye İş Bankası A.Ş. Group ("İş Bankası") having 76.64% of the outstanding shares.

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

On 30 September 2010, the Company purchased 35.53% shares of Anadolu Sigorta Anonim Şirketi with nominal value of TL 177,650,110 from İş Bankası amounting to TL 248,710,154. The transaction is realized on the weighted average price on İstanbul Stock Exchange wholesale market. With the purchase, the share of the Company at Anadolu Sigorta increased to 57.31% and investment increased to TL 286,550,106.

The consolidated financial statements as of 31 December 2015 include the Company and its subsidiary Anadolu Sigorta (together with "the Group").

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

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

1.3 Business of the Company

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

The subsidiary of the Company, Anadolu Sigorta operates in almost all non-life insurance branches consisting of mainly accident, health, motor vehicles, air vehicles, water vehicles, transportation, fire and natural disasters, general loss, credit, financial losses, and legal protection. As at 31 December 2015, the Company serves through 2,561 agencies of which 2,468 authorized and 93 unauthorized agencies (31 December 2014: 2,485 authorized and 91 unauthorized, total 2,576).

1.4 Description of the main operations of the Company

The Company and its subsidiary Anadolu Sigorta conduct their operations in accordance with the Insurance Law No. 5684 (the "Insurance Law") issued in 14 June 2007 dated and 26552 numbered Official Gazette and the communiqués and other regulations in force issued by Republic of Turkey Prime Ministry-Undersecretariat of Treasury (the "Turkish Treasury") based on the Insurance Law.

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

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

Anadolu Sigorta is incorporated in Turkey and operates in insurance branches as mentioned above Note 1.3 Business of the Company. Anadolu Sigorta's shares have been listed on the Istanbul Stock Exchange ("BIST"). In accordance with Paragraph 5 Article 136 in Section VIII of the Capital Markets Law numbered 6362, insurance companies have to comply with their own specific laws and regulations in matters of establishment, supervision/oversight, accounting and independent auditing standards; therefore, Anadolu Sigorta performs its operations accordingly.

(Currency: Turkish Lira (TL))

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

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

	31 December 2015	31 December 2014
Senior managers	13	13
Managers	58	57
Assistant managers	145	142
Officers	749	661
Contracted personnel	7	43
Advisors	3	3
Other personnel	308	270
Total	**1,283**	**1,189**

1.6 Wages and similar benefits provided to the senior management

For the year ended 31 December 2015, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers is amounting to TL 10,526,324 (31 December 2014: TL 9,444,775).

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

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

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

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

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

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

The accompanying financial statements comprise the consolidated financial information of the Company. Consolidation principles are further discussed in note 2.2 - *Consolidation*.

As at 31 December 2015, the Company owns 57.31% of its subsidiary, Anadolu Anonim Türk Sigorta Şirketi ("Anadolu Sigorta") are included in the scope of consolidation by line-by-line method. Anadolu Hayat Emeklilik A.Ş. ("Anadolu Hayat") is associate of Anadolu Sigorta and is consolidated by equity method with share of 21.00% in the consolidated financial statements as at 31 December 2015.

Anadolu Sigorta as a subsidiary company of the Group, is operating in almost all of the none-life insurance branches composed of accident, health, general losses, motor vehicles liability, air craft liability, general liability, credit, financial losses and legal protection.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2015

(Currency: Turkish Lira (TL))

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

The activities of Anadolu Hayat involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and related personal accident branches, establishing retirement funds, developing internal rules and regulations related to these funds, carrying out retirement, annual income insurance, portfolio management and custody contracts for the assets of the funds held in custody.

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

Trade name of the Company:	Millî Reasürans Türk Anonim Şirketi
Registered address of the head office:	Maçka Cad. No: 35 34367 Şişli/İstanbul
The web page of the Company:	www.millire.com

There has been no change in the aforementioned information subsequent to the previous reporting date.

1.10 Subsequent events

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

2 Summary of significant accounting policies

2.1 Basis of preparation

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

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

In the Article 4 of related regulation, procedures and principles related to insurance contracts, recognition of subsidiaries, jointly controlled associations and associates and formation of consolidated financial statements, financial statements disclosed to public, and explanations related to these statements will be determined by Communiqués issued by Turkish Treasury.

The form and content of financial statements of companies is regulated by "Communiqué on Presentation of Financial Statements" that is published in Official Gazette dated 18 April 2008 and numbered 26851 in order for comparison of financial statements with previous period and other companies' financial statements.

Additional paragraph for convenience translation to English

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

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

Accounting in hyperinflationary countries

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

With respect to the declaration of the Turkish Treasury with the article dated 4 April 2005 and numbered 19387, consolidated financial statements as of 31 December 2004 are adjusted for the opening balances of 2005 in accordance with the section with respect to inflation accounting of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated 15 January 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Turkish Treasury. Accordingly, as at 31 December 2015, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded before 1 January 2005 are measured as restated to 31 December 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded after 1 January 2005 are measured at their nominal values.

Other accounting policies

The Company recorded premiums, commissions and claims accruals based on the notifications sent by the insurance and reinsurance companies after the closing of their balances. Premiums, commissions and claims accruals are recorded in the accompanying financial statements with the three-month delay. Therefore, related income statement balances include last quarter results for the year ended 31 December 2014 and nine-month results as at and for the period ended 30 September 2015 and accordingly related balance sheet balances as at 31 December 2015 do not reflect the actual position. According to the letter dated 31 August 2010 and numbered B.02.1.HZN.0.10.03.01/42139 sent by the Turkish Treasury to the Company, it is stated that account statements sent by the ceding companies are subject to possible delays and the Turkish Treasury is considered special situations of the reinsurance companies in their regulations.

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

2.1.3 Valid and presentation currency

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

2.1.4 Rounding scale of the amounts presented in the financial statements

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

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

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

2.1.6 Accounting policies, changes in accounting estimates and errors

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

Fire and earthquake premiums obtained from foreign reinsurance treaties could not accounted on the basis of branches in the previous years due to limitations imposed by local legislation of the foreign countries, notification characteristics of the treaties and total premiums used by foreign companies in the reconciliation process. Therefore, all premiums obtained from aforementioned treaties are accounted on the fire branch. According to the letter dated 2 August 2011 and numbered B.02.1.HZN.0.10.03.01/38732 sent by the Turkish Treasury to the Company, it is allowed to use average rate calculated over separately reported fire and earthquake premiums for unclassified premiums of proportioned treaties. Furthermore, according to the letter dated 12 August 2011 sent by the Turkish Treasury to the Company, prospective application as at 30 June 2011 effective from 1 January 2011 is allowed since retrospective application is impossible. Accordingly, financial statements prepared as at 31 December 2015, premiums obtained from foreign proportioned treaties are accounted on the basis of average earthquake premium ratio calculated from foreign proportioned treaties over the period of 1 January 2015 - 31 December 2015. The same ratio is used for unproportioned reinsurance treaties in accordance with the Communiqué released on 28 July 2010 and numbered 27655 "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves". Distribution of commissions and claims between the fire and earthquake branches is parallel with the aforementioned method.

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

According to 16th article of "Circular on Actuarial Chain Ladder Method (2010/12)" dated 20 September 2010 and announced by Turkish Treasury, ACML calculation should be made through main branches. However, as at 31 December 2012, the Company has calculated ACML reserve for General Losses main branch as two separate subbranches namely agriculture and non agriculture branches. Because, Agriculture and Engineering subbranches under General Losses main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Losses branch produces unreliable and improper results. The Company applied to Turkish Treasury on 17 January 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Losses branch as agriculture and non agriculture subbranches separately. Turkish Treasury has given permission the Company in order to calculate IBNR reserve for General Losses within two subbranches with the letter dated 28 January 2013 and numbered 24179134. As at 31 December 2015, the Company recognised the amount that arised due to change in calculation method for IBNR on General Losses branch.

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

Accounting policy changes regarding subsequent measurement of owner occupied properties

According to standard "TAS 16 - Property Plant and Equipment", subsequent to initial measurement, tangible assets could be measured with historical cost basis method or revaluation method if the fair value could be measured in a reliable manner.

The Company has changed historical cost basis method with revaluation method for owner occupied properties according to accounting policy change since 30 September 2015. According to standard "TAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors", if the Company changes historical cost basis method with revaluation method regarding the measurement of tangible assets accounting policy, there is no need to adjust the prior periods' financial statements. But the Company should present the valuation differences as revaluation differences in the financial statements at when this change happened.

As of 31 December 2015, according to real estate appraisal reports, the fair value of owner occupied properties is amounting to TL 158,649,350. The revaluation difference amounting to TL 138,528,285 excluding tax amounting to TL 131,601,870 is presented under the other profit reserves in equity.

Accounting policy changes regarding subsequent measurement of investment property

According to standard "TAS 40 - Investment Property", the Company has a choice to apply historical cost basis method or fair value method for investment properties subsequent to initial measurement. Reporting standards allow the Company to change the method determined before to provide more reasonable information about the financial statements to financial statement readers.

"TAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors" identifies this kind of change as an optional change and the Company has to restate previous financial statements regarding the measured effects. Beginning from third quarter of 2015, the Company has started measuring the fair value of investment properties which were measured by historical cost basis method before. Also the effects of accounting policy change have been provided by updating the previous financial statements.

As of 31 December 2015, according to real estate appraisal reports, the fair value of investment properties is amounting to TL 324,911,650. The revaluation difference TL 282,029,093 is presented as income from property, plant and equipment account in current year profit and amounting to TL 182,042,978 as previous years' profit in equity and amounting to TL 79,851,398 as income from property, plant and equipment.

(Currency: Turkish Lira (TL))

The effects of accounting policy changes regarding subsequently measured investment properties in financial statements at 31 December 2014 and 31 December 2013 are presented below:

		31 December 2014
	Previously Reported	Revised
Investment property	48,325,615	230,606,045
Accumulated depreciation	(89,110,412)	(65,993,163)
Deferred tax assets	41,790,025	31,926,180
Prior years' profit	(27,922,604)	144,703,437
Net income of the period	59,801,754	80,363,867
Depreciation and redemption expenses	(25,929,420)	(24,962,910)
Income from property, plant and equipment	13,668,530	33,232,443
Deferred tax assets account (profit/loss account)	7,895,427	6,875,889

		31 December 2013
	Previously Reported	Revised
Investment property	48,325,615	211,042,132
Accumulated depreciation	(81,117,506)	(58,966,767)
Deferred tax assets	40,606,546	31,370,165
Prior years' profit/(loss)	(97,983,106)	(70,282,302)
Net income of the period	71,800,159	216,500,903

2.2 Consolidation

"Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Individual Pension Companies" issued by the Turkish Treasury in the Official Gazette dated 31 December 2008 and numbered 27097 ("the Circular for Consolidation") requires that insurance, reinsurance and individual pension companies issue consolidated financial statements starting from 31 March 2009. The Company consolidated its subsidiary Anadolu Sigorta by using line-by-line method and Anadolu Hayat which is associate of Anadolu Sigorta is consolidated by the equity method.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(Currency: Turkish Lira (TL))

The subsidiary, Anadolu Sigorta included in consolidation and effective shareholding percentages of the Company are as follows. The information related to the associate of the Company, Anadolu Hayat which is consolidated using equity method is presented in Note 9.

Company	Direct and indirect controlling interest	Direct controlling interest	Total assets	Shareholders' equity	Prior period loss	Current period profit
Anadolu Sigorta (consolidated)	57.31%	57.31%	4,548,870,173	863,218,237	64,827,919	74,982,806

The Company has not consolidated Miltaş Turizm A.Ş., the subsidiary of the Company, based on the exception specified in the Circular for Consolidation; as the amount of total assets of such subsidiary was below 1% of total assets of the Company. The Company accounted for this subsidiary at cost as of 31 December 2015 and 2014.

Transactions eliminated on consolidation

Anadolu Sigorta's balance sheet and income statement is consolidated by line-by-line method and the book value of Anadolu Sigorta in the Company's accounts and the capital amount in the Anadolu Sigorta accounts are eliminated. Intra-group balances and transactions between the Company and Anadolu Sigorta, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The accounting policies of subsidiary have been changed when necessary to align them with the policies adopted by the Company.

Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Net profit or loss of subsidiary, applicable to the non-controlling interest are presented under "Non-controlling interest" account under consolidated statement of income.

2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. As at 31 December 2015 and 2014, the Group operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

2.4 Foreign currency transactions

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

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

(Currency: Turkish Lira (TL))

2.5 Tangible assets

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

The Company has changed historical cost basis method with revaluation method for owner occupied properties. Fair values of owner occupied properties have been reflected in the financial statements instead of historical cost values since third quarter of 2015.

The fair values of owner occupied properties were provided by CMB licensed real estate companies. The fair values excluding the accumulated depreciation are reflected in the financial statements.

Increase arising from the revaluation of owner occupied properties is presented under the other profit reserves in the equity excluding tax.

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

Lands are not amortised due to their unlimited useful lives. Tangible assets are depreciated on a straight-line basis over their estimated useful lives (3-15 years) over the cost of the asset and revaluated amounts.

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

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

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

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

Depreciation rates and estimated useful lives are as follows:

Tangible assets	Estimated useful lives (years)	Depreciation rates (%)
Buildings	50	2.0
Machinery and equipment	3 - 15	6.7 - 33.3
Vehicles	5	20.0
Other tangible assets (includes leasehold improvements)	5	20.0

2.6 Investment property

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

Investment properties are initially recorded at cost and subsequently measured at their fair values. The changes which result of fair value valuation recognised in the income statement (Note 2.1.6).

Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of retirement or disposal.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The fair value on the date of change in the usage is considered as cost in the reclassification recognition when investment property that measured with fair value is reclassified as a tangible asset.

2.7 Intangible assets

The Group's intangible assets consist of computer software and goodwill.

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

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

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

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gain or losses on the disposal of an entity includes the carrying amount of goodwill relating to the entity disposed of.

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocations made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arises.

The Group has acquired the health portfolio of Anadolu Hayat Emeklilik A.Ş. at 31 August 2004 with all of its rights and liabilities. The value at acquisition of the portfolio amounting to TL 16,250,000 is capitalized as goodwill by the Group.

2.8 Financial assets

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

Securities are recognized and derecognized at the date of settlement.

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

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

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

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

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

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

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

In the accompanying consolidated financial statements, Anadolu Hayat, associate of the Group, has been consolidated by using the equity method of accounting.

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

2.9 Impairment on assets

Impairment on financial assets

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

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

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

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

Impairment on tangible and intangible assets

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

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

2.10 Derivative financial instruments

Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 - *Financial Instruments: Recognition and measurement*.

Derivative financial instruments are initially recognized at their fair value.

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

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

2.11 Offsetting of financial assets

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

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

2.12 Cash and cash equivalents

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

(Currency: Turkish Lira (TL))

2.13 Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group. As at 31 December 2015 and 2014, the share capital and ownership structure of the Company are as follows:

	31 December 2015		31 December 2014	
Name	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Türkiye İş Bankası A.Ş.	505,810,925	76.64	505,810,925	76.64
Millî Reasürans T.A.Ş. MensuplarıYardımlaşma Sandığı Vakfı	69,585,028	10.54	69,585,028	10.54
Groupama Emeklilik A.Ş.	38,809,894	5.88	38,809,894	5.88
T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı	22,240,456	3.37	22,240,456	3.37
T.C. Ziraat Bankası A.Ş.	16,430,944	2.49	16,430,944	2.49
Others	7,122,753	1.08	7,122,753	1.08
Paid in capital	**660,000,000**	**100.00**	**660,000,000**	**100.00**

Privileges on common shares representing share capital

There are no privileges on common shares representing share capital.

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

Registered capital system in the Company

None.

Repurchased own shares by the Company

None.

2.14 Insurance and investment contracts - classification

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

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

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

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

2.15 Insurance contracts and investment contracts with discretionary participation feature

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

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

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

(iii) that are contractually based on:

  (1) the performance of a specified pool of contracts or a specified type of contract;

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

  (3) the profit or loss of company, fund or other entity that issues the contract.

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

2.16 Investment contracts with DPF

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

2.17 Liabilities

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

2.18 Income taxes

Corporate tax

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

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

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

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods. As at 31 December 2015, the Company has deductible tax losses, amounting to TL 50,197,498 (31 December 2014: TL 58,603,684).

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

Deferred tax

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

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

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

Transfer pricing

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

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

2.19 Employee benefits

Pension and other post-retirement obligations

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

Employees of the Company are the members of "Millî Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı ("Millî Reasürans Pension Fund") and the employees of Anadolu Sigorta are the members of Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı ("Anadolu Anonim Pension Fund") which is established in accordance with the temporary Article 20 of the Social Security Act No: 506.

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

Employees of the Company are the members of "Millî Reasürans Türk Anonim Şirketi Memurları Emekli ve Sağlık Sandığı ("Millî Reasürans Pension Fund") which is established in accordance with the temporary Article 20 of the Social Security Act No: 506. As per the temporary sub article No: 20 of the Article 73 of the Social Security Law, pension funds should be transferred to the Social Security Institution within three years after the publication of the a aforementioned Law published in the Official Gazette numbered 26870 and dated 8 May 2008. The related three-year transfer period has been prolonged for two years by the Cabinet decision, which was published on the Official Gazette dated 9 April 2011. Accordingly, the three-year period expired on 8 May 2011 was extended to the 8 May 2015. The principles and applications of the transfer will be determined by the Decree of the Council of Ministers separately.

Lastly, first paragraph of temporary 20th article of 5510 numbered Law, article 51 of the law regarding changing of several laws and delegated legislations and the law of occupational health and safety which are published in 23 April 2015 dated Official Gazette is changed as following.

Funds participating, pensioned or endowed and beneficiaries of the established funds for the personnel of banks, insurance and reinsurance companies, chambers of commerce, chamber of industries, stock exchanges or is organized by them under the temporary 20th article of law no. 506, council of ministers is entitled to determine the date of transfer to Social Security Institution. As of the transfer date, fund participatings are regarded as social insurant in accordance with the (a) subclause of first sub articles of 4th article of related law.

(Currency: Turkish Lira (TL))

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

The cash value of the obligations of the pension fund for each member of the fund including members left the fund as of the transfer date will be calculated according to following assumptions:

a) Technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and

b) Gains and losses of the funds stems from benefits covered by the aforementioned Law taken into accounts to calculate present value of the obligations.

Employee termination benefits

In accordance with existing Turkish Labor Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2015 is TL 3,828 (31 December 2014: TL 3,438).

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 - *Employee Benefits*. The major actuarial assumptions used in the calculation of the total liability as at 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Discount rate	3.77-4.61%	3.77-4.46%
Expected rate of salary/limit increase	5.00-5.83%	4.37-5.00%
Estimated employee turnover rate	2.00-3.27%	2.00-6.29%

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

Other benefits

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

2.20 Provisions

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

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

(Currency: Turkish Lira (TL))

2.21 Revenue recognition

Written premiums

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

Claims paid

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

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

Subrogation, salvage and quasi income

According to the Circular 2010/13 dated 20 September 2010; the Company may account for income accrual for subrogation receivables without any voucher after the completion of the claim payments made to the insuree. If the amount cannot be collected from the counterparty insurance company, the Company provides provision for uncollected amounts due for six months. If the counter party is not an insurance company, the provision is provided after four months. As at the reporting date, in accordance with the related circular the Group provided TL 45,354,423 (31 December 2014: TL 26,118,178) subrogation receivables and recorded TL 49,626,517 (31 December 2014: TL 30,648,790) *(Note 12)* amount net subrogation and salvage receivables under receivables from main operations. The Group provided allowance for uncollected subrogation receivables amounting to TL 8,305,178 (31 December 2014: TL 7,677,067) *(Note 12)* in accordance with circular.

For the periods ended 31 December 2015 and 2014, salvage and subrogation collected are as follows:

	31 December 2015	31 December 2014
Motor vehicles	292,754,774	255,938,892
Third party liability for motor vehicles (MTPL)	7,174,650	4,894,794
Transportation	3,654,611	1,951,328
Fire and natural disaster	2,946,419	2,556,620
Water vehicles	1,052,607	1,087,073
Accident	164,084	248,943
General losses	135,207	129,658
General responsibility	68,150	2,410
Air crafts	7,759	452,519
Credit	--	16,861
Legal protection	--	(22,011)
Total	**307,958,261**	**267,257,087**

(Currency: Turkish Lira (TL))

As at 31 December 2015 and 2014, accrued subrogation and salvage income per branches is as follows:

	31 December 2015	31 December 2014
Motor vehicles	36,648,709	29,805,959
Third party liability for motor vehicles (MTPL)	4,252,062	213,733
Water vehicles	3,904,872	16,671
Fire and natural disaster	3,485,325	397,028
Transportation	1,048,488	181,347
General losses	274,558	--
Accident	12,503	34,052
Total	**49,626,517**	**30,648,790**

Commission income and expenses

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

Interest income and expenses

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

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

Trading income/expense

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

Dividends

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

2.22 Leasing transactions

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

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

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

2.23 Dividend distribution

As a result of the General Assembly Meeting of the Company held on 25 March 2015, the Company has profit amounting to TL 11,054,672 for 2014, it has been decided unanimously that the profit distribution is not made and offsetted by losses in previous years.

2.24 Reserve for unearned premiums

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

- Reserve for unearned premiums are calculated on the basis of 1/8 for reinsurance and retrocession transactions that are not subject to basis of day or 1/24 due to application limitations,
- For commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves.

The subsidiary of the Company, Anadolu Sigorta calculated unearned premium reserve in accordance with the basis specified above.

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

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

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

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

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

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

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

As at the reporting date, the Group has provided reserve for unearned premiums amounting to TL 2,194,659,969 (31 December 2014: TL 1,820,412,103) and reinsurer share in reserve for unearned premiums amounting TL 293,410,931 (31 December 2014: TL 254,801,924). Furthermore, reserve for unearned premiums includes Social Security Institution ("SSI") share amounting to TL 54,975,564 (31 December 2014: TL 36,692,791).

2.25 Provision for outstanding claims

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

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

In accordance with 5 December 2014 dated and 2014/15 numbered "Circular for Provision for Outstanding Claims" of Turkish Treasury, ACML calculation should be on main branch. Insurance and reinsurance companies are allowed to use six different methods which are "Standard Chain, Claim/Premium, Cape Code, Frequency/Volume, Munich Chain Ladder and Bornhuetter-Ferguson" to make ACLM calculations. The Company's method selections for each branch are presented below.

In accordance with the Circular issued by the Turkish Treasury dated 2014/16, the Company eliminated severe damages by using Box-Plot method to make more homogeneous calculation in ACML.

According to the Circular issued by Turkish Treasury dated 2014/16, IBNR is calculated by the Company's actuaries. The selection of data to be used, correction operations, selection of the most appropriate method and growth factors and interference to growth factors is made by the Company's actuaries by using actuarial methods on the basis of branches. This matter is detailed in the actuarial report that is sent to Turkish Treasury according to Article 11 of Actuaries Regulation.

Used damage claims software and damage claims reserve development factors are tested for all methods and the selection was made with actuarial factor analysis. Development of coefficients are evaluated retrospectively in the next step. The data which is high damage, the effect of inflation, determining the factors that may affect the analysis as CDS application corrections were made.

As a consequence of actuarial work, trend function of development of coefficient of portfolio for each branch is determined and conclusion of that function for each development period is calculated. Consequently, the curve which passed from data points with the least error is considered.

In this context, development of coefficient is calculated for all branches and incurred damage triangles are analyzed and the effects regarding damage files that affect development of coefficient are eliminated.

According to 2015/28 numbered circular of Turkish Treasury, IBNR amount that calculated by basing 10% increase rate in Compulsory Traffic, Facultative Fiscal Responsibility and General Responsibility branches is represented on financial statements.

In accordance with these judgements, net IBNR amount that is not reflected to the financial statements of Anadolu Sigorta is TL 203,903,058 in branch of Motor Vehicles, TL 7,407,845 in branch of Third Party Liability and TL 10,774,133 in branch of General Liability. The total amount is TL 222,085,036.

(Currency: Turkish Lira (TL))

Except for the life branch, provision for outstanding claims consists of claims are recorded in the year in which they occur, based on reported claims and the difference between the result of the actuarial chain ladder method whose content and application criteria stated by the Turkish Treasury and reported but not settled claims are considered as incurred but not reported ("IBNR") claims. Actuarial chain ladder method may be differentiated by the Turkish Treasury for reinsurance companies due to their special conditions.

Methods for the calculation of provision for incurred but not reported claims are determined by the Turkish Treasury in the life-branch.

5 December 2014 dated "Circular regarding Provision for Outstanding Claims (2014/16)" and 2010/12 numbered "Circular regarding actuarial chain ladder method "of Turkish Treasury is abolished except Article 9 and 10. According to circular that explains ACML measurement method, insurance and reinsurance companies calculate ACML with six different methods as "Standard Chain, Damage/Premium, Cape Cod, Frequency/Intense, Munich Chain and Bornhuetter-Ferguson.

The ACML methods selected for each branch is provided in the following section. The Group could not perform big claim elimination by Box Plox.

Branches	Millî Reasürans	Anadolu Sigorta
Fire and Natural Disasters	Standard Chain	Standard Chain
General Damages (*)	Standard Chain	Standard Chain
General Responsibility	Standard Chain	Cape Cod
Compulsory Traffic	Standard Chain	Cape Cod
Transportation	Standard Chain	Standard Chain
Water Vehicles	Standard Chain	Standard Chain
Land Vehicles	Standard Chain	Standard Chain
Accident	Standard Chain	Standard Chain
Health	Standard Chain	Standard Chain
Air Vehicles	Standard Chain	Standard Chain
Legal Protection	Standard Chain	Standard Chain
Water Vehicles Responsibility	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2015)	--
Air Vehicles Responsibility	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2015)	Standard Chain
Indemnity	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2015)	--
Financial Losses	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2015)	Standard Chain
Credit	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2015)	Standard Chain
Life	Sector Average (Association of Insurance and Reinsurance Companies of Turkey 9/2015)	--
Facultative Financial Responsibility	--	Standard Chain

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

As of 31 December 2015, in the branch of Fire and Natural Disasters that is branch-based chosen by Anadolu Sigorta, "Standard Chain" method is used instead of "Munich Chain" method.

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

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

According to 5 December 2014 dated "Circular regarding Provision for Outstanding Claims (2014/16)" of Turkish Treasury, the Company constitutes data by taking base of acceptance year rather than accident period for the reason of characteristic of reinsurance operations in course of ACML calculation and calculates ACML once in a year as of year end. The methods indicated in the table are calculated according to paid claim.

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

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

In accordance with 5 December 2014 dated and 2014/15 numbered "Circular for Provision for Outstanding Claims" of Turkish Treasury, ACML calculation should be on main branch. However, as at 31 December 2012, the Company has calculated ACML reserve for General Losses main branch as two separate subbranches namely agriculture and non agriculture branches. Because, Agriculture and Engineering subbranches under General Losses main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Losses branch produces unreliable and improper results. The Company applied to Turkish Treasury on 17 January 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Losses branch as agriculture and non agriculture subbranches separately. Turkish Treasury has given permission the Company in order to calculate IBNR reserve for General Losses within two subbranches with the letter dated 28 January 2013 and numbered 24179134. As at 31 December 2015, the Company recognised the amount that arised due to change in calculation method for IBNR on General Losses branch.

As at the reporting date, as a result of actuarial chain ladder method; the Company except Singapore branch recorded 100% of additional negative IBNR amounting to TL 52,091,457 (31 December 2014: TL 73,634,948 negative IBNR) as provision for outstanding claims. As at the reporting date, TL 26,507,042 (31 December 2014: TL 38,202,017) of IBNR provision is recorded for Singapore branch.

As at 31 December 2015, Anadolu Sigorta, the subsidiary of the Company provided IBNR amounting to gross TL 483,809,233 and reinsurance share TL 47,092,646 using 100% of ACLM result (31 December 2014: test IBNR method, Gross IBNR: TL 327,611,024, reinsurance share: TL 17,969,121) in the consolidated financial statements.

In accordance with "Circular Related to Information on Calculation of Incurred But Not Reported Claims Reserve" and dated 26 November 2011, companies may decrease their outstanding claims reserve balances based on the winning ratio of the sub-branches calculated from the last five years claims. Winning ratio used for decrease in provision for outstanding claims could not exceed 25% (15% for the new sub-branches which do not have five year data). Based on the aforementioned regulation, the Company calculated winning ratio between 15%-20% from the last five year data set and TL 104,862,951 (31 December 2014: TL 75,260,122) as IBNR and TL 18,207,321 (31 December 2014: TL 9,912,780) as reinsurer's share of IBNR is excluded from outstanding claims reserve balance.

(Currency: Turkish Lira (TL))

The calculated winning ratio of Anadolu Sigorta, the subsidiary of the Company as at 31 December 2015 is within 0%-100% range (31 December 2014: 0%-100%). Winning ratios used in and amounts decreased from provision for outstanding claims are as follows:

	31 December 2015		
Branch	Winning ratios used	Gross amount decreased	Net amount decreased
General responsibility	25%	44,952,215	40,954,135
Third party liability for motor vehicles (MTPL)	10%	34,977,046	34,149,860
Fire and natural disasters	25%	16,115,339	5,546,618
General losses	25%	3,014,805	1,082,648
Motor vehicles	21%	2,994,637	2,925,531
Transportation	25%	804,446	394,117
Water vehicles	25%	677,619	482,354
Accident	16%	656,803	469,951
Credit	25%	636,655	636,655
Financial Losses	3%	28,162	8,537
Legal protection	25%	5,224	5,224
Total		**104,862,951**	**86,655,630**

	31 December 2014		
Branch	Winning ratios used	Gross amount decreased	Net amount decreased
Third party liability for motor vehicles (MTPL)	13%	27,061,833	26,173,740
General responsibility	25%	31,775,165	30,362,994
Fire and natural disasters	23%	10,183,292	4,417,948
Motor vehicles	21%	2,623,152	2,533,992
General losses	19%	2,057,461	686,961
Water vehicles	25%	791,187	493,422
Transportation	25%	431,542	362,137
Accident	14%	304,698	284,356
Credit	25%	25,000	25,000
Legal protection	25%	6,792	6,792
Total		**75,260,122**	**65,347,342**

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

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

According to the Article 59 of the aforementioned law, starting from 25 February 2011, premiums written under compulsory motor third party liability insurance contracts providing health assurance will be transferred to SSI by the rate up to 15% which will be later defined by Turkish Treasury. By this premium transfer, all liabilities related to body injuries resulted from traffic accidents will be compensated by SSI. According to the Provisional Article 1 and Article 59 of the Law, up to 20% of the transferred premium amount defined by the Turkish Treasury will also be transferred to SSI and treatment costs resulted from traffic accidents occurred before 25 February 2011 will also be compensated by SSI. As part of the aforementioned law, "Communiqué on Payment of Treatment Costs Resulted from Traffic Accidents" which was issued in Official Gazette numbered 28038 and dated 27 August 2011 has become effective. On 17 October 2011, the Turkish Treasury issued circular numbered 2011/18 "Circular Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from Traffic Accidents and New Accounts in the Insurance Chart of Accounts". In accordance with the related circular, the Company eliminated outstanding claims reserve amounting to TL 2,279,273 related to treatment costs occurred before issuance of the aforementioned law, with "Paid Claims" account. The same amount is recorded as "Payable to SSI" under "Other Payables" in the accompanying financial statements.

In accordance with the circular numbered 2011/18, the Company recalculated test IBNR amount by excluding treatments costs covered by the aforementioned law as at 31 March 2011 and eliminated difference between the newly calculated IBNR amount and IBNR amount in the financial statements amounting to TL 2,375,923 with "Paid Claims" account. The same amount is recorded as "Payable to SSI" under "Other Payables" in the accompanying financial statements.

The Group classified total of TL 2,375,923 which includes new calculation difference over premiums written under compulsory motor third party liability insurance contracts between 25 February 2011 - 26 August 2011 per "Circular Stated Principals on Implementation Related to Collection of Health Service Fees in Connection with Traffic Accidents" stated by the Turkish Treasury as "Payable to SSI".

The Turkish Treasury informed the Company 7.02% for motor third party liability, 2.08% for compulsory personal accident seat insurance and 15.8% for compulsory transportation liability for traffic accidents occurred before issuance of the aforementioned law. The difference amounting to TL 448 between the amount informed by the Turkish Treasury and the amount eliminated by the Company is transferred to "Other Technical Expense" as at 31 December 2015 (31 December 2014: TL 1,153,499).

2.26 Mathematical provisions

In accordance with the Communiqué on Technical Reserves, companies operating in life and non-life insurance branches are obliged to allocate adequate mathematical reserves based on actuarial basis to meet liabilities against policyholders and beneficiaries for long-term life, health and personal accident insurance contracts. Actuarial mathematical provisions, according to formulas and basis in approved technical basis of tariffs for over one year-length life insurance, are calculated by determining the difference between present value of liabilities that the Company meets in future and current value of premiums paid by policyholder in future (prospective method).

Mathematical provisions are recorded based on the data sent by ceding companies.

2.27 Reserve for unexpired risk

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

According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" published in Official Gazette no 27655 dated 28 July 2010; besides the net reserve for unexpired risk detailed in the above, gross reserve for unexpired risk is also calculated. The test is performed on main branch basis and in case where the net and gross expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that main branch is added to the reserves of that branch. Difference between the gross and net amount is represents reinsurer's share. Premiums paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms.

In order to eliminate the misleading effect of the revised calculation of outstanding claims reserves, reserve for unexpired risks is calculated with the revised outstanding claims reserve for the opening balance.

Calculation of Reserve for unexpired risks is made on the basis of main branches, within the context of circular of Turkish Treasury, numbered 2012/15 and dated 10 December 2012.

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

According to the related test, as at the reporting date, the Group has provided net reserve for unexpired risk amounting to TL 32,682,256 in the accompanying consolidated financial statements (31 December 2014: TL 80,455,896).

2.28 Equalization provision

In accordance with the Communiqué on Technical Reserves put into effect starting from 1 January 2008, the companies should provide equalization provision in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Equalization provision, started to be provided in 2008, is calculated as 12% of net premiums written in credit insurance and earthquake branches. In the calculation of net premiums, fees paid for non-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. The companies should provide equalization provision up to reaching 150% of the highest premium amount written in a year within the last five years. In case where claims incurred, the amounts below exemption limits as stated in the contracts and the share of the reinsurance firms cannot be deducted from equalization provisions. Claims payments are deducted from first year's equalization provisions by first in first out method.

With the Communiqué released on 28 July 2010 and numbered 27655 "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves", ceded premiums of earthquake and credit for non-proportional reinsurance contracts covered multiple branches should be calculated according to percentage of premiums of those branches within the total premiums unless the Company is determined any other methods. Share of earthquake and credit premium of written premiums for non-proportional reinsurance contracts is based on share of earthquake and credit premiums of proportional reinsurance contracts. In accordance with the Communiqué on Technical Reserves, the Company considers 11% of net death premium (including damage payments) as earthquake premium and 12% of that amount is calculated as equalization provision since the Company not having sufficient data for calculation. After five financial years, in case that provision amount is less than previous year amount depending on written premiums, the difference is recognized in other profit reserves under equity. This amount recorded in equity can either be kept under reserves or can also be used in capital increase or paying claims.

Equalization provisions are presented under "other technical reserves" within long term liabilities in the accompanying consolidated financial statements. As at the reporting date, the Group has recognized equalization provision amounting to TL 104,977,919 (31 December 2014: TL 83,054,021).

As at 31 December 2015, the Group has deducted TL 21,443,124 (31 December 2014: TL 27,076,935) from equalization provision in consequence of realized earthquake losses.

2.29 Related parties

Parties are considered related to the Company if;

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

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

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

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

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

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

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

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

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

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

2.30 Earnings per share

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

2.31 Subsequent events

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

2.32 New standards and interpretations not yet adopted

A number of new standards and amendments to existing standards and interpretations which are not adopted in the preparation of accompanying financial statements and are not yet effective for the year ended 31 December 2015. It is not expected that these new standards and updated standards have an effect on Group's consolidated financial statements except TFRS 9.

TFRS 9 *Financial Instruments: Recognition and Measurement*

An entity shall apply TFRS 9 for annually years beginning on or after 1 January 2018. An earlier application is permitted. If an entity adopts this TFRS in its financial statements for a period beginning before 1 January 2012, then prior periods are not needed to be restated. The objective of TFRS 9, being the first phase of the project, is to establish principles for the financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of amounts, timing and uncertainty of the entity's future cash flows. With TFRS 9 an entity shall classify financial assets as subsequently measured at either amortized cost or fair value on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristic of the financial assets. The guidance in TAS 39 on impairment of financial assets and hedge accounting continues to apply.

3 Critical accounting estimates and judgments

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

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

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

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

Note 4.1 - Management of insurance risk

Note 4.2 - Financial risk management

Note 7 - Investment properties

Note 9 - Investments in subsidiaries

Note 10 - Reinsurance assets/liabilities

Note 11 - Financial assets

Note 12 - Loans and receivables

Note 17 - Insurance contract liabilities and reinsurance assets

Note 17 - Deferred acquisition costs

Note 19 - Trade and other payables and deferred income

Note 21 - Deferred income taxes

Note 23 - Provision for other liabilities and charges

4 Management of insurance and financial risk

4.1. Management of insurance risk

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

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

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

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

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

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

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

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

Instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

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

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

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

(Currency: Turkish Lira (TL))

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

Sensitivity to insurance risk

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

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

Insurance risk concentrations

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

	31 December 2015		
Branches	Gross total claims liability (*)	Reinsurance share of total claims liability	Net total claims liability
Motor vehicles	618,805,649	933,225	619,738,874
Motor vehicles liability (MTPL)	565,027,359	(2,225,458)	562,801,901
Fire and natural disasters	449,254,743	(79,242,218)	370,012,525
General losses	382,547,462	(65,052,063)	317,495,399
Health	283,625,533	(15,683,716)	267,941,817
General liability	81,076,828	(16,848,913)	64,227,915
Water vehicles	63,082,149	(25,232,499)	37,849,650
Transportation	43,680,167	(6,978,256)	36,701,911
Accident	28,721,311	(1,919,589)	26,801,722
Air crafts	15,461,734	(2,839,416)	12,622,318
Life	6,492,393	(380,423)	6,111,970
Financial losses	4,494,461	(1,980,489)	2,513,972
Air crafts liability	1,575,450	--	1,575,450
Legal protection	180,879	--	180,879
Guarantee	173,639	(513)	173,126
Credit	558,318	(452,437)	105,881
Water vehicles liability	2,810	--	2,810
Total	**2,544,760,885**	**(217,902,765)**	**2,326,858,120**

(Currency: Turkish Lira (TL))

	31 December 2014		
Branches	Gross total claims liability [(*)]	Reinsurance share of total claims liability	Net total claims liability
Motor vehicles	543,514,898	(2,019,216)	541,495,682
Motor vehicles liability (MTPL)	506,068,519	(111,366)	505,957,153
Fire and natural disasters	340,199,580	(37,079,591)	303,119,989
General losses	270,908,309	(22,904,508)	248,003,801
Health	230,503,917	(12,936,762)	217,567,155
Water vehicles	81,345,661	(29,576,427)	51,769,234
General liability	54,104,745	(3,358,223)	50,746,522
Transportation	40,493,803	(7,431,770)	33,062,033
Accident	26,290,988	(1,204,030)	25,086,958
Life	10,861,957	(4,060,205)	6,801,752
Air crafts	4,990,389	(2,478)	4,987,911
Credit	1,149,860	(58,980)	1,090,880
Guarantee	367,178	(24,632)	342,546
Air crafts liability	296,092	(64,936)	231,156
Legal protection	162,950	(45)	162,905
Financial losses	115,030	(23,860)	91,170
Water vehicles liability	52,940	--	52,940
Total	**2,111,426,816**	**(120,857,029)**	**1,990,569,787**

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

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

In the current year, there are no material changes in the assumptions of measurement of insurance assets and liabilities.

4.2 Management of financial risk

Introduction and overview

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

- credit risk
- liquidity risk
- market risk

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

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

Credit risk

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

(Currency: Turkish Lira (TL))

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

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

Doubtful receivables are monitored quarterly.

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

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

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

	31 December 2015	31 December 2014
Cash and cash equivalents *(Note 14)* (*)	3,296,974,448	2,348,360,016
Receivables from main operations *(Note 12)*	1,102,022,681	971,491,906
Financial assets and financial investments with risks on policyholders *(Note 11)* (**)	952,668,900	932,112,278
Reinsurer share in provision for outstanding claims *(Note 10), (Note 17)*	438,178,953	187,370,933
Prepaid taxes and funds *(Note 12)*	33,690,959	10,608,131
Income accruals *(Note 12)*	16,363,166	20,722,572
Other receivables *(Note 12)*	13,191,923	5,727,672
Other current asset *(Note 12)*	759,275	633,816
Total	**5,853,850,305**	**4,477,027,324**

(*) Cash on hands balance amounting to TL 53,835 are not included (31 December 2014: TL 53,676).

(**) Equity shares amounting to 181,288,361 TL are not included (31 December 2014: TL 182,614,403).

31 December 2015 and 2014, the aging of the receivables from main operations and related provisions are as follows:

	31 December 2015		31 December 2014	
	Gross amount	Provision	Gross amount	Provision
Not past due	775,620,092	--	691,089,895	--
Past due 0-30 days	119,127,361	--	117,223,501	--
Past due 31-60 days	23,594,511	--	16,979,325	--
Past due 61-90 days	11,863,059	--	12,392,923	--
More than 90 days (*)	187,385,523	(164,991,381)	154,810,606	(125,085,618)
Total (**)	**1,117,590,546**	**(164,991,381)**	**992,496,250**	**(125,085,618)**

(*) As per the 3 February 2005 dated and B.02.1.HM.O.SGM.0.3.1/01/05 numbered Circular issued by the Turkish Treasury, in case where subrogation is subject to claim/legal action, related subrogation amount is recognized as doubtful receivables and allowance for doubtful receivables is provided by the same amount in the financial statements. Related amounts are presented in "More than 90 days" line in the above table.

(**) In consolidated financial tables, except 929,617,402 TL (31 December 2014: 806,753,346 TL) in the balance of receivables from insurance and reinsurance operations includes TL 108,102,177 (31 December 2014: TL 81,109,551) of untransferred amount collected by intermediaries and TL 49,626,517 (31 December 2014: TL 30,648,790) of subrogation and salvage receivables in the consolidated financial statements. Subrogation receivables having passed over 4 months for individuals and 6 months for legal entities but not transferred to legal follow-up amounting to TL 8,305,178 (31 December 2014: TL 7,677,067) are excluded from the table.

(Currency: Turkish Lira (TL))

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

	31 December 2015	31 December 2014
Provision for receivables from insurance operations at the beginning of the year	125,085,618	113,746,505
Collections during the period *(Note 47)*	(350,189)	(1,077,499)
Impairment losses provided during the period *(Note 47)*	748,206	2,518,673
Impairment losses provided for subrogation - salvage receivables during the period *(Note 47)*	36,978,505	9,104,101
Foreign currency translation effect *(Note 47)*	2,529,241	793,838
Provision for receivables from insurance operations at the end of the year	**164,991,381**	**125,085,618**

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

	31 December 2015	31 December 2014
Provision for other receivables at the beginning of the year	63,177	63,177
Collections during the period *(Note 47)*	--	--
Impairment losses provided during the period *(Note 47)*	--	--
Provision for other receivables at the end of the year	**63,177**	**63,177**

Liquidity risk

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

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

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

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

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

Management of the liquidity risk

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

(Currency: Turkish Lira (TL))

Maturity distribution of monetary assets and liabilities:

31 December 2015	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Assets						
Cash and cash equivalents	3,296,902,698	834,942,131	2,363,085,480	35,431,171	48,610,833	14,833,083
Receivables from main operations	1,102,022,681	174,701,805	364,291,401	415,411,347	136,892,645	10,725,483
Financial assets and financial investments with risks on policyholders (*)	952,668,900	317,420,540	30,398,589	24,133,356	96,505,354	484,211,061
Other receivables and current assets	64,588,205	49,632,241	2,821,831	1,612,816	3,923,841	6,597,476
Total monetary assets	**5,416,182,484**	**1,376,696,717**	**2,760,597,301**	**476,588,690**	**285,932,673**	**516,367,103**
Liabilities						
Insurance technical provisions (**)	2,229,213,713	195,693,816	386,759,515	157,100,713	146,675,348	1,342,984,321
Payables arising from main operations	373,784,676	136,796,701	43,639,580	75,056,633	118,291,762	--
Other liabilities	62,710,887	24,878,685	34,654,641	--	--	3,177,561
Provisions for other risks and expense accruals	86,319,655	2,989,356	14,194,372	9,759,024	7,690,111	51,686,792
Provisions for taxes and other similar obligations	38,761,168	38,761,168	--	--	--	--
Financial Liabilities	297,347,979	297,347,979	--	--	--	--
Due to related parties	158,568	158,568	--	--	--	--
Total monetary liabilities	**3,088,296,646**	**696,626,273**	**479,248,108**	**241,916,370**	**272,657,221**	**1,397,848,674**

(*) Equity shares amounting to TL 181,288,361 are not included.

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

31 December 2014	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Assets						
Cash and cash equivalents	2,348,242,173	760,590,602	1,444,741,803	117,552,880	25,356,888	--
Receivables from main operations	971,491,906	167,065,674	332,687,147	330,406,279	133,158,264	8,174,542
Financial assets and financial investments with risks on policyholders (*)	932,112,278	323,285,988	49,685,433	40,508,395	62,680,823	455,951,639
Other receivables and current assets	37,947,567	32,562,672	2,332,079	1,914,880	1,137,936	--
Total monetary assets	**4,289,793,924**	**1,283,504,936**	**1,829,446,462**	**490,382,434**	**222,333,911**	**464,126,181**
Liabilities						
Insurance technical provisions (**)	1,747,362,421	145,696,723	305,563,607	116,206,094	99,256,001	1,080,639,996
Payables arising from main operations	333,218,811	103,441,845	50,466,353	83,703,672	95,606,941	--
Provisions for other risks and expense accruals	87,645,062	6,493,459	3,139,661	15,759,247	--	62,252,695
Other liabilities	48,001,148	18,691,190	26,393,381	--	--	2,916,577
Provisions for taxes and other similar obligations	28,779,229	28,779,229	--	--	--	--
Due to related parties	81,488	81,488	--	--	--	--
Total monetary liabilities	**2,245,088,159**	**303,183,934**	**385,563,002**	**215,669,013**	**194,862,942**	**1,145,809,268**

(*) Equity shares amounting to TL 182,614,403 are not included.

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

(Currency: Turkish Lira (TL))

Market risk

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

Foreign currency risk

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

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

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

31 December 2015	US Dollar	Euro	Other currencies	Total
Assets:				
Receivables from main operations	217,690,101	71,611,738	102,342,657	391,644,496
Cash and cash equivalents	382,061,544	13,591,035	5,014,051	400,666,630
Financial assets and financial investments with risks on policyholders	17,469,980	11,206,804	--	28,676,784
Total foreign currency assets	**617,221,625**	**96,409,577**	**107,356,708**	**820,987,910**
Liabilities:				
Payables arising from main operations	(139,817,443)	(12,281,990)	(8,581,099)	(160,680,532)
Insurance technical provisions (*)	(250,489,227)	(115,466,094)	(100,535,963)	(466,491,284)
Total foreign currency liabilities	**(390,306,670)**	**(127,748,084)**	**(109,117,062)**	**(627,171,816)**
Net on-balance sheet position	**226,914,955**	**(31,338,507)**	**(1,760,354)**	**193,816,094**

31 December 2014	US Dollar	Euro	Other currencies	Total
Assets:				
Receivables from main operations	200,570,942	60,452,264	98,142,646	359,165,852
Cash and cash equivalents	266,710,622	5,718,197	4,089,735	276,518,554
Financial assets and financial investments with risks on policyholders	--	12,320,065	--	12,320,065
Total foreign currency assets	**467,281,564**	**78,490,526**	**102,232,381**	**648,004,471**
Liabilities:				
Payables arising from main operations	(125,041,261)	(14,340,894)	(3,639,460)	(143,021,615)
Insurance technical provisions (*)	(201,931,554)	(115,074,078)	(91,191,721)	(408,197,353)
Total foreign currency liabilities	**(326,972,815)**	**(129,414,972)**	**(94,831,181)**	**(551,218,968)**
Net on-balance sheet position	**140,308,749**	**(50,924,446)**	**7,401,200**	**96,785,503**

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

(Currency: Turkish Lira (TL))

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

Foreign currency rates used for the translation of foreign currency denominated monetary assets and liabilities as at reporting dates at 31 December 2015 and 2014 are as follows:

	At the end of the period		Average	
	US Dollar	Euro	US Dollar	Euro
31 December 2015	2.9076	3.1776	2.7187	3.0175
31 December 2014	2.3189	2.8207	2.1876	2.9061

Exposure to foreign currency risk

A 10 percent depreciation of the TL against the following currencies as at 31 December 2015 and 2014 would have increased or decreased equity and profit or loss (excluding tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 10 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

	31 December 2015		31 December 2014	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	22,632,349	22,691,496	14,030,875	14,030,875
Euro	(3,133,851)	(3,133,851)	(5,092,445)	(5,092,445)
Others	(176,035)	(176,035)	740,120	740,120
Total, net	**19,322,463**	**19,381,610**	**9,678,550**	**9,678,550**

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

Exposure to interest rate risk

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

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

	31 December 2015	31 December 2014
Financial assets		
Financial assets with fixed interest rates:	*3,469,973,909*	*2,610,973,155*
Cash at banks *(Note 14)* (*)	2,912,696,899	2,087,098,971
Available for sale financial assets - Government bonds - TL *(Note 11)*	443,991,707	432,386,187
Cash deposited to insurance and reinsurance companies *(Note 12)*	71,326,673	67,831,070
Financial assets held for trading - other (Note 11)	--	5,887,281
Available for sale financial assets - Private sector bonds (Note 11)	30,070,603	17,769,646
Other- financial assets (Note 11)	11,888,027	--
Financial assets with variable interest rate:	*161,186,051*	*169,073,492*
Available for sale financial assets - Private sector bonds - TL *(Note 11)*	102,367,158	70,632,152
Available for sale financial assets - Government bonds- TL *(Note 11)*	42,365,317	18,798,159
Held to maturity investments - Government bonds *(Note 11)*	15,555,214	73,670,047
Financial assets held for trading - Private sector bonds - TL *(Note 11)*	898,362	900,017
Financial assets held for trading - Government bonds - TL *(Note 11)*	--	5,073,117
Financial liabilities:		
Financial liabilities with fixed interest rate:	297,347,979	--
Funds from repo transactions (Note 20)	297,347,979	--

(*) Demand deposits amounting to TL 17,101,492 are not included (31 December 2014: TL 11,811,605).

(Currency: Turkish Lira (TL))

Interest rate sensitivity of the financial instruments

Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income as at and for 31 December 2015 and 2014 of the floating rate non-trading financial assets and financial liabilities held at 31 December 2015 and 2014. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity (*)	
31 December 2015	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets held for trading	(1,842)	1,889	(1,842)	1,889
Available for sale financial assets	--	--	(6,940,196)	7,098,494
Total, net	**(1,842)**	**1,889**	**(6,942,038)**	**7,100,383**

	Profit or loss		Equity (*)	
31 December 2014	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets held for trading	(45,465)	34,401	(45,465)	34,401
Available for sale financial assets	--	--	(8,443,462)	8,568,762
Total, net	**(45,465)**	**34,401**	**(8,488,927)**	**8,603,163**

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

Fair value information

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

The Group has classified its financial assets as whether held for trading purpose or available for sale, As at the reporting date, available for sale financial assets and financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying consolidated financial statements. Held to maturity investments with a carrying amount of TL 15,555,214 (31 December 2014: TL 73,670,047) are measured at amortized cost and their fair value amounting to TL 14,936,855 (31 December 2014: TL 74,133,508) as at 31 December 2015 in the consolidated financial statements. Held to maturity financial assets of the Group is consist of the government bonds that are dealt at the organized markets and classified as Level 1.

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

Classification relevant to fair value information

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

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

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

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

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

(Currency: Turkish Lira (TL))

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

	31 December 2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available for sale financial assets (*)	1,002,425,627	18,205,108	358,464	1,020,989,199
Financial assets held for trading *(Note 11)*	96,232,135	--	--	96,232,135
Total financial assets	**1,098,657,762**	**18,205,108**	**358,464**	**1,117,221,334**

	31 December 2014			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available for sale financial assets (*)	886,064,419	6,533,319	3,297,263	895,895,001
Financial assets held for trading *(Note 11)*	140,006,920	--	--	140,006,920
Total financial assets	**1,026,071,339**	**6,533,319**	**3,297,263**	**1,035,901,921**

(*) As at 31 December 2015, securities that are not publicly traded amounting to TL 1,180,713 (31 December 2014: TL 5,154,713) have been measured at cost.

	31 December 2015	31 December 2014
Available for sale financial assets at the beginning of the period	**3,297,263**	**3,297,263**
Valuation increase (Account of valuation of financial assets)	(2,938,799)	--
Available for sale financial assets at the end of the period	**358,464**	**3,297,263**

Equity share price risk

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

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

	31 December 2015		31 December 2014	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
Financial assets held for trading	(265,467)	(265,467)	(391,590)	(391,590)
Available for sale financial assets	--	(17,709,451)	--	(17,024,653)
Total, net	**(265,467)**	**(17,974,918)**	**(391,590)**	**(17,416,243)**

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

(Currency: Turkish Lira (TL))

Gain and losses from financial assets

Gains and losses recognized in the statement of income, net:	31 December 2015	31 December 2014
Interest income from bank deposits	243,833,157	157,667,255
Income from equity shares	23,150,967	18,279,830
Interest income from debt securities classified as available-for-sale financial assets	52,831,329	67,056,489
Foreign exchange gains	149,059,354	74,755,504
Income from investment funds	9,308,317	34,887,530
Income from participates	30,635,392	21,855,676
Interest income from debt securities classified as held to maturity financial investments	3,511,381	10,730,801
Interest income from debt securities classified as held for trading financial assets	435,648	3,134,653
Income from debt securities classified as held for trading financial assets	430,223	--
Interest income from repos	7,542,195	1,293,630
Income from derivative transactions	741,200	441,863
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)*	2,581,239	(3,522,062)
Income from subsidiaries	4,075	347,307
Income from investment funds reclassified as available for sale financial assets	498,879	--
Other	32,949,153	3,106,207
Investment income	**557,512,509**	**390,034,683**
Foreign exchange losses	(67,687,210)	(57,145,242)
Loss from disposal of financial assets	(11,039,996)	(17,584,246)
Loss from valuation of financial assets	(2,824,154)	(3,509,979)
Investment management expenses (including interest)	(3,060,240)	(413,808)
Loss from derivative transactions	(74,638)	(282,254)
Investment expenses	**(84,686,238)**	**(78,935,529)**
Investment income, net	**472,826,271**	**311,099,154**

Financial gains and losses recognized in equity, net:	31 December 2015	31 December 2014
Fair value changes in available for sale financial assets *(Note 15)*	(16,455,829)	20,704,059
Amounts resulted from associates through equity accounted consolidation method *(Note 15)*	(2,137,909)	6,313,825
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)*	(2,581,239)	3,522,062
Total	**(21,174,977)**	**30,539,946**

Capital management

The Company's capital management policies include the following:

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

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies" issued by Turkish Treasury on 23 August 2015 dated and 29454 numbered; the Company measured its minimum capital requirement as TL 341,205,541 as at 31 December 2015 (31 December 2014: TL 286,515,145). As at 31 December 2015 and 2014, the capital amount of the Company presented in the consolidated financial statements are TL 1,183,898,933 and TL 916,933,700 respectively and capital surplus of the Company is amounting to TL 579,575,477 according to the communiqué.

As of 30 June 2015, required equity amount determined in calculations over consolidated financial statements of Company's subsidiary Anadolu Sigorta, is amounted TL 857,574,387. As of 31 December 2015, according to communiqué, equity amount in consolidated financial statements of Anadolu Sigorta is over required equity amount.

5 Segment reporting

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

Business segment

Financial information of the Group is presented on life and non-life basis in the accompanying consolidated financial statements.

Geographical segment

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

(Currency: Turkish Lira (TL))

6 Tangible assets

Movement in tangible assets in the period from 1 January to 31 December 2015 is presented below:

	1 January 2015	Additions	Transfers	Foreign currency translation effect (*)	Disposals	Revaluation Surplus	31 December 2015
Cost:							
Investment properties *(Note 7)*	230,606,045	59,500	10,584,507	--	--	83,661,598	324,911,650
Owner occupied properties (*)	38,751,315	304,228	(10,584,507)	--	--	130,178,314	158,649,350
Machinery and equipment	34,554,018	7,449,593	--	--	(94,217)	--	41,909,394
Furniture and fixtures	15,701,150	1,635,576	--	125,653	(253,160)	--	17,209,219
Motor vehicles	2,674,433	--	--	106,473	(921,702)	--	1,859,204
Other tangible assets (including leasehold improvements)	19,401,127	921,528	--	--	--	--	20,322,655
Leased tangible assets	4,166,354	--	--	--	--	--	4,166,354
	345,854,442	**10,370,425**		**232,126**	**(1,269,079)**	**213,839,912**	**569,027,826**
Accumulated depreciation:							
Investment properties *(Note 7)*	--	--	--	--	--	--	--
Owner occupied properties	15,236,700	618,669	--	--	--	(15,667,967)	187,402
Machinery and equipment	25,913,753	3,776,154	--	--	(66,717)	--	29,623,190
Furniture and fixtures	11,998,444	1,337,973	--	62,879	(170,101)	--	13,229,195
Motor vehicles	1,824,512	345,094	--	67,182	(863,765)	--	1,373,023
Other tangible assets (including leasehold improvements)	6,853,450	3,352,816	--	--	--	--	10,206,266
Leased tangible assets	4,166,304	50	--	--	--	--	4,166,354
	65,993,163	**9,430,756**	**--**	**130,061**	**(1,100,583)**	**(15,667,967)**	**58,785,430**
Carrying amounts	**279,861,279**						**510,242,396**

(*) Owner occupied properties have been presented with fair values in the financial statements starting from 30 September 2015, previously they were presented with their historical cost.

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

As of 31 December 2015, owner occupied properties are evaluated with their fair value. Appraisal reports were provided by CMB licensed real estate appraisal company at June 2015 and July 2015. There is no mortgage on the property.

(Currency: Turkish Lira (TL))

As of 31 December 2015, the fair values (excluding VAT) and net carrying values of owner occupied properties are presented below:

Owner occupied land and buildings	Appraisal value	Net Book Value (31 December 2015)
Central Management Building	147,116,950	146,963,127
İzmir Regional Headquarter	7,957,400	7,938,011
Adana Regional Headquarter	1,750,000	1,745,694
Lefkoşe Cyprus Branch	720,000	716,571
Adana Office	425,000	423,935
Other	680,000	674,610
Total	**158,649,350**	**158,461,948**

Fair value measurement

The fair values of owner occupied land and buildings were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as Level 2.

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

	1 January 2014	Additions	Foreign currency translation effect (*)	Disposals	Revaluation Surplus	31 December 2014
Cost:						
Investment properties *(Note 7)*	211,042,132	--	--	--	19,563,913	230,606,045
Owner occupied properties	37,913,919	888,859	--	(51,463)	--	38,751,315
Machinery and equipment	32,800,391	2,925,379	--	(1,171,752)	--	34,554,018
Furniture and fixtures	14,871,838	1,050,435	26,967	(248,090)	--	15,701,150
Motor vehicles	2,564,806	383,160	33,387	(306,920)	--	2,674,433
Other tangible assets (including leasehold improvements)	18,262,277	1,138,850	--	--	--	19,401,127
Leased tangible assets	4,166,354	--	--	--	--	4,166,354
	321,621,717	**6,386,683**	**60,354**	**(1,778,225)**	**19,563,913**	**345,854,442**
Accumulated depreciation:						
Investment properties *(Note 7)*	--	139,655	--	--	(139,655)	--
Owner occupied properties	14,501,246	761,226	--	(25,772)	--	15,236,700
Machinery and equipment	23,879,216	3,198,899	--	(1,164,362)	--	25,913,753
Furniture and fixtures	11,173,991	1,043,546	26,348	(245,441)	--	11,998,444
Motor vehicles	1,652,507	410,071	16,991	(255,057)	--	1,824,512
Other tangible assets (including leasehold improvements)	3,593,702	3,259,748	--	--	--	6,853,450
Leased tangible assets	4,166,105	199	--	--	--	4,166,304
	58,966,767	**8,813,344**	**43,339**	**(1,690,632)**	**(139,655)**	**65,993,163**
Carrying amounts	**262,654,950**					**279,861,279**

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

As of 31 December 2015 and 31 December 2014, there is no mortgage on Company's tangible assets.

(Currency: Turkish Lira (TL))

7 Investment properties

Additions and disposals for investment properties is given "6- Tangible Assets" note in table of current period movement of tangible assets.

Investment property is presented by fair value method as of third quarter of 2015 on balance sheet and detailed information regarding policy change is given 2.1.6 note. The Company's investment properties gained TL 94,305,605 amount of value in 2015 in the context of expertise report prepared by independent professional valuation specialists authorized by Capital Markets Board. As at 31 December 2015, inflation adjusted cost and carrying amounts of the Company's investment properties are amounting to TL 324,911,650 (31 December 2014: TL 230,606,045).

Property based value of expertise report (excluding VAT) and fair values of investment properties are as follows. Expertise reports regarding these properties is prepared by independent professional valuation specialists authorized by CMB in June, August and September 2015. There is no mortgage on Company's investment properties.

As at 31 December 2015 and 2014, details of investment properties and the fair values are as follows:

	31 December 2015 Carrying amount	31 December 2015 Carrying amount	Date of expertise report	Value of expertise report
Operating Center Rental Offices	127,883,050	98,315,099	30 September 2015	127,883,050
Suadiye Fitness Center	18,280,000	13,055,407	30 September 2015	18,280,000
Tunaman Garage	85,400,000	63,676,994	30 September 2015	85,400,000
Villa Office Block	39,000,000	19,316,437	30 September 2015	39,000,000
Çifteler Land	5,000	108	30 September 2015	5,000
Other buildings	54,343,600	36,242,000	30 August 2015	54,343,600
Carrying amounts	**324,911,650**	**230,606,045**		**324,911,650**

For the year ended 31 December 2015, the Group has rental income from investment properties amounting to TL 14,766,839 (31 December 2014: TL 13,625,922).

Fair value measurement

The fair values of investment properties were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as Level 2.

(Currency: Turkish Lira (TL))

8 Intangible assets

Movement in intangible assets in the period from 1 January to 31 December 2015 is presented below:

	1 January 2015	Additions	Transfers	Foreign currency translation effects (*)	Disposal	31 December 2015
Cost:						
Other intangible assets	90,745,932	3,136,809	3,404,691	362,666	--	97,650,098
Goodwill	16,250,000	--	--	--	--	16,250,000
Advances given for intangible assets	1,729,378	16,649,024	(3,404,691)	--	--	14,973,711
	108,725,310	**19,785,833**		**362,666**	**--**	**128,873,809**
Accumulated amortization:						
Other intangible assets	45,684,081	23,349,009	(117,837)	361,272	--	69,276,525
	45,684,081	**23,349,009**	**(117,837)**	**361,272**	**--**	**69,276,525**
Carrying amounts	**63,041,229**					**59,597,284**

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

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

	1 January 2014	Additions	Transfer	Foreign currency translation effects (*)	Disposal	31 December 2014
Cost:						
Other intangible assets	57,253,263	12,958,832	20,420,579	113,258	--	90,745,932
Goodwill	16,250,000	--	--	--	--	16,250,000
Advances given for intangible assets	19,296,314	2,853,643	(20,420,579)	--	--	1,729,378
	92,799,577	**15,812,475**	**--**	**113,258**	**--**	**108,725,310**
Accumulated amortization:						
Other intangible assets	29,281,745	16,289,221	--	113,115	--	45,684,081
	29,281,745	**16,289,221**	**--**	**113,115**	**--**	**45,684,081**
Carrying amounts	**63,517,832**					**63,041,229**

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

9 Investments in associates

	31 December 2015		31 December 2014	
	Carrying value	Participation rate %	Carrying value	Participation rate %
Anadolu Hayat Emeklilik A.Ş.	164,435,454	21.00	148,205,780	21.00
Associates, net	**164,435,454**		**148,205,780**	
Miltaş Turizm Inşaat Ticaret Anonim Şirketi	1,092,707	77.00	1,092,707	77.00
Subsidiaries, net	**1,092,707**		**1,092,707**	
Financial asset total	**165,528,161**		**149,298,487**	

(Currency: Turkish Lira (TL))

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the year	Audited	Period
Subsidiaries:						
Miltaş Turizm Inşaat Ticaret A.Ş.	4,153,320	3,837,630	--	88,895	Not audited	31 December 2015
Associates:						
Anadolu Hayat Emeklilik A.Ş. (consolidated)	11,893,996,679	783,025,976	101,289,300	145,882,820	Audited	31 December 2015

In the current period TL 30,635,392 of income is obtained from associates through equity accounted consolidation method (31 December 2014: TL 21,855,676).

10 Reinsurance asset and liabilities

As at 31 December 2015 and 2014, outstanding reinsurance assets and liabilities of the Group in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	31 December 2015	31 December 2014
Reserve for unearned premiums, ceded *(Note 17)*	293,410,931	254,801,924
Provision for outstanding claims, ceded *(Note 4.2)*, *(Note 17)*	438,178,953	187,370,933
Receivables from reinsurance companies *(Note 12)*	16,263,461	15,749,171
Cash deposited to reinsurance companies	24,827,641	--
Reinsurers share in the provision for subrogation and salvage receivables	--	25,739,633
Total	**772,680,986**	**483,661,661**

There is no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	31 December 2015	31 December 2014
Payables to the reinsurers related to premiums written *(Note 19)*	221,834,755	218,545,652
Deferred commission income *(Note 19)*	39,714,319	34,699,722
Cash deposited by reinsurance companies	4,365,775	7,277,133
Commission payables to the reinsurers related to written premiums *(Note 19)*	2,237,886	1,359,739
Total	**268,152,735**	**261,882,246**

(Currency: Turkish Lira (TL))

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

	31 December 2015	31 December 2014
Premiums ceded during the period *(Note 17)*	(757,514,912)	(644,304,940)
Reserve for unearned premiums, ceded at the beginning of the period *(Note 17)*	(254,801,924)	(254,300,451)
Reserve for unearned premiums, ceded at the end of the period *(Note 17)*	293,410,931	254,801,924
Premiums earned, ceded *(Note 17)*	**(718,905,905)**	**(643,803,467)**
Claims paid, ceded during the period *(Note 17)*	217,902,765	120,857,029
Provision for outstanding claims, ceded at the beginning of the period *(Note 17)*	(187,370,933)	(113,077,255)
Provision for outstanding claims, ceded at the end of the period *(Note 17)*	438,178,953	187,370,933
Claims incurred, ceded *(Note 17)*	**468,710,785**	**195,150,707**
Commission income accrued from reinsurers during the period *(Note 32)*	108,348,827	60,985,494
Deferred commission income at the beginning of the period *(Note 19)*	34,699,722	30,341,851
Deferred commission income at the end of the period *(Note 19)*	(39,714,319)	(21,360,146)
Commission income earned from reinsurers *(Note 32)*	**103,334,230**	**69,967,199**
Changes in provision for outstanding claims, reinsurers' share *(Note 17)*	**2,151,855**	**1,087,370**
Total, net	**(144,709,035)**	**(377,598,191)**

11 Financial assets

As at 31 December 2015 and 2014, the Group's financial assets are detailed as follows:

	31 December 2015	31 December 2014
Available for sale financial assets	1,022,265,854	906,847,326
Financial assets held for trading	96,232,135	140,006,920
Held to maturity financial assets	15,555,214	73,670,047
Impairment loss on available for sale financial assets	(95,942)	(5,797,612)
Total	**1,133,957,261**	**1,114,726,681**

(Currency: Turkish Lira (TL))

As at 31 December 2015 and 2014, the Group's financial assets held for trading are detailed as follows:

	31 December 2015			
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Government bonds - TL	900,000	905,152	898,362	898,362
Other	--	11,884,791	11,888,027	11,888,027
		12,789,943	12,786,389	12,786,389
Non-fixed income financial assets:				
Equity shares		3,664,047	2,654,674	2,654,674
Investment funds		63,837,754	80,791,072	80,791,072
		67,501,801	83,445,746	83,445,746
Total financial assets held for trading		80,291,744	96,232,135	96,232,135

	31 December 2014			
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Private sector bonds - TL	4,990,000	4,991,033	5,073,117	5,073,117
Government bonds - TL	900,000	907,616	900,017	900,017
Reverse repo	--	5,885,733	5,887,281	5,887,281
		11,784,382	11,860,415	11,860,415
Non-fixed income financial assets:				
Equity shares		6,032,093	3,915,902	3,915,902
Investment funds		106,660,295	124,230,603	124,230,603
		112,692,388	128,146,505	128,146,505
Total financial assets held for trading		124,476,770	140,006,920	140,006,920

(Currency: Turkish Lira (TL))

As at 31 December 2015 and 2014, the Group's available for sale financial assets are detailed as follows:

		31 December 2015		
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Government bonds - TL	491,419,930	487,236,417	486,357,024	486,357,024
Private sector bonds - TL	112,694,800	112,298,598	114,967,781	114,967,781
Private sector bonds- USD	517,649,132	17,267,984	17,469,980	17,469,980
		616,802,999	**618,794,785**	**618,794,785**
Non-fixed income financial assets:				
Investment funds		223,360,394	224,741,440	224,741,440
Equity shares		137,982,546	178,729,629	178,729,629
Impairment loss on equity shares		--	(95,942)	(95,942)
		361,342,940	**403,375,127**	**403,375,127**
Total available-for-sale financial assets		**978,145,939**	**1,022,169,912**	**1,022,169,912**

		31 December 2014		
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Government bonds - TL	433,270,054	435,887,187	451,184,346	451,184,346
Private sector bonds - TL	87,033,900	86,612,054	88,401,798	88,401,798
		522,499,241	**539,586,144**	**539,586,144**
Non-fixed income financial assets:				
Investment funds		181,151,117	182,765,069	182,765,069
Equity shares		132,150,514	184,496,113	184,496,113
Impairment loss on equity shares		--	(5,797,612)	(5,797,612)
		313,301,631	**361,463,570**	**361,463,570**
Total available-for-sale financial assets		**835,800,872**	**901,049,714**	**901,049,714**

All debt instruments presented above are traded in the capital markets, As at 31 December 2015, equity shares classified as available for sale financial assets with a carrying amount of TL 1,539,177 are not publicly traded (31 December 2014: TL 8,451,976).

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

(Currency: Turkish Lira (TL))

There is no financial asset that is overdue but not impaired among the Group's financial investments portfolio. As at 31 December 2015, TL 95,942 of impairment loss is recognized for equity shares classified as available for sale in the accompanying consolidated financial statements (31 December 2014: TL 5,797,612).

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

Year	Change in value increase/(decrease)	Total increase/(decrease) in value
2015	(21,174,977)	28,234,178
2014	30,539,946	49,409,155
2013	(32,786,549)	18,869,209

As at 31 December 2015 and 2014, the Group's financial assets held to maturity are detailed as follows:

	31 December 2015			
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Government bonds - TL	14,866,200	14,890,092	14,936,855	15,555,214
Total financial assets held to maturity	**14,866,200**	**14,890,092**	**14,936,855**	**15,555,214**

	31 December 2014			
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Government bonds - TL	55,937,785	57,921,026	74,133,508	73,670,047
Total financial assets held to maturity	**55,937,785**	**57,921,026**	**74,133,508**	**73,670,047**

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(Currency: Turkish Lira (TL))

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

As at 31 December 2015 and 2014 the movement of the financial assets is presented below:

	31 December 2015			
	Trading	Available-for-Sale	Held to maturity	Total
Balance at the beginning of the period	**140,006,920**	**901,049,714**	**73,670,047**	**1,114,726,681**
Unrealized exchange differences on financial assets	--	--	--	--
Acquisitions during the period	10,000,000	1,155,407,715	--	1,165,407,715
Disposals (sale and redemption)	(64,843,411)	(1,092,729,292)	(61,626,214)	(1,219,198,917)
Change in the fair value of financial assets	11,068,626	53,263,772	--	64,332,398
Change in amortized cost of the financial assets	--	(5,582,883)	3,511,381	(2,071,502)
Bonus shares acquired	--	10,760,886	--	10,760,886
Balance at the end of the period	**96,232,135**	**1,022,169,912**	**15,555,214**	**1,133,957,261**

	31 December 2014			
	Trading	Available-for-sale	Held to maturity	Total
Balance at the beginning of the period	**115,904,563**	**899,440,735**	**94,501,549**	**1,109,846,847**
Unrealized exchange differences on financial assets	--	--	--	--
Acquisitions during the period	90,450,000	1,190,373,743	--	1,280,823,743
Disposals (sale and redemption)	(48,849,746)	(1,259,590,621)	(18,745,842)	(1,327,186,209)
Change in the fair value of financial assets	(17,497,897)	31,907,834	--	14,409,937
Change in amortized cost of the financial assets	--	29,999,042	(2,085,660)	27,613,382
Bonus shares acquired	--	8,918,981	--	9,218,981
Balance at the end of the period	**140,006,920**	**901,049,714**	**73,670,047**	**1,114,726,681**

(Currency: Turkish Lira (TL))

Details of the financial assets issued by related parties of the Group are as follows:

	31 December 2015			
	Face value	Cost	Fair value	Carrying value
Available for sale financial assets - Private sector bonds	33,958,896	33,746,319	34,318,123	34,318,123
Financial assets held for trading - Investment funds		63,837,754	80,791,072	80,791,072
Available for sale financial assets - Investment funds		193,638,136	193,416,293	193,416,293
Available for sale financial assets - Equity shares		42,291,736	56,058,636	56,058,636
Total		**333,513,945**	**364,584,124**	**364,584,124**

	31 December 2014			
	Face value	Cost	Fair value	Carrying value
Available for sale financial assets - Private sector bonds	35,430,000	34,975,900	35,785,699	35,785,699
Financial assets held for trading - Investment funds		106,660,295	124,230,603	124,230,603
Available for sale financial assets - Investment funds		164,298,343	165,831,625	165,831,625
Available for sale financial assets - Equity shares		37,486,872	65,096,978	65,096,978
Total		**343,421,410**	**390,944,905**	**390,944,905**

As at 31 December 2015 and 2014, financial assets blocked in favour of the Turkish Treasury as a guarantee for the insurance activities are detailed as follows:

	31 December 2015			
	Face value	Cost	Fair value	Carrying value
Held to maturity financial assets *(Note 17)*	14,866,200	14,890,092	14,936,855	15,555,214
Total	**14,866,200**	**14,890,092**	**14,936,855**	**15,555,214**

	31 December 2014			
	Face value	Cost	Fair value	Carrying value
Available for sale financial assets *(Note 17)*	10,000,000	9,801,651	10,145,962	10,145,962
Held to maturity financial assets *(Note 17)*	55,937,785	57,921,026	74,133,508	73,670,047
Total	**65,937,785**	**67,722,677**	**84,279,470**	**83,816,009**

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12 Loans and receivables

	31 December 2015	31 December 2014
Receivables from main operations *(Note 4.2)*	1,102,022,681	971,491,906
Prepaid taxes and funds *(Note 19), (Note 4.2)*	33,690,959	10,608,131
Income accruals (*Note 4.2)*	16,363,166	20,722,572
Other receivables *(Note 4.2)*	13,191,923	5,727,672
Other current assets *(Note 4.2)*	759,275	633,816
Total	**1,166,028,004**	**1,009,184,097**
Short-term receivables	1,163,820,023	1,009,184,097
Medium and long-term receivables	2,207,981	--
Total	**1,166,028,004**	**1,009,184,097**

As at 31 December 2015 and 2014, receivables from main operations are detailed as follows:

	31 December 2015	31 December 2014
Receivables from insurance companies	101,717,061	92,217,539
Receivables from reinsurance companies *(Note 10)*	16,263,461	15,749,171
Receivables from agencies, brokers and intermediaries	51,745,215	52,002,343
Total receivables from reinsurance operations, net	**169,725,737**	**159,969,053**
Receivables from agencies, brokers and other intermediaries	690,773,097	624,433,183
Long term receivable which is bank guarantee and three months credit card	94,861,111	63,044,183
Receivables from policyholders	49,626,517	30,648,790
Salvage and subrogation receivables *(Note 2.21)*	34,014,724	33,242,694
Total receivables from insurance operations, net	**869,275,449**	**751,368,850**
Cash deposited to insurance and reinsurance companies *(Note 4.2)*	71,326,673	67,831,070
Provisions for receivables from insurance operations - subrogation receivables *(Note 2.21)*	(8,305,178)	(7,677,067)
Doubtful receivables from main operations - premium receivables	41,367,610	38,440,353
Provision for doubtful receivables from main operations - premium receivables	(41,367,610)	(38,440,353)
Doubtful receivables from insurance operations - subrogation receivables	123,623,771	86,645,265
Provisions for doubtful receivables from insurance operations - subrogation receivables	(123,623,771)	(86,645,265)
Receivables from main operations	**1,102,022,681**	**971,491,906**

As at 31 December 2015 and 2014, mortgages and collaterals obtained for receivables are disclosed as follows:

	31 December 2015	31 December 2014
Letters of guarantees	70,151,308	71,599,108
Mortgage notes	86,456,091	77,412,426
Other guarantees	17,322,671	15,188,186
Government bonds and treasury bills	2,951,479	2,976,479
Total	**176,881,549**	**167,176,199**

Provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 41,367,610 for main operations (31 December 2014: TL 38,440,353) and TL 63,177 (31 December 2014: TL 63,177) for other receivables.

b) Provision for premium receivables (due): None (31 December 2014: None).

c) Provision for subrogation receivables: TL 131,928,949 (31 December 2014: TL 94,322,332).

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

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

13 Derivative financial instruments

As at 31 December 2015, the Group does not have derivative financial instruments (31 December 2014: None).

14 Cash and cash equivalents

As at 31 December 2015 and 2014, cash and cash equivalents are as follows:

	31 December 2015		31 December 2014	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	53,835	53,676	53,676	62,280
Cheques received	--	--	--	--
Bank deposits	2,929,798,391	2,098,910,576	2,098,910,576	1,505,408,327
Cheques given and payment orders	(125,585)	(171,519)	(171,519)	(1,025,984)
Bank guaranteed credit card receivables with maturities less than three months	367,176,057	249,449,440	249,449,440	252,850,367
Cash and cash equivalents in the balance sheet	**3,296,902,698**	**2,348,242,173**	**2,348,242,173**	**1,757,294,990**
Bank deposits - blocked (*)	(340,278,123)	(223,171,910)	(223,171,910)	(151,508,738)
Time deposits with maturities longer than 3 months	(644,460,216)	(414,971,615)	(414,971,615)	(259,281,663)
Interest accruals on banks deposits	(8,544,824)	(6,235,597)	(6,235,597)	(3,969,446)
Cash and cash equivalents presented in the statement of cash flows	**2,303,619,535**	**1,703,863,051**	**1,703,863,051**	**1,342,535,143**

(*) As at 31 December 2015, cash collateral amounting to TL 340,277,623 is kept in favour of the Turkish Treasury as a guarantee for the insurance activities. (31 December 2014: TL 223,171,410)

As at 31 December 2015 and 2014, bank deposits are further analysed as follows:

	31 December 2015	31 December 2014
Foreign currency denominated bank deposits		
- time deposits	385,699,076	267,015,501
- demand deposits	14,928,007	9,481,120
Bank deposits in Turkish Lira		
- time deposits	2,526,997,823	1,820,083,470
- demand deposits	2,173,485	2,330,485
Cash at banks	**2,929,798,391**	**2,098,910,576**

(Currency: Turkish Lira (TL))

15 Equity

Paid in capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group having 76.64% of outstanding shares. As at 31 December 2015 and 2014, the shareholding structure of the Company is presented below:

	31 December 2015		31 December 2014	
Name	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Türkiye İş Bankası A.Ş.	505,810,925	76.64	505,810,925	76.64
Millî Reasürans T.A.Ş. Mensupları Yardımlaşma Sandığı Vakfı	69,585,028	10.54	69,585,028	10.54
Groupama Emeklilik A.Ş.	38,809,894	5.88	38,809,894	5.88
T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı	22,240,456	3.37	22,240,456	3.37
T.C. Ziraat Bankası A.Ş.	16,430,944	2.49	16,430,944	2.49
Other	7,122,753	1.08	7,122,753	1.08
Paid in capital	**660,000,000**	**100.00**	**660,000,000**	**100.00**

As at 31 December 2015, the issued share capital of the Group is TL 660,000,000 (31 December 2014: TL 660,000,000) and the share capital of the Group consists of 66,000,000,000 (31 December 2014: 66,000,000,000 shares) issued shares with TL 0,01 nominal value each. There are no privileges over the shares of the Group.

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

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

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

Equity method consolidation

As at 31 December 2015 and 2014, in the accompanying consolidated financial statements of the Group, Anadolu Hayat, 21% of shares is owned by the Group, is consolidated by using the equity method.

Legal reserves

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

The movements of legal reserves are as follows:

	31 December 2015	31 December 2014
Legal reserves at the beginning of the period	**77,369,316**	76,312,898
Transfer from profit	3,197,690	1,056,418
Legal reserves at the end of the period	**80,567,006**	**77,369,316**

(Currency: Turkish Lira (TL))

As at 31 December 2015 and 2014, "Other Reserves and Retained Earnings" are detailed as below:

	31 December 2015	31 December 2014
Other profit reserves	25,495,279	25,322,878
Extraordinary reserves	34,827,040	12,047,517
Other capital reserves	137,177,892	5,048,614
Other earnings and losses	1,277,015	(381,064)
Subsidiary capital correction	(71,060,049)	(71,060,049)
Total	**125,163,147**	**(29,022,104)**

Other capital reserves

According to TAS 16 - "Property Plant and Equipment", property, plant and equipments are initially recorded at cost and can be subsequently measured at their fair values. The Company has started to show based on the revaluation model by measuring over fair value as of the third quarter of the current year by making changes in the use of the property which is measuring the cost model in the financial statements before.

Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

According to expertise reports, fair value of property for use is calculated as TL 158,649,350 and revaluation differences amounted TL 138,528,285 is recognized in 'Other Capital Reserves' account under equity as amounted TL 131,601,870 with net tax effect in financial statements as of 31 December 2015 (31 December 2014: None).

In accordance with tax legislation, 75% of profits from sales of participation shares and real states included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years. As of 31 December 2015, tax exempt gain from disposal of fix assets and subsidiary amounting TL 5,576,022 (31 December 2014: TL 5,048,614) is classified as other capital reserves.

Extraordinary reserves

The movement of extraordinary reserves is as follows:

	31 December 2015	31 December 2014
Extraordinary reserves at the beginning of the period	**12,047,517**	**16,896,500**
Transfer from profit	22,779,523	(4,848,983)
Extraordinary reserves at the end of the period	**34,827,040**	**12,047,517**

Subsidiary capital correction

On 30 September 2010, the Company purchased 35.53% shares of Anadolu Sigorta Anonim Şirketi with nominal value of TL 177,650,110 from İş Bankası amounting to TL 248,710,154. As Anadolu Sigorta and the Company are under common control and when information transfer and structure is considered, Anadolu Sigorta is accepted as a part of the Company's operations. This subsidiary under common control is recorded at cost in the financial statements. In the business combination of subsidiary under common control, the purchasing company is not obliged to, but has the permission to reflect the effects of business combination the prior year financial statements. In business combinations under common control, shares are transferred from one company to the other in the same group and independent third parties are not included in the transaction and purchasing price is not determined on fair value, the application is determined by the management's decision. The Company management decided not to reflect the effects of the business combination in the comparative financial statements. The difference between purchase price and net asset value amounting to TL (71,060,049), is recorded under "Subsidiary Capital Correction" account under equity.

(Currency: Turkish Lira (TL))

Other profit reserves

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

As at 31 December 2015, the earthquake provision provided in accordance with this circular is TL 25,495,279 (31 December 2014: TL 25,322,878).

According to revision on TAS 19, actuarial profit and losses that recognized in income statement in termination indemnity calculation before, is recognized in "Other Profit Reserves" account under equity in current period financial statements. As of 31 December 2015, TL 1,277,015 (31 December 2014: TL (381,064)) of actuarial gains and losses, which are presented in profit or loss is presented under "other profit reserves".

Profit for the period that is extraneous from the distribution

In accordance terms of tax legislation 75% portion of the gains from sales real estate and subsidiaries are exempt from corporate tax on condition that it has kept in a special fund account at least five years. Exempt gains cannot be transferred to another account except to add capital or in any way cannot be withdrawn from the business in five years. In the direction of sector announcement made by Treasury dated 27 October, 2008 and numbered 2008/41, for the year ended 31 December 2015, the Company categorized the TL 25,179,857 (31 December 2014: TL 822,978) profit on sale from the sale of the properties under the company's equity as "Profit for the period that is extraneous from the distribution".

Statutory reserves

After the allocation of first legal reserves and first dividend to shareholders, reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly. As at 31 December 2015, total funds allocated is amounting TL 6,759,148 (31 December 2014: TL 4,441,017) and funds amounting TL 2,318,131 is allocated from current period profit in current period.

Foreign currency translation differences

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. As at 31 December 2015, foreign currency translation reserve amounting to TL 19,573,401 loss (31 December 2014: TL 11,907,682 loss) stems from Singapore Branch whose functional currency is US Dollars.

Valuation of financial assets

As at 31 December 2015 and 2014, changes in fair values that stem from securities classified as available for sale financial assets that present share in capital and associates are detailed as below:

	31 December 2015	31 December 2014
Fair value reserves at the beginning of the period	**49,409,155**	**18,869,209**
Change in the fair value during the period *(Note 4.2)*	(16,455,828)	20,704,059
Resulted from equity accounted associate *(Note 4.2)*	(2,137,909)	6,313,825
Net gains transferred to the statement of income *(Note 4.2)*	(2,581,239)	3,522,062
Fair value reserves at the end of the period	**28,234,178**	**49,409,155**

(Currency: Turkish Lira (TL))

16 Other reserves and equity component of discretionary participation

As at 31 December 2015 and 2014, other reserves are explained in detail in Note 15 - *Equity* above.

As at 31 December 2015 and 2014, the Group does not hold any insurance or investment contracts which contain a DPF.

17 Insurance contract liabilities and reinsurance assets

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

As at 31 December 2015 and 2014, technical reserves of the Group' are as follows:

	31 December 2015	31 December 2014
Reserve for unearned premiums, gross	2,194,659,969	1,820,412,103
Reserve for unearned premiums, ceded *(Note 10)*	(293,410,931)	(254,801,924)
Reserve for unearned premiums, SSI share	(54,975,564)	(36,692,791)
Reserves for unearned premiums, net	**1,846,273,474**	**1,528,917,388**
Provision for outstanding claims, gross	2,667,392,666	1,934,733,354
Provision for outstanding claims, ceded *(Note 10)*	(438,178,953)	(187,370,933)
Provision for outstanding claims, net	**2,229,213,713**	**1,747,362,421**
Provision for unexpired risk	45,093,496	90,715,281
Provision for unexpired risk, ceded	(12,411,240)	(10,259,385)
Provision for outstanding claims, net	**32,682,256**	**80,455,896**
Equalization provision, net (*)	104,977,919	83,054,021
Other technical provisions, net	**104,977,919**	**83,054,021**
Life mathematical provisions	**491,937**	**368,342**
Total technical provisions, net	**4,213,639,299**	**3,440,158,068**
Short-term	4,108,661,380	3,357,104,047
Medium and long-term	104,977,919	83,054,021
Total technical provisions, net	**4,213,639,299**	**3,440,158,068**

(*) Net losses (after reinsurance resulted from earthquakes occurred in 2015 amounting to TL 21,443,124 are decreased from prior periods' equalization provision based on regulation (2014: TL 27,076,935).

(Currency: Turkish Lira (TL))

As at 31 December 2015 and 2014, movements of the insurance liabilities and related reinsurance assets are presented below:

	31 December 2015			
Reserve for unearned premiums	**Gross**	**Ceded**	**SSI Share**	**Net**
Reserve for unearned premiums at the beginning of the period	1,820,412,103	(254,801,924)	(36,692,791)	1,528,917,388
Premiums written during the period	4,507,306,864	(757,514,912)	(99,511,467)	3,650,280,485
Premiums earned during the period	(4,133,058,998)	718,905,905	81,228,694	(3,332,924,399)
Reserve for unearned premiums at the end of the period	**2,194,659,969**	**(293,410,931)**	**(54,975,564)**	**1,846,273,474**

	31 December 2014			
Reserve for unearned premiums	**Gross**	**Ceded**	**SSI Share**	**Net**
Reserve for unearned premiums at the beginning of the period	1,747,176,975	(254,300,451)	(34,755,134)	1,458,121,390
Premiums written during the period	3,868,871,562	(644,304,940)	(74,102,040)	3,150,464,582
Premiums earned during the period	(3,795,636,434)	643,803,467	72,164,383	(3,079,668,584)
Reserve for unearned premiums at the end of the period	**1,820,412,103**	**(254,801,924)**	**(36,692,791)**	**1,528,917,388**

	31 December 2015		
Provision for outstanding claims	**Gross**	**Ceded**	**Net**
Provision for outstanding claims at the beginning of the period	1,934,733,354	(187,370,933)	1,747,362,421
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	3,277,420,197	(468,710,785)	2,808,709,412
Claims paid during the period	(2,544,760,885)	217,902,765	(2,326,858,120)
Provision for outstanding claims at the end of the period	**2,667,392,666**	**(438,178,953)**	**2,229,213,713**

	31 December 2014		
Provision for outstanding claims	**Gross**	**Ceded**	**Net**
Provision for outstanding claims at the beginning of the period	1,481,869,505	(113,077,255)	1,368,792,250
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	2,564,290,665	(195,150,707)	2,369,139,958
Claims paid during the period	(2,111,426,816)	120,857,029	(1,990,569,787)
Provision for outstanding claims at the end of the period	**1,934,733,354**	**(187,370,933)**	**1,747,362,421**

(Currency: Turkish Lira (TL))

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

As the Company is a reinsurance company, there is not any guarantee that should be placed. The details given below are the amounts of guarantees for Anadolu Sigorta A.Ş.

	31 December 2015		
	Should be placed (**)	Placed (*)	Carrying amount
Non-life:			
Bank deposits *(Note 14)*	--	339,186,373	340,277,623
Financial assets (*) *(Note 11)*	--	15,150,590	15,555,214
Total	**286,658,129**	**354,336,963**	**355,832,837**

	31 December 2014		
	Should be placed (**)	Placed (*)	Carrying amount
Non-life:			
Bank deposits *(Note 14)*	--	222,697,267	223,171,410
Financial assets (*) *(Note 11)*	--	84,612,376	83,816,009
Total	**282,343,518**	**307,309,643**	**306,987,419**

(*) "As at 31 December 2015 and 31 December 2014, government bonds and treasury bills are measured at daily official prices announced by the Central Bank of Turkey in accordance with the 6th Article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies.

(**) "According to the 7th article of the "Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies" which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to "Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Private Pension Companies", companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Turkish Treasury Department within two months. Since the amounts that should be placed as of 31 December 2015 (31 December 2014) will be through the calculated amounts as of 30 June 2015 (30 June 2014), the settled amounts as of June is presented as "should be placed" amounts.

Total amount of insurance risk on a branch basis

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

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

None.

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

None.

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

None.

Pension investment funds established by the Group and their unit prices

None.

Number and amount of participation certificates in portfolio and circulation

None.

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

None.

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

None.

(Currency: Turkish Lira (TL))

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

None.

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

None.

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

None.

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

None.

Profit share distribution rate of life insurances

None.

Deferred commission expenses

The Group capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As at 31 December 2015, short-term prepaid expenses amounting to TL 366,089,853 (31 December 2014: TL 294,618,259) consist of deferred production expenses; deferred commission expenses amounting to TL 340,538,326 (31 December 2014: TL 289,357,775) and other prepaid expenses amounting to TL 25,551,527 (31 December 2014: TL 5,260,484). Long-term prepaid expenses amounting TL 5,221,880 (31 December 2014: TL 3,562,038) are composed of other prepaid expenses.

	31 December 2015	31 December 2014
Deferred commission expenses at the beginning of the period	289,357,775	272,881,015
Commissions accrued during the period *(Note 32)*	775,132,091	631,085,514
Commissions expensed during the period (*)	(723,951,540)	(614,608,754)
Deferred commission expenses at the end of the period	**340,538,326**	**289,357,775**

(*) Commission expense are included as a reinsurance commissions.

Individual pension funds

None.

18 Investment contract liabilities

None.

(Currency: Turkish Lira (TL))

19 Trade and other payables and deferred income

	31 December 2015	31 December 2014
Payables from main operations	373,784,676	333,218,811
Other payables	62,710,887	48,001,148
Short/long term deferred income and expense accruals	75,998,614	75,848,667
Taxes and other liabilities and similar obligations	38,761,168	28,779,229
Due to related parties *(Note 45)*	158,568	81,488
Financial payables	297,347,979	--
Total	**848,761,893**	**485,929,343**
Short-term liabilities	848,718,561	485,837,260
Long-term liabilities	43,332	92,083
Total	**848,761,893**	**485,929,343**

As at 31 December 2015, other payables amounting to TL 62,710,887 (31 December 2014: TL 48,001,148) consist of treatment cost payables to SSI amounting to TL 27,017,129 (31 December 2014: TL 16,375,984), payables to Tarsim and DASK and outsourced benefits and services amounting to TL 32,516,197 (31 December 2014: TL 28,666,170) and deposits and guarantees received amounting to TL 3,177,561 (31 December 2014: TL 2,958,994).

Short/long term deferred income and expense accruals are comprised of deferred commission income amounting to TL 39,714,319 (31 December 2014: TL 34,699,722) *(Note 10)*. Expense accruals and deferred income details are presented below:

	31 December 2015	31 December 2014
Personnel premium provision	10,356,235	9,475,316
Security fund provision	9,759,024	7,182,519
Provision for tax assessment *(Note 47)*	3,084,516	18,400,102
Agency remuneration provision	9,125,000	3,356,650
Sliding scale commission provision *(Note 10)*	2,237,886	1,359,739
Deferred rent income	218,280	267,277
Other accruals	1,503,354	1,107,342
Deferred income and expense accruals	**36,284,295**	**41,148,945**

(Currency: Turkish Lira (TL))

Payables arising from main operations of the Group as at 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Payables to reinsurance companies *(Note 10)*	221,834,755	218,545,652
Payables to agencies, brokers and intermediaries	37,795,326	30,052,668
Cash deposited by insurance and reinsurance companies	5,496,957	8,514,584
Total payables arising from insurance operations	**265,127,038**	**257,112,904**
Payables arising from other operating activities	108,657,638	76,105,907
Payables arising from main operations	**373,784,676**	**333,218,811**

Corporate tax liabilities and prepaid taxes are disclosed below:

	31 December 2015	31 December 2014
Corporate tax liabilities	(1,769,959)	(21,081,960)
Taxes paid during the period	35,460,918	31,690,091
Corporate tax assets, net	**33,690,959**	**10,608,131**

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

None.

20 Financial liabilities

Group's financial liabilities from repo transactions is amounted TL 297,347,979 as of 31 December 2015 (31 December 2014: None). The maturity of repo transactions on 10 February 2016 and interest rate of 13.40%.

21 Deferred taxes

As at 31 December 2015 and 2014, deferred tax assets and liabilities are attributable to the following:

	31 December 2015	31 December 2014
	Deferred tax assets/(liabilities)	Deferred tax assets/(liabilities)
Equalization provision	12,355,520	9,259,358
Carried forward tax losses *(Note 2.18)*	10,039,500	13,968,912
Reserve for unexpired risks	6,536,451	16,091,179
Provision for the pension fund deficits	5,671,788	5,666,145
Other provisions	5,104,091	2,539,062
Provisions for employee termination benefits	4,781,636	3,973,165
Provision for recourse	2,030,898	1,535,413
Discount of receivables and payables	(47,969)	(93,589)
Other	(1,171,079)	(1,369,677)
Valuation differences in financial assets	(1,619,615)	(2,800,691)
Income accruals	(2,157,068)	(3,597,829)
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(2,663,491)	(2,416,022)
Subrogation receivables from third parties	(3,147,915)	(965,401)
Valuation differences in financial assets	(21,763,788)	(9,863,845)
Deferred tax assets, net	**13,948,959**	**31,926,180**

(Currency: Turkish Lira (TL))

The Group has recognized deferred tax assets on these tax losses because it is probable that future taxable profit will be available in accordance with the Group's projections. Maturity of financial losses is as below:

	31 December 2015	31 December 2014
31 December 2016	50,197,498	58,603,684
Total	**50,197,498**	**58,603,684**

Movement of deferred tax assets as at 31 December 2015 and 2014 are given below:

	31 December 2015	31 December 2014
Opening balance at 1 January	**31,926,180**	**31,370,165**
Recognized in profit or loss	(14,290,010)	6,875,889
Recognized in equity	(3,687,211)	(6,319,874)
Closing balance at 31 December	**13,948,959**	**31,926,180**

22 Retirement benefit obligations

Employees of the Company are the members of "Millî Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı ("Millî Reasürans Pension Fund") and the employees of Anadolu Sigorta are the members of Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı ("Pension Fund of Anadolu Anonim Türk Sigorta Şirketi") which has been founded in accordance with the Article 20 of the Social Securities Act No: 506.

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

Following annulment of the temporary Article 23 of the Banking Law, the new law "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" was published in the Official Gazette dated 8 May 2008 and came into force. The new law requires transfer of the participants or beneficiaries of pension funds to Social Security Institution as at the effective date of the Act within 3 years and prescribe the extension period of the transfer as maximum of two years upon the order of the Cabinet. Accordingly, the three-year period expired on 8 May 2011 was extended to the 8 May 2013. On 8 March 2012, "Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees" numbered 28227, was published on Official Gazette and 4th article of this act changed "two years" phrase as "four years" which takes part on second sentence of first clause of 20th article of the code numbered 5510. Also, under the scope of Decree of the council of ministers numbered 2013/4617 was published on Official Gazette numbered 28636, on 3 May 2013 and 20th temporary article of the Social Security Laws numbered 506 banks, insurance and reinsurance companies, chambers of commerce, stock markets or participants of pension funds and salary or income provided ones and their shareholders' transfer duration has been extended one year to the Social Security Institution by Decree of the council of ministers.

Under the scope of Decree of Turkish Ministry of Labour and Social Security numbered 174, according to 20th temporary article of the Social Security Laws numbered 5510, the Council of Ministers postpone transfer of the funds until 8 May 2015 with the decision of The Council of Ministers dated 24 February 2014.

Lastly, first paragraph of temporary 20th article of 5510 numbered Law, article 51 of the law regarding changing of several laws and delegated legislations and the law of occupational health and safety which are published in 23 April 2015 dated Official Gazette is changed as following.

"Council of minister is entitled to determine the Social Security Intuition's turnover date for banks, assurance and reinsurance companies, chamber of commerce and industry, stock markets or pension fund' partnerships that is constituted by them for union employees along with monthly income endowed people and their rights holder within the scope of 506 numbered law' provisional 20. Article. As part of this law' 4. article' first sub-article' (a) clause, pension fund partnerships are counted as insured as of the turnover date."

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

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

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

a) technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and

b) uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by the entities who transfer the funds.

In accordance with the law; after fund affiliates along with monthly salary and/or revenue endowed people and their rights holder transfer to Social Security Intuition, these people' uncovered social rights and payments is paid, even if it is written in the foundation's obligation which they are belong to, by funds and fund affiliate's employer institutions.

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

The technical financial position of the Millî Reasürans Pension Fund is audited by the registered actuary in accordance with the Article 21 of the Insurance Law and Actuary Act. As per the calculations based on the above mentioned assumptions, actuarial and technical deficit amounting to TL 28,358,939 (31 December 2014: TL 28,330,725) is accounted as "Provision for pension fund deficits" in the accompanying consolidated financial statements.

(Currency: Turkish Lira (TL))

An actuarial report has been obtained from registered actuary regarding calculation of the amount to be paid to the Social Security Institution by the Company in accordance with the new law. The CSO 1980 mortality table and 9.8% of technical deficit interest rate are taken into account in the calculation of the said technical deficit. No real increase/decrease is anticipated in salary and health expenses. The health benefits to be paid will be considered by the Group management due to the changes in the Social Security Institution legislation and other regulations. At 31 December 2015 and 2014, technical deficit from pension funds comprised the following:

	31 December 2015	31 December 2014
Net present value of total liabilities other than health	(92,355,113)	(85,239,925)
Net present value of insurance premiums	17,661,596	15,749,955
Net present value of total liabilities other than health	**(74,693,517)**	**(69,489,970)**
Net present value of health liabilities	(11,172,968)	(9,900,232)
Net present value of health premiums	9,681,587	8,632,751
Net present value of health liabilities	**(1,491,381)**	**(1,267,481)**
Pension fund assets	**47,825,959**	**42,426,726**
Amount of actuarial and technical deficit	**(28,358,939)**	**(28,330,725)**

Plan assets are comprised of the following items:

	31 December 2015	31 December 2014
Cash and cash equivalents	40,973,136	36,076,138
Associates	6,759,312	6,193,278
Other	93,511	157,310
Total plan assets	**47,825,959**	**42,426,726**

Up to date, as per the actuarial calculation performed, there has not been any deficit in Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı and Anadolu Sigorta has made no payment for this purpose. It is believed that the assets of this institution are adequate enough to cover its total obligations; therefore this shall not constitute any additional liability on Anadolu Sigorta.

(Currency: Turkish Lira (TL))

23 Provision for other liabilities and charges

As at 31 December 2015 and 2014, the provisions for other risks are disclosed as follows:

	31 December 2015	31 December 2014
Provision for pension fund deficits *(Note 22)*	28,358,939	28,330,725
Provision for employee termination benefits	21,894,700	18,432,669
Provision for unused vacation	1,492,709	1,433,153
Total provision for other risks	**51,746,348**	**48,196,547**

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

	31 December 2015	31 December 2014
Provision at the beginning of the period	18,432,669	17,564,332
Interest cost *(Note 47)*	1,716,920	1,606,697
Service cost *(Note 47)*	1,490,763	1,293,444
Payments during the period *(Note 47)*	(1,518,282)	(1,275,266)
Actuarial differences *(Note 47)*	1,772,630	(756,538)
Provision at the end of the period	**21,894,700**	**18,432,669**

24 Net insurance premium

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

25 Fee revenue

None.

26 Investment income

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

27 Net income accrual on financial assets

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

28 Asset held at fair value through profit or loss

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

(Currency: Turkish Lira (TL))

29 Insurance rights and claims

	31 December 2015		31 December 2014	
	Life	Non-Life	Life	Non-Life
Claims paid, net off reinsurers' share	(6,111,970)	(2,320,746,150)	(6,801,752)	(1,983,768,035)
Changes in provision for outstanding claims, net off reinsurers' share	(463,503)	(481,387,789)	(943,205)	(377,626,966)
Changes in reserve for unearned premium, net off reinsurers' share	(392,924)	(316,963,162)	610,995	(71,406,993)
Change in equalization provision	(199,272)	(21,724,626)	79,365	(16,762,259)
Change in life mathematical provisions, net off reinsurers' share	131,983	(255,578)	273,294	--
Changes in reserve for unexpired risks, net off reinsurers' share	--	47,773,640	--	(62,680,371)
Total	**(7,035,686)**	**(3,093,303,665)**	**(6,781,303)**	**(2,512,244,624)**

30 Investment contract benefits

None.

31 Other expenses

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

32 Operating expenses

For the years ended 31 December 2015 and 2014, the operating expenses are disclosed as follows:

	31 December 2015		31 December 2014	
	Life	Non-life	Life	Non-life
Commission expenses *(Note 17)*	8,950,911	715,000,629	7,617,519	606,991,235
Commissions to the intermediaries accrued during the period (Note 17)	*8,863,918*	*766,268,173*	*7,973,014*	*623,112,500*
Changes in deferred commission expenses (Note 17)	*86,993*	*(51,267,544)*	*(355,495)*	*(16,121,265)*
Employee benefit expenses *(Note 33)*	799,808	149,845,678	772,694	139,603,175
Foreign exchange losses	241,415	22,737,610	122,711	18,868,395
Administration expenses	217,634	93,375,196	162,680	77,182,973
Commission income from reinsurers *(Note 10)*	(76,340)	(103,257,890)	(161,755)	(69,805,444)
Commission income from reinsurers accrued during the period (Note 10)	*(35,951)*	*(108,272,487)*	*(173,576)*	*(60,811,918)*
Change in deferred commission income (Note 10)	*(40,389)*	*5,014,597*	*11,821*	*(8,993,526)*
Advertising and marketing expenses	--	19,727,757	--	13,987,613
Outsourced benefits and services	19,512	10,659,058	27,327	9,371,612
Other	29,513	(83,445)	(239,652)	4,717,050
Total	**10,182,453**	**908,004,593**	**8,301,524**	**800,916,609**

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2015

(Currency: Turkish Lira (TL))

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

33 Employee benefit expenses

For the years ended 31 December 2015 and 2014, employee benefit expenses are disclosed as follows:

	31 December 2015		31 December 2014	
	Life	Non-life	Life	Non-life
Wages and salaries	563,471	110,159,569	522,125	99,792,172
Employer's share in social security premiums	137,113	25,016,078	168,276	22,660,731
Pension fund benefits	99,224	5,038,314	82,293	4,305,878
Other	--	9,631,717	--	12,844,394
Total *(Note 32)*	**799,808**	**149,845,678**	**772,694**	**139,603,175**

34 Financial costs

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

35 Income tax expense

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

	31 December 2015	31 December 2014
Corporate tax expense:		
Corporate tax provision	(1,769,959)	(21,081,960)
Deferred taxes:		
Origination and reversal of temporary differences	(14,290,010)	6,875,889
Total income tax expense/(income)	**(16,059,969)**	**(14,206,071)**

A reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 31 December 2015 and 2014 is as follows:

	31 December 2015		31 December 2014	
Profit before taxes	**204,292,879**	**Tax rate (%)**	**127,233,975**	**Tax rate (%)**
Taxes on income per statutory tax rate	40,858,576	20.00	25,446,795	12.46
Tax exempt income	(28,846,454)	(14.12)	(11,700,434)	(5.73)
Non-deductible expenses	4,047,847	1.98	459,710	0.23
Total tax expense recognized in consolidated profit or loss	**16,059,969**	**7.86**	**14,206,071**	**6.95**

36 Net foreign exchange gains

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

(Currency: Turkish Lira (TL))

37 Earnings per share

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

	31 December 2015	31 December 2014
Net profit for the period	188,232,910	113,027,904
Weighted average number of shares	66,000,000,000	66,000,000,000
Earnings per share (TL)	0,00285	0,00171

Capital increase performed with the internal sources and increase in number of shares is used for calculating the prior period's earnings per share.

38 Dividends per share

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

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

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

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

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

As a result of the Ordinary General Meeting of the Company held on 25 March 2015, the Company has profit amounting to TL 11,054,672 for 2014. It has been decided unanimously that the profit distribution is not made and reduced towards by carry forward losses from previous years.

39 Cash generated from operations

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

40 Convertible bond

None.

41 Redeemable preference shares

None.

(Currency: Turkish Lira (TL))

42 Risks

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

As at 31 December 2015, total amount of the claims that the Group face is TL 925,745,000 in gross (31 December 2014: TL 1,040,392,000). The Group provided provision for outstanding claims in the consolidated financial statements by considering collateral amounts.

As at 31 December 2015, ongoing law suits prosecuted by the Company's subsidiary Insurance Company against the third parties amounting TL 233,643,000 (31 December 2014: TL 194,259,000).

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

The final legal process which is related the period of 2007, 2008 is expected to result in the Company's favor and the amount of provision TL 12,768,684 which was published on the Official Gazette dated 12 November 2014. December 2013 and after the condition of the provision is evaluated later ongoing development of the legal process. There is a provision amount of TL 3,084,516 (31 December 2014: TL 15,489,301) related with this process. Furthermore, the Company has paid a total of TL 4,229,629 pursuant to the tax inspection in line with the above description (31 December 2014: None) was recognized as the prospect will get back, it is recognized accrued income in the current period.

As a result of investigation conducted by the Ministry of Finance Tax Audit Board, tax penalty which is amount of TL 2.1 million (actual tax), and TL 3.1 million tax penalty is announced by reason to tax salvage operations not subject to banking and insurance transactions. The amount of TL 10 million tax, TL 15 million tax penalty has been modified for the period of 2010, 2011, and 2012 in 6 February 2015. The company do not make provision for this tax penalty because of considering the implementation of these financial statements in accordance with legislation.

An examination related to payments made for Company's liabilities in frame of related regulations to "Millî Reasürans Türk Anonim Şirketi Mensupları Yardımlaşma Sandığı Vakfı" that established by Millî Reasürans Türk Anonim Şirketi in accordance with the Turkish Commercial and Civil Laws is realized by Tax Inspection Board inspectors. As a result of this investigation, a tax audit report is issued for the periods 2007, 2008, 2009, 2010 and 2011 with the claim that liability amounts shall be taxed at cost principle and be taxable for income tax withholding and stamp tax.

Legal process has been initiated related to 2007 and 2008, also as of the report date there are cases against/on behalf of us and also for the against result cases the case has been moved to a higher court. In addition, some part of the payment orders submitted to us for the following periods are subjected to litigation and for the other part of the cases compromise were made to relevant parties. Because the parties could not reach a settlement, a legal process has been started for the years 2009, 2010 and 2011, related payment is made to tax authority (31 December 2014: TL 2,910,801).

43 Commitments

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

	31 December 2015	31 December 2014
Less than one year	4,220,673	8,225,284
Between one to five years	2,816,249	4,950,268
More than 5 years	--	--
Total of minimum rent payments	**7,036,922**	**13,175,552**

44 Business combinations

None.

(Currency: Turkish Lira (TL))

45 Related party transactions

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

The related party balances as of 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Investment funds founded by İş Portföy Yönetimi A.Ş. *(Note 11)*	243,023,139	233,371,896
Equity shares of the related parties *(Note 11)*	56,058,636	65,096,978
Investment funds founded by İş Yatırım Menkul Değerler A.Ş. *(Note 11)*	19,977,422	28,398,072
Bond issued by İş GYO *(Note 11)*	14,749,064	16,336,950
Investment funds founded by İşbank AG *(Note 11)*	11,206,804	12,320,065
Bonds issued by İş Finansal Kiralama A.Ş. *(Note 11)*	8,203,256	9,618,449
Bond issued by İş Faktoring *(Note 11)*	5,522,064	--
Bond issued by Türkiye Sınai Kalkınma Bankası (Note 11)	5,843,739	--
Investment funds founded by İş Bankası A.Ş. *(Note 11)*	--	15,972,195
Bonds issued by İş Yatırım Menkul Değerler A.Ş. *(Note 11)*	--	9,830,300
Financial assets	**364,584,124**	**390,944,905**
Türkiye İş Bankası A.Ş.	1,624,387,985	834,620,279
Other	430	822
Banks	**1,624,388,415**	**834,621,101**
Türkiye İş Bankası A.Ş.	106,339,774	91,802,800
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	5,621,566	2,924,252
Axa Sigorta A.Ş.	4,273,009	7,655,182
Anadolu Hayat	873,250	679,124
Groupama Sigorta A.Ş.	167,561	1,689,735
İstanbul Umum Sigorta A.Ş.	109,963	105,003
Ziraat Sigorta A.Ş.	81,886	--
Trakya Cam Sanayii A.Ş.	47,472	167,971
Ziraat Hayat ve Emeklilik	47,220	433,125
Ergo Sigorta A.Ş.	18,246	18,246
Receivables from main operations	**117,579,947**	**105,475,438**
Türkiye İş Bankası A.Ş.	9,603,965	7,082,553
Ergo Sigorta A.Ş.	5,304,570	3,619,529
Güven Sigorta T.A.Ş.	1,360,722	2,192,741
Allianz Sigorta A.Ş.	874,590	751,048
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	349,731	23,437
Groupama Sigorta A.Ş.	55,043	60,224
Axa Sigorta A.Ş.	50,953	54,833
İstanbul Umum Sigorta A.Ş.	40,403	44,343
Ziraat Sigorta A.Ş.	--	352,262
Payables from main operations	**17,639,977**	**14,180,970**
Due to personnel	92,190	--
Due to shareholders	53,738	53,738
Due to other related parties	12,640	27,750
Due to related parties	**158,568**	**81,488**

(Currency: Turkish Lira (TL))

No guarantees have been taken against receivables from related parties.

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

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

The transactions with related parties during the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
İş Bankası	410,699,700	328,891,626
Axa Sigorta A.Ş.	48,212,402	43,051,681
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	17,600,899	41,316,107
Ergo Sigorta A.Ş.	14,189,023	17,563,499
Ziraat Sigorta A.Ş.	12,178,834	9,462,839
Groupama Sigorta A.Ş.	11,167,164	12,215,432
Anadolu Hayat	3,663,916	859,473
Allianz Sigorta A.Ş.	933,867	1,001,533
Ziraat Hayat ve Emeklilik	390,235	1,949,018
Groupama Sigorta A.Ş. (Güven Sigorta T.A.Ş.)	315	2,048,792
AvivaSa Emeklilik A.Ş.	--	(382)
İş Finansal Kiralama	--	17,077,324
TSKB	--	101,511
Premium received	**519,036,355**	**475,538,453**
Ergo Sigorta A.Ş.	12,902	10,111
Groupama Sigorta A.Ş.	3,800	7,992
Axa Sigorta A.Ş.	2,172	3,447
Groupama Sigorta A.Ş. (Güven Sigorta T.A.Ş.)	767	1,359
İstanbul Umum Sigorta A.Ş.	1	34
Allianz Sigorta A.Ş.	(34)	90
Premiums ceded	**19,608**	**23,033**
Groupama Sigorta A.Ş.	7,659	(2,839)
Ergo Sigorta A.Ş.	5,134	(330)
Axa Sigorta A.Ş.	3,037	399
Groupama Sigorta A.Ş. (Güven Sigorta T.A.Ş.)	1,389	(182)
Allianz Sigorta A.Ş.	1	(4)
İstanbul Umum Sigorta A.Ş.	--	(2)
Commissions received	**17,220**	**(2,958)**
İş Bankası	54,279,283	33,650,040
Axa Sigorta A.Ş.	7,953,361	7,705,485
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	3,520,602	8,674,189
Ergo Sigorta A.Ş	2,975,744	4,382,862
Ziraat Sigorta A.Ş.	2,861,183	2,259,787
Groupama Sigorta A.Ş.	1,323,906	1,968,242
Anadolu Hayat	223,783	263,521
Allianz Sigorta A.Ş.	146,237	1,812,204
Groupama Sigorta A.Ş. (Güven Sigorta T.A.Ş.)	(62,182)	(1)
AvivaSa Emeklilik A.Ş.	--	(191)
İş Finansal Kiralama	--	(3,240,935)
Commissions given	**73,221,917**	**57,475,203**

(Currency: Turkish Lira (TL))

	31 December 2015	31 December 2014
Axa Sigorta A.Ş.	41,100,417	12,458,213
Groupama Sigorta A.Ş.	19,670,681	28,775,974
Ergo Sigorta A.Ş.	13,250,572	16,418,632
Ziraat Sigorta A.Ş.	5,780,262	2,986,945
Allianz Sigorta A.Ş.	4,209,033	9,570,599
Groupama Sigorta A.Ş. (Güven Sigorta T.A.Ş.)	2,361,285	4,307,333
Ziraat Hayat ve Emeklilik	749,298	735,576
Anadolu Hayat	167,542	100,216
AvivaSa Emeklilik A.Ş.	--	54,000
Claims paid	**87,289,090**	**75,407,488**
Groupama Sigorta A.Ş.	269,451	233,044
Axa Sigorta A.Ş.	196,702	133,552
Ergo Sigorta A.Ş.	121,500	211,383
Groupama Sigorta A.Ş. (Güven Sigorta T.A.Ş.)	95,107	77,160
İstanbul Umum Sigorta A.Ş.	21,018	16,835
Allianz Sigorta A.Ş.	16,536	14,241
Reinsurance's share of claims paid	**720,314**	**686,215**
Axa Sigorta A.Ş.	690,593	(63,408)
Ergo Sigorta A.Ş.	421,667	(47,895)
Groupama Sigorta A.Ş.	273,437	51,753
Anadolu Hayat	180,761	823
Allianz Sigorta A.Ş.	148,657	370,011
Ziraat Sigorta A.Ş.	49,556	6,349
AvivaSa Emeklilik A.Ş.	--	35
Other income	**1,764,671**	**317,668**
Axa Sigorta A.Ş.	1,139,001	187,955
Ergo Sigorta A.Ş.	358,197	353,710
Groupama Sigorta A.Ş. (Güven Sigorta T.A.Ş.)	264,090	33
Groupama Sigorta A.Ş.	125,132	36,872
Allianz Sigorta A.Ş.	115,889	209,265
Ziraat Sigorta A.Ş.	13,525	7,444
Anadolu Hayat	1,918	4,060
Ziraat Hayat ve Emeklilik	506	7,229
İş Merkezleri Yönetim ve İşletim A.Ş. - office service costs	(3,212,713)	--
Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı Vakfı-rent expense	(2,790,764)	--
İş Portföy Yönetimi - management commission	(690,905)	--
AvivaSa Emeklilik A.Ş.	--	5
Other expenses	**(4,676,124)**	**806,573**

(Currency: Turkish Lira (TL))

46 Subsequent events

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

47 Other

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

They are presented in the related notes above.

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

None.

Subrogation recorded in "Off-Balance Sheet Accounts"

None.

Real rights on immovable and their values

None.

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

None.

As at and for the year ended 31 December 2015 and 2014, details of discount and provision expenses are as follows:

	31 December 2015	31 December 2014
Provision expense for doubtful receivables *(Note 4.2)* (*)	(39,905,763)	(11,339,113)
Provision for pension fund deficits *(Note 23)*	(28,214)	7,985,301
Provision expense for employee termination benefits *(Note 23)*	(1,689,401)	(1,624,875)
Provision expenses for unused vacation *(Note 23)*	(59,556)	(245,663)
Provision expenses for tax assessments *(Note 42)*	2,546,902	(10,784,553)
Other provision expenses *(Note 4.2)* (*)	13,570,187	804
Provision expenses	**(25,565,845)**	**(16,008,099)**

(*) Provision expense stems from foreign exchange translation effect on doubtful receivables from main operations amounting to TL 39,905,763 (31 December 2014: TL 11,339,113) and there is not any provision expense on doubtful receivables from other receivables *(Note 4.2)*.

	31 December 2015	31 December 2014
Rediscount income/(expense) from main operations receivables	18,196,109	12,637,725
Rediscount income/(expense) from main operations payables	(17,196,437)	(15,657,400)
Total of rediscounts	**999,672**	**(3,019,675)**

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