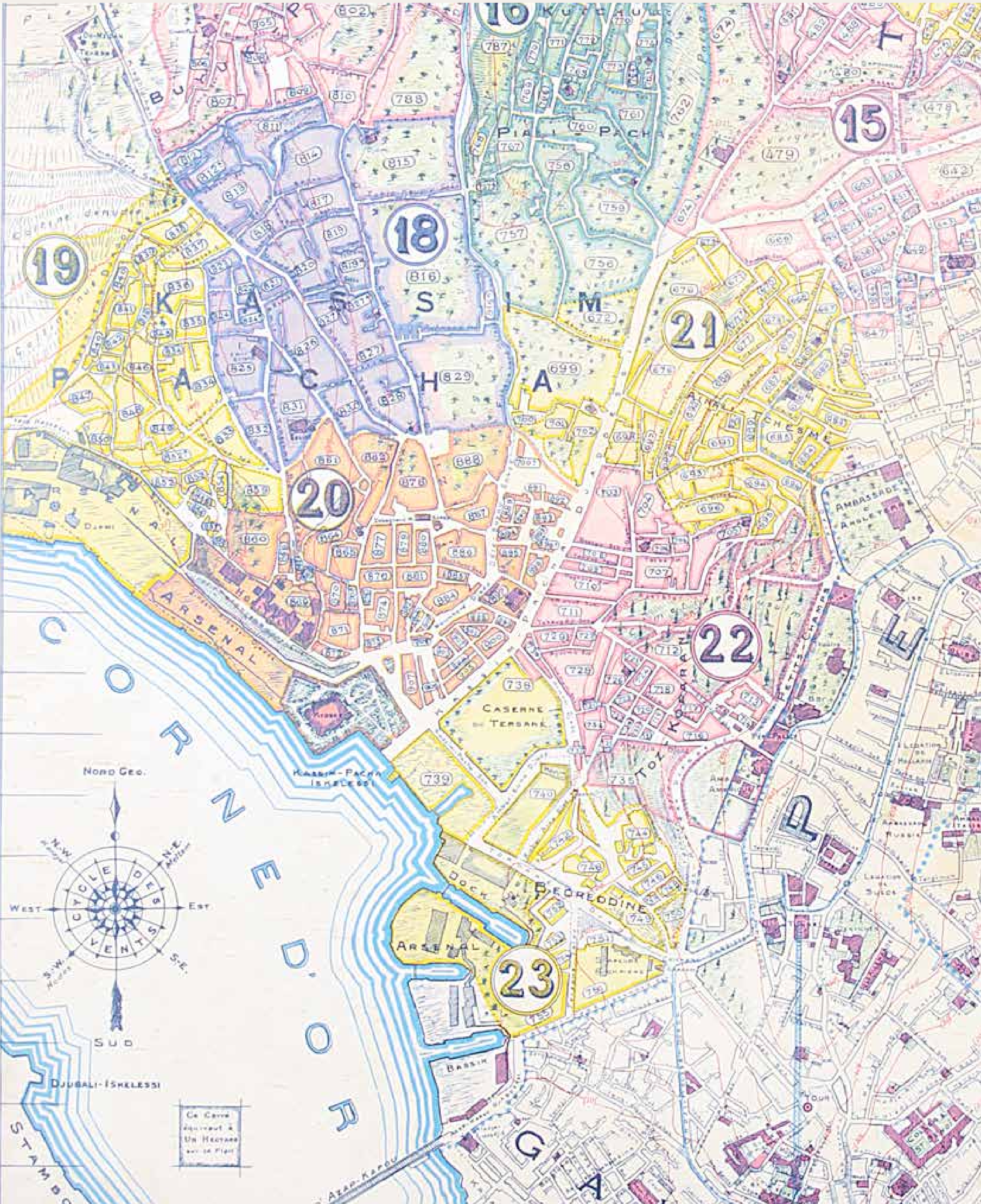
89th year

2017 Annual Report

MİLLİ RE
Since 1929
Local Leader, Global Partner



Contents

Pervititch Maps

Pervititch Maps, some of which can be found in the collection of Milli Re, were produced between 1922 and 1945 by Jacques Pervititch, a Croatian topographical engineer for the use of Sigortacılar Cemiyeti Daire-i Merkeziyesi (Insurance Association of Turkey of the time) to monitor the regional risk levels and accumulations of fire insurance. Displaying the fire risk in the surrounding of the property to be insured, the maps have been prepared by sectioning on district basis and the names of main roads, streets, and important buildings and their numbers were indicated as well as important information such as building construction types and floor numbers were detailed through drawing by hand and coloring. Taking into account the conditions prevailing when Pervititch maps have been prepared and the fact that these maps contain more detailed information than the ones prepared with satellite views today, it becomes evident that they have been created as a result of long-lasting rigorous studies. Despite some districts on the map being drawn by other topographical engineers, these maps are generally referred to as "Pervititch Maps". In the legends of the maps; wood material and brick are indicated with colors yellow and pink, respectively, while the window covers on the roofs, pools, fountains, cisterns, wells and sea are indicated with blue as well as gardens and open-space areas are shown in green.

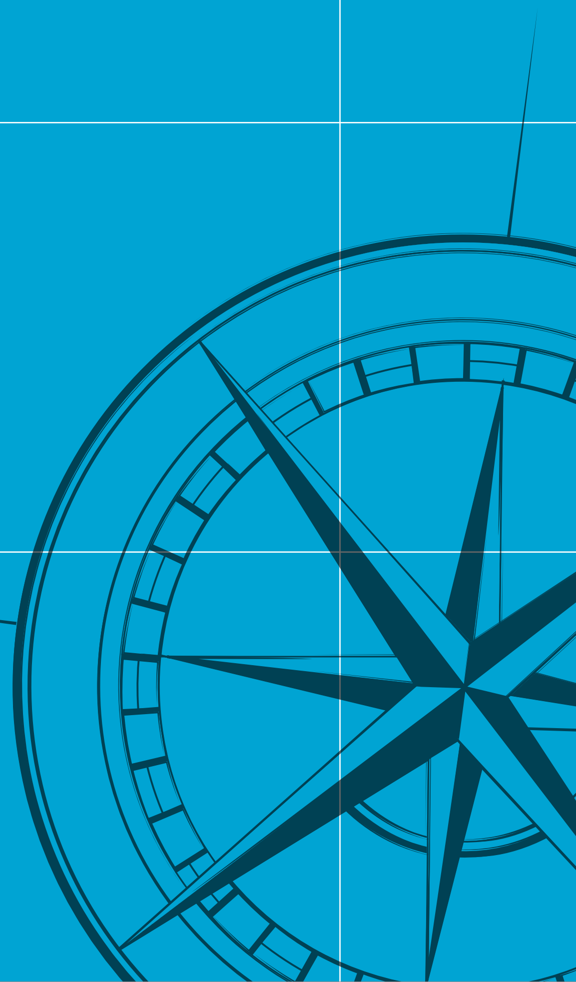
Millî Reasürans T.A.Ş.
Harbiye Mahallesi
Maçka Caddesi No: 35
34367 Şişli - İstanbul/TURKEY

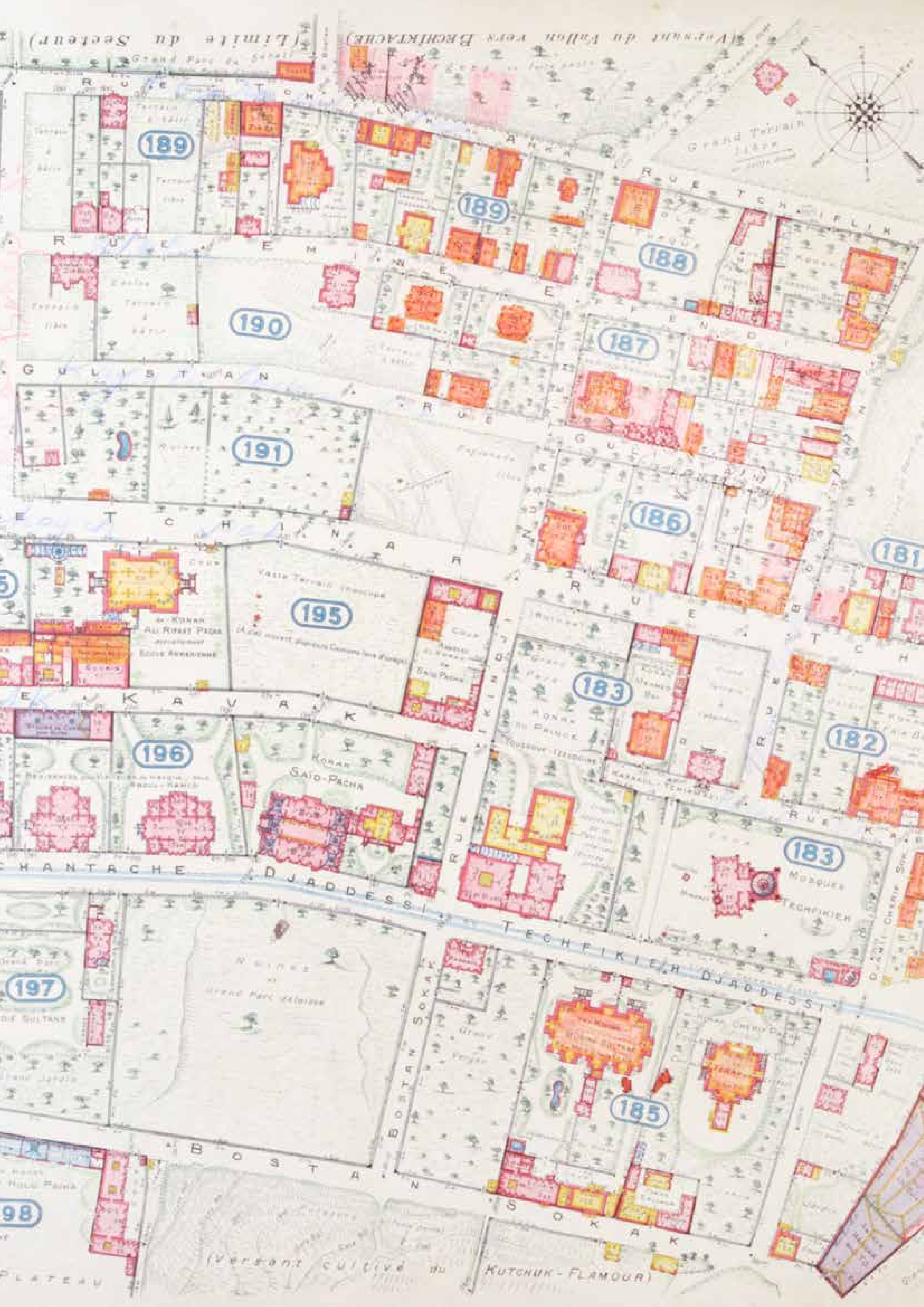
Phone +90 212 231 47 30
Fax +90 212 230 86 08
E-mail info@millire.com
millire@millire.com

www.millire.com
www.millire.com.tr

Singapore Branch
4 Battery Road #20-01
Bank of China Building
Singapore 049908

Phone +65 6499 9340
Fax +65 6534 2884
E-mail singapore@millire.com




(Limite du Secteur)
(Versant du Vallon vers Bechiktache)
Grand Terrain libre
Rue Tchiflik
Rue Emin Efendi
Gulistan
Rue
Tchinar
Rue
Kavak
Chantache
Djaddessi
Techfikieh Djaddessi
Bostan Sokak
189
189
188
187
190
191
186
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195
183
182
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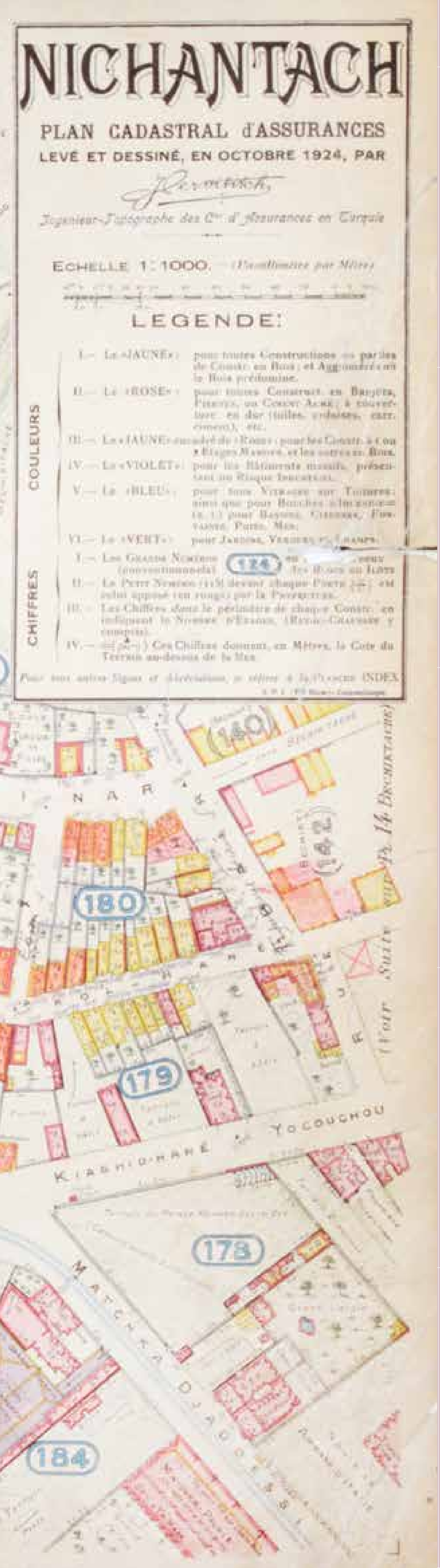
197
185
98
Vaste Terrain inoccupé
Konak Saïd-Pacha
Mosquée Techfikieh
Ruines et Grand Parc délaissé
(Versant cultivé du Kutchuk-Flamour)
Plateau



Vision

To maintain and further strengthen the key position in the local market as a pioneer reinsurer and to be a preferred reinsurance company in the 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 and to create value in its relations.
- Further enhance the development and the performance of employees aligned with the company-wide strategic targets.

Corporate Profile

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

A global reinsurer

As the world's first and only privately-owned company that managed a compulsory reinsurance system for all lines of business, Milli Re has played an important role in the formation and development of the insurance industry in Turkey. Following the termination of the compulsory reinsurance system, the Company redefined its goals and strategies in alignment with the current conditions and via its strategy of opening to international markets, today continues to serve as a global, prestigious and trusted reinsurer.

Important contribution to the Turkish insurance market

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

While operating the compulsory reinsurance system, the Company also made various contributions to the country such as;

- Nationalization of the Turkish insurance industry,
- Generation of continuous revenue for the Undersecretariat of Turkish Treasury,
- Significant reduction in the outflow of foreign currency,
- Providing insurance training and education programs for the insurance industry,
- Conducting top notch international relations.

Management of the Federation of Afro-Asian Insurers and Reinsurers (FAIR) Pool for 43 years

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.

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

A trusted global business partner

As part of Milli Re's strategy to expand to international markets, the Company began writing business from these markets in 2006. In alignment with this strategy, Singapore Branch was opened in 2007.

By bringing its merited reputation and technical knowledge gained in the Turkish market to international arena and with the support of its financial strength, Milli Re continues to maintain its credibility in international markets through its strong performance.

On 14 June 2017, A.M. Best assigned Milli Re a global rating of B+ with a negative outlook. Milli Re's national scale rating was affirmed as "tr AA-" by Standard&Poor's (S&P) on 1 February 2017.

Competence in all aspects

With a focus on the future, Milli Re has the competence and strong capital base necessary for growth. The Company's main objective is to achieve sustainable growth by translating its strong position in the local insurance market and its business model closely monitoring risk/return balance to international markets.

Milli Re Singapore Branch

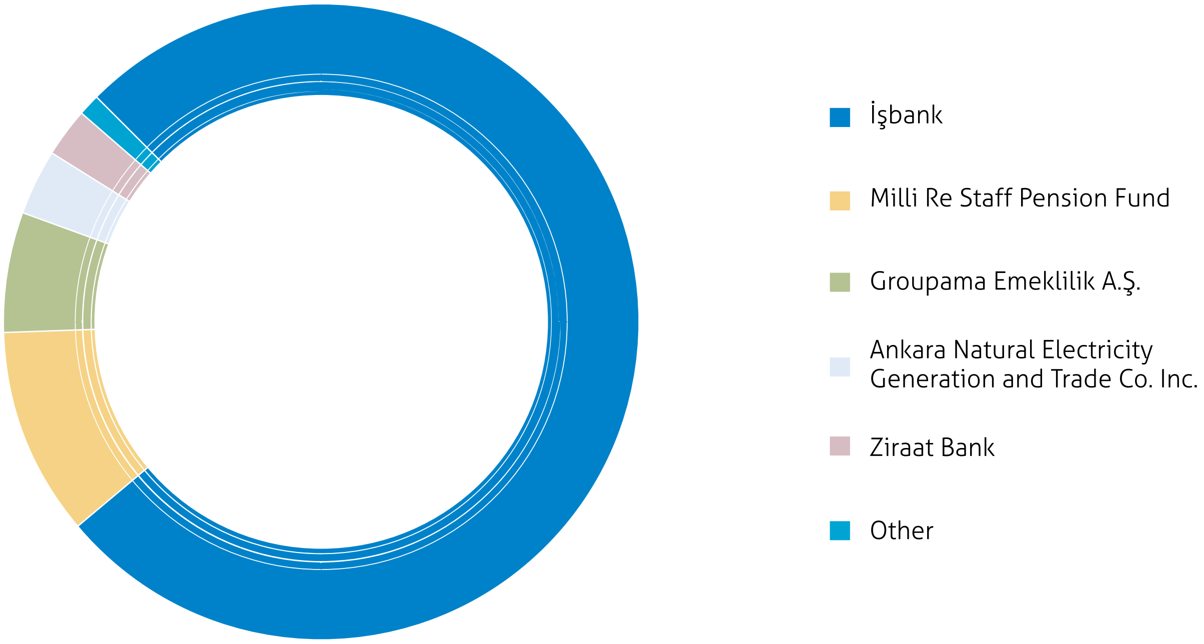
As part of its strategy to expand to international markets, Milli Re, like many other international reinsurers, examined the benefits of establishing regional branches. Consequently, Singapore Branch was opened in view of the significance of Far East in the global insurance market, as well as its potential business volume and geographical location.

Having received the license for operation from the Monetary Authority of Singapore (MAS) in November 2007, Singapore Branch began writing business from 1 April 2008. With its well qualified and highly experienced workforce of 11 people, Singapore Branch plays an important role in international operations of Milli Re.

Anadolu Sigorta

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

Shareholder Structure



Shareholder	Value of Stake (TL)	Stake (%)
İşbank	505,810,925.41	76.64
Milli Re Staff Pension Fund	69,604,853.95	10.55
Groupama Emeklilik A.Ş.	38,809,894.19	5.88
Ankara Natural Electricity Generation and Trade Co. Inc.	22,240,455.60	3.37
Ziraat Bank	16,430,944.19	2.49
Other	7,102,926.66	1.07
Total	**660,000,000**	**100.00**

Note: Shareholders controlling 1% or greater stakes in the Company are shown here above.

Capital Increases

There were no capital increases during 2017.

Changes in the Shareholder Structure during 2017

There were no changes in the shareholder structure during 2017.

Changes in the Articles of Association during 2017

There were no changes in the Articles of Association during 2017.

Disclosures on Preferred Shares

There are no preferred shares.

Milestones

1929
Milli Re is founded by İşbank with a capital of TL 1,000,000 to operate the compulsory reinsurance system.

1963
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.

1967
The management of "RCD Fire Reinsurance Pool", established under the agreement of "Cooperation for Regional Development" between Turkey, Iran and Pakistan, was handed over to Milli Re.

1970
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 handed over 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
The management of "FAIR Reinsurance Pool" established by the Federation of Afro-Asian Insurers & Reinsurers (FAIR) was handed over to Milli Re.

1982
Compulsory reinsurance cessions to Milli Re on Quota Share basis were changed to Surplus basis.

1986
MİLTAŞ Sports Complex, which hosts the traditional "International Insurers Tennis Tournament" organization was built by Milli Re and was brought into the service of the market.

1991
Milli Re began to offer conventional reinsurance capacity through reinsurance treaties apart from "Compulsory Cessions" and "Decree Pool".

First issue of "Reasürör" magazine was published. The magazine is a reference source with full academic content on re/insurance, including compilations, translations, interviews, and statistical data on various lines.

1993
Milli Re moved to its new head office constructed in Teşvikiye.

1994
Milli Re Art Gallery, a corporate gallery where art works by prominent local and foreign artists are exhibited, was opened.

1996
Milli Re 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 renowned local and international artists and conductors.

2000
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
Risk-based Compulsory Reinsurance System came to an end.

2005
Milli Re became the only active local reinsurance company in the Turkish market after the acquisition of Destek Reasürans T.A.Ş.

2006
Milli Re began to write business from internaional markets.

Decree Pool was terminated.

2007
Singapore Branch, which plays an important role for Milli Re in international markets, was opened.

2010
Milli Re acquired an additional 35.53% stake in Anadolu Sigorta, another group company. Accordingly, Milli Re, Turkey's one and only active local reinsurer increased its share in the capital of Anadolu Sigorta to 57.31%, one of the largest and well-established insurance companies in the industry.

2017
Singapore Branch, which started underwriting in 2008 as part of Milli Re's strategy to expand to international markets, completed its 10th year of operation.

1196
Botton
1218
(sur Planche 39)
Kolemen Çikmazi
Grande Cour en contrebas
1196a
Dibek Sokak
1197
1197b
1197c
1197a
Vaste Terrain libre à pente prononcée
1217
(sur Planche 39)
Terrain à bâtir
Hoca-Ali Camisi Sok
Tramways Han
Cour du Han
Chantier
Baraquements
Jardin du No 23
École Israélite Alliance
Temple Protestant
Jardin du Temple
Terrain libre
1194a
1216
(sur Planche 39)
Hoca Ali Camisi
Mahmud Han
Nasip Hanum
Hendek Sokak
1215a
Galata Mandra Sokak
(1.198)
1.200
1.199
École Grecque de Galata
Eski-Parmak Kapu Sokak
Sœurs St Vincent de Paul École
1215
Kaval Sokak
Église Grecque Christos
1206
(Planche 40)
1.201
(Planche 40)
Église Arménienne
1.056 (P. 34)
1.055 (P. 34)
1.054 (P. 34)
1.053 (P. 34)
Hurma Sokak
Usine H. Isler
Kafesci Haci Sokak
Terrain à bâtir


BEYOGLU
BEREKET ZADE
PLAN D'ASSURANCES
LEVÉ ET DESSINÉ, EN DECEMBRE 1928
sur base de la Triangulation Officielle, par
J. PERVITITCH
Géomètre-Topographe
ECHELLE 1: 500.
LÉGENDE
CAMCI NURI SOKAK
KAPU-HULUSU SOK.
1043
1044
1045
1195

Chairman's Message

An optimistic climate was dominant across markets with the effect of the expansion in the world trade volume and the recovery of global economies despite geopolitical tensions experienced on a global scale in 2017.

While the repercussion of global monetary policies was limited on the financial markets; investments with a high risk appetite and therefore being directed to developing countries, displayed a stable outlook in general. Despite the strong global growth outlook as well as the upward trend in commodity prices resulting particularly from energy prices, inflation rates across the world were at low levels. These conditions enabled the developed countries to realize the normalization in their monetary policies with a foreseeable momentum.

In the US, where the agenda concentrated on politics and economy, although the fourth quarter growth of 2.6% was below estimates mainly due to the negative performance in net exports; the contribution of consumption expenditures to the overall growth was promising. With the contribution of the satisfactory unemployment data outlook, Fed was able to continue its policy of raising interest rates, without causing any negative impact on the global market liquidity.

Euro Area has recorded its highest growth rate in the past decade with 2.5% in 2017. European Central Bank continued its asset purchase program in 2017 and is expected to keep its expansionary attitude, albeit at a limited level, by keeping interest rates low until the end of September, 2018. On the other hand, based on the economic performance

With its portfolio differentiating from Turkish insurance market in terms of line of business and geographical diversification, Milli Re's premium production reached TL 1,086 million in 2017.

realized beyond the expectations despite negativity created by Brexit, Bank of England decided to increase rates following the favorable trend of inflation data.

Similar developments were experienced in China, the largest source of concern among emerging economies; where the economy by gaining momentum during the last quarter of 2017, achieved a growth rate of 6.9% at the end of the year. Accelerating for the first time in the last 7 years with the contribution of exports, the strengthening performance of Chinese economy relieved the concerns by indicating signs of a gradual moving away from a crisis environment.

The economic activity in our country preserved its strength based on local demand. Gross Domestic Product increased by 11.1% in the third quarter of the year owing to the base effect combined with the strong trend of economic activity derived by the rapidly increasing bank credits with the contribution of the Credit Guarantee Fund inured in 2017 and the expansion in public expenditures. With regards to the demand components; while private consumption expenditures were the highest contributor to the annual growth, machinery-equipment investments appeared to effect the annual growth positively once again after five quarters. On the other hand, imports displayed a high rate of increase along with the recovery in domestic demand as well as growth of gold trade in the third quarter. Therefore, the contribution of net exports to the annual growth was limited in the third quarter despite the positive progress in exports.

Consumer price inflation was above projections and was recorded as 11.92% at the end of 2017. The rapid depreciation of Turkish Lira against developed market currencies, as well as the significant increase in oil and other global input prices played a determinant role in the realization of inflation over expectations.
As opposed to the positive consequences of growth; high level of inflation as well as increases in budget deficit and current account deficit are among the problems considered to be influential in future.

One of the most destructive Atlantic Hurricane seasons in history has been witnessed in 2017. Total economic loss is estimated to be around USD 330 billion, of which USD 136 billion is expected to be borne by the insurance and reinsurance markets. While it is evaluated that the on-going softening in markets came to an end in general following these losses, it has been observed during 2018 January renewals that the rate increases in some markets did not meet the expectations of reinsurers. Conditions also continued to be in favor of buyers in some regions, mainly due to the total reinsurance capital which is estimated to have hit a level of USD 600 billion in the third quarter of the year.

According to the data published by the Insurance Association of Turkey; the premium volume of Turkish insurance market reached TL 46.6 billion, growing by 15% in 2017. Despite premium increases realized in Land Vehicles, Fire/Natural Disasters and Health branches, total premium size of the market increased by only 2.7% in real terms, since Motor Vehicle Third Party Liability insurance premiums were more or less stable.

With its portfolio differentiating from the Turkish Insurance Market in terms of both line of business breakdown and geographical diversification, in line with its strategy followed since 2006, Milli Re's premium production reached a level of TL 1,086 million in 2017, increasing by around 17% compared to last year. 75% of the total premium was generated from local business while 25% thereof obtained from international business. Total assets reached TL 3,434 million while shareholders' equity of our Company amounted to TL 1,842 million and the profit for the period after tax was recorded as TL 103.7 million.

Milli Re, owing to its 89 years of experience, know-how and strong financial structure shows a steady development despite challenges faced due to fast-changing conditions as well as the severe competition prevailing in both international and local markets.

Our Company continues its operations successfully in line with its strategy to be a preferred business partner not only in the local market but also in the international markets by offering a wide range of products with its prudent business approach rigorously followed through accurate and prompt assessment of market dynamics.

On behalf of myself and the Board of Directors, I would like to thank our shareholders as well as our business partners for their support; and our employees for their commitment.

Mahmut MAGEMİZOĞLU
Chairman of the Board of Directors

General Manager's Message

Global economy, giving signs of recovery in 2016 after the 2008 crisis, gained momentum in 2017 with the support of the on-going low interest environment and the rising oil prices as well as the blossoming global trade in line with the improvement of economies in both developed and developing countries. Stock market indices hit historical records of increases mainly due to the acceleration particularly in the developed economies; crypto currency, on the other hand, took attention by becoming among the most discussed subjects of the year.

Main factors contributing to the positive outlook in the global economy were tax reforms introduced in order to support economic activity and interest rate increases implemented by Fed in the USA, stabilization of the economy in China, economies finally recovering in the Euro Zone as well as UK's growing economy despite its decision to leave the EU.

Our Company continued to maintain its key position in the local market and to be a preferred business partner in the international markets in 2017.

Backed by the increase in personal consumption expenditures based on bank loans and the revival in investments, Turkish economy attained a growth rate beyond expectations in the third quarter of 2017 when compared to the same period of last year, leaving many economies behind, giving signs of recovery after its weak performance in 2016. Along with this growth gained at the cost of rising inflation with the impact of expansion in domestic demand, and widening current account deficit with the increase in oil prices and gold imports; the interest rates navigated at high levels following Treasury's high level of borrowing and the fiscal discipline loosened as a result of many incentives introduced.

According to the 2017 year-end figures released by the Insurance Association of Turkey, Turkish insurance industry premium volume is registered as TL 46.6 billion. 85% of the market premium was generated from Non-Life and 15% from Life branches. Annual growth rate, which corresponds to 15% on nominal basis and 2.7% on real basis, remained considerably limited when compared to the development recorded last year.

As a result of the price cap imposed for Land Vehicles Liability insurance business in 2017, premium amount produced by this line remained at the same level as last year, which is assessed to be the main factor putting pressure on the market's premium volume.

Having a dominant share in the premium production, Land Vehicles (Motor Own Damage) insurance also followed a similar trend due to the on-going price competition. This resulted in a growth rate of Non-life premium volume similar to the inflation rate, despite the positive impact created by the upward movement rendered in Fire and Natural Disasters as well as the Engineering and Government Subsidized Agriculture Insurance.

On the other hand, premium production in Life Insurance, displaying a stable development in recent years, increased with a rate of 36% by the end of 2017, mainly due to the credit related insurance products.

Besides the application of price cap, another development which had a major effect on the market during the period was the establishment of "High Risk Pool" in Land Vehicles Liability insurance. The aim of the introduced pool system is the sharing of premiums and liabilities, related to vehicles with high loss ratio or loss potential, under a particular framework by the whole market.

Similarly, with the enactment of Compulsory Medical Malpractice Indemnity Insurance Pool, which started to be implemented with effect from 1 July 2017, distribution of the premiums and liabilities have started to be allocated to the insurance companies according to the system determined by the related regulation. Furthermore, a legal infrastructure for takaful insurance operations was set up with the regulation on "Procedures and Principles of Participation Insurance Business" published in September 2017.

General Manager's Message

From the view point of global insurance and reinsurance markets, 2017 was a year hosting one of the most devastating Atlantic Hurricane seasons in history. Hurricanes Harvey, Irma and Maria caused severe losses by affecting many residential areas from Caribbean Islands to big cities of the US.

As a result of the natural disasters, notably North California Wildfires, earthquakes in Mexico and Debbie Hurricane affecting Australia and New Zealand, besides the severe Atlantic hurricanes, which all occurred in 2017 and are assumed to generate an insured loss of approximately USD 136 billion; soft market conditions prevailing in the reinsurance markets were replaced by the more disciplined underwriting policies during January 2018 renewals.

However, the extent of the transition in the markets was not within the expectations of reinsurers due to the surplus capacity stemming from the level of reinsurance capital, assumed to hit a level of USD 600 billion in total with the contribution of alternative capital. While the price reductions witnessed for the last couple of years were not observed, increases in some regions and programmes were below expectations, with slip conditions not broadening any more in favor of ceding companies.

Our Company continued its support to the ceding companies operating in Turkish insurance market during January 2018 renewals and maintained its market share of 27% in the local market by leading the reinsurance contracts of the majority of ceding companies buying reinsurance protection on proportional bouquet basis.

Consequences of the global natural catastrophes on reinsurance markets were also visible during January 2018 renewals of catastrophe excess of loss programmes purchased by the Turkish market players in order to protect the risks under their retentions against natural disasters or man-made losses. Furthermore, the flood and hail events that occurred during July in Istanbul also pushed higher the rates of lower layers of some programmes hit by these losses. In 2018 renewals, Milli Re's liability in the catastrophe excess of loss programmes is around 7%.

With its successful operations conducted in the international markets, our Company provides reinsurance capacity to around 130 cedants located in over 50 countries in accordance with its aim to grow profitably. Established in line with this strategy in 2007, our Singapore Branch completed its 10th year of activity in 2017.

Milli Re's market share with respect to the proportional reinsurance treaties in the local market is around 27%.

Our assets reached TL 3,434 million and shareholders' equity amounted to TL 1,842 million at the end of 2017.

Milli Re successfully completed a year with a frequently changing domestic and international agenda. Despite the instability, particularly pertaining to the region where Turkey belongs, our Company achieved its goals set for 2017 to a large extent.

Milli Re's premium production reached TL 1,086 million with 16.8% increase compared to last year. 75% of our total premium income is generated by local and 25% by international portfolios in line with our business model, revised during the last ten years in order to achieve geographical diversification of the portfolio as well as to provide sustainability of the increasing technical profitability, through steps taken to withdraw from unprofitable lines and accounts in both local and international markets. More than 75% of our total premium is composed of the target lines of business such as Fire, Engineering and Marine.

As at the end of 2017, total assets reached TL 3,434 million and shareholders' equity amounted to TL 1,842 million and after tax profit for the period of our Company was recorded as TL 103.7 million.

Focusing on the technological investments necessary to proactively adapt to the dramatically changing market dynamics, our Company will continue its strategy of maintaining its leading position and market share in the local market in the upcoming periods as well as being a preferred business partner in the international markets, with its strong capital structure and the efforts of its experienced employees.

I would like to extend my sincere thanks to our shareholders and our business partners for their confidence in our Company and to all of our employees for their valuable contributions to the positive results obtained.

Hasan Hulki YALÇIN
Director and General Manager


BECHIKTACHE
ECHELLE
Réduction exacte au 1 : 2400, servant d'Index au Grand Plan Cadastral (1 : 600)
TRIANGULÉ, LEVÉ ET DESSINÉ, EN 1922, PAR
LEGENDE
Le Jaune indique les Constructions en Bois.
» Rose » » » » Maçonnerie.
» Vert » » Champs et Jardins.
» Sepia (Hachures, Courbes de niveau et Chiffres) indiquent la forme et l'altitude du Terrain.
» Bleu (Grands Chiffres et Flèches en rayonnant) délimitent les Feuilles du Grand Plan au 1 : 600.
Les Chiffres noirs (...) sont ceux des Ilots ou Blocs sur ce même Plan au 1 : 600.
Pour la Legende-Détails et le Repertoriage des Rues, se référer au Verso de cette Planche.
Constantinople, 2 Déc. 1922.
14
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8
11
12
7
3
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13


9
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5
YILDIZ

Board of Directors

8-7-5-3-2-1-9-4-6-10

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 professional career at İşbank on the Board of Inspectors in 1982 and is currently the Senior Deputy Chief Executive of İşbank. Having served as board member in nearly 20 companies to date, Mahmut Magemizoğlu has been the Chairman of the Board of Anadolu Hayat Emeklilik A.Ş. since 2009 and of Milli Re since 2011.

2-Özgür TEMEL
Vice Chairman
Özgür Temel holds a bachelor's degree in Business Administration from the Hacettepe University and a master's degree in International Banking and Finance from the University of Birmingham. He began his career at İşbank Beyazıt Branch as an Assistant Credit Specialist in 1994. Özgür Temel, who joined Board of Inspectors in 1995, was appointed to Capital Markets Department as an Assistant Manager in 2003. After his duties as İzmir Branch Assistant Manager in 2005 and Ege Corporate Branch Assistant Manager in 2006, he was appointed as Capital Markets Department Unit Manager in 2008 and as Division Head in 2013. He served as a member of the Board of Directors at İş Yatırım Menkul Değerler A.Ş. in April 2013 and the Chairman of İş Yatırım Ortaklığı A.Ş. in December 2013. He is currently the International Financial Institutions Division Head at İşbank. Özgür Temel has been the Vice Chairman of the Board of Directors at Milli Re since 12 May 2017.

3-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 various programs on senior public administration techniques and the European Union in USA and at The Royal Institute of Public Administration (RIPA) London. 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 Mülkiye 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. Aynur Dülger Ataklı has been a member of the Board of Directors at Milli Re since 16 May 2014.

4- Hüseyin YALÇIN
Director

Hüseyin Yalçın holds a degree in Economics from the Faculty of Economics and Administrative Sciences at the Middle East Technical University. He served as an Inspector, Assistant Manager and Branch Manager at Ziraat Bank between 1977 and 1990 and also served as a Deputy General Manager and General Manager Consultant at Development Bank of Turkey from 1990 to 2000. Following the takeover of several banks by the Savings Deposit Insurance Fund, he served as a Senior Deputy General Manager at Yurtbank, Deputy General Manager at Sümerbank, Deputy General Manager at Kent Portföy and General Manager Consultant at Toprakbank from 2000 until 2002. He served on the Board of Directors for 6 years at İşbank after his election in 2011. Hüseyin Yalçın has been a member of the Board of Directors at Milli Re since 28 April 2017.

Board of Directors

5-Levent KORBA
Director

Levent Korba graduated from the English Language Department of Buca Faculty of Education at Dokuz Eylül University, and joined İşbank in 1986. After serving in a number of the Bank's units and branches, he was appointed as Deputy General Manager in April 2011 where he served until 2017. Functioned as the Chairman of İşmer İş Merkezleri Yönetim İşletim A.Ş. and İş Gayrimenkul Yatırım Ortaklığı A.Ş., Levent Korba has been a member of the Board of Directors at Milli Re since 28 April 2017.

6-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. He is currently the Human Resource Management Unit Manager at İşbank. Erdal İnceler has been a member of the Board of Directors at Milli Re since 28 March 2013.

7-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 Division. He is currently the Subsidiaries Division Unit Manager at İşbank and also a member of the Board of Directors of Anadolu Anonim Türk Sigorta Şirketi and Anadolu Hayat Emeklilik A.Ş.. Kemal Emre Sayar has been a member of the Board of Directors at Milli Re since 30 November 2015.

8-İsmail Ferhat ÇEKEM
Director

İsmail Ferhat Çekem holds a degree in International Relations from the Faculty of Economic and Administrative Sciences at the Middle East Technical University and a master's degree in International Banking and Finance from The University of Greenwich (England). İsmail Ferhat Çekem began his career in 1999 as an Assistant Specialist at İşbank. He is currently the Credits Portfolio Management Department Division Manager at İşbank. İsmail Ferhat Çekem has been a member of the Board of Directors at Milli Re since 24 May 2017.

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 on 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 6 times during 2017, with all members attending 4 of these meetings, whereas one member was excused from each one of two meetings.

INTERNAL SYSTEMS MANAGERS

Internal Audit Assistant Manager: Ekin ZARAKOL SAFİ

Term of Office: 4 years
Professional Experience: 15 years
Departments Previously Served: Turkish Reinsurance Pool, Internal Audit and Risk Management
Academic Background: Bachelor's Degree

Internal Control and Risk Management Assistant Manager: Duygu GÖLGE

Term of Office: 4 years
Professional Experience: 22 years
Departments Previously Served: Decree Pool
Academic Background: Master's Degree

Senior Management

6-5-2-1-3-4

1- Hasan Hulki YALÇIN
Director and General Manager

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

2- Yıldırım Kemal ÇUHACI
Assistant General Manager

Kemal 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 at 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.

3- 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.

4- Vehbi Kaan ACUN
Assistant General 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 has been appointed as a Coordinator in the Company's Singapore Branch. He participated in various seminars and conferences abroad and serves as the Vice President of the Turkish Insurance Institute Foundation Board. Vehbi Kaan Acun has been appointed as Assistant General Manager on 1 February 2016.

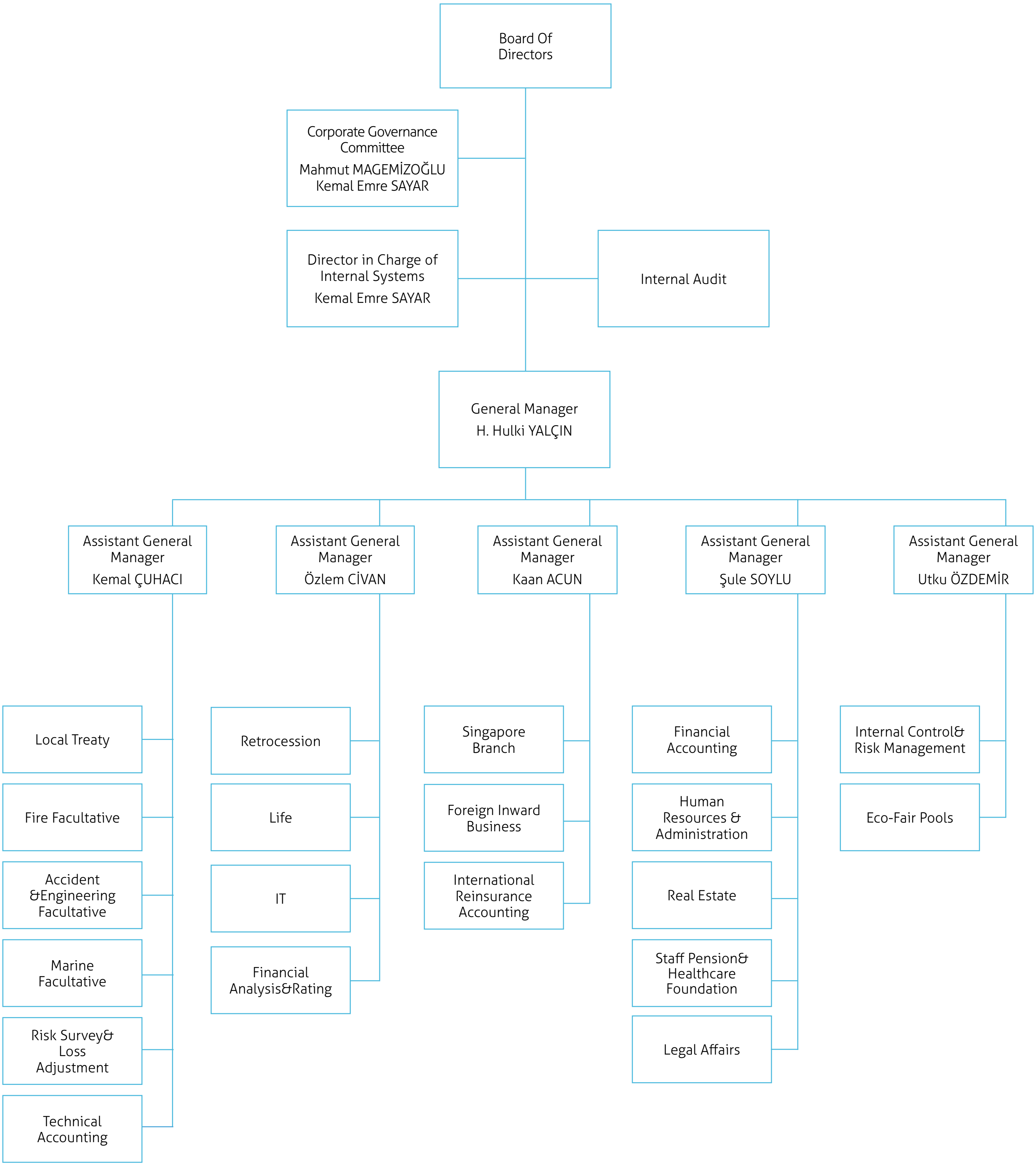
5- Şule SOYLU
Assistant General Manager

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 Assistant General Manager on 1 February 2017.

6- Fikret Utku ÖZDEMİR
Assistant General Manager

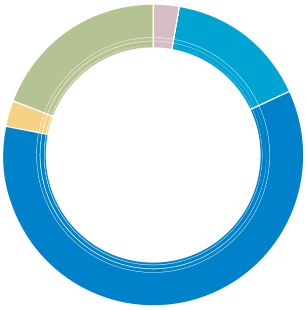
Fikret Utku Özdemir holds an Associate Degree in Nuclear Engineering from Hacettepe University and graduated with a Bachelor's Degree in Management from the Faculty of Economics and Administrative Sciences at Middle East Technical University. He holds a Master's Degree from EDHEC Business School (France). He joined İşbank as a member of the Board of Inspectors in 1996 and served in a number of the Bank's departments and positions. Fikret Utku Özdemir has been appointed as Assistant General Manager on 15 May 2017.

Organization Chart



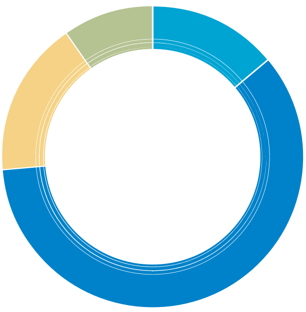
Human Resources Applications

Employee Profile



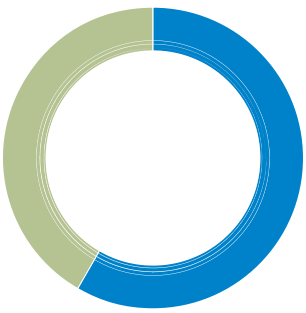
Senior Manager	6
Manager	33
Officers	130
Contract Employees	6
Other	41

Educational Background Profile



Post Graduates	30
Graduates	129
High School	36
Other	21

Human Resources Profile



Male	126
Female	90

In recognition of the fact that its staff is one of the main contributors in its achievements, Milli Re has highly qualified employees, devoted to their work and the Company, open to continuous learning and development. Fundamental principles of the Human Resources policies of the Company are recruiting the suitable candidate with qualifications relevant to the vacant position, providing a business environment necessary for the employees to work 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 the staff to foster social relationships for motivation and efficient execution of all processes.

At year-end 2017, Milli Re has 216 employees including Singapore Branch.

Application

Job applications, which are made via **personel@millire.com** from our corporate website and by other communication means, are stored in the candidate pool of our Company.

Applications are examined when required, and candidates who are considered suitable for the positions are contacted.

Recruitment

Milli Re recruits candidates with qualifications required for the relevant position, by also considering their ability to adapt to the corporate culture.

Performance Management

Performance appraisals of our employees are conducted on an annual basis in accordance with the Performance Appraisal System Guidelines and career planning and training needs are determined based on the results of the appraisals.

Training

Training requirements identified according to the Performance Appraisal results are used to design a training program, and employees are given the opportunity to receive technical and personal development trainings in Turkey or abroad as required by their positions.

Career

Since its establishment, Milli Re has the policy of investing in its work force and recruiting internally for managerial positions. Promotions are made in line with the Personnel Regulation and the principles set forth in the Collective Bargaining Agreement, signed with the Workers' Trade Union, in view of Performance Appraisals.

Compensation Policy

Salaries of our employees are determined in accordance with the terms of the Collective Bargaining Agreement within the context of related regulations.

Occupational Health and Safety

Obligations under Law No. 6331 on Occupational Health and Safety are fulfilled by the Personnel and Administrative Affairs Department.

2017 Annual Report Compliance Statement

We hereby represent that Millî Reasürans T.A.Ş. 2017 Annual Report issued for its 89th 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 26, 2018

Şule SOYLU
Assistant General Manager

Fatma Özlem CİVAN
Assistant General Manager

Hasan Hulki YALÇIN
General Manager

Mahmut MAGEMİZOĞLU
Chairman of the Board of Directors

Independent Auditor's Report on the Annual Report of the Board of Directors

(Convenience translation of a report originally issued in Turkish)

To the General Assembly of Milli Reasürans Türk Anonim Şirketi

1) Opinion

We have audited the annual report of Milli Reasürans Türk Anonim Şirketi ("the Company) for the period of January 1 - December 31, 2017.

In our opinion, the consolidated and unconsolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Company are presented fairly and consistent, in all material respects, with the audited full set consolidated and unconsolidated financial statements and the information we obtained during the audit.

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Our Auditor's Opinion on the Full Set Financial Statements

We have expressed an unqualified opinion in our auditor's report dated February 26, 2018 on the full set consolidated and unconsolidated financial statements of the Company for the period of January 1 - December 31, 2017.

4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC"), and the preparation and fair presentation of these financial statements in accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Accounting Standards decree for the matters not regulated by insurance legislation; "Insurance Accounting and Financial Reporting Legislation" and designing and the Communiqué on Individual Retirement Saving and Investment System" ("Communiqué") issued on 7 August 2007 dated and 26606 numbered, the management of the Group is responsible for the following items:

a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.

b) Preparation and fair presentation of the annual report; reflecting the operations of the Company for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated and unconsolidated financial statements. The development of the Company and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

Independent Auditor's Report on the Annual Report of the Board of Directors

c) The annual report also includes the matters below:
- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Company,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code, on whether the consolidated and unconsolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Company's audited consolidated and unconsolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the consolidated and unconsolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the consolidated and unconsolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Seda Akkuş Tecer.

Güney Bağımsız Denetim ve Serbest Muhasebeci M
A member firm of Ernst&Young Global Limited

Seda Akkuş Tecer, SMMM
Sorumlu Denetçi

February 26, 2018
İstanbul, Turkey

FINANCIAL RIGHTS PROVIDED TO THE MEMBERS OF THE GOVERNING BODY AND SENIOR EXECUTIVES

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. Senior Management comprises of the General Manager and five Assistant General Managers. The benefits provided to the Senior Executives in 2016 and 2017 are given in the below table:

(TL)	2017	2016
Benefits such as salary, premium, bonus, dividend etc.	5,505,884	5,305,820
Travel, accommodation, entertainment expenses, means in cash and in kind	404,806	375,013

Research & Development Activities

Milli Re continued the execution of the transformation project during 2017, which aims to renew the existing reinsurance applications used for the follow up and accounting of its reinsurance operations. Further to the planned completion of the project in 2018, different applications used in the Head Office and Singapore Branch will be fully standardized and integrated.

ACTIVITIES AND MAJOR DEVELOPMENTS RELATED TO ACTIVITIES

Activities and Major Developments Related to Activities

INFORMATION ON INVESTMENTS MADE BY THE COMPANY DURING THE ACCOUNTING PERIOD

As part of the Information Technology investments, Milli Re continued the execution of the transformation project during 2017, which aims to renew the existing reinsurance applications. Further details on the project are provided under "Company's Research and Development Activities" section.

REPURCHASED OWN SHARES BY THE COMPANY

None

DISCLOSURES CONCERNING SPECIAL AUDIT AND PUBLIC AUDIT DURING THE REPORTING PERIOD

Our Company was not subject to public audit in 2017.

LAWSUITS FILED AGAINST THE COMPANY AND POTENTIAL RESULTS

There are no lawsuits brought against the Company in 2017, which are of a nature that might affect the Company's financial standing and its activities.

DISCLOSURES ON ADMINISTRATIVE OR JUDICIAL SANCTIONS IMPOSED ON THE COMPANY AND THE MEMBERS OF THE GOVERNING BODY

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 in 2017.

ASSESSMENTS ON PRIOR PERIOD TARGETS AND GENERAL ASSEMBLY RESOLUTIONS

The announcement on the meeting including the venue, date, time, agenda, and a specimen of a proxy statement is published within the legal terms in the Turkish Trade Registry Gazette and on Company's official website for notifying the public. Every year the Annual Report is prepared in alignment with the relevant legislation and presented for the information and analysis of shareholders preceding the General Assembly meeting.

Annual General Assembly meeting was held on 28 March 2017. All of the resolutions by the General Assembly of Shareholders have been fulfilled during 2017 and the targets set in the prior period have been achieved.

EXPENSES INCURRED IN THE REPORTING PERIOD IN RELATION TO DONATIONS, GRANTS AND SOCIAL RESPONSIBILITY PROJECTS

Company's donations under this heading amounted to TL 6,800 in 2017.

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 2017 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.

Internal Audit

Internal audit is an independent, objective assurance and consulting activity, which seeks to improve an organization's operations and add value to them. Internal audit helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

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; 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, another important aspect of the Department's functions is to provide opinions and suggestions for efficient and productive use of resources to improve and add value to the Company's operations.

The Internal Audit Department of Milli Re was established as of 1 January 2005 and started operating on 1 April 2005. Internal audit operations are carried out in compliance with the "Regulation on Internal Systems of Insurance and Reinsurance Companies" published in the Official Gazette No. 26913 dated 21 June 2008.

In order to allow an independent and objective assessment, the Internal Audit Department reports directly to the Board of Directors. The conclusions reached as a result of the audit activities, are submitted to the Board of Directors through the Board Member responsible for Internal Systems.

All employees of the Internal Audit Department comply with the code of ethics (integrity, objectivity, confidentiality, competence) stated in both the International Internal Audit Standards and Milli Re Internal Audit Charter. They demonstrate the necessary professional care when performing the audit activities.

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

In accordance with the Internal Audit Plan approved by the Board at the end of 2016, Internal Audit Department completed on-site inspection of all units, and the Company's Singapore Branch in 2017. During audit activities, it was determined whether the units' operations are carried out in compliance with their operational guidelines. Effectiveness of the implemented internal controls regarding the units' risks was tested and their adequacy was evaluated. Moreover, compliance with regulations, Company policies, limits, jurisdictions, and security measures was verified. Audit activities were performed using techniques such as enquiry, verification, examination, reperformance, recalculation and analytical reviews. During audits, no findings that might have an adverse impact on the Company's financial structure were detected.

Internal Audit Department keeps working towards the goal of improving the Company's operations and adding value to them, with the support of the management and with the cooperation of the employees.

Internal Control

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

The purpose of the internal control system is to ensure that the Company assets are well protected, activities are carried out efficiently and effectively and in compliance with regulations, Company policies, rules, and precedents of insurance business, to enable reliability and integrity of accounting and financial reporting system, and prompt accessibility of data. In this regard, internal control activities are designed to encapsulate transactions in respect of Company's operational activities, communication channels, information systems, financial reporting system and conformity controls. Internal control activities are carried out in accordance with the provisions of "Regulation in respect of Internal Systems of Insurance, Reinsurance and Pension Companies" published in the official gazette dated June 21st, 2008 and numbered 26913 and in compliance with Company's related internal regulations.

"Control Center" has been structured through "Internal Control and Risk Management Department" which was established in order to perform internal control activities, and "Control Environment" has been structured through assignment of Company employees within the scope of these activities. The Control Group consists of 23 people, of whom 3 are located in the control center and 20 are located in the control environment.

Activities Conducted from Control Center

Workflows, duties and responsibilities, authorities and limits related to Company activities are documented and communicated to all employees; 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, and 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 controls, assessments in respect of these findings and recommendations regarding the actions to be taken for the elimination of findings are monthly reported to General Manager by Internal Control and Risk Management Department via Internal Control Reports. The outcomes of internal control activities are also monitored regularly by the Board of Directors.

Authority identifications of system users are conducted in accordance with "segregation of duties" principle. Besides, actions that are performed by users within these authorizations, log records of actions in respect of critical transactions are controlled through reports received from log management system instantly and on a daily basis, and conformity to segregation of duties principle is reviewed systematically. Moreover, following the approval of the relevant business unit, transactional authorities that users requested in line with the activities, are assessed and approved by Internal Control and Risk Management Department in terms of the mentioned principle.

Development and change requests of users on systems based on their business requirements or solution requests in respect of malfunctions arising in systems are monitored through Help Desk Service and critical issues that may affect the financial statements or that could lead to legal risks are given the priority.

In case of detection of any adverse situation within control activities, urgent action is taken in order to perform necessary adjustments and take preventive measures.

Activities Conducted from Control Environment

Control points stated in the relevant department's flowchart and those risks and control points determined by Control Center are taken into consideration during the control activities conducted in departments, while those performed in IT Center are based on COBIT (Control Objectives for Information Related Technologies) standards.

In this context, transactions in respect of reinsurance processes, accounting transactions, payments, processes in respect of fulfillment of legal obligations, transactions in respect of debt collection, accounting periods, and preparation of financial statements; marketing, processes related to reporting and information systems are controlled by considering practice frequencies of related processes. Detected issues are reported to Control Center via Risk Warning Reports. Therefore, it is ensured that preventive and supplementary measures are instantly taken, appropriate and applicable solutions that will improve processes and operations are put into practice.

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 market 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 which was renewed with ISO 9001:2008 certificate in June 2010 validates the implementation of its quality management system according to the international standards. 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 negative outlook.

Anadolu Sigorta's shares are publicly-traded on Borsa İstanbul (BİST) National Market under the symbol "ANSGR". 48% of the Company's shares are public, whilst 57.31% are held by Millî Reasürans T.A.Ş.

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.

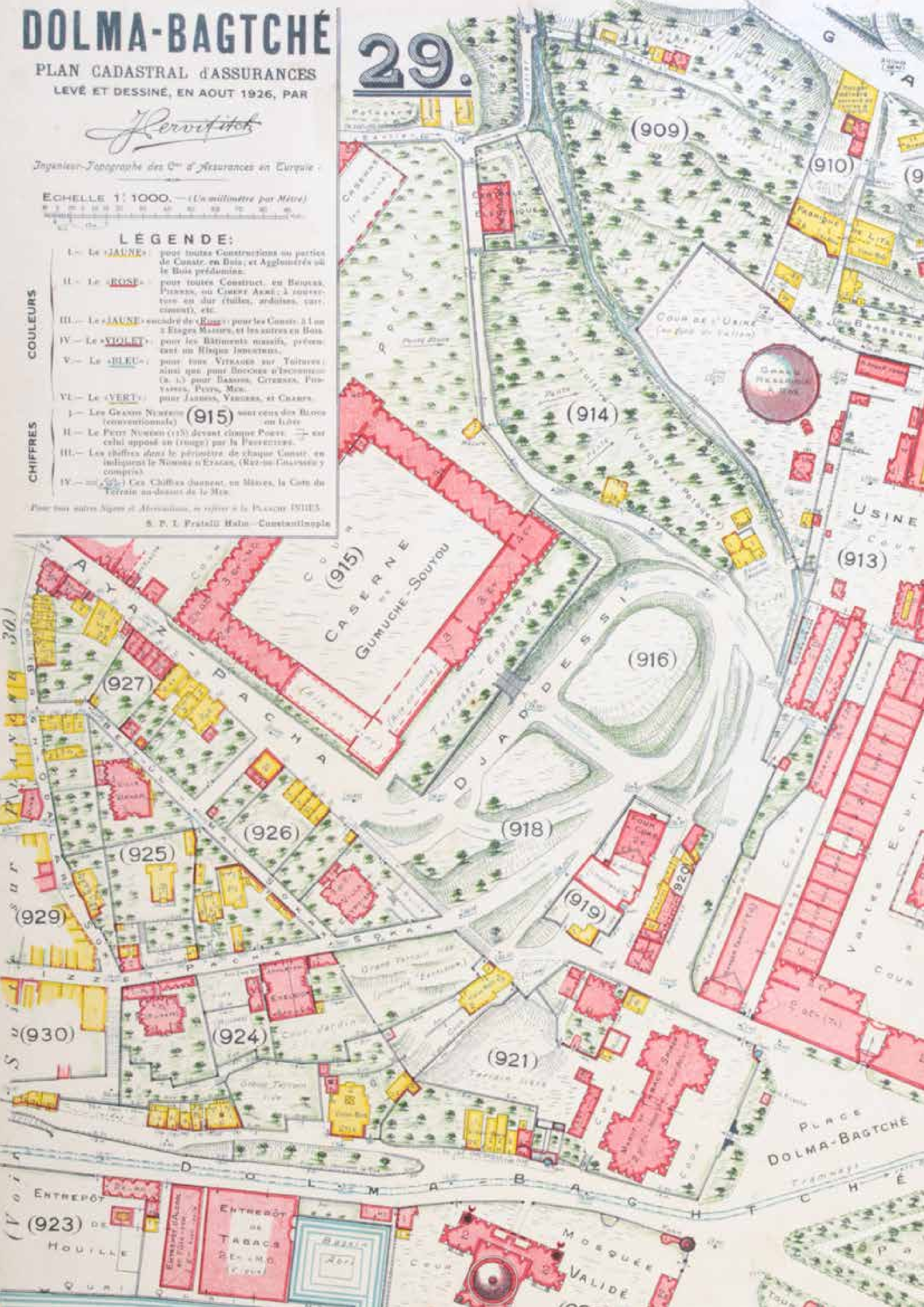
www.anadolusigorta.com.tr

Miltaş Turizm İnşaat Ticaret A.Ş.

Miltaş Sports Complex has been serving the insurance market since 1986 with its facilities for various sports, particularly tennis and basketball.

Milli Re has 77% share in Miltaş Turizm İnşaat Ticaret A.Ş. Within the context 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



DOLMA-BAGTCHÉ
29.
PLAN CADASTRAL d'ASSURANCES
LEVÉ ET DESSINÉ, EN AOUT 1926, PAR
J. Pervititch
Ingenieur-Topographe des Cies d'Assurances en Turquie
ECHELLE 1/1000. —(Un millimètre par Mètre)
LÉGENDE:
COULEURS
I.— Le «JAUNE»: pour toutes Constructions ou parties de Constr. en Bois; et Agglomérés où le Bois prédomine.
II.— Le «ROSE»: pour toutes Construct. en Briques, Pierres, ou Ciment Armé; à couverture en dur (tuiles, ardoises, carr. ciment), etc.
III.— Le «JAUNE» encadré de «Rose»: pour les Constr. à 1 ou 2 Etages Massifs, et les autres en Bois.
IV.— Le «VIOLET»: pour les Bâtiments massifs, présentant un Risque Industriel.
V.— Le «BLEU»: pour tous Vitrages sur Toitures; ainsi que pour Bouches d'Incendie (B. I.) pour Bassins, Citernes, Fontaines, Puits, Mer.
VI.— Le «VERT»: pour Jardins, Vergers, et Champs.
CHIFFRES
I.— Les Grands Numéros (915) sont ceux des Blocs (conventionnels) ou Ilôts.
II.— Le Petit Numéro (115) devant chaque Porte est celui apposé en (rouge) par la Préfecture.
III.— Les chiffres dans le périmètre de chaque Constr. en indiquent le Nombre d'Etages, (Rez-de-Chaussée y compris).
IV.— Ces Chiffres donnent, en Mètres, la Cote du Terrain au-dessus de la Mer.
Pour tous autres Signes et Abréviations, se référer à la Planche INDEX.
S. P. I. Fratelli Haim—Constantinople
(909)
(910)
(913)
(914)
(915)
CASERNE DE GUMUCHE-SOUYOU
(916)
(918)
(919)
(921)
(923)
(924)
(925)
(926)
(927)
(929)
(930)
USINE
COUR DE L'USINE
DJADDESSI
PLACE DOLMA-BAGTCHÉ
DOLMA-BAGTCHÉ
ENTREPÔT DE HOUILLE
ENTREPÔT DE TABACS
MOSQUÉE VALIDÉ


Esplanade
(912)
(917)
TENNIS
A GAZ
FOURS A CORNUES
COUR
PALAIS IMPERIAUX

Corporate Social Responsibility

Milli Re Art Gallery

The story of the Milli Re Art Gallery started in 1994 when Milli Re 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.

During the twenty three years since its debut, Milli Re Art Gallery organized various exhibitions, which were widely acclaimed in art circles and followed with interest. The gallery published numerous books and publications, with texts by eminent authors and art critics, most of which are referenced in the art literature.

Some of the exhibitions held at the Milli Re Art Gallery have also been displayed in other countries, including, among others, Germany, France, Sweden, Denmark, Estonia, 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, hosting projects varying from art to design, has attained a special place within its field. Not only in the area of basic arts such as painting and sculpture, the Gallery also hosts plenty of projects including exhibitions on photography, architecture, graphical design, as well as historical and documentary conceptual exhibitions. Milli Re Art Gallery 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. Hosting many exhibitions in the contemporary arts field, Milli Re Art Gallery outstands as one of the art institutions undertaking the mission of providing contributions to the art vision in Turkey and supported the conscious collectors within the sector as well as the limited number of museums by bringing in many art works to be acquired to their permanent collections.

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

Milli Re Chamber Orchestra

Milli Re Chamber Orchestra, established in 1996, has performed numerous successful concerts with local and international well-known conductors and many soloists.

Milli Re Chamber Orchestra having performed its first concert on 10 April 1996 presents universal polyphonic music, which enriches our cultural life, to music-lovers through concerts and recitals. The Orchestra performs at the concert hall in the Milli Re building from September through May every year. In addition to the regular concerts series, 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 extends its support to art through sponsorship of the International İstanbul Music Festivals.

Milli Re Library

The Milli Re Library is the most extensive specialized library in the insurance sector in terms of its collection of books, periodicals and other materials concerning the insurance industry.

By donation of books and periodicals, the Library also supports the libraries of universities.

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

Miltaş Sports Complex

Miltaş Sports Complex has been serving the insurance market since 1986 with its facilities in various sports, particularly tennis and basketball. In addition to tennis and basketball courses organized every year for various age groups; private tennis lessons are available in the Complex.

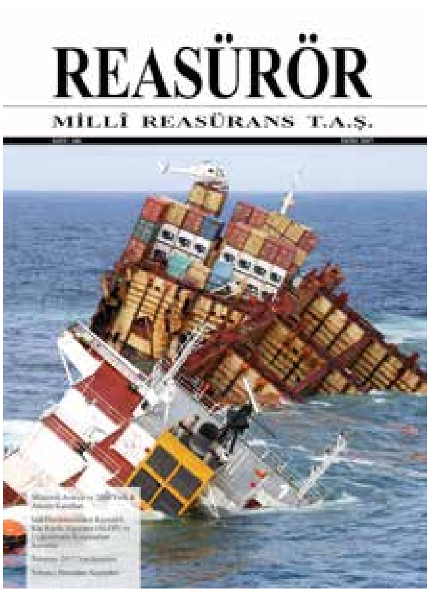
The Complex has been hosting the International Insurance Tennis Tournament, which is organized every year in June since 1986, and provides a unique environment that brings together professionals of the local market with international reinsurers and brokers.

Corporate Social Responsibility

Reasürör Magazine

Quarterly published since 1991, the Reasürör Magazine is a scientific resource with full academic content on re/insurance, including compilations, translations, interviews, and statistical data on various lines. The Reasürör Magazine serves as a valuable scientific resource for use by the industry technicians 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.**



Turkish Insurance Institute Foundation (TSEV)

The Turkish Insurance Institute Foundation (TSEV) 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 TSEV organizes training programs on insurance techniques, law and administrative issues for companies, institutions and organizations. In addition to its training activities, the Foundation also visits universities, the chambers of industry and commerce in order to increase the insurance awareness and develop the insurance sector in Turkey. For the purpose of making insurance part of lives of society, TSEV also undertakes some projects on social media.

The "Basic Insurance Training Program", organized since the establishment of the Foundation has the distinction of being one of the most comprehensive training programs in the field of insurance. A total of 2,700 participants have graduated from the program to date. As a follow-up course to this, TSEV also offers "Advanced Insurance Training Programs" which are the only project and practice-oriented training programs in the market. Besides TSEV regularly provides short-term training programs in accordance with the current market needs, introductory courses for new employees joining the insurance industry and to insurance departments of corporates as well as actuarial training programs.

Based on specific requests of companies, TSEV gives other services such as consultancy, promotional and corporate exams and placement tests for new graduates as well as for the staff, already employed within the industry to test their insurance knowledge.

FINANCIAL STATUS

Economic Outlook

World economy gives signals of recovery in the 10th year of the global crisis.

In 2017, while the news related to the political developments in the US, elections in European countries, decision of the United Kingdom (UK) to leave the European Union (EU) (Brexit) and the political and geopolitical developments in Middle East were on the agenda; the recovery observed in the global economy was supported by the moderate figures of US and Europe, accordingly a growth beyond expectations was recorded. Expansion in the world trade volume was also a promising development for 2018.

In the US, unemployment figure decreased to a level below the long term forecasts of the Federal Reserve Bank (Central Bank of the US/Fed), consumption expenditures presented a positive outlook by supporting the economic growth despite an inflation rate below expectations. Fed continued to gradually step away from its expansionary monetary policy by implementing interest rate increases by three times.

In Euro Zone, a growth rate of 2.5% is achieved as a result of the positive development in the economic activity. In this environment, European Central Bank (ECB) decided to downsize its balance sheet and an expectation that asset purchase program is coming to an end with the first steps taken for the normalization of the monetary policy has emerged.

In UK, the Central Bank increased interest rates for the first time in the last decade following the movement in the inflation rates. Bank of Japan has decided not to revise its expansionary monetary policy and interest rate until its inflation goal is achieved. Struggling with issues like high debt stock and air pollution, China displayed a performance beyond expectations without differentiating from the global climate with its growth rate of 6.9%.

Inflation rates across the world maintained low levels albeit an upward momentum occurred in commodity prices, particularly in energy-related ones, and the environment of confidence developed with increasing investment expenditures and expanding trade volume as well as the industrial production. Investments moving towards developing countries due to the high level of risk appetite presented a stable outlook despite being limited with the geopolitical developments. Consequently, the global economy witnessed an overall recovery. In light of the growth performance displaying a momentum beyond expectations and other developments, IMF made upward revisions in its global growth outlook.

Global economic development is due to continue.

Main expectation for 2018 is that, the recovery, which continued all through 2017, will endure. During this period, Fed and ECB, the main actors of the global economy, are considered to continue their gradual downsizing of their balance sheets. In the recognition of the fact that these steps shall be taken without creating any pressure on the markets; the liquidity conditions and confidence in the markets will develop, it is projected that 2018 will mark an optimistic scene in the global economy.

Aforementioned expectations are also monitored in IMF's Global Economic Outlook Report updated in January. IMF revised its growth forecast upward and furthermore pointed out that the growth rate of Turkey might reach to a level beyond projections.

Turkish Economy, which grew by 7.4% in the first 9 months, is expected to close the year with a growth rate of circa 6.7%.

Turkey recorded a growth beyond projections in 2017.

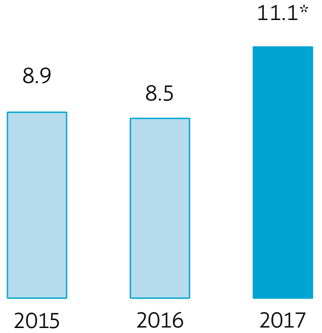
Turkish economy displayed its strongest growth performance in the last 6 years by exceeding predictions in the third quarter of the year with a rate of 11.1% compared to the same period of last year based on the chain linked volume index. Gross Domestic Product (GDP) growth based on industrial production index in the third quarter of 2017 increased by 24.2% with current prices, reaching TL 827 billion.

Periodic fluctuations observed in the markets throughout 2017 in Turkey are regarded as positive signals for the economic activity. Within this context, having expanded by 7.4% in the first quarter of 2017, Turkish economy is foreseen to close the year with a growth rate of circa 6.7%.

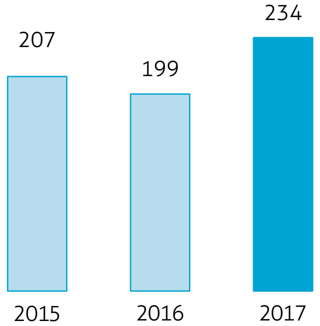
When analyzed according to expenditures approach, private consumption expenditures item was the highest contributor to the growth of GDP with 7 points in the third quarter. Demand brought forward with tax discounts ceasing at the end of the third quarter as well as the growth rate of 31% recorded with the base effect in the durable consumer goods item of the household consumption expenditures were the other main drivers.

Receiving a limited contribution from public expenditures, in the third quarter, growth saw the second largest support, after private consumption expenditures, from the investment expenditures with 3.6 points. The increase recorded in the third quarter of 2017 in the machinery and equipment investments, which were regressing on annual basis in the last four quarters, is noted as a positive development.

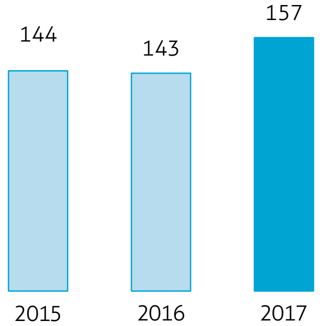
GDP Growth Rate - Based on Current Prices (%)



Imports (USD billion)



Exports (USD billion)



* 9 months

Economic Outlook

Consumer Inflation, rising above projections, reached 11.92% at the end of 2017.

When GDP figures based on production method are examined, the services and manufacturing industries are distinguished for moving the growth upward to a considerable extent. Agriculture, industry and construction sectors grew by 2.8%, 14.8% and 18.7%, respectively in the third quarter of 2017 when compared to the same period of last year. The total value added by services composing of trade, transportation, hospitality and food and beverage activities was 20.7%.

Inflation followed an upward trend throughout the year.

Consumer price index completed the year 2017 at a level of 11.92% due to the depreciation of TL against the currency basket and the increases in the import prices mainly in oil.

In this period, where the unprocessed food and alcohol-tobacco inflation navigated around higher figures than expected, food inflation also stayed considerably beyond predictions by reaching 13.79%. Other main expenditure groups that displayed high increase rates were various goods and services with 12.77%, household goods with 12.74% and health with 11.90%.

In 2017, domestic producer price index (D-PPI) increased by 15.47% when compared to the December figure of last year and by 15.82% according to the average of twelve months.

A trend of widening in the foreign trade deficit is observed.

A widening trend observed in the foreign trade deficit throughout 2017 came to an end with a sharp increase rate of 36.8%, resulting with a foreign trade deficit amount of USD 76.7 billion by the end of the year. The strong performance recorded in domestic economic activities with the impact of decisions taken during this period in order to support the economy and the rising oil prices as well as the progress in gold imports was effective in the booming imports. On the other hand, the progressing foreign demand mainly from European countries in the last year impacted the volume of exports positively.

According to the foreign trade figures of TUIK (Turkish Statistical Institute), exports and imports amounted to USD 157 billion and USD 234 billion with growth rates of 10.2% and 17.7%, respectively in 2017. Coverage ratio of imports by export dropped to 67.2% by the end of 2017.

Current account deficit exceeded estimations

Annual current account deficit in 2017 reached its highest amount in the last four years with USD 47.1 billion. Stripping out the impact of net energy and gold trade, current account balance had a deficit of circa USD 4.3 billion at the end of 2017.

The widening in foreign trade deficit with the impact of booming oil prices and the strong progress in net gold imports was determinative for the occurrence of the current account deficit. Nevertheless, the recovery in tourism income mitigated the aforementioned widening in the current account deficit.

Budget deficit in 2017 was below the Medium-Term Program (MTP) forecast.

Throughout 2017, the performance indicators related to budget, followed a more favorable pace than the predictions in the Medium-Term Program (MTP) announced in October, 2016. While the budget income was TL 18.3 billion over the MTP prediction due to the increase in tax income, the budgetary deficit was TL 14.3 billion below the MTP forecast.

Emerging market currencies depreciated against USD.

During the first half of 2017 which was marked with a high level of global risk appetite emerging market currencies appreciated against USD. However, with the arising perception that Fed will keep its strong stand during the normalization process during the period between September and December when the Federal Open Market Committee (FOMC) meetings took place, they started to lose value against USD. In the last quarter of the year, depreciation of Turkish Lira similar to the other emerging market currencies was also observed. In 2017, the loss in Turkish Lira against USD and Euro was around 7% and 18%, respectively.

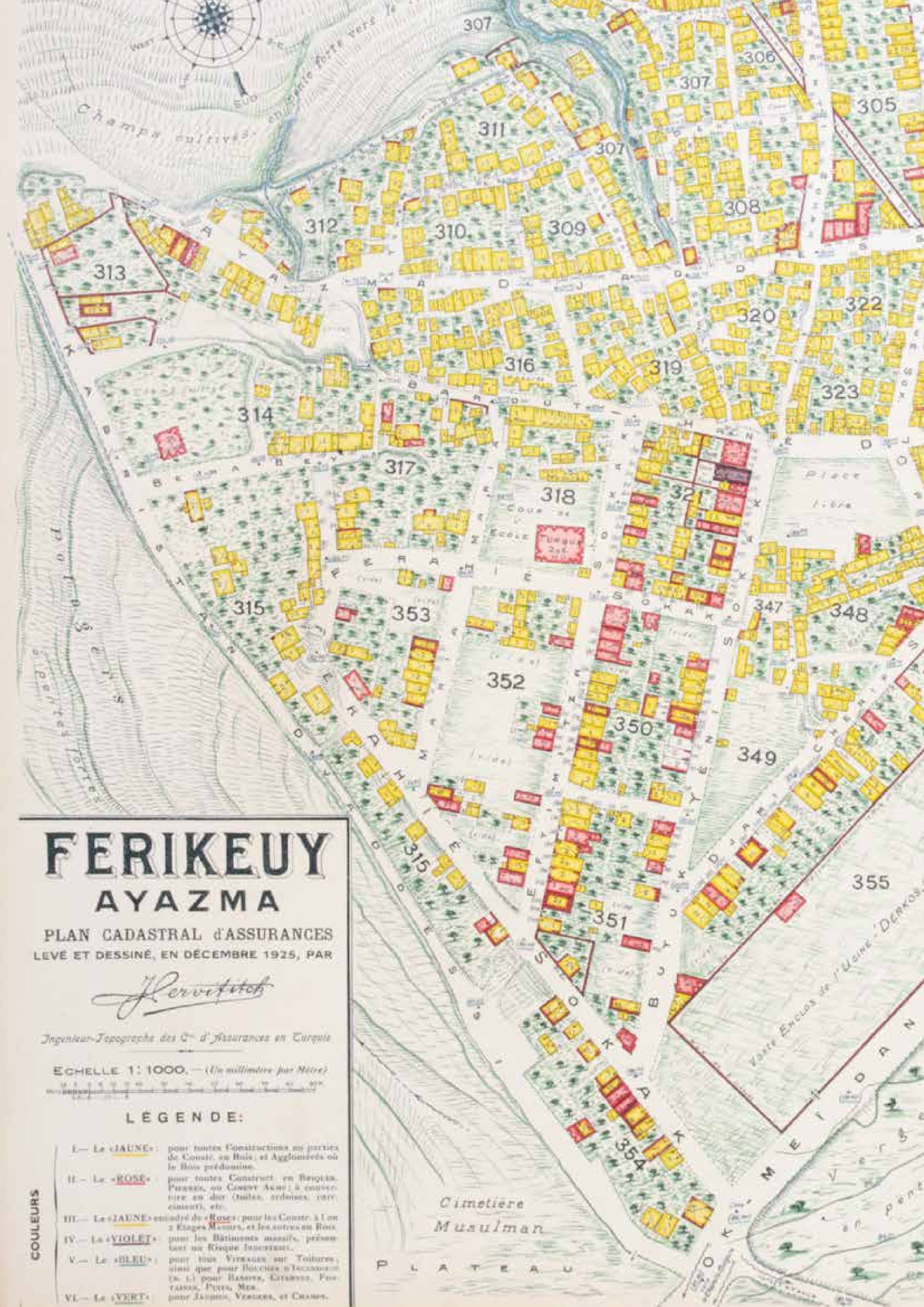
CBT declared that it will continue its tight monetary policy until a significant recovery in the inflation rate and conformity with the targets is achieved in 2018.

Besides leading indicators, rate of exchange and inflation developments also continue to be determinant factors in the Turkish economy's outlook. A stronger emphasis made in the last period by CBT (Central Bank of Turkey) on its aim of price stability supports the optimistic expectations for the inflation outlook.

CBT declares in its Medium Term Outlook Report that; the annual increase in consumer prices will drop slightly in 2018 and it will maintain its tight monetary policy in line with its assumptions that the fluctuation in food prices and the oil prices will continue to impact the inflation level. CBT forecasts that it will gradually approach its target of 5% inflation rate, which accordingly is estimated to be 7.9% at the end of 2018 and gain stability at the level of 5% in medium term.

Among the forecasts of CBT for 2018 are; the economic growth to result mainly from domestic demand; positive economic outlook in the main export markets, particularly in the EU countries to continue to support the performance of the exports; the upward pressure on the current account deficit might get stronger if the trend of rising oil prices endures, however the recovery in tourism income might be limiting the aforementioned impact.

Source: IMF World Economic Outlook (International Monetary Fund Global Economic Outlook Report - January 2018, TUIK, TCB, Undersecretariat of Treasury


FERIKEUY
AYAZMA
PLAN CADASTRAL d'ASSURANCES
LEVÉ ET DESSINÉ, EN DÉCEMBRE 1925, PAR
J. Pervititch
Ingenieur-Topographe des Cies d'Assurances en Turquie
ECHELLE 1: 1000. — (Un millimètre par Mètre)
LÉGENDE:
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I.— Le «JAUNE»: pour toutes Constructions ou parties de Constr. en Bois, et Agglomérés où le Bois prédomine.
II.— Le «ROSE»: pour toutes Construct. en Briques, Pierres, ou Ciment Armé; à couverture en dur (tuiles, ardoises, zinc, ciment), etc.
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IV.— Le «VIOLET»: pour les Bâtiments massifs, présentant un Risque Industriel.
V.— Le «BLEU»: pour tous Vitrages sur Toitures;
VI.— Le «VERT»: pour Jardins, Vergers, et Champs.
Champs cultivés
Cimetière Musulman
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Ecole Turque
Vaste Enclos de l'Usine Derkos
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LEGENDE:
CHIFFRES
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(conventionnels)
II.— Le Petit Numéro
III.— Les chiffres
IV.— Ces Chiffres donnent, en Mètres, la Cote du Terrain au-dessus de la Mer.
Pour tous autres Signes et Abréviations, se référer à la Planche INDEX.

Turkish Insurance Market

According to the figures released by the Insurance Association of Turkey, Turkish insurance industry produced TL 46.6 billion premium in 2017, with circa 15% increase from the previous year figure. 85% of the market premium was generated by Non-Life and 15% by Life. Contribution of Non-Life reduced from 88% in 2016 to 85% in 2017 due to the marginal 0.8% growth in Land Vehicles Liability, given the dominance of this line in Non-Life.

The main factor in the slowdown of market growth from 30.5% in the previous year to 15% in 2017 was Land Vehicles Liability. There was virtually no upward movement in this line which historically is the largest contributor in Non-Life premiums. In accordance with the regulatory changes implemented during 2017, price cap was introduced in this line, shortly followed by the establishment of the "High Risk Pool", which aimed to ensure distribution of premiums and risks for vehicles with high loss ratios or loss potential within the predetermined framework across the market. As the result of the price cap, premium from Land Vehicles Liability remained barely at previous year levels, leading not only to the drop in the contribution of this line in total premiums, but also decelerating the overall market growth.

The share of Fire and Natural Disasters in Non-Life premiums increased to 14.5% from 13.6% in 2016, partly due to the impact of the slowdown in Land Vehicle Liability insurance but also reflecting the developments in the economy during 2017, resulting with 19% increase in the branch premiums. Although movement in premium from industrial risks remained below desired levels due to fierce price-oriented competition and sluggish performance in investments, there was robust growth in overall Fire and Natural Disasters premiums mirroring the increase in the number of civil and commercial risks in conjunction with the resurgence of construction industry. On the other hand, it is expected that Hail/Flood losses in June 2017 will have negative impact on the technical results from this line.

Land Vehicles (Motor Own Damage), the second largest contributor in Non-Life premium production maintained its existing 17.4% share in overall premium. Growth in premium from automobile policies, which account for nearly 70% of the income from this line, remained at 12% only as the result of excessive competition in the market. Consequently, there was no real growth in this segment. In addition to Fire and Natural Disasters, Hail/Flood losses in June 2017 affected Motor Own Damage policies as well and are expected to erode profitability in this line as well.

Total premium generated by Turkish Insurance Industry in 2017 was TL 46.6 billion showing circa 15% year-on-year increase.

General Damages comprises of lines such as Engineering, Agriculture, Theft and Plate Glass. 90% of premium from this segment originates from Engineering and Government Subsidized Agriculture Insurance Scheme (TARSIM). There was circa 24.5% growth in General Damages in 2017, due to the upsurge in premium both from Engineering and Government Subsidized Agriculture Insurance Scheme. In addition to the substantial growth in Engineering, particularly emanating from the 37.5% increase in EAR/CAR, there was 24.8% upward movement in Agriculture premiums, reflecting accelerated loss activity related with climatic changes and expansions in the scope of agriculture policies in favor of policyholders; hence a notable real growth was achieved in General Damages.

Marine consisting of Hull (Sea Vehicles and Sea Vehicles Liability) and Transport has hardly accounted for more than 3% of total Non-Life premiums over the past five years. Nonetheless, in conjunction with the increased trade volume and hardening in foreign currencies during 2017, this line was able to grow by around 20%, as opposed to the modest 3% movement in 2016.

Although the share of General Liability in Non-Life premiums stands merely at 2.6%, it is considered among the most critical lines of business given the importance of cover provided to third parties.

General Liability is comprised of 13 sub-branches, but main sections, which approximately account for 85% of the total premium, are General Third Party Liability, Employers Liability and Professional Indemnity. Meanwhile, as a consequence of legal regulation enacted during the year, a pool was established with effect from 1 July 2017 for Compulsory Medical Malpractice Indemnity Insurance, which accounts for 7.7% of the total General Liability premiums. The pool aims to ensure distribution of premiums and liabilities across the market within the predetermined structure. Although compulsory liability insurance for medical malpractice was made mandatory in 2010 and a related tariff was established, premium levels have remained unchanged for the past seven years. On the other hand, consistent increases in limits of indemnity impaired technical results of insurers and led to difficulties in obtaining reinsurance coverage for this line and finally resulted in the necessity for the treatment of this compulsory line under a pooling arrangement.

Life has been showing solid performance over the past few years. It also registered a steady 36% growth in 2017. It is anticipated that the accelerated development emanating mainly from bank assurance products in conjunction with personal loans, as well as expansion in the utilization of the Credit Guarantee Fund will be decisive in the expansion of this segment in coming years. The rise in Life premiums back to its 15% share in the overall production in 2017 was driven not only by the specific developments in this branch, but also by the fact that there was practically no increase in the premium from Land Vehicles Liability.

Some structural features prevailing in the Turkish market for a number of years, such as the production of bulk of Non-Life and Life premium by the top-ten insurers and the dominance of international capital in the industry continued in 2017 as well. Interest from international investors, which had been showing a decline in the last few years, did not display a different trend in 2017.

Regulation in respect of “Procedures and Principles of Takaful Insurance Business”, which in a way is a form of cooperative insurance, was published on 20 September and was put in effect on 20 December 2017. With this regulation, procedures and principles regarding takaful insurance were set out within the necessary legal infrastructure. Consequently, it has been made possible to operate in the field of Takaful insurance in our country within the scope of the regulatory framework established.

Turkish Insurance Market

Premium Income of the Market (TL)

Line of Business	2017	Share (%)	2016	Share (%)	Change (%)
Accident	1,682,316,737	4.24	1,431,582,588	4.04	17.51
Health	5,028,210,997	12.66	4,226,078,010	11.92	18.98
Land Vehicles	6,916,180,532	17.42	6,170,691,462	17.41	12.08
Railway Vehicles	11,068	-	11,068	-	-
Air Vehicles	114,153,481	0.29	105,544,386	0.30	8.16
Sea Vehicles	218,148,439	0.55	177,523,623	0.50	22.88
Marine	651,957,892	1.64	549,455,622	1.55	18.66
Fire & Natural Disasters	5,745,990,852	14.47	4,827,636,262	13.62	19.02
General Damages	4,355,445,077	10.97	3,498,930,670	9.87	24.48
Land Vehicles Liability	13,037,814,852	32.83	12,931,210,415	36.48	0.82
Air Vehicles Liability	131,775,217	0.33	128,611,351	0.36	2.46
Sea Vehicles Liability	26,402,168	0.07	22,117,064	0.06	19.37
General Liability	1,023,311,559	2.58	816,065,370	2.30	25.40
Credit	173,718,087	0.44	171,623,322	0.48	1.22
Fidelity Guarantee	50,021,130	0.13	30,392,023	0.09	64.59
Financial Losses	325,760,102	0.82	234,860,838	0.66	38.70
Legal Protection	225,033,131	0.57	123,119,421	0.35	82.78
Support	1,318,624	-	2,535,191	0.01	(47.99)
Total Non-Life	**39,707,569,944**	**85.30**	**35,447,988,684**	**87.55**	**12.02**
Life	**6,844,082,921**	**14.70**	**5,038,808,257**	**12.45**	**35.83**
Total	**46,551,652,864**	**100.00**	**40,486,796,941**	**100.00**	**14.98**

Source: Insurance Association of Turkey

Turkish Reinsurance Market and Milli Re in 2017

Insurers completed 2018 reinsurance renewals without confronting major difficulties.

2018 renewals began with uncertainties in reinsurance markets in the aftermath of record natural catastrophe losses in the second half of 2017. As the renewals progressed, it became apparent that the rate increases anticipated by reinsurers in the hope of rapid recovery from the disruptive impact of natural catastrophes would not materialize. Nevertheless, these uncertainties halted the steady decline in catastrophe pricing over the past years to a large extent and even resulted with risk adjusted rate increases in a number of loss-free territories or programmes. 2018 reinsurance renewals were completed without serious problems for insurers operating in Turkey.

There were no major risk losses in 2017. On the other hand, Hail and Flood losses due to excessive precipitations in July impacting Fire and Natural Disasters as well as Land Vehicles (Motor Own Damage) policies affected a number of proportional treaties and lower layers of some catastrophe excess of loss programmes which protect retentions of market players in these lines of business.

Vast majority of insurers operating in the Turkish market continued to protect their risk portfolios by means of surplus bouquet treaties; the only change being one insurer switching from pro-rata to non-proportional reinsurance. This increased the number of companies utilizing excess of loss reinsurance to protect their risk portfolios to 7 in 2018.

Placement of proportional treaties was completed without any difficulty. Event limits remained relatively stable as there was no upward movement in earthquake exposures in Euro terms. Milli Re provided capacity to 21 proportional bouquets leading 16 and holding a market share of 27%. Milli Re also participated in 5 out of 7 insurers which protected their risk portfolios by excess of loss reinsurance.

21% increase is anticipated in Milli Re's premium income from proportional treaties in 2018, largely reflecting growth expectations by a number of clients particularly in Fire and Engineering. Accordingly, there is a slight change in the composition of estimated premium income from proportional bouquets in favor of Fire and Engineering; split being Fire 50.8%, Marine 7.7%, Accident 11.7% and Engineering 29.8%.

Turkish Reinsurance Market and Milli Re in 2017

Renewals of catastrophe excess of loss programmes protecting insurers' retentions in Fire and Engineering against natural catastrophe perils including earthquake, flood and windstorm, were more challenging, given the high degree of uncertainty caused by the global natural catastrophe events in the second half year of 2017. Against expectations for rate increases from global reinsurers, there was notable reduction in earthquake aggregates and model results in Euro terms across the market, due to the significant weakening of TL. On the other hand, bottom layers of a number of programmes which were impacted by the July 2017 Flood/ Hail losses saw rate increases. In these circumstances, some cedants reduced their vertical covers and/ or restructured their programmes in order to optimize reinsurance costs. Meanwhile, it was observed that a number of multinational groups, with the intention of reducing their expenses formed global programmes by centralizing their reinsurance purchase and combined Turkey with other regions.

In this environment, catastrophe excess of loss programmes for the Turkish insurance market saw risk adjusted rate increases up to 10%. Milli Re has circa 7% share across the market in 2018.

Composition of Milli Re's local portfolio differs significantly from that of Turkish Non-Life market. Largest contributors to premium income are Land Vehicles Liability and Land Vehicles (Motor Own Damage), as well as Agriculture and Health in the Turkish market. While these lines generate 68% of the total Non-Life market premium, they account only for 9% in Milli Re's local portfolio due to Milli Re's conservative approach in these segments under the current circumstances and in the context of our risk appetite. Consequently, implications of the recent developments in Land Vehicles Liability and substantial premium and loss increases in Agriculture remain limited on our local portfolio. On the other hand, due to the fact that most insurers operating in the market protect their risk portfolios by proportional treaties and cessions to reinsurance remain quite high in lines such as Fire and Natural Disasters, Engineering and General Liability, any development particularly related with premium income is more readily reflected to our local portfolio.

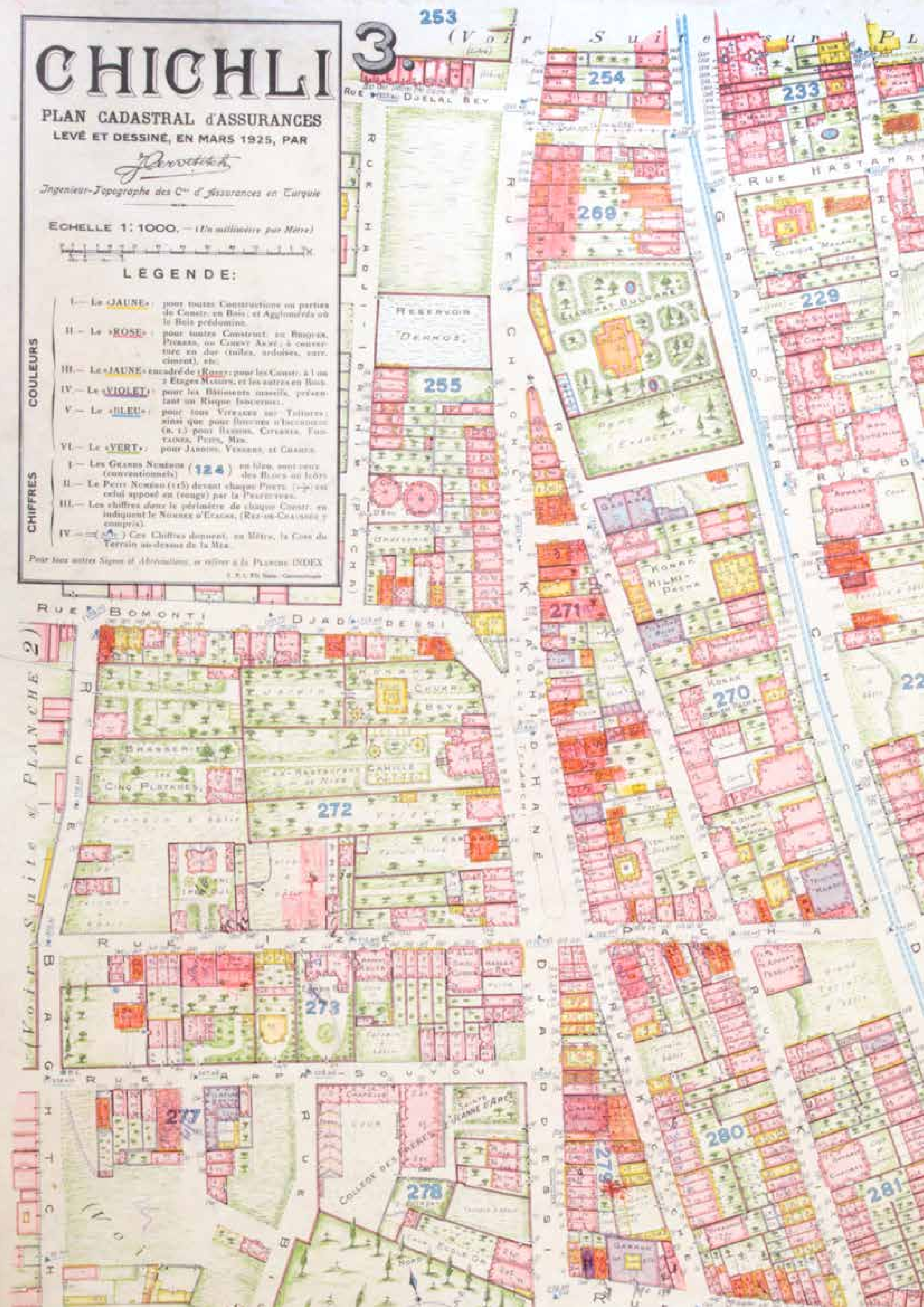
Milli Re leads 16 proportional reinsurance bouquets.

Technical results from local operations continued to remain under pressure from high reserve levels in Land Vehicles Liability. Despite the absence of increase in paid and outstanding claims, high loss ratio in relation with the current outstanding claim reserves has a disruptive impact on the results from this line as well as the overall technical profitability. On the other hand, owing to the increase in premium mirroring the market growth in real terms, from Fire and Natural Disasters and Engineering accounting for more than 70% of our local portfolio, against comparably lower increases in paid claims and also income transferred from non-technical operations, our local portfolio completed 2017 with a technical profit of TL 44 million.

Local Premium per Line of Business	Share (%)
Fire	46
Engineering	26
Marine	6
General Liability	5
Agriculture	4
Land Vehicles Liability	3
Personal Accident	3
Other *	3
Life	2
Land Vehicles	1
Health	1
Total	**100**

* Credit, Legal Protection, Air Vehicles, Plate Glass, Air Vehicles Liability, Fidelity Guarantee

Local Portfolio	2017	2016	2015	2014	2013
Premium (TL)	818,143,937	698,726,549	739,801,769	721,053,209	703,516,548
Share in Total Premium (%)	75.4	75.1	74.2	75.3	76.0



CHICHLI
3.
PLAN CADASTRAL d'ASSURANCES
LEVÉ ET DESSINÉ, EN MARS 1925, PAR
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Ingenieur-Topographe des Cies d'Assurances en Turquie
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I.— Le «JAUNE»: pour toutes Constructions ou parties de Constr. en Bois; et Agglomérés où le Bois prédomine.
II.— Le «ROSE»: pour toutes Construct. en Briques, Pierres, ou Ciment Armé; à couverture en dur (tuiles, ardoises, zinc, ciment), etc.
III.— Le «JAUNE» encadré de «Rose»: pour les Constr. à 1 ou 2 Etages Massifs, et les autres en Bois.
IV.— Le «VIOLET»: pour les Bâtiments massifs, présentant un Risque Inférieur.
V.— Le «BLEU»: pour tous Vitrages sur Toitures; ainsi que pour Bouches d'Incendie (B. I.) pour Bassins, Citernes, Fontaines, Puits, Mer.
VI.— Le «VERT»: pour Jardins, Vergers, et Champs.
CHIFFRES
I.— Les Grands Numéros (conventionnels) (124) en bleu, sont ceux des Blocs ou Ilôts
II.— Le Petit Numéro (115) devant chaque Porte, est celui apposé en (rouge) par la Préfecture.
III.— Les chiffres dans le périmètre de chaque Constr. en indiquent le Nombre d'Etages, (Rez-de-Chaussée y compris).
IV.— Ces Chiffres donnent, en Mètre, la Cote du Terrain au-dessus de la Mer.
Pour tous autres Signes et Abréviations, se référer à la Planche INDEX
253
(Voir Suite sur Pl.
Rue Djelal Bey
254
233
Rue Hastahané
269
Réservoir "Dermos"
Exarchat Bulgare
Parc Exarchat
255
229
271
Rue Bomonti
Djadessi
(Voir Suite s/ Planche 2)
Konak Chukri Bey
Brasserie
Les Cinq Platanes
Restaurant Camille de Nice
272
Konak Hilmi Pacha
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Pacha
Rue Izzet
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Rue Arpa Souyou
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Collège des Frères
Sainte Jeanne d'Arc
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Bomonti
Halaskiar Ghazi
Djadessi Ruchdi
Djadessi Kiaghid Hané

PLANCHE 1.)
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DJADDESSI
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Global Reinsurance Market and Milli Re in 2017

Taking its place among the years with highest frequency of natural disasters, 2017 marked a turning point whereby prevailing soft market conditions came to an end.

Insured natural catastrophe losses that occurred in 2017 are estimated to be around USD 136 billion, doubling the loss amount of USD 65 billion in 2016. 2017 became the third costliest year in history on record for natural catastrophe losses subsequent to 2011 and 2005, respectively. In addition, total economic loss amount resulting from the aforementioned disasters was recorded as USD 330 billion, which is far above the last decade's average of USD 190 billion.

In 2017, North America led the way in the statistics by experiencing the costliest hurricane season after 2005, with three Atlantic Hurricanes - Harvey, Irma and Maria - having intensity levels of Category 4 and above. Half of the total economic loss amount in 2017 is assumed to be caused by Harvey, Irma and Maria hurricanes, which impacted a large portion of the US from Texas to Florida as well as the Caribbeans. Hurricane Harvey, having 1 in 1,000 years return period and generating torrential rainfalls, was the most destructive natural disaster in 2017, resulting a total economic loss of USD 85 billion, USD 25-30 billion of which is insured. Hurricane Irma, occurring shortly after Hurricane Harvey and destroying Florida and the Caribbeans by reaching an intensity of Category 5, was the costliest disaster for the insurance market with a total insured loss amount of USD 32 billion. The second hurricane reaching Category 5 in 2017 was Maria, which impacted Dominica and Puerto Rico resulted in an economic loss of USD 67 billion of which insured amount was USD 30 billion. Maria was also the most fatal hurricane of the hyperactive 2017 Atlantic Hurricane season. The US rounded up the year with record-breaking wildfires in Northern California; affecting Tubbs, Atlas and Mendocino Lake. The disaster is estimated to generate an economic loss of USD 10.5 billion and USD 8 billion of this amount is expected to be borne by the insurance market due to high penetration rate.

Other regions experienced significant natural disasters in 2017 as well. The two earthquakes that occurred in Tehuantepec and Puebla, Mexico in September are expected to have an impact of more than USD 2 billion on the insurance market. For Australia and New Zealand, the most significant disaster recorded was the Category 4 Cyclone Debbie, with insured losses totaling to USD 1.4 billion. Moreover, heavy monsoon season lasting longer than expected in South Asia caused extreme floods, taking more than 2,700 lives and causing USD 3.5 billion total economic damage. However, given the penetration level in Asia, insured losses remained at a very low level.

In 2017, there was ongoing pressure on terms and conditions combined with continued softening in rates, albeit at a lesser extent compared with the previous years. However, starting from the third quarter of the year, most severe major loss activity arising from the Atlantic Hurricane season was recorded, coupled with the catastrophe losses caused by the remaining perils, insurance market faced with USD 136 billion total insured losses. In consequence, upward rate movements as well as tighter terms and conditions were monitored in January 2018 renewals.

Total reinsurance capital, including alternative capital of around USD 82 billion provided by instruments like cat bonds, sidecars and ILWs (Industry Loss Warranty), is estimated to reach USD 600 billion by the third quarter of 2017. Beginning to play a key role in helping reinsurers mitigate their net losses, it is projected that alternative capital will cover approximately USD 20 billion to USD 25 billion of the catastrophe losses recorded in

Insured catastrophe losses that occurred in 2017 are estimated to cost around USD 136 billion.

2017.

Mergers and acquisitions maintained their importance for the market players, encountering competitive market conditions prevailing for a while to increase their product range and geographical penetration in line with their growth plans through effective capital utilization and operations. Despite the monetary measures taken by China and uncertainty on the eve of Brexit, in 2017 there was healthy appetite for merger and acquisition deals, with total transaction volume reaching USD 49 billion. As in previous years, North America led the transactions with USD 23 billion. Argo acquiring Ariel Re, Sompo buying Endurance, Partner Re purchasing Aurigen and Liberty Mutual acquiring Ironshore were the main transactions during the first half of 2017. In the second half of the year, Hannover Re acquired Argenta, Fairfax purchased AWAC, Markel acquired State National and Axis acquired Novae. In addition to these deals, Sompo Holdings announced its agreement to sell Sompo Canopius to a private equity consortium led by Centerbridge.

On the other hand, overall demand for reinsurance continued to grow modestly in 2017, as buyers were keen to purchase more cover to meet the requirements under the new regulatory regimes and rating methodology changes, coupled with increased risk awareness in the aftermath of major catastrophe loss activity during the year.

Given the abundant capacity in the market, supplemented by the growth in alternative capital proving its resilience with sources reinvesting to maintain or increase participations, rates were under pressure in January 2018 renewals, despite not to the extent reinsurers longed for. Moreover, other factors such as the total loss recorded for the year arising from several catastrophic events and majority of the losses being retained by the primary insurance market mitigated price increases in 2017. Whilst single digit to low double digit upward movement in pricing in lines and territories most affected by losses were witnessed, rates in general were flat to slightly up in loss free programmes.

2017 was a prominent year in terms of retrocession renewals, as well. With global market losses of the third quarter, many expected to see some tightening in total capacity supply. Major players made over-estimations on the expected upward price movements in conjunction with probable capacity crunch. However, ILS market proved its role and absorbed a sizeable amount of losses, which in return encouraged traditional capital providers to respond with an increased appetite. In terms of 2018 renewal pricing; many retrocessionaires implemented a tailor-made approach, based on treaty performance, loss history and relationships with clients. Nonetheless, the discrepancy between retrocession and reinsurance pricing remained to be a major challenge, in 2018 renewals.

Global Reinsurance Market and Milli Re in 2017

2017 was a turning point whereby the ongoing softening in the markets came to an end.

America

During the first half of 2017, the competitive market conditions, which has been effective since 2003, was still ruling the US property cat market; resulting in very limited risk adjusted premium reductions. The second half of the year being very active in terms of natural catastrophe losses provided reinsurers with the incentive to push for significant price increases during the renewal; even though firm order terms came well below expectations. While loss affected programmes saw the highest price increases, ranging between 5% to 10%, cost of loss free programmes also escalated up to 7.5%.

2017 was a calm year for Canada in terms of natural catastrophe losses observed. However, on the back of changing global market dynamics as well as losses spilling over from 2016 McMurray wildfires, risk-adjusted rate increases were still inevitable for some buyers. Loss free catastrophe and risk programmes rates were stable to 5% up, while there were increases of 10% to 30% for loss impacted catastrophe programmes and 15% to 30% for risk covers. Moreover, to fulfill the regulatory requirement of having an earthquake cover for a 1 in 500 year event until 2022, companies continued to purchase additional vertical limit.

The two earthquakes that occurred in Mexico during the second half of the year remain as the only major natural catastrophe event that Latin America experienced in 2017. Nonetheless, these events did not cause any remarkable changes in reinsurer appetite; with the exception of a few reinsurers exiting the market. Loss free catastrophe programmes saw modest price increases, up to 3%; however, placement process was more difficult compared to previous years. In loss impacted programmes, rate increases were more evident with 5% to 10% upward movement.

Central and Eastern Europe/Russia

With the exception of a few natural perils events, affecting mainly Central and Eastern parts, Europe experience a benign year during 2017. The ongoing rate reduction trend in the past decade was observed to come to an end, as programmes were renewed with minimum risk-adjusted flat rates. In Central and Eastern Europe, due to the low penetration rates in most of the territories hit by catastrophe events, losses sustained by insurance companies remained low, only affecting the bottom layers of the cat programmes. While risk impacted programmes in Central and Eastern Europe experienced 5% to 10% price increases, price adjustments were capped at a maximum of 5% for loss free cat programmes. In general, reinsurers preferred to differentiate clients based on past performance and renewal data; while buyers continued opting for purchasing additional protection in light of new Solvency II rules, capital efficiency and rating considerations.

European reinsurers continue to dominate the Central and Eastern Europe region, where large insurance groups increase their presence for diversification purposes. With the implementation of the Solvency II regulations, cedants are reluctant to

2017 was a quite year for Europe with regards to natural catastrophe except a few regional events affecting Central and Eastern Europe.

maintain the reinsurers that are based in countries outside the jurisdiction of the relevant regulations, especially those having a rating lower than A, on their panels.

Due to the solvency criteria being implemented in Russia for the last couple of years, the process of insurance companies being closed down or being acquired by larger groups continued in a slower pace in 2017 with the total number of companies coming down to 250.

Russian National Reinsurance Company, the first state owned reinsurance company in Russia, was established in October 2016 by the Central Bank of Russia to fulfill the reinsurance needs of the market for risks that fall under the sanctions imposed by the US and the EU. As a result of the introduction of compulsory cessions to the aforementioned company, reductions of some reinsurers' shares in the panels of insurance companies were observed in 2017.

Although there was no significant natural disaster loss in Russia during 2017, a large risk loss in a diamond mine (Mir Diamond) located in the Siberian region of the country is likely to cost approximately Euro 150 million to the reinsurers. In addition to this loss, because of some small-scale risk losses affecting various companies as well as the pressure created by the US hurricanes on the international markets within the second half of the year, there were rate increases ranging from 5% to 15% in loss affected programs in 2017. As far as the loss free programs are concerned, rate reductions were limited to around 2%, which is considered to be more reasonable compared to the previous years.

Middle East/North Africa

Middle East and North Africa region continues to maintain its prominent position within the portfolio diversification plans of reinsurers. Although there is still an intense competition in the region, loss free risk and catastrophe programmes were renewed with expiring terms and conditions. There has been a slight increase in the commissions of the profit making proportional programmes during the past renewal.

The "ADNOC" petroleum refinery fire loss, which took place in United Arab Emirates (UAE) in January 2017 and is one of the biggest losses of the Middle East market with circa USD 1.5 billion, led to a hardening on the cedants' reinsurance programmes affected by the aforementioned claim. Meanwhile, according to the recent regulatory changes regarding the capital adequacy of insurance companies in the country, cedants are required to hold reserves considering the ratings of the reinsurers in their panels. A transition period of 3 years has been granted to the companies in this respect.

On the other hand, Kingdom of Saudi Arabia and UAE, which are the major insurance markets in the Gulf region, introduced the implementation of 5% VAT on insurance premiums as of January 1st, 2018 and it is expected that other GCC countries will follow this trend. However, it is still unclear how the tax mechanism will operate in terms of reinsurance agreements.

Another noteworthy development in the Middle East is the increasing number of mergers and acquisitions in recent years. In 2017, Zurich Insurance Middle East SAL (UAE) was acquired by Cigna Corporation (US), AIG Sigorta A.Ş. (Turkey) by Gulf Insurance Group (Kuwait) and The Falcon Insurance Co. SAOC (Oman) by Arabia Insurance (Lebanon).
In addition to that, British United (UK) bought 8% of shares of BUPA (Saudi Arabia), Saudi British Bank (Saudi Arabia) bought 32.5% shares of Saab Takaful (Saudi Arabia) and BKIC (Bahrain) bought %26.4 shares of Takaful Insurance (Bahrain). This consolidation led to amendments in reinsurance panels of insurance companies; shares of reinsurers with relatively lower ratings were either reduced or their participations were terminated.

Consequently, with the gradual removal of Iranian sanctions, which had started to be implemented in the past years and have continued for a long time, Iran became one of the highest potential countries in the Middle East market. Reinsurance companies, seeking various solutions especially for money transfer, are expected to play a more active role in Iran in the upcoming renewal periods.

Global Reinsurance Market and Milli Re in 2017

Morocco, Algeria and Tunisia, with high penetration and density rates compared to the other countries in the region, continue to attract reinsurers willing to write business in North African region. Despite its high potential, Algerian insurance market is partially closed to foreign reinsurers due to the 50% compulsory cession to Compagnie Centrale de Réassurance, which is country's only reinsurance company. The law introduced in 2015 by the Moroccan insurance supervisory authority, which brings the obligation for insurance companies to hold reserves for reinsurers with ratings below "A-" in their reinsurance panels, continues to make it difficult for these reinsurers to access the market. Although the Tunisian market is more open to new reinsurers than Morocco and Algeria, excessive competition between insurance companies creates a negative impact on rates.

In spite of the fact that there was no natural disaster or major risk loss in North Africa in 2017, the frequency of small-scale risk losses was similar to previous years. This caused a 5% increase in loss affected risk programmes. The rates of catastrophe loss programs registered limited increases.

Indian Sub-Continent

With the approval of IRDAI in 2017, world's leading reinsurers like Munich Re, Swiss Re and Gen Re started to open branches in India. Taking into account the 2017 April renewals right after this development, foreign reinsurers were observed to prefer improving their facultative business relationship with private insurance companies instead of expanding their ongoing treaty business. On the other hand, ITI Re, which has got the license by IRDAI as the first private reinsurance company of India, did not start underwriting in 2017.

Far East/Oceania

In general, the effect of ongoing soft market conditions continued in 2017 as well, although reinsurers adopted different approaches on market and cedant basis. During 2018 renewals, conditions for buyers in markets like China, Philippines and Thailand, where the catastrophe risk is dominant, became tighter, while most cedants operating in markets, like South Korea and Singapore, that are not highly exposed to natural peril risks, preferred to increase their deductible levels in order to control their costs.

Increasing number of mergers and acquisitions in the Middle East region reinsurance markets was a notable development.

Premiums generated from the international portfolio accounted for 25% of the total premium production of Milli Re in 2017.

In the Japanese market which has been in the spotlight of global reinsurers, conditions in favor of buyers as well as price-driven approaches of ceding companies continued during April 2017 renewals due to surplus reinsurance capacity. Whilst showing differences between companies, in general, number of layers of catastrophe programmes was decreased and additional storm and earthquake coverages were purchased. There were no specific changes made in the structures of risk excess of loss programmes. Rates of catastrophe programmes decreased by around 5% to 7.5% and risk excess of loss programs recorded rate decreases up to 7.5%. Proportional treaty commissions were either stable or increased by maximum 2 points.

In China, expected price correction linked with the ongoing competition did not materialize; however, local risk and catastrophe programme rates were under stress as a consequence of global losses. Regional reinsurers, which were immune to global losses like Harvey, Irma, Maria, catered the local demand for catastrophe programme capacity.

Reinsurers opted for considerably diverging terms for risk excess treaties with rate movements ranging between 7.5%-15%, in the aftermath of some fire losses in Korea. On the other hand, supply of capacity remained unchanged due to absence of any major catastrophe, but with up to 10% of higher cost. Some ceding companies decided to retain more to cap their reinsurance cost.

Rates that were observed to stabilize in 2017 renewals as a result of the 7.8 Magnitude Kaikoura Earthquake occurring in New Zealand in 2016, showed slight upward movements following Cyclone Debbie, Category 4 Extratropical Cyclone, that hit Australia and New Zealand. Loss-free catastrophe and risk programmes saw risk adjusted price increases up to 2.5%, whereas rate changes showed high variations throughout the loss hit programmes as an outcome of tailor-made approach adopted by reinsurers. Some reinsurers nevertheless opted for decreasing their capacity owing to their perception of rates persistently being inadequate, largely driven by the competition in direct business. As was the case last year, there was a rising demand for additional natural catastrophe cover due to the regulatory requirements to have a protection of 1 in 200 year return period event in Australia and 1 in 1,000 year return period event in New Zealand starting with 2017.

International Portfolio 2017 Results

In order to diversify the portfolio in line with its profit-oriented and sustainable growth approach, Milli Re started to become more active in international reinsurance markets since 2006. International portfolio of the Company consists of business accepted from developing and developed markets, Singapore Branch business, Pool (FAIR/ECO/TRP) business and business accepted from Turkish Republic of Northern Cyprus.

A significant portion of the international portfolio is made up of business from countries that fall under the scope of FAIR Reinsurance Pool, which has been managed by Milli Re since its establishment in 1974. Additionally, having started its operations in 2008, Milli Re Singapore Branch continues to work efficiently in the Far East, a region which represents significant potential. Business written from developing markets, which currently comprises 77% of the premium generated from the international markets, has reached a steady level. Important factors such as abundance of reinsurance capacity and resultant competitive conditions, as well as political instability, compulsory reinsurance cessions in order to protect national markets and increasing importance of ratings in such markets have led to a more conservative underwriting approach and necessitated measures for the retention of the portfolio. On the back of strong relationships established with clients in these markets as well as the high quality service provided, new business fitting our risk appetite was also acquired in 2017.

Global Reinsurance Market and Milli Re in 2017

On the other hand, 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 of leading global reinsurers as well as providing capacity to a few syndicates. Corresponding to roughly 23% of total international premium generated in 2017, Developed Markets Portfolio consists of a limited number of well-balanced retrocession accounts, contributing to the diversification of the overall book.

Premium production of the international portfolio, consisting of reinsurance business accepted from developed and developing markets, reached TL 267.6 million at the end of 2017 with a 15.7% year-on-year growth. The increase in risk losses related to developing markets and the negative effect of fluctuations in rates of exchange on outstanding losses limited the profitability. On the other hand, the result for the developed markets portfolio at the end of 2017 was favorable, mainly reflecting its balanced structure, the efficient cycle management of the ceding companies and absence of major loss activity until the 3rd quarter of the year, which kept the net loss ratio of this segment below 50%. Losses from major nat cat events that occurred during the second half of 2017 is estimated at USD 11 million for this portfolio, majority of which is expected to be booked in the coming period.

Consequently, Milli Re obtained a profit of TL 19.1 million from its international portfolio in 2017.

International Premium per Line of Business	Share (%)
Fire	53
Marine	9
Engineering	8
Personal Accident	6
Land Vehicles	6
Agriculture	6
Land Vehicles Liability	5
General Liability	3
Other *	3
Life	1
Total	**100**

* Credit, Legal Protection, Air Vehicles, Plate Glass, Air Vehicles Liability, Fidelity Guarantee

International Portfolio	2017	2016	2015	2014	2013
Premium (TL)	267,568,952	231,239,381	256,955,461	236,768,156	221,634,950
Share in Total Premium (%)	24.6	24.9	25.8	24.7	24.0

Assessment of Financial Strength, Profitability and Solvency

Milli Re generated TL 1,086 million of premium income in 2017, with year-on-year increase of 16.8%. Paid claims amounted to TL 616 million and net profit for the year reached TL 103.7 million for the period.

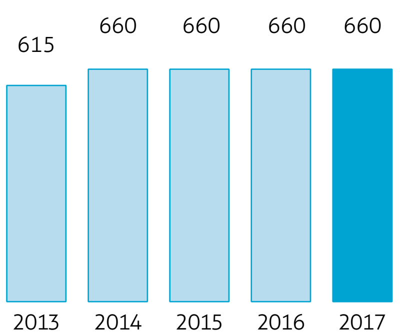
Company's Liquid Assets correspond to 50% of Total Assets. Owing to its strong liquidity and the balanced maturity distribution of invested assets, Milli Re fulfilled all of its legal and commercial obligations without any difficulty.

Details on technical results are presented in the "2017 Technical Results" section.

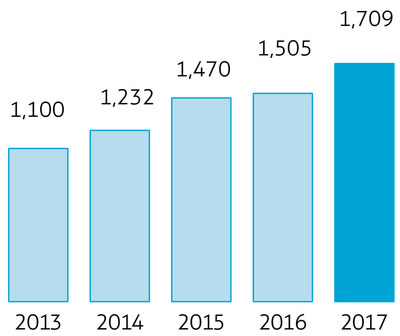
Financial Results (TL million)	2017	2016*	Change (%)
Total Assets	3,434.0	2,822.5	21.7
Shareholders' Equity	1,841.6	1,420.2	29.7
Technical Income	1,082.5	1,074.8	0.7
Technical Profit/Loss	63.2	85.1	(25.7)
Financial Income	278.8	261.2	6.7
Financial Profit/Loss	40.5	59.2	(31.6)
Profit/Loss for the Period	103.7	144.3	(28.1)

* Figures for 2016 are restated.

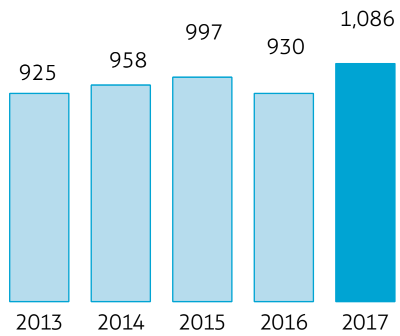
Paid-up Capital (TL million)



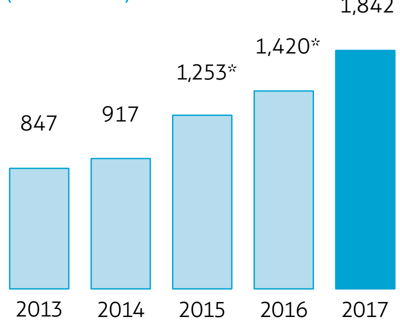
Liquid Assets (TL million)



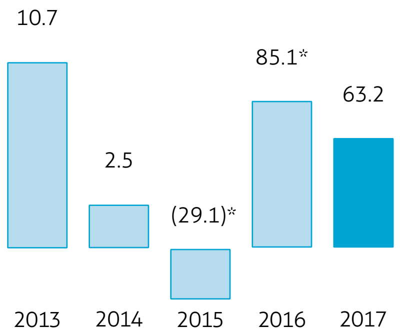
Premium Income (TL million)



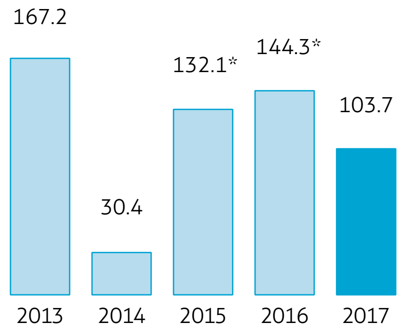
Shareholders' Equity (TL million)



Technical Profit (TL million)



Profit for the Period (TL million)



* Figures for 2015 and 2016 are restated.

Key Financial Indicators

ASSETS (TL)	2017	2016*	2015*	2014	2013
Cash and Cash Equivalents	1,223,132,413	1,125,225,034	991,998,486	742,193,459	603,582,774
Securities	485,566,843	379,491,869	477,908,745	490,228,721	497,248,099
Affiliates	883,667,032	551,268,910	445,245,371	407,993,857	381,857,848
Fixed Assets	537,462,778	490,521,070	426,968,376	215,502,409	195,869,451
Total Assets	3,434,005,708	2,822,479,663	2,647,784,232	2,167,578,400	1,991,784,422
LIABILITIES					
Technical Provisions	1,461,011,296	1,281,578,500	1,202,255,960	1,164,240,501	1,056,899,201
Shareholders' Equity	1,841,569,110	1,420,211,473	1,253,164,879	916,933,700	846,566,588
INCOME AND EXPENSE ITEMS					
Technical Income	1,082,506,489	1,074,784,017	1,019,316,777	924,805,672	956,855,452
Technical Expenses	1,019,325,705	989,695,519	1,048,400,008	922,277,420	946,136,774
Technical Profit/Loss	63,180,784	85,088,498	(29,083,231)	2,528,252	10,718,678
Financial Income	278,847,204	261,178,363	292,239,946	159,472,072	266,117,245
Financial Expenses	192,041,506	175,258,106	121,243,981	135,838,712	89,422,021
General Expenses	46,274,649	26,726,616	9,859,605	4,264,290	20,214,311
Financial Profit/Loss	40,531,049	59,193,641	161,136,360	27,897,650	156,480,913
Profit/Loss for the Period	103,711,833	144,282,139	132,053,129	30,425,902	167,199,591

* Figures for 2015 and 2016 are restated.

Key Ratios (%)	2017	2016*	2015*	2014	2013
1. Capital Adequacy Ratios					
Gross Premiums/Shareholders' Equity	59	65	80	104	109
Shareholders' Equity/Total Assets	54	50	47	42	43
Shareholders' Equity/Net Technical Provisions	126	111	104	79	80
2. Asset Quality and Liquidity Ratios					
Liquid Assets/Total Assets	50	53	56	57	55
Liquidity Ratio	174	166	164	156	152
Current Ratio	131	130	125	118	119
Premium and Reinsurance Receivables/Total Assets	5	6	7	8	9
3. Operational Ratios					
Retention Ratio	88	89	88	86	86
Paid Claims/Paid Claims+Outstanding Claims	39	39	46	44	47
4. Profitability Ratios					
Gross					
Loss Ratio	69	72	80	69	69
Expense Ratio	28	31	28	28	29
Combined Ratio	97	103	108	97	98
Net					
Loss Ratio	76	77	87	78	78
Expense Ratio	31	34	32	32	33
Combined Ratio	107	111	119	110	111
Profit Before Tax/Gross Written Premiums	14	16	13	3	18
Gross Financial Profit/ Gross Written Premiums	8	7	16	3	17
Technical Profit/Gross Written Premiums	6	9	(3)	-	1
Profit Before Tax/Average Total Assets	4	5	5	1	9
Profit Before Tax/Average Shareholders' Equity (Excluding Profit)	9	12	12	4	25

* Figures for 2015 and 2016 are restated.

Assessment of the Company Capital

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, Milli Re had a surplus of TL 1,235 million as at end of 2017.

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

Capital Adequacy (TL million)	2017	2016*	2015*	2014	2013
Required Capital	391	359	337	320	284
Available Capital	1,626	1,179	990	653	582
Capital Adequacy Result	1,235	820	653	333	298

* Figures for 2015 and 2016 are restated.

2017 Technical Results

Milli Re's premium income increased by 16.75% on a year-on year basis and reached TL 1,085,712,889 in 2017. Paid claims increased by 7.61% and recorded as TL 616,006,496 as at the end of 2017.

Premium Production (TL)

Line of Business	2017	2016*	2015*	2014	2013
Accident	38,973,085	43,111,183	32,371,002	25,697,737	22,937,900
Health	7,605,904	7,535,875	18,321,685	20,497,465	24,283,988
Land Vehicles	21,540,505	16,656,530	15,688,267	13,663,229	16,693,706
Railway Vehicles	-	-	-	-	-
Air Vehicles	456,774	564,684	303,658	587,311	914,270
Sea Vehicles	30,059,346	28,387,945	30,893,622	25,923,816	26,903,870
Marine	40,782,720	35,634,493	46,311,839	40,866,724	41,088,970
Fire & Natural Disasters	521,732,614	440,311,195	435,561,347	423,759,684	420,382,014
General Damages	313,468,608	252,815,768	318,608,928	293,964,844	269,552,559
Land Vehicles Liability	43,211,274	37,555,722	24,446,055	42,190,723	32,664,040
Air Vehicles Liability	-	-	-	-	-
Sea Vehicles Liability	7,008	18,874	51,035	55,132	71,286
General Liability	48,562,577	46,549,782	52,634,513	44,554,626	44,643,344
Credit	(47,688)	979	67,721	171,372	103,791
Fidelity Guarantee	546,544	553,433	629,517	499,932	484,452
Financial Losses	1,131,580	955,021	1,005,424	1,186,278	2,600,254
Legal Protection	1,752,535	104,392	106,919	119,530	83,403
Total Non-Life	**1,069,783,386**	**910,755,876**	**977,001,532**	**933,738,403**	**903,407,847**
Life	**15,929,503**	**19,210,055**	**19,755,698**	**24,082,962**	**21,743,651**
Total	**1,085,712,889**	**929,965,931**	**996,757,230**	**957,821,365**	**925,151,498**

* Figures for 2015 and 2016 are restated.

2017 Premium Production

Geographical Breakdown	(TL)	%
Turkey	**818,143,937**	**75**
Asia	**143,861,340**	**13**
Asia	94,239,622	9
Middle East	49,621,718	4
Europe	**59,602,078**	**5**
Western Europe	20,898,551	2
Central & Eastern Europe	38,703,527	3
Worldwide	**39,157,462**	**4**
Others (incl. America)	**18,206,090**	**2**
Africa	**6,741,982**	**1**
Total	**1,085,712,889**	**100**

2017 Technical Results

Milli Re's technical operations in 2017 yielded a profit of TL 63.2 million, due primarily to the improvement in net loss ratio as a result of the increase in premium income, as well as to the positive impact of investment income transferred from non-technical accounts.

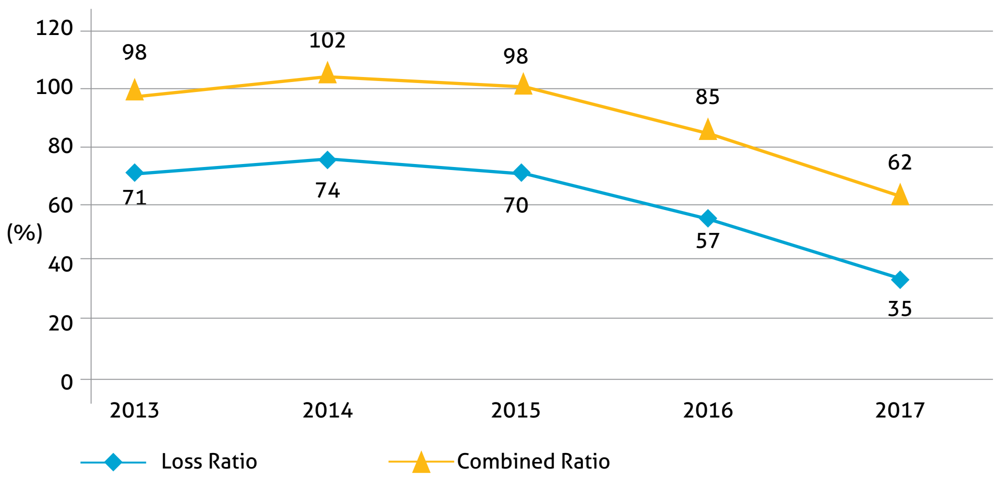
Technical Profitability (TL)

Line of Business	2017	2016*	2015*	2014	2013
Accident	10,083,882	27,027,266	9,803,094	2,306,221	1,641,447
Health	2,399,238	(647,733)	(6,434,021)	1,815,894	3,409,797
Land Vehicles	(4,417,497)	2,717,711	(4,432,171)	1,040,497	(7,139,051)
Railway Vehicles	-	-	-	-	-
Air Vehicles	(82,917)	847,538	(415,726)	715,726	714,229
Sea Vehicles	(18,198,146)	6,389,882	1,645,617	(12,072,728)	6,795,787
Marine	8,511,107	12,583,486	1,801,192	13,430,888	2,475,216
Fire & Natural Disasters	76,624,490	79,364,312	40,114,600	100,962,221	23,478,949
General Damages	13,250,496	2,945,551	(17,015,577)	30,852,994	2,823,727
Land Vehicles Liability	(32,593,428)	(29,232,771)	(53,494,744)	(69,278,192)	(34,975,758)
Air Vehicles Liability	-	-	-	615	(2,256)
Sea Vehicles Liability	177,638	(449,017)	31,147	21,020	66,778
General Liability	9,809,147	(13,723,573)	(2,052,693)	(72,961,039)	5,708,723
Credit	2,385	(50,491)	336,636	(959,123)	(36,838)
Fidelity Guarantee	(1,169,210)	(979,520)	(2,144,703)	(220,253)	(124,846)
Financial Losses	(1,412,299)	(283,632)	370,538	1,428,883	935,782
Legal Protection	1,150,712	79,424	86,918	115,171	526,506
Total Non-Life	**64,135,598**	**86,588,433**	**(31,799,893)**	**(2,801,205)**	**6,298,192**
Life	**(954,814)**	**(1,499,935)**	**2,716,662**	**5,329,457**	**4,420,486**
Total	**63,180,784**	**85,088,498**	**(29,083,231)**	**2,528,252**	**10,718,678**

* Figures for 2015 and 2016 are restated.

Development of technical ratios per underwriting year are provided below in order to provide a better assessment of the implication of the revisions made in Company business model in line with the Company strategy.

Technical Ratios per Underwriting Year (net)



2017 Financial Results

The Company's financial investments are made in accordance with the Asset Investment Guidelines 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 Company prefers to invest in liquid instruments with high yield and 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

In 2017, income from financial assets rose by 20.21%, mainly by the increase in interest income accrued from time deposits.

Income from disposal of financial assets increased by 6.3%, due basically to the better result obtained in the income from sale of investment funds under the securities portfolio compared to the previous year.

Valuation of financial assets decreased, reflecting a lower level of accrued interest related to time deposits.

The Company registered a 17.95% decrease in foreign exchange gains due to the decrease in the income obtained from evaluation transactions of Company's foreign currency assets reflecting the movements in rates of exchange during the reporting period.

Income from subsidiaries and joint ventures increased, as unlike the previous year, there was dividend distribution by the subsidiary during the current year.

As a result of the comparably lower appreciation in the value of investment properties accounted in line with fair value method, there was a decrease in income from property, plant and equipment during the reporting period.

Milli Re's total investment income increased by 6.8% and amounted to TL 278,847,204 in 2017.

(TL)	2017	2016	Change (%)
Investment Income	**278,847,204**	**261,178,363**	**6.77**
Income From Financial Assets	139,201,432	115,793,940	20.21
Income From Disposal of Financial Assets	22,820,237	21,471,729	6.28
Valuation of Financial Assets	1,328,966	3,530,869	(62.36)
Foreign Exchange Gains	41,419,317	50,478,175	(17.95)
Income from Subsidiaries and Joint Ventures	17,197,550	3,251	+
Income From Property Plant and Equipment	56,622,702	69,788,799	(18.87)
Other Investments	257,000	111,600	130.29

2017 Financial Results

Investment Expenses

There was a decrease in investment management expenses as there was not any interest expense paid for repurchase agreements. Due to the absence of losses arising from sales of bonds, losses from the disposal of financial assets declined.

Investment income transferred to non-life technical account increased by 5.4% due to higher technical provisions as at 31.12.2017.

Evaluation transactions produced a negative result due the movements in rates of exchange, resulting in an increase in foreign exchange losses.

There was an increase of 9.6% in the Company's total investment expenses in 2017.

(TL)	2017	2016	Change (%)
Investment Expenses	**(192,041,506)**	**(175,258,106)**	**9.58**
Investment Management Expenses – (Incl. Interest)	(846,635)	(3,874,438)	(78.15)
Loss from Disposal of Financial Assets	(996,561)	(1,964,332)	(49.27)
Investment Income Transferred to Non-Life Technical Account	(156,592,562)	(148,513,629)	5.44
Foreign Exchange Losses	(21,942,845)	(11,234,726)	95.31
Depreciation and Amortization Expenses	(2,007,230)	(1,716,887)	16.91
Other Investment Expenses	(9,655,673)	(7,954,094)	21.39

Income and Expenses from Other and Extraordinary Operations

Income and expenses from other operations and extraordinary operations which had a negative balance during the previous period predominantly as a result of deferred tax liability expense, resulted with a positive balance of TL 9,420,780 during the current period due to the deferred tax asset accrued during the reporting period. This increase in deferred tax asset account is due to the payment to be made during the current period regarding deferred tax liability related to the previous years as a result of discounting of net cash flows of outstanding loss reserves.

(TL)	2017	2016	Change (%)
Income and Expenses From Other and Extraordinary Operations	**(2,143,249)**	**(23,167,772)**	**(90.75)**
Provisions	(11,519,265)	(10,907,174)	5.61
Rediscounts	(271,769)	550,110	-
Deferred Taxation (Deferred Tax Assets)	9,420,780	-	+
Deferred Taxation (Deferred Tax Liabilities)	-	(13,437,453)	-
Other Income	499,542	683,078	(26.87)
Other Expenses and Losses	(272,537)	(56,333)	383.80

As a result, the Company posted a net profit of TL 103,711,833 in 2017.

Agenda for the General Assembly

MİLLİ REASÜRANS T.A.Ş.
AGENDA FOR THE GENERAL ASSEMBLY HELD ON 27 MARCH 2018

1. Opening and formation of the Presiding Board,
2. Reading and discussion of the 2017 Activity Report drawn up by the Board of Directors,
3. Reading of the Statutory Auditors' report,
4. Reading, discussion and approval of the Company's Financial Statements for 2017,
5. Approval of the elections performed during the year, as set out in Article 363 of the Turkish Commercial Code and Article 12 of Company's Articles of Association, for the vacant seats on the Board of Directors,
6. Declaration of the Board of Directors,
7. Determination of the manner and date of distribution of profit,
8. Election for 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 of Directors to perform the transactions set out in Articles 395 and 396 of the Turkish Commercial Code.

Report by the Board of Directors

Distinguished Shareholders,

We respectfully present the balance sheet, income statement, profit distribution statement, statement of changes in equity, and the cash flow statement showing the results achieved in 2017 marking the Company's 89th year of operation for the assessment 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 the Turkish Treasury.

In 2017, which began under the shadow of various political and geopolitical uncertainties that occurred in 2016, political developments and steps taken in the economic area such as tax reforms in the US remained on the global agenda. On the other hand, the negotiations between UK and EU following UK's decision to leave the EU (Brexit) continued. Besides, the Catalan Referendum which resulted with the independence decision, once again caused discussions regarding the future of the EU. While the elections held in many countries across Europe gained importance, the continuous breaking news in Middle East region were influential in 2017 as well.

However, in the 10th year of the global crisis, world economy finally started to accelerate, after a long time, with the recovery in both developed and developing markets, resulting in global growth as well as expansion in trade volume. As a result of this performance beyond expectations, IMF made three upward revisions in its global growth forecasts during the year. With the developments in the unemployment data and the moderate trend of inflation rates in the US, Fed managed to implement its rate hikes without creating unfavorable conditions in the markets. Figures relating to Turkey's main trade partner, Euro Zone, supported the views that the countries gained resilience. A growth rate of 2.5% in 2017 following its strongest performance for the last 10 years was registered in the economy of the region. Accordingly, European Central Bank gave the signals of gradual withdrawal from its expansionary monetary policy.

Despite geopolitical risks and political climate, Turkish economy exhibited its strongest performance in the last 6 years by growing over expectations with a rate of 11.1% in the third quarter of the year. Emerging alongside the growth driven primarily by the increase in private consumption expenditures as well as credits given under the Credit Guarantee Fund, along with the impact of the depreciation of Turkish Lira against the currency basket and the rising import prices; consumer inflation was 11.92% at the end of 2017. Besides the aforementioned developments, deteriorations in the other indicators of the economy such as unemployment, budget deficit, current account deficit and outstanding external debt are expected to prevail during the upcoming periods as well.

In respect of the reinsurance markets, reinsurance capital reached USD 600 billion globally as at the end of the third quarter of 2017. Having witnessed natural catastrophe events that are estimated to cause an insured loss of USD 136 billion, 2017 was recorded as the most costly year after 2011 and 2005. Economic loss amount resulting from these disasters is expected to be around USD 330 billion. This amount is well above the last 10 years' average of USD 190 billion, and half of it is projected to arise from the Atlantic Hurricanes of Category 4 and over, namely Harvey, Irma and Maria. Earthquakes that occurred in Mexico and Cyclone Debbie affecting Australia and New Zealand were other catastrophic events on the headlines in 2017.

Although the ongoing soft market conditions continued until the fourth quarter of 2017, as a result of the natural catastrophe losses that started to occur one after the other during that period, stricter underwriting approach of reinsurers was evident in 2018 renewals. However, tightening in the pricing and conditions was well away from satisfying the reinsurers mainly due to the excess reinsurance capacity backed by alternative capital.

According to the figures published by the Insurance Association of Turkey, total premium production in our country reached TL 46.6 billion in 2017, growing with a rate of around 15% on nominal basis and 2.7% on real basis when compared to last year. The primary reason of the significant decline in the premium growth rate, which was recorded as 30.5% in 2016, was the flat level of premiums of Land Vehicles Liability Insurance, holding the highest share in Non-Life premium production, due to the price cap induced with a change in the regulation in 2017. As a result of this development, not only the share of this line of business within Non-Life premium decreased from 36.5 to 32.8%, but also the premium volume of the market was affected unfavorably. Growth rates regarding other major lines of business contributing to the total premium production were recorded as 12.1% for Land Vehicles, 19% for Fire/Natural Disasters and 19% for Health. Having gained a momentum together with the steps taken to revive the economy in recent years, Life business increased once more its share within the market premium production to around 15%, by growing at an annual rate of 35.8%.

Despite the developments in the global markets, insurance companies operating in Turkey completed their reinsurance renewals smoothly. However, with the uncertainty created by the natural disasters that occurred in the last quarter of 2017, renewal negotiations regarding the catastrophe excess of loss programmes protecting the retentions of cedants were more strenuous compared to the last couple of years.

With its extensive know how and experience in the local market, excellent reputation in the international markets as well as its strong financial structure; Milli Re participates in the reinsurance programmes of a significant number of companies operating in the Turkish insurance market, most of which have international investors. Leading proportional bouquet treaties of 16 companies in 2018, Milli Re holds its market share of 27%.

Providing reinsurance capacity to the Turkish insurance market since 1929, our Company started to underwrite business from the international markets in 2006 in line with its strategy of international expansion. Considering 2018 renewals, Milli Re provided reinsurance capacity to circa 130 companies in over 50 countries. Our Singapore Branch, which started its operation in 2008, completed its 10th year of activity in 2017. Maintaining the key position and market share in the local market and providing a steady development of the international portfolio will continue to be the Company's top priority during the upcoming periods as it has been to date.

The total premium production of our Company by the end of 2017 was TL 1,086 million. 75% of the total premium amounting to TL 818 million was earned from local business while 25% equaling TL 268 million from foreign business acceptances. In 2017, taking into account the investment income and expense transferred from non-technical part, our Company obtained a profit of TL 63.2 million in respect of our technical operations and TL 40.5 from financial operations and closed the 2017 operating year with a profit for the period of TL 103.7 million. The paid in capital of our Company as at the end of 2017 was TL 660 million, its assets reached TL 3,434 million and shareholders' equity increased to TL 1,842 million.

We would like to extend our thanks to our esteemed stakeholders for providing the greatest contribution to our Company to maintain its prestige and reliability acquired during these 89 years of operation, and to continue its efforts to be a preferred business partner with its robust financial structure.

BOARD OF DIRECTORS

Dividend Distribution Policy

Maintaining a balance between the Company's interests, shareholders' expectations and the Company's profitability are the main factors taken into consideration in relation to dividend distribution.

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 of 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 an accounting period 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, other reserves and funds mentioned above from the net profit, a proportion up to 3% is paid out to employees, provided that the amount does not exceed three times' the recipients' salaries.

g) From the amount remaining after the above mentioned allocations and distributions, without prejudice to the provisions of the applicable legislation, 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.

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 Association 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 employees.

The distribution of the cash dividend must be realized no later than by the end of the second month following the date of the Annual General Assembly 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 150,503,442	that constitutes the pretax profit reported in 2017 balance sheet,
Less TL 44,131,400	to be set aside as provision for taxes provided that there is a balance after accrual of taxes, such balance will be added to legal reserves;
Yielding TL 106,372,042	which is the pretax profit reported in 2017 balance sheet,
TL 5,318,602	which is 5% pretax profit, set aside for legal reserves as per section 27/a of the Articles of Association;
from the remaining amount of TL 101,053,440	
TL 10,105,344	which is 10% of pretax profit, be distributed to shareholders as first dividend, as per section 27/c of the Articles of Association,
from the remaining amount of TL 90,948,096	
TL 2,728,443	for distribution to the personnel, as per section 27/f of the Articles of Association,
from the remaining amount of TL 88,219,653	
a total of TL 39,894,656	be set aside for second dividend, as per section 27/g of the Articles of Association
from the remaining amount of TL 48,324,997	
TL 1,972,844	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 46,352,153	be transferred to legal reserves.

Provided that the proposal presented above is approved by your Esteemed Assembly, profit share distribution will take place on 29 March 2018. We extend our thanks to our business partners and our employees who contributed to the positive results achieved in 2017.

BOARD OF DIRECTORS

RISKS AND ASSESSMENT OF THE GOVERNING BODY

Risk Management

Given the risk-focused nature of insurance business, insurance and reinsurance companies establish risk management systems and processes, and systematically monitor risk exposure, as part of their primary activities. Therefore, our 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 global financial markets during the recent years, as well as the unforeseen natural disasters that have occurred.

The aim of the risk management system is to define the risks arising from Company's activities, to determine related limits, to measure, monitor, control the risks effectively, to take necessary measures 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 related procedures and to monitor the implementations in respect of risk management function 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 policies predicated on 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 risk management policies and compliance with them,
- To develop risk management techniques and methods, to ensure that risks are within determined limits and to monitor limit violations, if any,
- To carry out reporting and announcement activities in respect of risk management,
- To follow-up developments in respect of capital adequacy applications prominent in international markets and conduct studies in this regard.

Risk Management

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. Definitions of basic risks and their assessment methods are stated below.

Financial Risks

Underwriting 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 underwriting risk, assessment of compliance with predetermined underwriting limits and principles and compliance of Company's retention and reinsurance protection limits with the criteria set out in the "Application Principles in Respect of Risk Limits" is conducted.

Company's capital structure, market conditions, underwriting limits in respect of the lines of business which will be subject to retrocession contracts, risk profiles, loss experience, accumulation that may occur in the event of a catastrophe risk, regional event limits, and modeled loss amounts, if applicable, are taken into consideration during arrangement of retrocession contracts which are prepared in order to cover the liabilities arising from underwritten business.

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 contracts arranged for covering Company's liabilities arising from business acceptances in various lines of business, is the credit ratings of reinsurers. On the other hand, the payment performances and financial conditions of counterparties are also taken into account.

In order to assess the concentration risk arising from the transfer of the risk to one or several specific reinsurers, premiums ceded to reinsurers are taken into consideration and multiplied by the factors that are defined based on whether reinsurers are licensed in Turkey or not, whether they are on the list of companies or groups formed by P.M. Undersecretariat of Treasury according to financial and technical adequacy criteria. Premium transfers that exceed the limits stated by P.M. Undersecretariat of Treasury are considered as concentration, and are included in the capital adequacy calculation by being multiplied by risk factors defined by the said authority.

Moreover, doubtful receivables, distribution of the Company's investment portfolio in terms of counterparties, and the ratings of bond issuers of private bonds that are in the portfolio, are monitored quarterly in accordance with the principles defined in Company's Investment Policy.

Asset-Liability Management Risk

This risk expresses the potential loss that may arise from the inefficient and inaccurate management of 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 underwriting and credit risk. The components of the risk are described below:

a- Market Risk

This risk expresses the probability of loss because of the interest rate risk, rate of exchange risk and equity position risk occurring in the financial position of the Company due to the interest, rate of exchange, equity, commodity and option price changes arising from the volatilities in financial markets.

When determining market risk exposure of the Company, Value at Risk (VaR) method, which measures the maximum loss that may occur at a definite confidence level in value of investment portfolio held for a definite time period, due to volatilities in risk factors is used. VaR is calculated by using the "Historical Simulation Method" where different scenarios are created by taking into consideration the historical data. Calculations are based on 250 working days, 99% confidence level and 1 day holding period.

In addition to the daily calculated VaR, following tests are applied:

- Back Testing
- Stress Tests
- Scenario Analysis

These tests are used to support the VaR method in calculating the loss in portfolio value due to 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 by creating different scenarios.

Market risk limits are set out in "Application Principles in Respect of Risk Limits", while limits and application principles in respect of investment portfolio are set out in "Derivatives Policy", "Macro Asset Investment Policy", "Investment Policy" and "Alternative Investment Plan" of the relevant year. Mentioned limits are checked regularly.

b- Structural Interest Rate Risk

This risk expresses the negative impact on balance sheet assets and liabilities which are not subject to trading, due to possible changes in interest rates.

Receivables from reinsurance operations and payables arising from reinsurance operations are discounted by using LIBOR rates in respect of related currencies and maturities and these figures go into the financial statements, accordingly they are subject to structural interest rate risk. Upward and downward shocks are applied to LIBOR rates that are used in discounting process every three months and possible changes in values of receivables and payables are calculated.

c- Liquidity Risk

This risk denotes the imbalance between the Company's cash outflows and inflows in terms of maturity and volume.

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 within the defined limit.

d- 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. Decisions of capital investments in capital market instruments which are unquoted are subject to the approval of the Board of Directors.

e- 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.

Risk Management

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 risk measurement processes are inappropriately designed or not properly implemented.

In measurement and assessment process 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 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 the Company or damage to the "Company Reputation" resulting from failures in operations 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 levels of the risk as "High", "Acceptable" or "Low".

Information Technology Risk
This risk expresses the probable losses arising in Information Technology (IT) processes, assets and resources that constitute the entire hardware, applications and communication channels used in operations, due to internal and external problems occurring in operations and processes such as strategy management, cost management, human resources management, risk management, incident and problem management, information security, back up process, procurement process, supplier selection and assessment, user identification and access management, critical resources management, data security, integrity and availability, acquisition and modification of software and hardware, test and version management, service quality and continuity, business continuity, disaster and configuration management, environmental and physical factors management.

Risks related to Company's information technologies are measured and assessed 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 provisions stated in Information Technology Risk Management Application Principles.

On the other hand, Disaster Management process, defined with the purpose of governing and monitoring sub-risks in relation to Business Continuity and IT Continuity, is carried out in accordance with the provisions of related legislation. An internal training is organized and a test study is performed annually within the context of Disaster Management. In this regard, for business processes and information systems a test study was performed in Disaster Office on 2nd December, 2017, providing connections through the Company's servers located in Disaster Center located outside of Istanbul. According to the results of this study which was performed by displaying and entering the data, it was confirmed that IT resources related to critical processes and data stored in these resources were accessible in conformity with recovery point objectives.

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

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

Risk Management

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 Republic of Turkey P.M. Undersecretariat of Treasury and assessments regarding the results are submitted to Risk Committee, Board of Directors and Directorate of Subsidiaries of İşbank via the "Risk Assessment Report".

The factor-based method, used according to the aforementioned regulation, 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 MİLLİ 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 obtained as a result of 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

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 that holds shares in the capital of the Parent Company, Milli Re are listed as below:

Shareholder:
Trakya Yatırım Holding A.Ş.

Shares in the Capital:
0.083135

Shareholder:
Kültür Yayınları İş Türk A.Ş.

Shares in the Capital:
0.023618

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 as of December 31, 2017 Together with the Independent Auditor's Report

(Convenience translation of independent auditors' report and unconsolidated financial statements originally issued in Turkish)

Independent Auditor's Report

(Convenience translation of a report and unconsolidated financial statements originally issued in Turkish)

Building a better working world

Güney Bağımsız Denetim ve SMMM A.Ş.
Eski Büyükdere Cad. Orjin Maslak
No: 27 Maslak, Sarıyer 34398
İstanbul - Turkey

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No: 479920
Mersis No: 0-4350-3032-6000017

To the Board of Directors of Milli Reasürans Türk Anonim Şirketi

A) Report on the Audit of the Unconsolidated Financial Statements

1) Opinion

We have audited the unconsolidated financial statements of Milli Reasürans Türk Anonim Şirketi (the Company), which comprise the unconsolidated statement of financial position as at December 31, 2017, and the unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity and unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2017, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Accounting Standards decree for the matters not regulated by insurance legislation; "Insurance Accounting and Financial Reporting Legislation".

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Other matter

The unconsolidated financial statements of the Company which were prepared in accordance with the accounting principles and standards in force as of December 31, 2016 were subject to full-scope audit by another independent audit firm. In their independent auditor's report dated February 17, 2017, independent audit firm expressed unqualified opinion on the unconsolidated financial statements prepared at December 31, 2016.

4) Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with Insurance Accounting and Financial Reporting Legislation and designing, implementing and maintaining internal systems relevant to the preparation and fair presentation of the unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

5) Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

B) Report on Other Legal and Regulatory Requirements

1) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2017 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

2) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Seda Akkuş Tecer.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Seda Akkuş Tecer, SMMM
Partner

February 26, 2018
İstanbul, Turkey

Millî Reasürans Türk Anonim Şirketi

Convenience Translation of the Company's Representation on the Unconsolidated Financial Statement Prepared as of December 31, 2017

We confirm that the unconsolidated financial statements and related disclosures and footnotes as of December 31, 2017 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,
February 26, 2018

Şule SOYLU	Özlem CİVAN	Hasan Hulki YALÇIN	Ertan TAN
Assistant General Manager	Assistant General Manager	General Manager	Actuary Registration No: 21

Contents

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Balance Sheet
As of December 31, 2017

(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 December 31, 2017	Audited -Restated Prior Period December 31, 2016
A- Cash and Cash Equivalents	4.2,14	1.223.132.413	1.125.225.034
1- Cash	4.2,14	5.842	17.446
2- Cheques Received		-	1.950.000
3- Banks	4.2,14	1.223.126.571	1.123.257.588
4- Cheques Given and Payment Orders (-)		-	-
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months		-	-
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Investments with Risks on Policy Holders	11	485.566.843	379.491.869
1- Financial Assets Available for Sale	11	492.521.383	386.347.109
2- Financial Assets Held to Maturity		-	-
3- Financial Assets Held for Trading		-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders		-	-
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)	11	(6.954.540)	(6.855.240)
C- Receivables From Main Operations	12	176.061.654	162.954.919
1- Receivables From Insurance Operations		-	-
2- Provision for Receivables From Insurance Operations (-)		-	-
3- Receivables From Reinsurance Operations	12	113.058.283	112.405.704
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited For Insurance & Reinsurance Companies	12	63.003.371	50.549.215
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Pension Operation		-	-
9- Doubtful Receivables From Main Operations	4.2,12	7.385	6.275
10- Provisions for Doubtful Receivables From Main Operations (-)	4.2,12	(7.385)	(6.275)
D- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
E- Other Receivables	4.2,12	1.231.493	1.663.239
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given	4.2,12	288.736	248.885
4- Other Receivables	4.2,12	942.757	1.414.354
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables	12	53.177	53.177
7- Provisions for Other Doubtful Receivables (-)	4.2,12	(53.177)	(53.177)
F- Prepaid Expenses and Income Accruals		125.842.706	100.306.187
1- Deferred Commission Expenses	17	114.233.617	92.601.448
2- Accrued Interest and Rent Income		-	-
3- Income Accruals	4.2	11.284.419	7.029.475
4- Other Prepaid Expenses		324.670	675.264
G- Other Current Assets		989.723	10.962.956
1- Inventories		51.215	46.641
2- Prepaid Taxes and Funds	12	-	10.488.911
3- Deferred Tax Assets		-	-
4- Job Advances	4.2,12	54.000	-
5- Advances Given to Personnel	4.2,12	466.665	-
6- Stock Count Differences		-	-
7- Other Current Assets		417.843	427.404
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		2.012.824.832	1.780.604.204

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

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Balance Sheet
As of December 31, 2017

(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 December 31, 2017	Audited- Restated Prior Period December 31, 2016
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 & Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables From Pension Operations		-	-
9- Doubtful Receivables from Main Operations	4.2,12	17.966.058	16.858.335
10-Provision for Doubtful Receivables from Main Operations	4.2,12	(17.966.058)	(16.858.335)
B- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
C- Other Receivables		-	-
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
D- Financial Assets	9	883.667.032	551.268.910
1- Investments In Associates		-	-
2- Affiliates		-	-
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries	9	883.667.032	551.268.910
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)		-	-
E- Tangible Fixed Assets	6	515.627.790	476.051.637
1- Investment Properties	6,7	365.981.000	326.090.000
2- Diminution in Value for Investment Properties (-)		-	-
3- Building for own use	6	147.915.000	147.915.000
4- Machinery and Equipments		-	-
5- Furnitures and Fixtures	6	5.695.006	5.578.940
6- Vehicles	6	1.604.238	1.113.102
7- Other Tangible Assets (Including Leasehold Improvements)		-	-
8- Leased Tangible Fixed Assets		-	-
9- Accumulated Depreciation (-)	6	(5.567.454)	(4.645.405)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		-	-
F- Intangible Fixed Assets	8	21.834.988	14.469.433
1- Rights	8	6.029.231	5.405.787
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortizations (-)	8	(4.242.018)	(3.319.811)
8- Advances Regarding Intangible Assets	8	20.047.775	12.383.457
G- Prepaid Expenses and Income Accruals		51.066	85.479
1- Deferred Commission Expenses		-	-
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses		51.066	85.479
H- Other Non-current Assets		-	-
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets		-	-
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
II- Total Non-current Assets		1.421.180.876	1.041.875.459
TOTAL ASSETS		3.434.005.708	2.822.479.663

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

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Balance Sheet
As of December 31, 2017

(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 December 31, 2017	Audited -Restated Prior Period December 31, 2016
A- Borrowings		-	-
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Current Portion of Long Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Financial Assets Issued		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)		-	-
B- Payables From Main Operations	19	36.392.472	36.432.984
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations		35.718.777	35.487.143
3- Cash Deposited by Insurance & Reinsurance Companies		673.695	945.841
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties	19	106.310	80.030
1- Due to Shareholders	45	81.850	66.287
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties	45	24.460	13.743
D- Other Payables	19	3.032.087	2.941.104
1- Deposits and Guarantees Received		-	1.950.000
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables	19,4.2	3.032.087	991.104
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves	17	1.390.078.067	1.236.368.574
1- Unearned Premiums Reserve - Net	17	453.202.210	371.110.571
2- Unexpired Risk Reserves - Net	17	5.834.053	3.285.325
3- Mathematical Reserves - Net	17	116.109	165.157
4- Outstanding Claims Reserve - Net	17	930.925.695	861.807.521
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Relevant Provisions	19	8.574.495	1.453.431
1- Taxes and Dues Payable		1.317.814	1.321.251
2- Social Security Premiums Payable		148.338	132.180
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		-	-
5- Corporate Tax Liability Provision on Period Profit	19	44.131.400	3.558.844
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	19	(37.023.057)	(3.558.844)
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks		-	-
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs		-	-
H- Deferred Income and Expense Accruals	19	5.781.650	4.778.313
1- Deferred Commission Income	10,19	614.358	449.504
2- Expense Accruals	19	4.921.575	4.165.628
3- Other Deferred Income	19	245.717	163.181
I- Other Short Term Liabilities		-	-
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		-	-
III - Total Short Term Liabilities		1.443.965.081	1.282.054.436

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

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Balance Sheet
As of December 31, 2017

(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 December 31, 2017	Audited- Restated Prior Period December 31, 2016
A- Borrowings		-	-
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Bonds Issued		-	-
5- Other Issued Financial Assets		-	-
6- Value Differences on Issued Financial Assets (-)		-	-
7- Other Financial Borrowings (Liabilities)		-	-
B- Payables From Main Operations		-	-
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Discount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables		-	-
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves	17	70.933.229	45.209.926
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net	17	70.933.229	45.209.926
F- Other Liabilities and Provisions		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks	23	47.628.666	36.887.730
1- Provision for Employment Termination Benefits	23	8.293.551	7.202.618
2- Provisions for Employee Pension Fund Deficits	22,23	39.335.115	29.685.112
H- Deferred Income and Expense Accruals	19	110.500	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income	19	110.500	-
I- Other Long Term Liabilities	21	29.799.122	38.116.098
1- Deferred Tax Liability	21	29.799.122	38.116.098
2- Other Long Term Liabilities		-	-
IV- Total Long Term Liabilities		148.471.517	120.213.754

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

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Balance Sheet
As of December 31, 2017

(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 December 31, 2017	Audited - Restated Prior Period December 31, 2016
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 Inflation Adjustment on Capital		-	-
4- Negative Inflation Adjustment on Capital (-)		-	-
5- Unregistered Capital		-	-
B- Capital Reserves	15	112.341.037	121.258.386
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital	15	23.723.323	23.723.323
4- Translation Reserves	15	(28.441.170)	(26.027.092)
5- Other Capital Reserves	15	117.058.884	123.562.155
C- Profit Reserves		714.872.855	259.066.470
1- Legal Reserves	15	64.131.019	55.535.403
2- Statutory Reserves	15	-	-
3- Extraordinary Reserves	15	86.192.951	15.545.335
4- Special Funds (Reserves)		-	-
5- Revaluation of Financial Assets	11,15	565.916.100	189.009.992
6- Other Profit Reserves	15	(1.367.215)	(1.024.260)
D- Previous Years' Profits		250.643.385	235.604.478
1- Previous Years' Profits		250.643.385	235.604.478
E- Previous Years' Losses (-)		-	-
1- Previous Years' Losses		-	-
F- Net Profit of the Period	15	103.711.833	144.282.139
1- Net Profit of the Period		103.711.833	144.282.139
2- Net Loss of the Period (-)		-	-
3- Net Income not subject to distribution	15	-	-
Total Shareholders' Equity		1.841.569.110	1.420.211.473
Total Liabilities and Shareholders' Equity		3.434.005.708	2.822.479.663

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 December 31, 2017

(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 1 January December 31, 2017	Audited-Restated Prior Period 1 January December 31, 2016
A-	Non-Life Technical Income		1.063.774.256	1.055.096.940
1-	Earned Premiums (Net of Reinsurer Share)		854.917.654	858.209.156
1.1 -	Written Premiums (Net of Reinsurer Share)	17	941.218.642	812.947.965
1.1.1 -	Gross Written Premiums (+)	17	1.069.783.386	910.755.876
1.1.2 -	Ceded Premiums to Reinsurers (-)	10,17	(128.564.744)	(97.807.911)
1.1.3 -	Ceded Premiums to SSI (-)		-	-
1.2-	Change in Unearned Premiums Reserve(Net of Reinsurers Shares and Reserves Carried Forward)(+/-)	17,29	(83.752.260)	25.497.587
1.2.1 -	Unearned Premiums Reserve (-)	17	(84.243.905)	27.459.609
1.2.2 -	Reinsurance Share of Unearned Premiums Reserve (+)	10,17	491.645	(1.962.022)
1.2.3 -	SSI of Unearned Premiums Reserve (+)		-	-
1.3-	Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		(2.548.728)	19.763.604
1.3.1 -	Unexpired Risks Reserve (-)		(2.939.350)	19.805.015
1.3.2 -	Reinsurance Share of Unexpired Risks Reserve (+)		390.622	(41.411)
2-	Investment Income Transferred from Non-Technical Part		156.592.562	148.513.629
3-	Other Technical Income (Net of Reinsurer Share)		52.264.040	48.374.155
3.1 -	Gross Other Technical Income (+)		52.260.130	48.374.453
3.2 -	Reinsurance Share of Other Technical Income (-)		3.910	(298)
4-	Accrued Subrogation and Salvage Income (+)		-	-
B-	Non-Life Technical Expense (-)		(999.638.658)	(968.508.507)
1-	Total Claims (Net of Reinsurer Share)		(647.434.998)	(646.308.374)
1.1-	Claims Paid (Net of Reinsurer Share)	17,29	(578.676.529)	(546.199.418)
1.1.1 -	Gross Claims Paid (-)	17	(600.996.193)	(563.756.303)
1.1.2 -	Reinsurance Share of Claims Paid (+)	10,17	22.319.664	17.556.885
1.2-	Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17,29	(68.758.469)	(100.108.956)
1.2.1 -	Outstanding Claims Reserve (-)	17	(74.971.893)	(116.652.633)
1.2.2 -	Reinsurance Share of Outstanding Claims Reserve (+)	10,17	6.213.424	16.543.677
2-	Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 -	Bonus and Discount Reserve (-)		-	-
2.2 -	Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3-	Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(25.544.414)	(21.194.150)
4-	Operating Expenses (-)	32	(326.659.246)	(301.261.561)
5-	Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	255.578
5.1-	Mathematical Reserves (-)		-	255.578
5.2-	Reinsurance Share of Mathematical Reserves (+)		-	-
6.-	Other Technical Expenses (-)		-	-
6.1.-	Gross Other Technical Expenses (-)		-	-
6.2.-	Reinsurance Share of Other Technical Expenses (+)		-	-
C-	Non Life Technical Net Profit (A-B)		64.135.598	86.588.433
D-	Life Technical Income		18.732.233	19.687.077
1-	Earned Premiums (Net of Reinsurer Share)		16.242.726	17.549.152
1.1 -	Written Premiums (Net of Reinsurer Share)	17	14.582.105	18.124.443
1.1.1 -	Gross Written Premiums (+)	17	15.929.503	19.210.055
1.1.2 -	Ceded Premiums to Reinsurers (-)	10,17	(1.347.398)	(1.085.612)
1.2-	Change in Unearned Premiums Reserve(Net of Reinsurers Shares and Reserves Carried Forward)(+/-)	17,29	1.660.621	(575.291)
1.2.1-	Unearned Premium Reserves (-)	17	1.610.673	(502.515)
1.2.2-	Unearned Premium Reserves Reinsurer Share (+)	10,17	49.948	(72.776)
1.3-	Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		-	-
1.3.1-	Unexpired Risks Reserves (-)		-	-
1.3.2-	Unexpired Risks Reserves Reinsurer Share (+)		-	-
2-	Life Branch Investment Income		2.393.978	2.049.914
3-	Unrealized Income from Investments		-	-
4-	Other Technical Income (Net of Reinsurer Share) (+/-)		95.529	88.011
4.1-	Gross Other Technical Income (+/-)		99.116	185.899
4.2-	Reinsurance Share of Other Technical Income (+/-)		(3.587)	(97.888)
5-	Accrued Subrogation and Salvage Income (+)		-	-

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Income
For the Year Ended December 31, 2017

(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 1 January-December 31, 2017	Audited- Restated Prior Period 1 January-December 31, 2016
E-	Life Technical Expense		(19.687.047)	(21.187.012)
1-	Total Claims (Net of Reinsurer Share)		(14.784.249)	(10.454.943)
1.1-	Claims Paid (Net of Reinsurer Share)	17,29	(14.424.544)	(8.006.413)
1.1.1-	Gross Claims Paid (-)	17	(15.010.303)	(8.664.622)
1.1.2-	Claims Paid Reinsurer Share (+)	10,17	585.759	658.209
1.2-	Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17,29	(359.705)	(2.448.530)
1.2.1 -	Outstanding Claims Reserve (-)	17	(922.579)	(2.730.793)
1.2.2 -	Reinsurance Share of Outstanding Claims Reserve (+)	10,17	562.874	282.263
2-	Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 -	Bonus and Discount Reserve (-)		-	-
2.2 -	Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3-	Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	49.048	71.202
3.1-	Mathematical Reserves (-)	29	49.048	71.202
3.1.1-	Actuarial Mathematical Reserve (-)	29	49.048	71.202
3.1.2-	Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
3.2-	Reinsurer Share of Mathematical Reserves (+)		-	-
3.2.1-	Reinsurance Share of Actuarial Mathematical Reserve (+)		-	-
3.2.2-	Reinsurance Share of Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
4-	Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(178.889)	(583.585)
5-	Operating Expenses (-)	32	(4.772.957)	(10.219.686)
6-	Investment Expenses (-)		-	-
7-	Unrealized Losses from Investments (-)		-	-
8-	Investment Income Transferred to Non-Technical Part (-)		-	-
F-	Life Technical Profit (D-E)		(954.814)	(1.499.935)
G-	Individual Retirement Technical Income		-	-
1-	Fund Management Fee		-	-
2-	Management Fee Deduction		-	-
3-	Initial Contribution Fee		-	-
4-	Management Fee In Case Of Temporary Suspension		-	-
5-	Withholding tax		-	-
6-	Increase in Market Value of Capital Commitment Advances		-	-
7-	Other Technical Income		-	-
H-	Individual Retirement Technical Expense		-	-
1-	Fund Management Expenses (-)		-	-
2-	Decrease in Market Value of Capital Commitment Advances (-)		-	-
3-	Operating Expenses (-)		-	-
4-	Other Technical Expense (-)		-	-
I-	Individual Retirement Technical Profit (G-H)		-	-

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Income
For the Year Ended December 31, 2017

(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 1 January- December 31, 2017	Audited- Restated Prior Period 1 January- December 31, 2016
C- Non Life Technical Profit (A-B)		64.135.598	86.588.433
F- Life Technical Profit (D-E)		(954.814)	(1.499.935)
I - Individual Retirement Technical Profit (G-H)		-	-
J- Total Technical Profit (C+F+I)		63.180.784	85.088.498
K- Investment Income		278.847.204	261.178.363
1- Income From Financial Investment	4.2	139.201.432	115.793.940
2- Income from Sales of Financial Investments	4.2	22.820.237	21.471.729
3- Revaluation of Financial Investments	4.2	1.328.966	3.530.869
4- Foreign Exchange Gains	4.2	41.419.317	50.478.175
5- Income from Affiliates		-	-
6- Income from Subsidiaries and Joint Ventures	4.2	17.197.550	3.251
7- Income Received from Land and Building	7	56.622.702	69.788.799
8- Income from Derivatives	4.2	-	-
9- Other Investments		257.000	111.600
10- Investment Income transferred from Life Technical Part		-	-
L- Investment Expenses (-)		(192.041.506)	(175.258.106)
1- Investment Management Expenses (including interest) (-)	4.2	(846.635)	(3.874.438)
2- Valuation Allowance of Investments (-)		-	-
3- Losses On Sales of Investments (-)	4.2	(996.561)	(1.964.332)
4- Investment Income Transferred to Non-Life Technical Part (-)		(156.592.562)	(148.513.629)
5- Losses from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	4.2	(21.942.845)	(11.234.726)
7- Depreciation Expenses (-)	6,8	(2.007.230)	(1.716.887)
8- Other Investment Expenses (-)		(9.655.673)	(7.954.094)
M- Other Income and Expenses (+/-)		(2.143.249)	(23.167.772)
1- Provisions Account (+/-)	47	(11.519.265)	(10.907.174)
2- Discount account (+/-)	47	(271.769)	550.110
3- Mandatory Earthquake Insurance Account (+/-)		-	-
4- Inflation Adjustment Account (+/-)		-	-
5- Deferred Tax Asset Accounts(+/-)	21,35	9.420.780	-
6- Deferred Tax Expense Accounts (-)	21,35	-	(13.437.453)
7- Other Income and Revenues		499.542	683.078
8- Other Expense and Losses (-)		(272.537)	(56.333)
9- Prior Period Income		-	-
10- Prior Period Losses (-)		-	-
N- Net Profit/(Loss)		103.711.833	144.282.139
1- Profit/(Loss) Before Tax		147.843.233	147.840.983
2- Corporate Tax Liability Provision (-)	35	(44.131.400)	(3.558.844)
3- Net Profit (Loss)		103.711.833	144.282.139
4- Inflation Adjustment Account		-	-

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 December 31, 2017

(Currency: Turkish Lira (TL))

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

Audited - Restated Changes in Equity - December 31, 2016

	Note	Paid in Capital	Equity Share Owned by Company (-)	Revaluations of Financial Assets	Inflation Adjustment on Capital	Translation Reserves
I - Balance at the end of the previous year - December 31, 2015		660.000.000	-	90.674.929	-	(19.573.401)
II - Change in Accounting Standards [*]		-	-	-	-	-
III - Restated balances (I+II) - January 1, 2016		660.000.000	-	90.674.929	-	(19.573.401)
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	-	-	98.335.063	-	-
E- Currency translation adjustments		-	-	-	-	(6.453.691)
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	38	-	-	-	-	-
IV - Balance at the end of the period - December 31, 2016	15	660.000.000	-	189.009.992	-	(26.027.092)

Audited Changes in Equity - December 31, 2017

	Note	Paid in Capital	Equity Share Owned by Company (-)	Revaluations of Financial Assets	Inflation Adjustment on Capital	Translation Reserves
I - Balance at the end of the previous year - December 31, 2016		660.000.000	-	189.009.992	-	(26.027.092)
II - Change in Accounting Standards [*]		-	-	-	-	-
III - Restated balances (I+II) - January 1, 2017		660.000.000	-	189.009.992	-	(26.027.092)
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	-	-	376.906.108	-	-
E- Currency translation adjustments		-	-	-	-	(2.414.078)
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	38	-	-	-	-	-
IV - Balance at the end of the period - December 31, 2017	15	660.000.000	-	565.916.100	-	(28.441.170)

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

Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
49.622.694	-	121.693.982	130.243.408	151.237.322	1.183.898.934
-	-	-	1.809.722	67.456.224	69.265.946
49.622.694	-	121.693.982	132.053.130	218.693.546	1.253.164.880
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(27.166.000)	-	-	(27.166.000)
-	-	856.812	-	-	856.812
-	-	-	-	-	98.335.063
-	-	-	-	-	(6.453.691)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	144.282.139	-	144.282.139
5.912.709	-	66.421.759	(89.245.400)	16.910.932	-
-	-	-	(42.807.730)	-	(42.807.730)
55.535.403	-	161.806.553	144.282.139	235.604.478	1.420.211.473

Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
55.535.403	-	161.806.553	129.243.232	166.338.531	1.335.906.619
-	-	-	15.038.907	69.265.947	84.304.854
55.535.403	-	161.806.553	144.282.139	235.604.478	1.420.211.473
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(6.846.226)	-	-	(6.846.226)
-	-	-	-	-	376.906.108
-	-	-	-	-	(2.414.078)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	103.711.833	-	103.711.833
8.595.616	-	70.647.616	(94.282.139)	15.038.907	-
-	-	-	(50.000.000)	-	(50.000.000)
64.131.019	-	225.607.943	103.711.833	250.643.385	1.841.569.110

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Cash Flows
For the Year Ended December 31, 2017

(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 1 January- December 31, 2017	Audited-Restated Prior Period 1 January- December 31, 2016
A - Cash flows from operating activities			
1- Cash provided from insurance activities		-	-
2- Cash provided from reinsurance activities		1.161.113.986	970.287.758
3- Cash provided from individual pension business		-	-
4- Cash used in insurance activities		-	-
5- Cash used in reinsurance activities		(1.116.616.835)	(934.187.508)
6- Cash used in individual pension business		-	-
7- Cash provided by operating activities		44.497.151	36.100.250
8- Interest paid		-	-
9- Income taxes paid		(37.023.057)	(10.488.911)
10- Other cash inflows		41.122.733	19.986.988
11- Other cash outflows		(34.383.296)	(23.007.947)
12-Net cash provided by operating activities		14.213.531	22.590.380
B - Cash flows from investing activities		-	-
1- Proceeds from disposal of tangible assets		211.000	333.274
2- Acquisition of tangible assets	6, 8	(9.025.268)	(8.550.950)
3- Acquisition of financial assets	11	(486.980.571)	(441.427.489)
4- Proceeds from disposal of financial assets	11	442.910.376	558.559.879
5- Interests received		196.048.205	364.053.046
6- Dividends received		20.276.206	2.240.297
7- Other cash inflows		56.395.233	63.367.652
8- Other cash outflows		(34.833.981)	(27.497.837)
9- Net cash provided by investing activities		185.001.200	511.077.872
C- Cash flows from financing activities		-	-
1- Equity shares issued		-	-
2- Cash provided from loans and borrowings		-	-
3- Finance lease payments		-	-
4- Dividends paid	2.23	(49.984.383)	(42.791.319)
5- Other cash inflows		-	-
6- Other cash outflows		-	(110.233.780)
7- Net cash used in financing activities		(49.984.383)	(153.025.099)
D- Effect of exchange rate fluctuations on cash and cash equivalents		(1.551)	1.761
E- Net increase in cash and cash equivalents		149.228.797	380.644.914
F- Cash and cash equivalents at the beginning of the year	14	1.014.062.760	633.417.846
G- Cash and cash equivalents at the end of the year	14	1.163.291.557	1.014.062.760

Millî Reasürans Türk Anonim Şirketi

Unconsolidated Statement of Profit Distribution For the Year Ended December 31, 2017

(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 December 31, 2017 (*)	Audited Prior Period December 31, 2016
I.	PROFIT DISTRIBUTION			
1.1.	CURRENT YEAR PROFIT (*)		150.503.442	135.640.914
1.2.	TAX AND FUNDS PAYABLE	35	(44.131.400)	(3.558.844)
	1.2.1. Corporate Income Tax(Income Tax)	35	(44.131.400)	(3.558.844)
	1.2.2. Income tax deduction		-	-
	1.2.3. Other taxes and Duties		-	-
A.	NET PROFIT(1.1 - 1.2)		106.372.042	132.082.070
1.3.	PREVIOUS PERIOD LOSSES (-)		-	-
1.4.	FIRST LEGAL RESERVE		(5.318.602)	(6.604.104)
1.5.	STATUTORY FUND (-)		-	-
B.	NET PROFIT DISTRIBUTION [(A-(1.3 + 1.4 + 1.5)]		101.053.440	125.477.966
1.6.	FIRST DIVIDEND TO SHAREHOLDERS (-)		-	(12.547.797)
	1.6.1. Holders of shares		-	(12.547.797)
	1.6.2. Holders of Preferred shares		-	-
	1.6.3. Holders of Redeemed shares		-	-
	1.6.4. Holders of Participation Bond		-	-
	1.6.5. Holders of Profıt and Loss sharing certificate		-	-
1.7.	DIVIDEND TO PERSONNEL (-)		-	(2.915.128)
1.8.	DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9.	SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
	1.9.1. Holders of shares		-	(37.452.203)
	1.9.2. Holders of Preferred shares		-	(37.452.203)
	1.9.3. Holders of Redeemed shares		-	-
	1.9.4. Holders of Participation Bond		-	-
	1.9.5. Holders of Profıt and Loss sharing certificate		-	-
1.10.	SECOND LEGAL RESERVE (-)		-	-
1.11.	STATUTORY RESERVES (-)		-	(1.991.513)
1.12.	EXTRAORDINARY RESERVES		-	-
1.13.	OTHER RESERVES		-	(70.571.325)
1.14.	SPECIAL FUNDS		-	-
II.	DISTRIBUTION OF RESERVES		-	-
2.1.	DISTRIBUTION OF RESERVES		-	-
2.2.	SECOND LEGAL RESERVES (-)		-	-
2.3.	COMMON SHARES (-)		-	-
	2.3.1. Holders of shares		-	-
	2.3.2. Holders of Preferred shares		-	-
	2.3.3. Holders of Redeemed shares		-	-
	2.3.4. Holders of Participation Bond		-	-
	2.3.5. Holders of Profıt and Loss sharing certificate		-	-
2.4.	DIVIDENDS TO PERSONNEL (-)		-	-
2.5.	DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III.	PROFIT PER SHARE		-	-
3.1.	HOLDERS OF SHARES		-	132.082.070
3.2.	HOLDERS OF SHARES (%)		-	20,0124
3.3.	HOLDERS OF PREFERRED SHARES		-	-
3.4.	HOLDERS OF PREFERRED SHARES (%)		-	-
IV.	DIVIDEND PER SHARE		-	-
4.1.	HOLDERS OF SHARES		-	50.000.000
4.2.	HOLDERS OF SHARES (%)		-	7,5758
4.3.	HOLDERS OF PREFERRED SHARES		-	-
4.4.	HOLDERS OF PREFERRED SHARES (%)		-	-

(*) Since the profit distribution proposal for the year 2017 has not prepared by the Board of Directors, profit distribution table has not been filled yet.

(**) Reserve for personnel dividend amounting to TL 2.660.209 that recognized according to TAS 19 is included in period profit as of December 31, 2017

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

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As of December 31, 2017

(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 AŞ Group ("İş Bankası") having 76.64% of the outstanding shares.

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

1.2 The Company's address and legal structure and address of its registered country and registered office (or, if the Company's address is different from its registered office, the original location where the Company's actual operations are performed)

The Company was registered in Turkey in July 16, 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 Main operations 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 Details of the Company's operations and nature of field of activities

The Company conducts its operations in accordance with the Insurance Law No. 5684 ("the Insurance Law") issued in June 14, 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 Average number of the Company's personnel based on their categories

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

	December 31, 2017	December 31, 2016
Top executive	6	5
Managers	33	29
Officers	130	128
Contracted personnel	6	6
Other personnel	41	41
Total	216	209

1.6 Remuneration and similar benefits provided to top management

For the year ended December 31, 2017, wages and similar benefits provided to the top management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers is amounting to TL 5.910.690 (December 31, 2016: TL 5.680.833).

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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 January 4, 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 March 6, 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", net 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 of December 31, 2017 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 "Communiqué on Presentation of Financial Statements " which is published in the Official Gazette dated April 18, 2008 and numbered 26851.

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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.

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 December 31, 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 April 4, 2005 and numbered 19387, financial statements as of December 31, 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 January 15, 2003 and numbered 25290. Inflation accounting is no longer applied starting from January 1, 2005, in accordance with the same declaration of the Turkish Treasury. Accordingly, as at December 31, 2017, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded before January 1, 2005 are measured as restated to December 31, 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 January 1, 2005 are measured at their nominal values.

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

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 December 31, 2016 and nine-month results as at and for the period ended September 30, 2017 and accordingly related balance sheet balances as of December 31, 2017 do not reflect the actual position. According to the letter dated August 31, 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 December 31, 2004, except for the financial assets held for trading, available-for-sale financial assets, derivative financial instruments, self-used buildings and investment properties recorded in tangible assets and associates which are measured at their fair values unless reliable measures are available.

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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 August 2, 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 August 12, 2011 sent by the Turkish Treasury to the Company, prospective application as at June 30, 2011 effective from January 1, 2011 is allowed since retrospective application is impossible. Accordingly, financial statements prepared as of December 31, 2017, 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 January 1 - December 31, 2017. The same ratio is used for unproportioned reinsurance treaties in accordance with the Communiqué released on July 28, 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 January 12, 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 December 31, 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, outstanding claims reserve 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 September 20, 2010 and announced by Turkish Treasury, ACML calculation should be made through main branches. However, as at December 31, 2012, the Company has calculated ACML reserve for General Damages main branch as two separate sub branches namely agriculture and non agriculture branches. Because, Agriculture and Engineering sub branches under General Damages main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Damages branch produces unreliable and improper results. The Company applied to Turkish Treasury on January 17, 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Damages branch as agriculture and non agriculture sub branches separately. Turkish Treasury has given permission the Company in order to calculate IBNR reserve for General Damages within two sub branches with the letter dated January 28, 2013 and numbered 24179134. As of December 31, 2017, the Company recognised the amount that arose due to change in calculation method for IBNR on General Damages branch.

Critical accounting judgements used in applying the Company's accounting policies are explained in

3 - *Significant accounting estimates and requirements.*

Effects of restatements according to the Circular 2017/7 announced by the T.C. Prime Ministry Undersecretariat of the Treasury are as follows:

With the Circular 2017/7 announced by the Undersecretariat of Treasury regarding "the discount of net cash flow from outstanding claim files". Since the discount of "Land Vehicle Liability" and "General Liability" branches has become compulsory, according to the Article 1 of the circular, this is considered as a change of accounting policies and financial statements have been retrospectively restated. Companies are able to discount net cash flow from outstanding claim files according to the methods outlined by the circular.

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Restatement of the detailed balance sheet as of December 31, 2016:

Detailed Balance Sheet	Previously Reported December 31, 2016	Restated December 31, 2016	Effect
III- Short-Term Liabilities	1.387.435.503	1.282.054.435	105.381.068
E- Insurance Technical Reserves	1.341.749.642	1.236.368.574	105.381.068
2- Unexpired Risk Reserves - Net	11.121.932	3.285.325	7.836.607
4- Outstanding Claims Reserve - Net	959.351.982	861.807.521	97.544.461
IV- Long-Term Liabilities	99.137.540	120.213.754	(21.076.214)
I- Other Long Term Liabilities	17.039.884	38.116.098	(21.076.214)
1- Deferred Tax Liabilities	17.039.884	38.116.098	(21.076.214)
V- Equity	1.335.906.619	1.420.211.473	(84.304.854)
E- Previous Years' Profits	166.338.531	235.604.478	(69.265.947)
1- Previous Years' Profits	166.338.531	235.604.478	(69.265.947)
F- Net Profit of the Period	129.243.232	144.282.139	(15.038.907)
2- Net Profit of the Period	129.243.232	144.282.139	(15.038.907)

Restatement of the detailed income statement as of January 1 to December 31, 2016:

Detailed Income Statement	Previously Reported January 1 - December 31, 2016	Restated January 1 - December 31, 2016	Effects
A- Non-Life Technical Income	1.052.100.689	1.055.096.940	(2.996.251)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	16.767.353	19.763.604	(2.996.251)
1.3.1 - Unexpired Risks Reserve (-)	16.864.912	19.805.015	(2.940.103)
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (*)	(97.559)	(41.411)	(56.148)
B- Non-Life Technical Expense (-)	(984.310.890)	(968.508.507)	(15.802.383)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(115.911.339)	(100.108.956)	(15.802.383)
1.2.1 - Outstanding Claims Reserve (-)	(132.937.317)	(116.652.633)	(16.284.684)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (*)	17.025.978	16.543.677	482.301
C- Net Technical Income-Non-Life (A - B)	67.789.799	86.588.433	(18.798.634)
J- Total Technical Profit (C+F+I)	66.289.864	85.088.498	(18.798.634)
M- Other Income and Expenses (+/-)	(19.408.045)	(23.167.772)	3.759.727
6- Deferred Tax Expense Accounts (-)	(9.677.726)	(13.437.453)	3.759.727
N- Net Profit/(Loss)	129.243.232	144.282.139	(15.038.907)
1- Profit/(Loss) Before Tax	132.802.076	147.840.983	(15.038.907)
3- Net Profit (Loss)	129.243.232	144.282.139	(15.038.907)

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Restatement of the detailed balance sheet as of January 01, 2016:

Detailed Balance Sheet	Previously Reported January 01, 2016	Restated January 01, 2016	Effects
III- Short-Term Liabilities	1.403.717.553	1.317.135.120	86.582.433
E- Insurance Technical Reserves	1.265.406.202	1.178.823.769	86.582.433
2- Unexpired Risk Reserves - Net	27.889.285	23.048.929	4.840.356
4- Outstanding Claims Reserve - Net	840.992.113	759.250.036	81.742.077
IV- Long-Term Liabilities	60.167.746	77.484.233	(17.316.487)
I- Other Long Term Liabilities	1.683.513	19.000.000	(17.316.487)
1- Deferred Tax Liabilities	1.683.513	19.000.000	(17.316.487)
V- Equity	1.183.898.934	1.253.164.880	(69.265.946)
E- Previous Years' Profits	281.480.730	350.746.676	(69.265.946)
1- Previous Years' Profits	281.480.730	350.746.676	(69.265.946)

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 December 31, 2008 and numbered 27097 ("the Circular for Consolidation") requires that insurance, reinsurance and individual pension companies issue consolidated financial statements starting from March 31, 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 December 31, 2017 and 2016.

In the August 12, 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 of 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 of December 31, 2017 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.

Foreign currency exchange differences of unrecognized gains or losses arising from the difference between their fair value and the discounted values calculated per effective interest rate method of foreign currency available-for-sale financial assets are recorded in "Revaluation of financial assets" under equity and the realized gain or losses are recognized directly in the statement of income.

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2.5 Tangible assets

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

The company has started to show based on the revaluation model by measuring over fair value as of the third quarter of the 2015 year by making changes in the use of the property which is measuring the cost model in the financial statements before.

Buildings for own use are recognized by fair value that are determined in valuations made by independent valuation experts who have professional competency by reducing their values following accumulated depreciation. Accumulated depreciation at the date of revaluation is deducted from gross book value and net amount is brought to values after revaluation.

Increase of revaluation results in the carrying value of use of land and building account in equity in the balance sheet under "Other Capital Account" as the net of tax effects. As a result of the evaluation of real estate an increase on the corresponding impairments are deducted from the fund; all other decrease are reflected the profit/loss account.

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.

Land is not depreciated due to its indefinite life. Depreciation is allocated based on the useful life of tangible assets at cost or revalued amounts of tangible assets by using the straight-line method basis.

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 at cost.

Depreciation rates and estimated useful lives are as follows:

Tangible assets	Estimated useful lives (years)	Depreciation rates (%)
Building for own used	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.

In the event of investment property of first registration is measured on fair value including transaction costs after measured at cost. The changes which result of fair value valuation recognised in the income statement.

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.

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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 December 31, 2004 are restated from the purchasing dates to December 31, 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.

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.

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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*.

2.10 Derivative financial instruments

As of the reporting date, the Company does not have any derivative financial instruments (December 31, 2016: 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.

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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 of December 31, 2017 and 2016, the share capital and ownership structure of the Company are as follows:

	December 31, 2017		December 31, 2016	
Name	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Türkiye İş Bankası AŞ	505.810.925	76,64	505.810.925	76,64
Millî Reasürans TAŞ Mensupları Yardımlaşma Sandığı Vakfı	69.604.854	10,55	69.604.854	10,55
Groupama Emeklilik AŞ	38.809.894	5,88	38.809.894	5,88
Ankara Doğal Elektrik Üretim ve Ticaret A.Ş.	22.240.456	3,37	22.240.456	3,37
T.C. Ziraat Bankası AŞ	16.430.944	2,49	16.430.944	2,49
Other	7.102.927	1,07	7.102.927	1,07
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.

As a result of the Extraordinary General Assembly Meeting of the Company held on June 27, 2016, acquisition of total amount of the Founding Shares by Millî Reasürans T.A.Ş. with the cost amounting to TL 27.166.000 determined in the Expert Review Report approved by the Istanbul 6th Court of Peace is unanimously decided. Abolition and extinguishment of Founding Shares acquired by the Company and absorbing acquisition cost from extraordinary reserves is decided in the Extraordinary General Meeting of the Company held on November 30, 2016.

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

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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 discretionary participation feature.

2.16 Investment contracts with discretionary participation feature

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

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%.(However, according to the Provisional Article 10 added to the Corporate Tax Law, the corporate tax rate of 20% is calculated as 22% for the corporate earnings for the fiscal periods starting in the related year for the institutions whose special accounting periods are assigned to the taxation periods of 2018, 2019 and 2020 will be implemented. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

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

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

In 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.

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

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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 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 "Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı ("Milli 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 May 8, 2008. Decree of the Council of Ministers about two years extending transfer duration, was published in the Official Gazette on April 9, 2011. Based on this, expiration date has been extended to May 8, 2013 from the expiration date on May 8, 2011. On March 8, 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 May 3, 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.

Employees of the Company are the members of "Milli Reasürans Türk Anonim Şirketi Memurları Emekli ve Sağlık Sandığı ("Milli 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 May 8, 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 April 9, 2011. Accordingly, the three-year period expired on May 8, 2011 was extended to May 8, 2015.

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 April 23, 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.

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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 of December 31, 2017 is TL 4.732 (December 31, 2016: TL 4.297).

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 of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Discount rate	4,25%	4,25%
Expected rate of salary/limit increase	6,00%	6,00%
Estimated employee turnover rate	2,00%	2,00%

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

Other benefits

The Company has provided for undiscounted short-term employee benefits earned during the 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.

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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 January 1, 2008 and recognizing deferred commission income and deferred commission expense in the financial statements for the policies produced after January 1, 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 of 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

It is decided in Ordinary General Assembly Meeting of the Company, held on March 28, 2017, to make a dividend payment of TL 50.000.000 to shareholders and to allocate remaining balance as voluntary reserves from the net period income amounting to TL 129.243.232, from 2016 activities of the Company, after the legal reserves are allocated and TL 49.984.383 has been paid in cash and TL 15.617 has been recognized in due to shareholders account under short term liabilities.

2.24 Unearned premium reserve

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 August 7, 2007 dated Official Gazette and put into effect starting from January 1, 2008, the unearned premiums reserve 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;

- Unearned premium reserve is 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 unearned premiums reserve for ceded premium as retrocedant on the same basis.

Unearned premiums reserve 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.

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Since the Communiqué on Technical Reserves was effective from January 1, 2008, the Turkish Treasury issued July 4, 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 June 14, 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 unearned premiums reserve for the earthquake premiums written after June 14, 2007, while the Company had not calculated reserve for unearned premiums for the earthquake premiums written before June 14, 2007.

In previous years, the unearned premiums reserve had been calculated after deducting commissions given and commissions received. In order to prevent possible problems during the transfer of the reserves calculated before January 2008, on December 28, 2007 the Turkish Treasury issued "2007/25 Numbered Circular Related to the Calculation of the Unearned Premiums Reserve 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 January 1, 2008, but it should be calculated on gross basis for the policies produced after January 1, 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 July 28, 2010; there is no change in the calculation of unearned premiums reserve for reinsurance companies.

2.25 Outstanding claims reserve

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

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 July 28, 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 outstanding claims reserve. In these calculations salvage and subrogation income are not considered.

Except for the life branch, outstanding claims reserve 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.

December 5, 2014 dated "Circular regarding Outstanding Claims Reserve (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".

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

Branches	December 31, 2017	December 31, 2016
Fire and Natural Disasters	Standard Chain	Standard Chain
General Damages(*)	Standard Chain	Standard Chain
General Liabilities	Standard Chain	Standard Chain
Land Vehicles Liabilities	Standard Chain	Standard Chain
Marine	Standard Chain	Standard Chain
Sea Vehicles	Standard Chain	Standard Chain
Land Vehicles	Standard Chain	Standard Chain
Casualty	Standard Chain	Standard Chain
Health	Standard Chain	Standard Chain
Air Vehicles	Standard Chain	Standard Chain
Legal Protection	Standard Chain	Standard Chain
Sea Vehicles Liability	Sector Average (Insurance Association of Turkey 09/2017)	Sector Average (Insurance Association of Turkey 09/2016)
Air Vehicles Liability	Sector Average (Insurance Association of Turkey 09/2017)	Sector Average (Insurance Association of Turkey 09/2016)
Fidelity Guarantees	Sector Average (Insurance Association of Turkey 09/2017)	Sector Average (Insurance Association of Turkey 09/2016)
Financial Losses	Sector Average (Insurance Association of Turkey 09/2017)	Sector Average (Insurance Association of Turkey 09/2016)
Credit	Sector Average (Insurance Association of Turkey 09/2017)	Sector Average (Insurance Association of Turkey 09/2016)
Life	Sector Average (Insurance Association of Turkey 09/2017)	Sector Average (Insurance Association of Turkey 09/2016)

(*) Two separate calculation have been made as agriculture and non agriculture sub branches.

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 November 6, 2008, selections and results should be assess in detail in actuarial report by the actuary.

The Company does not have sufficient data for ships, Air Vehicles Liability, Fidelity Guarantees, financial losses, credits 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 December 5, 2014 dated "Circular regarding Outstanding Claims Reserve (2014/16)" of Turkish Treasury, the Company constitutes data by taking base of acceptance year rather than Casualty 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 January 12, 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 December 31, 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, outstanding claims reserve 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.

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In accordance with December 5, 2014 dated and 2014/16 numbered "Circular for Outstanding Claims Reserve" of Turkish Treasury, ACML calculation should be on main branch. However, as at December 31, 2012, the Company has calculated ACML reserve for General Damages main branch as two separate sub branches namely agriculture and non agriculture branches. Because, Agriculture and Engineering sub branches under General Damages main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Damages branch produces unreliable and improper results. The Company applied to Turkish Treasury on January 17, 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Damages branch as agriculture and non agriculture sub branches separately. Turkish Treasury has given permission the Company in order to calculate IBNR reserve for General Damages within two sub branches with the letter dated January 28, 2013 and numbered 24179134. As of December 31, 2017, the Company recognised the amount that arose due to change in calculation method for IBNR on General Damages branch.

With the Circular 2017/7 announced by the Undersecretariat of Treasury regarding "the discount of net cash flow from outstanding claim files". Since the discount of "Land Vehicle Liability" and "General Liability" branches has become compulsory, according to the Article 1 of the circular, this is considered as a change of accounting policies and financial statements have been retrospectively restated. Companies are able to discount net cash flow from outstanding claim files according to the methods outlined by the circular.

As of 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 131.488.022 (December 31 2016: TL 49.181.395 negative IBNR) as outstanding claims reserve. As of the reporting date, TL 13.602.239 (December 31, 2016: TL 19.924.049) of IBNR provision is recorded for Singapore branch.

2.26 Mathematical reserves

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 Casualty insurance contracts. Actuarial mathematical reserves, 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 reserves are recorded based on the data sent by ceding companies.

2.27 Unexpired risk reserves

In accordance with the Communiqué on Technical Reserves, while providing unearned premiums reserve, 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 unearned premiums reserve already provided. In performing this test, it is required to multiply the unearned premiums reserve, net with the expected claim/premium ratio. Expected claim/premium ratio is calculated by dividing incurred losses (outstanding claims reserve, net at the end of the period + claims paid, net -outstanding claims reserve, net at the beginning of the period) to earned premiums (written premiums, net + unearned premiums reserve, net at the beginning of the period -unearned premiums reserve, net at the end of the period).

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 28356 dated July 17, 2012; besides the net unexpired risk reserve detailed in the above, gross unexpired risk reserve 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 unearned premiums reserve 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.

With the Circular 2017/7 announced by the Undersecretariat of Treasury regarding "the discount of net cash flow from outstanding claim files". Since the discount of "Land Vehicle Liability" and "General Liability" branches has become compulsory, according to the Article 1 of the circular, this is considered as a change of accounting policies and financial statements have been retrospectively restated. Companies are able to discount net cash flow from outstanding claim files according to the methods outlined by the circular.

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Net and gross unexpired risk reserves are calculated by multiplying the exceeding portion of the expected claim/premium ratio with the net and gross unearned premiums reserve of that main branch is added to the reserves of that branch in case where the net and gross expected claim/premium ratio that is calculated on the basis of Casualty year and by including indirect reinsurance contracts is higher than 95% for the year 2016, 90% for the year 2017 and 85% for the year 2018. The Company, as a reinsurance company, indicated that usage of Casualty year for the calculation is not possible and demanded the following particulars;

- Calculation of unexpired risk reserves on the basis of business year,
- Calculation of unexpired risk reserves once a year and using the portion calculated on previous year-end in the interim periods,
- The opportunity that the Company will take weighted average of final claim/premium ratio of the previous two years (total final claims of related two years/total final premium of related two years) in consideration for the final claim/premium ratio estimates on the basis of business year. Turkish Treasury has accepted the demand of the Company as appropriate with the letter dated December 31, 2016 and numbered 38681552-306.99-E.36992 As of the reporting date, the Company has provided net unexpired risk reserves amounting to TL 5.834.053 in the accompanying unconsolidated financial statements (December 31, 2016: TL 3.285.325). If the above calculation had not been made, the Company would have allocated TL 14.715.416 of unexpired risk reserves as of 31 December 2017.

In order to ensure the elimination of misleading impact, caused by the amended outstanding claims reserve calculation method, on unexpired risk reserve, outstanding claims reserve of previous period is also calculated by the new method and amount, calculated based on aforementioned new method, is used in unexpired risk reserves account as the provision for carry-over outstanding claims reserve.

2.28 Equalization reserves

In accordance with the Communiqué on Technical Reserves put into effect starting from January 1, 2008, the companies should provide equalization reserve in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Equalization reserve, 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 reserve 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 reserves. Claims payments are deducted from first year's equalization reserves by first in first out method.

With the Communiqué released on July 28, 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 reserves are presented under "other technical reserves" within long term liabilities in the accompanying unconsolidated financial statements. As of the reporting date, the Company has recognized equalization reserves amounting to TL 70.933.229 (December 31, 2016: TL 45.209.926).

As of December 31, 2017, the Company has deducted TL 4.070.305 (December 31, 2016: TL 4.475.777) 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;

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(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 Earning per share

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

2.31 Subsequent events

Subsequent events that provide additional information about the Company's position at the reporting dates (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes when material.

2.32 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim financial statements as of December 31, 2017 are consistent with those of the previous financial year except for new and amended TFRS standarts and TFRIC interpretation effective from January 1, 2017. The effect of these standards and interpretations on the Company's financial position and performance are explained in the relevent paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2017 are as follows:

TAS 7 Statement of Cash Flows (Amendments)

In December 2017, POA issued amendments to TAS 7 'Statement of Cash Flows'. The amendments are intended to clarify TAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Company first applies those amendments, it is not required to provide comparative information for preceding periods. The Company disclosed additional information in its annual financial statements for the year ended December 31, 2017.

TAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

In December 2017, POA issued amendments to TAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company applies this relief, it shall disclose that fact. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014-2016 Cycle, amending the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after January 1, 2018.

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- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after January 1, 2017.
- IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted.
- The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the unconsolidated financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the unconsolidated financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. - The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

TFRS 9 Financial Instruments

TFRS 9 "Financial Instruments" standard (2017 version) has been published on Official Gazette dated January 19, 2017 and numbered 29953 in order to be implemented for accounting periods on and after January 1, 2018. The general purpose of the standard is to determine financial reporting principles related to financial assets and financial liabilities towards representing required appropriate and beneficial information of the company to financial statement readers for evaluating its future cash flow amounts, timing and uncertainty.

Classification and Measurement of Financial Assets:

Financial assets are classified through depending upon business model for managing financial assets and contractual cash flow characteristics over amortised cost in the recognition following being recorded and reflecting fair value to other comprehensive income or to profit or loss in scope of TFRS 9.

Impairment:

In scope of TFRS 9, provision for loss is made for financial assets, whose fair value is recognized based on amortised cost and expected credit loss with respect to credit commitment and financial collateral agreement. The Company evaluates whether there is a significant increase in credit risk of financial instrument or not on each financial reporting date since such financial instrument was initially included in financial statements. Provided that there exists a significant increase in credit risk of a financial instrument since its initial inclusion in financial statements the Company measures provision for loss related to aforementioned financial instrument based on an amount which is equal to lifetime expected credit loss. Provided that there exists no significant increase in credit risk of financial instrument since its inclusion in financial statement the company shall classify the aforementioned financial assets as first level and measures provision for loss related aforementioned financial instrument based on an amount which is equal to 12 months expected credit loss. The purpose of impairment is to include lifetime expected losses of all financial instruments, which have a significant increase in their credit risks since being initially included in financial statements, through considering all supportable information including those which are reasonable or prospective as separate or collective.

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Hedge accounting:

The purpose of hedge accounting is representation of impact of risk management activities, which are carried out through utilizing appropriate financial instruments to manage certain risks which may affect profit or loss (or other comprehensive income when equity instrument investments, in which fair value changes are preferred to be presented under other comprehensive income), in financial statements. Such approach aims to transfer context of instruments, for which hedge accounting is applied, in order to provide understanding of purpose and impact of hedging instruments.

The Company shall continue to implement hedge accounting provisions of TAS 39 as accounting policy. Hedge accounting provisions shall be applied prospectively.

The Company does not anticipate a significant impact on its balance sheet and equities except for impairment calculations. A detailed review with respect to impacts of provision shall be performed in following periods. The Company shall continue to benefit from provisional exemption clauses for TFRS 9, included in TFRS 4, until the date, on which IFRS 17 shall be applicable.

TFRS 4 Insurance Contracts (Amendments)

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

a) give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and
b) give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 Financial instruments until 2021. The entities that defer the application of TFRS 9 Financial instruments will continue to apply the existing financial instruments Standard-TAS 39.

These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on December 19, 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)

In December 2017, POA issued amendments to TAS 28 **Investments in Associates and Joint Ventures**. The amendments make clarifications for companies that apply TFRS 9 **Financial Instruments** to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

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TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after January 1, 2019, with early application permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

TAS 40 Investment Property: Transfers of Investment Property (Amendments)

In December 2017, POA issued amendments to TAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

Annual Improvements - 2010-2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

Annual Improvements - 2011-2013 Cycle

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

(a) whether an entity considers uncertain tax treatments separately;

(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;

(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

(d) how an entity considers changes in facts and circumstances.

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An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after January 1, 2021; early application is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after January 1, 2019, with early application permitted.

The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

Annual Improvements - 2015-2017 Cycle

In December 2017, the IASB announced *Annual Improvements to IFRS Standards 2015-2017 Cycle*, containing the following amendments to IFRSs:

- IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 *Income Taxes* - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 *Borrowing Costs* - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings.

The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

3 Significant Accounting Estimates and Requirements

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.

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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.

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Insurance risk concentrations

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

	December 31, 2017		
Branches	Gross total claims liability (*)	Reinsurance share of total claims liability	Net total claims liability
Fire and natural disasters	251.570.409	(14.778.916)	236.791.493
General Damages	161.603.161	(866.648)	160.736.513
Land vehicles liability (MTPL)	68.157.854	(95.695)	68.062.159
General liabilities	27.973.013	(2.071.703)	25.901.310
Sea Vehicles	27.563.445	(2.556.755)	25.006.690
Casualty	19.910.650	(14.060)	19.896.590
Marine	21.112.608	(1.730.232)	19.382.376
Land vehicles	16.847.694	(205.655)	16.642.039
Life	15.010.302	(585.759)	14.424.543
Health	4.788.316	-	4.788.316
Financial losses	582.126	-	582.126
Fidelity Guarantees	399.558	-	399.558
Air Vehicles	344.783	-	344.783
Credit	154.741	-	154.741
Legal protection	176	-	176
Sea Vehicles Liability	(12.340)	-	(12.340)
Total	616.006.496	(22.905.423)	593.101.073

	December 31, 2016		
Branches	Gross total claims liability (*)	Reinsurance share of total claims liability	Net total claims liability
Fire and natural disasters	231.230.393	(10.673.453)	220.556.940
General damages	155.785.882	(601.185)	155.184.697
Land vehicles liability (MTPL)	70.358.154	(54.693)	70.303.461
General liability	24.894.269	(1.933.948)	22.960.321
Sea Vehicles	21.435.222	(1.871.925)	19.563.297
Casualty	16.426.805	(4.777)	16.422.028
Marine	16.567.880	(2.051.768)	14.516.112
Health	13.454.786	-	13.454.786
Land vehicles	12.041.741	(363.747)	11.677.994
Life	8.664.622	(658.208)	8.006.414
Fidelity Guarantees	671.676	(1.390)	670.286
Financial losses	603.659	-	603.659
Air Vehicles	130.125	-	130.125
Credit	91.352	-	91.352
Sea Vehicles Liability	64.364	-	64.364
Legal protection	(5)	-	(5)
Total	572.420.925	(18.215.094)	554.205.831

(*) 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.

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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.

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

	December 31, 2017	December 31, 2016
Cash and cash equivalents *(Note 14)* (*)	1.223.126.571	1.125.207.588
Financial assets and financial investments with risks on policyholders *(Note 11)* (**)	378.829.902	295.264.884
Receivables from main operations *(Note 12)*	176.061.654	162.954.919
Reinsurer share in outstanding claims reserve*(Note 10), (Note 17)*	47.871.980	41.095.682
Prepaid taxes and funds *(Note 12)*	-	10.488.911
Income accruals	11.284.419	7.029.475
Other receivables *(Note 12)*	1.231.493	1.663.239
Other current asset *(Note 12)*	520.665	-
Total	**1.838.926.684**	**1.643.704.698**

(*) Cash on hands balance amounting to TL 5.842 are not included (December 31, 2016: TL 17.446).

(**) Equity shares amounting to TL 106.736.941 are not included (December 31, 2016: TL 84.226.985)

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December 31, 2017 ve 2016, the aging of the receivables from main operations and related provisions are as follows:

	December 31, 2017		December 31, 2016	
	Gross amount	Provision	Gross amount	Provision
Not past due	108.760.060	-	104.235.630	-
Past due 0-30 days	43.221.659	-	35.551.714	-
Past due 31-60 days	2.697.491	-	2.525.230	-
Past due 61-90 days	835.469	-	1.705.461	-
More than 90 days	38.520.418	(17.973.443)	35.801.494	(16.864.610)
Total	194.035.097	(17.973.443)	179.819.529	(16.864.610)

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

	December 31, 2017	December 31, 2016
Provision for receivables from insurance operations at the beginning of the year	16.864.610	14.233.146
Collections during the period *(Note 47)*	(2.062)	(2.409)
Foreign currency translation effect *(Note 47)*	1.110.895	2.633.873
Provision for receivables from insurance operations at the end of the year	17.973.443	16.864.610

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

	December 31, 2017	December 31, 2016
Provision for other receivables at the beginning of the year	53.177	63.177
Collections during the period *(Note 47)*	-	(10.000)
Impairment losses provided during the period *(Note 47)*	-	-
Provision for other receivables at the end of the year	53.177	53.177

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.

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Maturity distribution of monetary assets and liabilities:

December 31, 2017	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Unallocated
Cash and cash equivalents	1.223.132.413	1.044.972.385	159.957.933	18.202.095	-	-
Financial assets(*)	378.829.902	371.329.322	-	-	1.815.693	5.684.887
Receivables from main operations	176.061.654	91.045.359	14.963.790	4.487.761	65.564.744	-
Other receivables and current assets	13.036.577	12.693.841	-	-	342.736	-
Total monetary assets	1.791.060.546	1.520.040.907	174.921.723	22.689.856	67.723.173	5.684.887
Financial liabilities and other liabilities	3.032.087	3.032.087	-	-	-	-
Payables arising from main operations	36.392.472	25.518.507	6.634.956	4.239.009	-	-
Due to related parties	106.310	106.310	-	-	-	-
Insurance technical reserves(**)	930.925.695	-	-	-	-	930.925.695
Provisions for taxes and other similar obligations	8.574.495	8.574.495	-	-	-	-
Provisions for other risks and expense accruals	52.550.241	1.787.580	3.133.995	-	-	47.628.666
Total monetary liabilities	1.031.581.300	39.018.979	9.768.951	4.239.009	-	978.554.361

(*) Equity shares amounting to TL 106.736.941 are not included..

(**) Net of outstanding claims reserve not subject to consistent distribution is presented in the "unallocated" column.

December 31, 2016	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Unallocated
Cash and cash equivalents	1.125.225.034	1.033.684.553	55.925.440	27.840.976	7.774.065	-
Financial assets(*)	295.264.884	251.633.971	6.810.150	8.849.104	18.179.143	9.792.516
Receivables from main operations	162.954.919	100.667.420	15.386.367	3.592.463	43.308.669	-
Other receivables and current assets	19.181.625	18.932.740	-	-	248.885	-
Total monetary assets	1.602.626.462	1.404.918.684	78.121.957	40.282.543	69.510.762	9.792.516
Other liabilities	2.941.103	991.103	-	-	1.950.000	-
Payables arising from main operations	36.432.984	33.813.924	2.619.060	-	-	-
Due to related parties	80.030	80.030	-	-	-	-
Insurance technical reserves(**)	861.807.521	-	-	-	-	861.807.521
Provisions for taxes and other similar obligations	1.453.431	1.453.431	-	-	-	-
Provisions for other risks and expense accruals	41.053.358	1.268.897	2.896.731	-	-	36.887.730
Total monetary liabilities	943.768.427	37.607.385	5.515.791	-	1.950.000	898.695.251

(*) Equity shares amounting to TL 84.226.985 are not included.

(**) Net of outstanding claims reserve not subject to consistent distribution is presented in the "unallocated" column.

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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:

December 31, 2017	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	263.984.818	12.469.766	3.174.131	279.628.715
Receivables from main operations	40.875.377	15.997.108	82.757.734	139.630.219
Total foreign currency assets	304.860.195	28.466.874	85.931.865	419.258.934
Liabilities:				
Payables arising from main operations	(9.284.248)	(3.293.305)	(10.819.470)	(23.397.023)
Insurance technical reserves(*)	(126.051.494)	(93.800.091)	(126.962.691)	(346.814.276)
Total foreign currency liabilities	(135.335.742)	(97.093.396)	(137.782.161)	(370.211.299)
Net financial position	169.524.453	(68.626.522)	(51.850.296)	49.047.635

December 31, 2016	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	261.358.831	48.906	6.110.365	267.518.102
Receivables from main operations	41.778.437	16.788.756	75.343.961	133.911.154
Total foreign currency assets	303.137.268	16.837.662	81.454.326	401.429.256
Liabilities:				
Payables arising from main operations	(16.174.468)	(1.107.846)	(2.745.979)	(20.028.293)
Insurance technical reserves(*)	(131.716.322)	(98.324.735)	(118.623.919)	(348.664.976)
Total foreign currency liabilities	(147.890.790)	(99.432.581)	(121.369.898)	(368.693.269)
Net financial position	155.246.478	(82.594.919)	(39.915.572)	32.735.987

(*) 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 July 28, 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 of reporting dates are as follows:

	At the end of the period		Average	
	US Dollar	Euro	US Dollar	Euro
December 31, 2017	3,7719	4,5155	3,6445	4,1159
December 31, 2016	3,5192	3,7099	3,0208	3,3392

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Exposure to foreign currency risk

A 10 percent depreciation of the TL against the following currencies as of December 31, 2017 and 2016 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.

	December 31, 2017		December 31, 2016	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	16.952.445	16.952.445	15.524.648	15.524.648
Euro	(6.862.652)	(6.862.652)	(8.259.492)	(8.259.492)
Others	(5.185.030)	(5.185.030)	(3.991.557)	(3.991.557)
Total, net	4.904.763	4.904.763	3.273.599	3.273.599

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

	December 31, 2017	December 31, 2016
Financial assets		
Financial assets with fixed interest rates:	*1.220.364.713*	*1.127.156.528*
Cash at banks *(Note 14)*	1.214.679.826	1.115.405.612
Available for sale financial assets - Government bonds - TL *(Note 11)*	5.684.887	8.340.396
Available for sale financial assets - Private sector bonds - TL *(Note 11)*	-	3.410.520
Financial assets with variable interest rate:	*961.152*	*31.124.758*
Available for sale financial assets - Government bonds- TL *(Note 11)*	-	7.711.796
Available for sale financial assets - Private sector bonds - TL *(Note 11)*	961.152	23.412.962

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 held for trading or available for sale. As of 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.

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

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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:

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available for sale financial assets *(Note 11)*(*)	484.858.489	-	-	484.858.489
Subsidiaries *(Note 9)*(**)	882.574.325	-	-	882.574.325
Total financial assets	1.367.432.814	-	-	1.367.432.814

(*) As of December 31, 2017, securities that are not publicly traded amounting to TL 708.354 have been measured at cost.

(**) As of December 31, 2017, subsidiaries that are not publicly traded amounting to TL 1.092.707 have been measured at cost..

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available for sale financial assets *(Note 11)*(*)	367.898.399	11.089.363	-	378.987.762
Subsidiaries *(Note 9)*(**)	550.176.203	-	-	550.176.203
Total financial assets	918.074.602	11.089.363	-	929.163.965

(*) As of December 31, 2016, securities that are not publicly traded amounting to TL 504.107 have been measured at cost.

(**) As of December 31, 2016, 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.

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 of December 31, 2017 and 2016:

	Change in index	December 31, 2017	December 31,2016
Market price of equity	10%	98.860.291	63.389.908

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Gain and losses from financial assets

Gains and losses recognized in the statement of income, net:	December 31, 2017	December 31, 2016
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)*	3.047.570	1.852.412
Interest income from bank deposits	128.135.803	96.902.888
Interest income from debt securities classified as available-for-sale financial assets	(348.208)	14.973.147
Income from equity shares	9.992.946	8.334.581
Foreign exchange gains	41.419.317	50.478.175
Interest income from debt securities classified as held for trading financial assets	-	-
Income from investment funds	22.067.629	17.943.279
Interest income from repos	454.895	790.231
Income from derivative transactions	-	-
Income from subsidiaries	17.197.550	3.251
Other	-	-
Investment income	221.967.502	191.277.964
Foreign exchange losses	(21.942.845)	(11.234.726)
Loss from disposal of financial assets	(996.561)	(1.964.332)
Investment management expenses (including interest)	(846.635)	(3.874.438)
Investment expenses	(23.786.041)	(17.073.496)
Investment income, net	198.181.461	174.204.468

Gains and losses recognized in the statement of equity, net:	December 31, 2017	December 31, 2016
Fair value changes in available for sale financial assets *(Note 15)*	379.953.678	100.187.475
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)*	(3.047.570)	(1.852.412)
Total	376.906.108	98.335.063

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 August 23, 2015 dated and 29454 numbered; the Company measured its minimum capital requirement as TL 391.350.403 as of December 31, 2017. As of December 31, 2017 and December 31, 2016, the capital amount of the Company presented in the unconsolidated financial statements are TL 1.841.569.110 and TL 1.420.211.473 respectively and capital surplus of the Company is amounting to TL 1.234.601.830 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 of December 31, 2017, 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.

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6 Tangible assets

Movement in tangible assets in the period from January 1 to December 31, 2017 is presented below:

	January 1, 2017	Additions	Foreign currency translation effect (*)	Disposals	Revaluation surplus	December 31, 2017
Cost:						
Investment properties *(Note 7)*	326.090.000	-	-	-	39.891.000	365.981.000
Buildings for own use	147.915.000	-	-	-	-	147.915.000
Furniture and fixtures	5.578.940	158.877	57.432	(100.243)	-	5.695.006
Land vehicles	1.113.102	734.663	36.629	(280.156)	-	1.604.238
	480.697.042	893.540	94.061	(380.399)	39.891.000	521.195.244
Accumulated depreciation:						
Buildings for own use	36.819	441.824	-	-	-	478.643
Furniture and fixtures	3.927.625	588.415	51.125	(99.618)	-	4.467.547
Land vehicles	680.961	210.665	9.794	(280.156)	-	621.264
	4.645.405	1.240.904	60.919	(379.774)	-	5.567.454
Carrying amounts	476.051.637					515.627.790

(*) Foreign currency translation effect resulted from Singapore Branch.

Movement in tangible assets in the period from January 1 to December 31, 2016 is presented below:

	January 1, 2016	Additions	Foreign currency translation effect (*)	Disposals	Revaluation surplus	December 31, 2016
Cost:						
Investment properties *(Note 7)*	270.568.050	-	-	-	55.521.950	326.090.000
Buildings for own use (**)	147.116.950	90.773	-	-	707.277	147.915.000
Furniture and fixtures	4.955.519	525.382	135.757	(37.718)	-	5.578.940
Land vehicles	1.239.468	510.108	110.615	(747.089)	-	1.113.102
	423.879.987	1.126.263	246.372	(784.807)	56.229.227	480.697.042
Accumulated depreciation:	153.823	460.287	-	-	(577.291)	36.819
Buildings for own use	3.252.981	604.822	105.968	(36.146)	-	3.927.625
Furniture and fixtures	1.092.791	108.113	99.848	(619.791)	-	680.961
	4.499.595	1.173.222	205.816	(655.937)	(577.291)	4.645.405
Carrying amounts	419.380.392					476.051.637

(*) Foreign currency translation effect resulted from Singapore Branch.

(**) Property for own use have been presented with fair values in the financial statements starting from September 30, 2015, previously they were presented with their historical cost

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The Company's property for own use is valuated over fair value as of 2016. Expertise reports regarding this property are prepared by independent professional valuation specialists authorized by CMB in December 2016.

As of December 31, 2017 and 2016, the fair values (excluding VAT) and net carrying values of property for own used are presented below:

Owner occupied land and buildings	Expertise date	Expertise value	Net Book Value (December 31, 2017)	Net Book Value (December 31, 2016)
Headquarter Building	December 2016	147.915.000	147.436.357	147.878.181
Total		147.915.000	147.436.357	147.878.181

Fair value measurement

The fair values of property for own use were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as level 2.

As of December 31, 2017 and December 31, 2016, 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 properties are presented by fair value method as of December 31, 2017 and December 31, 2016 on balance sheet and The Company's investment properties gained TL 39.891.000 amount of value in 2017 in the context of expertise report prepared by independent professional valuation specialists authorized by Capital Markets Board of Turkey. From investment property, TL 16.731.702 amount of rent income is obtained from investment properties in the current accounting period (December 31, 2016: TL 14.266.849).

As of December 31, 2017, inflation adjusted cost and fair value amounts of the Company's investment properties are amounting to TL 365.981.000 (December 31, 2016: TL 326.090.000)

The expertise (excluding VAT) and net book values of investment properties are as follows per real estate. Expertise reports regarding these properties are prepared by independent professional valuation specialists authorized by CMB in October 2017. There is no pledge on the real estates.

As of December 31, 2017 and 2016, details of investment properties and the fair values are as follows::

	December 31, 2017 Net book value	December 31, 2016 Net book value	Date of expertise report	Value of expertise report
Çifteler Land	6.000	5.000	October 2017	6.000
Villa Office Block	44.300.000	42.800.000	October 2017	44.300.000
Suadiye Fitness Center	36.175.000	33.200.000	October 2017	36.175.000
Tunaman Garage	105.000.000	90.000.000	October 2017	105.000.000
Operating Center Rental Offices	180.500.000	160.085.000	October 2017	180.500.000
Carrying amounts	365.981.000	326.090.000		365.981.000

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.

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8 Intangible assets

Movement in intangible assets in the period from January 1 to December 31, 2017 is presented below:

	January 1, 2017	Additions	Foreign currency translation effects (*)	Disposal	December 31, 2017
Cost:					
Other intangible assets	5.405.787	467.410	156.034	-	6.029.231
Advances on intangible fixed assets(**)	12.383.457	7.664.318	-	-	20.047.775
	17.789.244	8.131.728	156.034	-	26.077.006
Accumulated amortization:					
Other intangible assets	3.319.811	766.326	155.881	-	4.242.018
	3.319.811	766.326	155.881	-	4.242.018
Carrying amounts	14.469.433				21.834.988

(*) Foreign currency translation effect resulted from Singapore Branch.
(**) Given referring to reinsurance computer software.

Movement in intangible assets in the period from January 1 to December 31, 2016 is presented below:

	January 1, 2016	Additions	Foreign currency translation effects (*)	Disposal	December 31, 2016
Cost:					
Other intangible assets	4.448.929	579.594	377.264	-	5.405.787
Advances on intangible fixed assets(**)	5.538.364	6.845.093	-	-	12.383.457
	9.987.293	7.424.687	377.264	-	17.789.244
Accumulated amortization:					
Other intangible assets	2.399.309	543.665	376.837	-	3.319.811
	2.399.309	543.665	376.837	-	3.319.811
Carrying amounts	7.587.984				14.469.433

(*) Foreign currency translation effect resulted from Singapore Branch..
(**) Given referring to reinsurance computer software.

9 Investments in associates

	December 31, 2017		December 31, 2016	
	Net book value	Participation rate %	Net book value	Participation rate %
Anadolu Sigorta	882.574.325	57,31	550.176.203	57,31
Miltaş Turizm İnşaat Ticaret Anonim Şirketi	1.092.707	77,00	1.092.707	77,00
Investments in associates, net	883.667.032		551.268.910	
Total financial asset	883.667.032		551.268.910	

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the year	Audited	Period
Subsidiaries:						
Miltaş Turizm İnşaat Tic.AŞ	4.350.019	4.151.613	-	199.876	Audited	December 31, 2017
Anadolu Sigorta (*)	6.529.419.178	1.136.126.006	75.051.095	201.514.988	Audited	December 31, 2017

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10 Reinsurance assets and liabilities

As of December 31, 2017 and 2016, outstanding reinsurance assets and liabilities of the Company, as Reinsurance company in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	December 31, 2017	December 31, 2016
Receivables from reinsurance companies *(Note 12)*	21.470.170	15.773.710
Cash deposited to reinsurance companies	25.060.298	19.134.057
Outstanding claims reserve, ceded *(Note 4.2), (Note 17)*	47.871.980	41.095.682
Unearned premiums reserve, ceded *(Note 17)*	6.817.997	6.276.404
Total	101.220.445	82.279.853

There is no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	December 31, 2017	December 31, 2016
Deferred commission income *(Note 19)*	614.358	449.504
Total	614.358	449.504

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

	December 31, 2017	December 31, 2016
Premiums ceded during the period *(Note 17)*	(129.912.142)	(98.893.523)
Unearned premiums reserve, ceded at the beginning of the period *(Note 17)*	(6.276.405)	(8.311.202)
Unearned premiums reserve, ceded at the end of the period *(Note 17)*	6.817.997	6.276.404
Premiums earned, ceded *(Note 17)*	(129.370.549)	(100.928.321)
Claims paid, ceded during the period *(Note 17)*	22.905.423	18.215.094
Outstanding claims reserve, ceded at the beginning of the period *(Note 17)*	(41.095.682)	(25.358.546)
Outstanding claims reserve, ceded at the end of the period *(Note 17)*	47.871.980	41.095.682
Claims incurred, ceded *(Note 17)*	29.681.721	33.952.230
Commission income accrued from reinsurers during the period *(Note 32)*	1.803.088,	1.287.307
Deferred commission income at the beginning of the period *(Note 19)*	449.504,	362.614
Deferred commission income at the end of the period *(Note 19)*	(614.358,)	(449.504)
Commission income earned from reinsurers *(Note 32)*	1.638.234	1.200.417
Changes in unexpired risks reserve, reinsurers' share *(Note 17)*	390.622	(41.411)
Total, net	(97.659.972)	(65.817.085)

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11 Financial assets

As of December 31, 2017 and 2016, the Company's financial assets are detailed as follows:

	December 31, 2017	December 31, 2016
Available for sale financial assets	492.521.383	386.347.109
Impairment loss on available for sale financial assets	(6.954.540)	(6.855.240)
Total	485.566.843	379.491.869

As of December 31, 2017 and 2016, the Company's available for sale financial assets are as follows:

	December 31, 2017			
	Nominal value	Cost	Fair value	Net book value
Debt instruments:				
Government bonds - TL	5.900.000	7.303.056	5.684.887	5.684.887
Private sector bonds - TL	1.808.788	7.908.788	7.915.692	7.915.692
Impairment loss on private sector bonds			(6.954.540)	(6.954.540)
	7.708.788	15.211.844	6.646.039	6.646.039
Non-fixed income financial assets:				
Equity shares		62.200.060	106.736.941	106.736.941
Investment funds		349.061.157	372.183.863	372.183.863
		411.261.217	478.920.804	478.920.804
Total available-for-sale financial assets	7.708.788	426.473.061	485.566.843	485.566.843

	December 31, 2016			
	Nominal value	Cost	Fair value	Net book value
Debt instruments:				
Government bonds - TL	16.500.000	17.752.529	16.052.192	16.052.192
Private sector bonds - TL	32.979.000	32.979.000	33.678.722	33.678.722
Impairment loss on private sector bonds			(6.855.240)	(6.855.240)
	49.479.000	50.731.529	42.875.674	42.875.674
Non-fixed income financial assets:				
Equity shares		59.067.373	84.226.985	84.226.985
Investment funds		249.366.318	252.389.210	252.389.210
		308.433.691	336.616.195	336.616.195
Total available-for-sale financial assets	49.479.000	359.165.220	379.491.869	379.491.869

All debt instruments presented above are traded in the capital markets. As of December 31, 2017, equity shares classified as available for sale financial assets with a carrying amount of TL 708.354 are not publicly traded (December 31, 2016: TL 504.107).

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

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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	Total increase in value
2017	376.906.108	565.916.100
2016	98.335.063	189.009.992
2015	22.420.884	90.674.929

Details of the financial assets issued by related parties of the Company's are as follows:

	December 31, 2017			
	Nominal value	Cost	Fair value	Net book value
Available for sale financial assets - Equity shares		62.132.458	106.669.339	106.669.339
Available for sale financial assets - Investment funds		349.061.157	372.183.863	372.183.863
Total		411.193.615	478.853.202	478.853.202

	December 31, 2016			
	Nominal value	Cost	Fair value	Net book value
Available for sale financial assets - Equity shares		55.264.170	81.396.292	81.396.292
Available for sale financial assets - Investment funds		249.366.318	252.389.210	252.389.210
Total		304.630.488	333.785.502	333.785.502

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

	31 December, 2017	
	Available-for-sale	Total
Balance at the beginning of the period	379.491.869	379.491.869
Unrealized exchange differences on financial assets	-	-
Acquisitions during the period	486.980.571	486.980.571
Disposals (sale and redemption)	(442.910.376)	(442.910.376)
Change in the fair value of financial assets	34.346.993	34.346.993
Change in amortized cost of the financial assets	20.789.498	20.789.498
Bonus shares acquired	6.868.288	6.868.288
Balance at the end of the period	485.566.843	485.566.843

	31 December, 2016	
	Available-for-sale	Total
Balance at the beginning of the period	477.908.745	477.908.745
Unrealized exchange differences on financial assets	-	-
Acquisitions during the period	441.427.489	441.427.489
Disposals (sale and redemption)	(558.559.879)	(558.559.879)
Change in the fair value of financial assets	9.448.284	9.448.284
Change in amortized cost of the financial assets	3.355.195	3.355.195
Bonus shares acquired	5.912.035	5.912.035
Balance at the end of the period	379.491.869	379.491.869

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12 Loans and receivables

	December 31, 2017	December 31, 2016
Receivables from main operations *(Note 4.2)*	176.061.654	162.954.919
Prepaid taxes and funds *(Note 19)*	-	10.488.911
Other receivables *(Note 4.2)*	1.231.493	1.663.239
Other current asset	520.665	-
Total	177.813.812	175.107.069
Short-term receivables	177.813.812	175.107.069
Long and medium-term receivables	-	-
Total	177.813.812	175.107.069

As of December 31, 2017 and 2016, receivables from main operations are detailed as follows:

	December 31, 2017	December 31, 2016
Receivables from insurance companies	47.708.257	48.669.628
Receivables from brokers and intermediaries	43.879.856	47.962.366
Receivables from reinsurance companies *(Note 10)*	21.470.170	15.773.710
Total receivables from insurance operations, net	113.058.283	112.405.704
Cash deposited to insurance and reinsurance companies	63.003.371	50.549.215
Doubtful receivables from main operations	17.973.443	16.864.610
Provision for doubtful receivables from main operations	(17.973.443)	(16.864.610)
Receivables from main operations	176.061.654	162.954.919

As of December 31, 2017 and 2016, mortgages and collaterals obtained for receivables are disclosed as follows:

	December 31, 2017	December 31, 2016
Letters of guarantees	10.074.256	8.100.829
Other guarantees received	-	1.950.000
Total	10.074.256	10.050.829

Provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 17.973.443 for main operations (December 31, 2016: TL 16.864.610) and TL 53.177 (December 31, 2016: TL 53.177) for other receivables.

b) Provision for premium receivables (due): None (December 31, 2016: 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 assets

As of December 31, 2017 and 2016, the Company has no derivative financial instruments.

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14 Cash and cash equivalents

As of December 31, 2017 and 2016, the details of cash and cash equivalents are as follows:

	December 31, 2017		December 31, 2016	
	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	5.842	17.446	17.446	34.971
Bank deposits	1.223.126.571	1.123.257.588	1.123.257.588	991.963.515
Cheques received	-	1.950.000	1.950.000	-
Cash and cash equivalents in the balance sheet	1.223.132.413	1.125.225.034	1.125.225.034	991.998.486
Bank deposits - blocked	(500)	(500)	(500)	(500)
Time deposits with maturities longer than 3 months	(51.610.145)	(104.733.974)	(104.733.974)	(356.545.936)
Interest accruals on bank deposits	(8.230.211)	(6.427.800)	(6.427.800)	(2.034.204)
Cash and cash equivalents presented in the statement of cash flows	1.163.291.557	1.014.062.760	1.014.062.760	633.417.846

As of December 31, 2017 and 2016, the details of bank deposits as follows:

	December 31, 2017	December 31, 2016
Foreign currency denominated bank deposits		
- time deposits	271.248.511	259.793.631
- demand deposits	8.378.793	7.714.663
Bank deposits in Turkish Lira		
- time deposits	943.431.315	855.611.981
- demand deposits	67.952	137.313
Bank deposits	1.223.126.571	1.123.257.588

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 of December 31, 2017 and 2016, the shareholding structure of the Company is as follows:

	December 31, 2017		December 31, 2016	
Name	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Türkiye İş Bankası AŞ	505.810.925	76,64	505.810.925	76,64
Millî Reasürans TAŞ Mensupları Yardımlaşma Sandığı Vakfı	69.604.854	10,55	69.604.854	10,55
Groupama Emeklilik AŞ	38.809.894	5,88	38.809.894	5,88
Ankara Doğal Elektrik Üretim ve Ticaret A.Ş.	22.240.456	3,37	22.240.456	3,37
T.C. Ziraat Bankası AŞ	16.430.944	2,49	16.430.944	2,49
Other	7.102.927	1,07	7.102.927	1,07
Paid in capital	660.000.000	100,00	660.000.000	100,00

As of December 31, 2017, the issued share capital of the Company is TL 660.000.000 (December 31, 2016: TL 660.000.000) and the share capital of the Company consists of 66.000.000.000 (December 31, 2016: 66.000.000.000 shares) issued shares with TL 0,01 nominal value each. There are no privileges over the shares of the Company.

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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.

As a result of the Extraordinary General Assembly Meeting of the Company held on June 27, 2016, acquisition of total amount of the founding stocks by Millî Reasürans T.A.Ş. with the cost amounting to TL 27.166.000 has been determined in the Expert Review Report approved by the Istanbul 6th Court of Peace is unanimously decided. Abolition and extinguishment of founding stocks acquired by the Company and absorbing acquisition cost from extraordinary reserves is decided in the Extraordinary General Meeting of the Company held on November 30, 2016.

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:

	December 31, 2017	December 31, 2016
Legal reserves at the beginning of the period	55.535.403	49.622.694
Transfer from profit	8.595.616	5.912.709
Legal reserves at the end of the period	64.131.019	55.535.403

As of December 31, 2017 and December 31, 2016, "Other Reserves and Retained Earnings" includes extraordinary reserves, gains to be added to equity and buildings for own use revaluation differences.

Extraordinary reserves

The movement of extraordinary reserves is as follows:

	December 31, 2017	December 31, 2016
Extraordinary reserves at the beginning of the period	15.545.335	12.899
Transfer from profit	70.647.616	42.698.436
Acquisition of the founding stocks (*)	-	(27.166.000)
Extraordinary reserves at the end of the period	86.192.951	15.545.335

(*) As a result of the Extraordinary General Assembly Meeting of the Company held on 27 June 2016, acquisition of total amount of the founding stocks by Millî Reasürans T.A.Ş. with the cost amounting to TL 27.166.000 determined in the Expert Review Report approved by the Istanbul 6th Court of Peace is unanimously decided. Abolition and extinguishment of founding stocks acquired by the Company and absorbing acquisition cost from extraordinary reserves is decided in the Extraordinary General Meeting of the Company held on 30 November 2016.

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 (1.367.215) (December 31, 2016: TL (1.024.260)) regarding actuarial calculation is presented in other profit reserves account, in calculation of termination indemnity as of December 31, 2017.

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Movement of other profit reserves is presented below:

	December 31, 2017	December 31, 2016
Other profit reserves at the beginning of the period	(1.024.260)	(660.733)
Actuarial gains/losses	(342.955)	(363.527)
Other profit reserves at the end of the period	(1.367.215)	(1.024.260)

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 of December 31, 2017, there are no funds allocated in this manner (December 31, 2016: 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 of December 31, 2017, foreign currency translation loss amounting to TL 28.441.170 (December 31, 2016: TL 26.027.092 loss) stems from Singapore Branch whose functional currency is US Dollars.

Other capital reserves

"According to TAS 16 - "Property Plant and Equipment", property, plant and equipment 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 2015 by making changes in the use of the property which is measuring the cost model in the financial statements before.

According to expertise reports, fair value of building for own use is calculated as TL 147.915.000 and revaluation differences amounted TL 130.065.426 TL is recognized in 'Other Capital Reserves' account under equity amounting to TL 117.058.884 with net tax effect in financial statements as of December 31, 2017 (December 31, 2016: TL 123.562.155).

Valuation of financial assets

As of December 31, 2017 and 2016 detailed change of fair value of marketable securities, debt securities and subsidiaries classified as available for sale financial assets is as following:

	December 31, 2017	December 31, 2016
Fair value reserves at the beginning of the period	189.009.992	90.674.929
Change in the fair value during the period *(Note 4.2)*	374.030.436	105.522.290
Deferred tax effect *(Note 4.2)*	5.313.728	(5.705.297)
Net gains transferred to the statement of income *(Note 4.2)*	(3.047.570)	(1.852.412)
Deferred tax effect *(Note 4.2)*	609.514	370.482
Fair value reserves at the end of the period	565.916.100	189.009.992

Profit for the period that is extraneous from the distribution

In accordance with tax legislation, 75% of profits from sales of participation shares and 50% of profit from 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 October 27 , 2008 and numbered 2008/41, the Company classified the gain on sale dated April 10, 2015 from the land in real estate amounting to TL 23.723.323 as of December 31, 2016.

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16 Other reserves and equity component of discretionary participation

As of December 31, 2017 and 2016, other reserves are explained in detail in Note 15 - *Equity* above..

As of December 31, 2017 and 2016, the Company does not hold any insurance or investment contracts which contain a discretionary participation feature.

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 of December 31, 2017 and 2016, technical reserves of the Company are as follows:

	December 31, 2017	December 31, 2016
Unearned premiums reserve, gross	460.020.207	377.386.975
Unearned premiums reserve, ceded *(Note 10)*	(6.817.997)	(6.276.404)
Unearned premiums reserve, net	453.202.210	371.110.571
Outstanding claims reserve, gross	978.797.675	902.903.203
Outstanding claims reserve, ceded *(Note 10)*	(47.871.980)	(41.095.682)
Outstanding claims reserve, net	930.925.695	861.807.521
Unexpired risks reserve, gross	6.279.176	3.339.826
Unexpired risks reserve, ceded *(Note 10)*	(445.123)	(54.501)
Unexpired risks reserve, net	5.834.053	3.285.325
Equalization reserve, net	70.933.229	45.209.926
Mathematical reserves	116.109	165.157
Total technical reserves, net	1.461.011.296	1.281.578.500
Short-term	1.390.078.067	1.236.368.574
Medium and long-term	70.933.229	45.209.926
Total technical reserves, net	1.461.011.296	1.281.578.500

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As of December 31, 2017 and 2016, movements of the insurance liabilities and related reinsurance assets are presented below:

	December 31, 2017		
Unearned premiums reserve	Gross	Ceded	Net
Unearned premiums reserve at the beginning of the period	377.386.976	(6.276.405)	371.110.571
Written premiums during the period	1.085.712.889	(129.912.142)	955.800.747
Earned premiums during the period	(1.003.079.658)	129.370.550	(873.709.108)
Unearned premiums reserve at the end of the period	460.020.207	(6.817.997)	453.202.210

	December 31, 2016		
Unearned premiums reserve	Gross	Ceded	Net
Unearned premiums reserve at the beginning of the period	404.344.069	(8.311.202)	396.032.867
Written premiums during the period	929.965.931	(98.893.523)	831.072.408
Earned premiums during the period	(956.923.025)	100.928.321	(855.994.704)
Unearned premiums reserve at the end of the period	377.386.975	(6.276.404)	371.110.571

	December 31, 2017		
Outstanding claims reserve	Gross	Ceded	Net
Outstanding claims reserve at the beginning of the period	902.903.203	(41.095.682)	861.807.521
Claims reported during the period and changes in the estimations of outstanding claims reserve provided at the beginning of the period	693.677.696	(29.833.513)	663.844.183
Claims paid during the period	(616.006.496)	22.905.423	(593.101.073)
Discount effect	(1.776.728)	151.792	(1.624.936)
Outstanding claims reserve at the end of the period	978.797.675	(47.871.980)	930.925.695

	December 31, 2016		
Outstanding claims reserve	Gross	Ceded	Net
Outstanding claims reserve at the beginning of the period	866.350.659	(25.358.546)	840.992.113
Claims reported during the period and changes in the estimations of outstanding claims reserve provided at the beginning of the period	625.258.153	(34.434.531)	590.823.622
Claims paid during the period	(572.420.925)	18.215.094	(554.205.831)
Discount effect	(16.284.684)	482.301	(15.802.383)
Outstanding claims reserve at the end of the period	902.903.203	(41.095.682)	861.807.521

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.

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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.

Deferred commission expenses

The Company capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As of December 31, 2017, short-term deferred expenses amounting to TL 114.233.617 (December 31, 2016: TL 92.601.448) totally consist of deferred commission expenses.

As of December 31, 2017 and 2016, the movement of deferred commission expenses is presented below::

	December 31, 2017	December 31, 2016
Deferred commission expenses at the beginning of the period	92.601.448	100.548.551
Commissions accrued during the period *(Note 32)*	262.282.352	221.619.306
Commissions expensed during the period *(Note 32)*	(240.650.183)	(229.566.409)
Deferred commission expenses at the end of the period	114.233.617	92.601.448

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18 Investment contract liabilities

None.

19 Trade and other payables and deferred income

	December 31, 2017	December 31, 2016
Payables from reinsurance operations	36.392.472	36.432.984
Short/long term deferred income and expense accruals	5.892.150	4.778.313
Taxes and other liabilities and similar obligations	8.574.495	1.453.431
Due to related parties *(Note 45)*	106.310	80.030
Other payables	3.032.087	2.941.104
Total	53.997.514	45.685.862
Short-term liabilities	53.887.014	45.685.862
Medium and long-term liabilities	110.500	-
Total	53.997.514	45.685.862

As of December 31, 2017 and 2016, 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 614.358 (December 31, 2016: TL 449.504).

As of December 31, 2017, the amounting of the expense accruals TL 4.921.575 (December 31, 2016: TL 4.165.628) are detailed in the table below.

	December 31, 2017	December 31, 2016
Dividend accrual	3.133.995	2.896.731
Other accruals	1.787.580	1.268.897
Total	4.921.575	4.165.628

Prepaid income and expense accruals are TL 356.217 (December 31, 2016: TL 163.181) consist of long-term and short term other deferred income.

Corporate tax liabilities and prepaid taxes are disclosed below:

	December 31, 2017	December 31, 2016
Taxes paid during the year	37.023.057	14.047.755
Corporate tax liabilities	(44.131.400)	(3.558.844)
Prepaid assets, net (Note 12)	(7.108.343)	10.488.911

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

None.

20 Financial liabilities

The Company has no any financial liabilities as of December 31, 2017 (The Company has no any financial liabilities as of December 31, 2016).

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21 Deferred tax

As of December 31, 2017 and 2016, deferred tax assets and liabilities are attributable to the following

	December 31, 2017 Deferred tax assets/(liabilities)	December 31, 2016 Deferred tax assets/(liabilities)
Equalization provision	8.263.702	3.908.023
Provision for the pension fund deficits	7.867.023	5.937.022
Provision for doubtful receivables	1.869.705	1.369.800
Provisions for employee termination benefits	1.658.710	1.440.524
Unexpired risks reserve	1.283.492	2.224.386
Valuation differences in financial assets	689.479	567.768
Time deposits	85.806	52.495
Rediscount of receivables and payables	(40.193)	447.106
Amortization correction differences	(267.310)	(229.150)
Profit commission accrual	(2.482.572)	(1.405.895)
Valuation differences in financial assets	(1.302.735)	272.495
Real estate valuation differences	(47.424.229)	(21.717.566)
Valuation differences in subsidiaries	-	(9.906.893)
Discount effect	-	(21.076.213)
Deferred tax (liabilities)/assets, net	(29.799.122)	(38.116.098)

As of December 31, 2017, the Company does not have deductible tax losses. The Company also does not have deductible tax losses as of December 31, 2016.

Movement of deferred tax assets are given below:

	December 31, 2017	December 31, 2016
Opening balance at 1 January	(38.116.098)	(19.000.000)
Deferred tax income/expense	9.420.780	(13.437.453)
Deferred tax income/expense recognised in equity	(1.103.804)	(5.678.645)
Deferred tax (assets)/liabilities:	(29.799.122)	(38.116.098)

22 Retirement benefit obligations

Employees of the Company are the members of "Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı ("Milli 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 November 1, 2005. However, the said article of the Banking Law has been vetoed by the President on November 2, 2005 and the execution of the article was ceased based on the Supreme Court's decision numbered 2007/33 and dated March 22, 2007. The justified decision of Supreme Court is published in Official Gazette dated December 15, 2007 and numbered 26731. Supreme Court asserted possible losses on acquired rights of employees of pension fund as reason for cancellation decision.

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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 May 8, 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 May 8, 2011 was extended to the May 8, 2013. On March 8, 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 May 3, 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 May 8, 2015 with the decision of The Council of Ministers dated February 24, 2014.

April 23, 2015 dated Official Gazette is changed as following; insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or which constitutes their union personnel and associates of funds "The Council is authorized to determine the date of transfer within the scope of article 20 th of the law, 506 banks, insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or which constitutes their union personnel and associates of funds to the social security institution. Pension fund contributors as of the transfer date and considered insured by the first paragraph of Article 4 of this law.

On the other hand, the application made on June 19, 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 March 30, 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 Milli 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 39.335.115 (December 31, 2016: TL 29.685.112) is accounted as "Provision for pension fund deficits" in the accompanying unconsolidated financial statements.

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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 for December 31,2016 and the TUIK 2013 mortality table for December 31, 2017 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 December 31, 2017 and 2016, technical deficit from pension funds comprised the following:

	December 31, 2017	December 31, 2016
Net present value of total liabilities other than health	(120.115.748)	(105.825.425)
Net present value of insurance premiums	25.469.048	23.100.988
Net present value of total liabilities other than health	(94.646.700)	(82.724.437)
Net present value of health liabilities	(14.756.726)	(12.841.513)
Net present value of health premiums	13.918.802	12.625.747
Net present value of health liabilities	(837.924)	(215.766)
Pension fund assets	56.149.509	53.255.091
Amount of actuarial and technical deficit	(39.335.115)	(29.685.112)

Pension fund's assets are comprised of the following items:

	December 31, 2017	December 31, 2016
Cash and cash equivalents	46.869.599	45.069.448
Associates	8.356.885	7.376.761
Other	923.025	808.882
Total plan assets	56.149.509	53.255.091

23 Other liabilities and expense accruals

As of December 31, 2017 and 2016; the provisions for other risks are disclosed as follows:

	December 31, 2017	December 31, 2016
Provision for pension fund deficits *(Note 22)*	39.335.115	29.685.112
Provision for employee termination benefits	8.293.551	7.202.618
Total provision for other risks	47.628.666	36.887.730

Movement of provision for employee termination benefits during the period is presented below:

	December 31, 2017	December 31, 2016
Provision at the beginning of the period	7.202.618	6.649.770
Interest cost *(Note 47)*	613.138	477.252
Service cost *(Note 47)*	479.622	426.533
Payments during the period *(Note 47)*	(430.521)	(805.346)
Actuarial gain/loss	428.694	454.409
Provision at the end of the period	8.293.551	7.202.618

24 Net insurance premium revenue

Net insurance premium revenue for non-life branches is presented in detailed in the accompanying unconsolidated statement of income.

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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".

29 Insurance rights and claims

	December 31, 2017		December 31, 2016	
	Life	Non-Life	Life	Non-Life
Claims paid, net off reinsurers' share	(14.424.544)	(578.676.529)	(8.006.413)	(546.199.418)
Changes in outstanding claims reserve, net off reinsurers' share	(359.705)	(68.758.469)	(2.448.530)	(100.108.956)
Changes in unearned premiums reserve, net off reinsurers' share	1.660.620	(83.752.259)	(575.291)	25.497.587
Changes in unexpired risks reserve, net off reinsurers' share	-	(2.548.728)	-	19.763.604
Change in equalization reserve, net off reinsurers' share	(178.889)	(25.544.414)	(583.585)	(21.194.150)
Change in life mathematical reserves, net off reinsurers' share	49.048	-	71.202	255.578
Total	(13.253.470)	(759.280.399)	(11.542.617)	(621.985.755)

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

As of December 31, 2017 and 2016, the operating expenses are disclosed as follows:

	December 31, 2017		December 31, 2016	
	Life	Non-Life	Life	Non-Life
Commission expenses *(Note 17)*	3.699.959	236.950.224	8.852.371	220.714.038
Commissions to the intermediaries accrued during the period (Note 17)	4.001.994	258.280.358	8.813.177	212.806.129
Changes in deferred commission expenses (Note 17)	(302.035)	(21.330.134)	39.194	7.907.909
Employee benefit expenses *(Note 33)*	762.104	44.133.697	858.881	40.804.890
Foreign exchange losses	51.597	26.203.562	247.495	20.401.109
Administration expenses	210.082	13.041.930	224.534	11.541.357
Commission income from reinsurers *(Note 10)*	(1.611)	(1.636.623)	(16.469)	(1.183.948)
Commission income from reinsurers accrued during the period (Note 10)	-	(1.803.088)	(13.586)	(1.273.721)
Change in deferred commission income (Note 10)	(1.611)	166.465	(2.883)	89.773
Outsourced benefits and services	22.012	1.118.514	20.324	867.201
Other	28.814	6.847.942	32.550	8.116.914
Total	4.772.957	326.659.246	10.219.686	301.261.561

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33 Employee benefit expenses

As of December 31, 2017 and 2016, employee benefit expenses are disclosed as follows:

	December 31, 2017		December 31, 2016	
	Life	Non-Life	Life	Non-Life
Wages and salaries	558.452	33.271.119	623.887	30.392.580
Employer's share in social security premiums	128.566	6.915.865	148.064	6.613.611
Pension fund benefits	75.085	3.946.714	86.930	3.798.699
Total *(Note 32)*	762.103	44.133.698	858.881	40.804.890

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

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

	December 31, 2017	December 31, 2016
Corporate tax expense:		
Corporate tax provision	(44.131.400)	(3.558.844)
Deferred taxes:		
Origination and reversal of temporary differences	9.420.780	(13.437.453)
Total income tax expense/(income)	(34.710.620)	(16.996.297)

For the period then ended as of December 31, 2017 and 2016, a reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate is as follows:

	2017		2016	
Profit before taxes	138.422.453	Tax rate (%)	161.278.436	Tax rate (%)
Taxes on income per statutory tax rate	27.684.491	20,00	32.255.687	20,00
Tax exempt income	(13.407.099)	(9,69)	(18.168.056)	(11,27)
Non-deductible expenses	20.433.228	14,76	2.908.666	1,80
Total tax expense recognized in profit or loss	34.710.620	25,07	16.996.297	10,54

36 Net foreign exchange gains

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

37 Earnings per share

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

	2017	2016
Net profit for the period	103.711.833	144.282.139
Weighted average number of shares	66.000.000.000	66.000.000.000
Earnings per share (TL)	0,00157	0,00219

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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, up to 3% of the remaining amount not exceeding three-wages is distributed to personnel.
- 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 cannot be divided, profit cannot be transferred to next year and share of profit cannot 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.

It is decided in Ordinary General Assembly Meeting of the Company, held on March 28, 2017, to make a dividend payment of TL 50.000.000 to shareholders and to allocate remaining balance as voluntary reserves from the net period income amounting to TL 129.243.232, from 2016 activities of the Company, after the legal reserves are allocated and TL 49.984.383 has been paid in cash and TL 15.617 has been recognized in due to shareholders account under short term liabilities.

Paid dividend amount is reflected to financial statements as liability on the period that is declared by the Company.

As a result of the Extraordinary General Assembly Meeting of the Company held on June 27, 2016, acquisition of total amount of the founding stocks by Millî Reasürans T.A.Ş. with the cost amounting to TL 27.166.000 has been determined in the Expert Review Report approved by the Istanbul 6th Court of Peace is unanimously decided. Abolition and extinguishment of founding stocks acquired by the Company and absorbing acquisition cost from extraordinary reserves is decided in the Extraordinary General Meeting of the Company held on November 30, 2016.

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 started for the years 2007, 2008, 2009, 2010, 2011 and the later years and the payment regarding to the revenue authorities was paid. As of the report date, there is no recognized provision.

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43 Commitments

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:

	December 31, 2017	December 31, 2016
Within one year	1.022.487	2.047.372
Between two to five years	2.044.973	170.614
More than 5 years	-	-
Total of minimum rent payments	3.067.460	2.217.986

44 Business combinations

None.

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 December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Türkiye İş Bankası A.Ş.	806.036.955	746.908.324
Other	617	1.132
Banks	806.037.572	746.909.456
Equity shares of the related parties *(Note 11)*	106.669.339	81.396.292
Investment funds founded by İş Portföy Yönetimi A.Ş. (*Note 11)*	372.183.863	252.389.210
Financial assets	478.853.202	333.785.502
Ziraat Sigorta A.Ş.	723.702	1.238.110
Anadolu Hayat Emeklilik A.Ş	250.069	161.483
Allianz Sigorta A.Ş	207.266	-
İstanbul Umum Sigorta A.Ş	120.904	107.627
Ziraat Hayat ve Emeklilik	70.000	51.250
Anadolu Sigorta	49.110	3.014.702
Ergo Sigorta A.Ş	18.246	18.246
Axa Sigorta A.Ş	-	3.934.701
Receivables from main operations	1.439.297	8.526.119
Due to shareholders	81.850	66.287
Due to other related parties	24.460	13.743
Due to related parties	106.310	80.030
Ergo Sigorta A.Ş	1.793.100	2.468.712
Anadolu Sigorta	762.238	-
Axa Sigorta A.Ş	385.547	35.723
Güven Sigorta T.A.Ş	194.916	1.266.357
Groupama Sigorta A.Ş	94.095	222.070
Avivasa Emeklilik A.Ş	46.800	-
İstanbul Umum Sigorta A.Ş	35.023	30.112
Allianz Sigorta A.Ş	28.741	1.193.374
Anadolu Hayat Emeklilik A.Ş	-	2
Payables from main operations	3.340.460	5.216.350

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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.

The transactions with related parties during the years ended December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Anadolu Sigorta	122.812.661	113.402.718
Axa Sigorta A.Ş.	22.769.967	36.740.520
Ziraat Sigorta A.Ş.	15.697.535	15.282.714
Groupama Sigorta A.Ş.	3.688.180	4.528.283
Anadolu Hayat Emeklilik A.Ş.	1.158.363	591.584
Allianz Sigorta A.Ş.	903.676	684.257
Ziraat Hayat ve Emeklilik	280.000	205.000
Ergo Sigorta A.Ş.	241.627	3.793.595
Güven Sigorta T.A.Ş.	14	21.639
Premiums received	167.552.023	175.250.310
Anadolu Sigorta	2.701	(1.151)
Groupama Sigorta A.Ş.	1.422	28
Axa Sigorta A.Ş.	719	(72)
Ergo Sigorta A.Ş.	630	(1.227)
Güven Sigorta T.A.Ş.	259	(80)
Allianz Sigorta A.Ş.	27	(29)
İstanbul Umum A.Ş.	14	(3)
Premiums ceded	5.772	(2.534)
Allianz Sigorta A.Ş.	-	(3)
Güven Sigorta T.A.Ş.	(111)	(1.285)
Axa Sigorta A.Ş.	(295)	(3.021)
Groupama Sigorta A.Ş.	(375)	(7.032)
Anadolu Sigorta	(662)	(12.153)
Ergo Sigorta A.Ş.	(249.343)	(3.567)
Commissions received	(250.786)	(27.061)
Anadolu Sigorta	26.896.572	22.257.301
Ziraat Sigorta A.Ş.	3.936.304	3.562.905
Axa Sigorta A.Ş.	3.045.707	6.778.440
Groupama Sigorta A.Ş.	1.029.254	908.651
Allianz Sigorta A.Ş.	149.046	96.741
Anadolu Hayat Emeklilik A.Ş.	86.163	122.120
Güven Sigorta T.A.Ş.	1	(5)
Ergo Sigorta A.Ş.	-	1.345.451
Commissions given	35.143.047	35.071.604

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	December 31, 2017	December 31, 2016
Anadolu Sigorta	71.589.822	85.058.631
Axa Sigorta A.Ş.	13.029.641	14.516.386
Ziraat Sigorta A.Ş.	10.858.885	3.811.044
Ergo Sigorta A.Ş.	10.377.343	13.725.776
Groupama Sigorta A.Ş.	3.914.587	3.573.133
Allianz Sigorta A.Ş.	1.984.185	4.875.749
Güven Sigorta T.A.Ş.	1.036.209	2.496.742
Anadolu Hayat Emeklilik A.Ş.	509.224	307.788
Ziraat Hayat ve Emeklilik	169.447	217.078
Avivasa Emeklilik A.Ş.	46.800	-
Claims paid	113.516.143	128.582.327
Anadolu Sigorta	145.224	(90.154)
Groupama Sigorta A.Ş.	83.682	(18.898)
Axa Sigorta A.Ş.	66.253	33.560
Ergo Sigorta A.Ş.	61.945	(11.781)
Güven Sigorta T.A.Ş.	51.508	38.868
İstanbul Umum A.Ş.	18.462	15.706
Allianz Sigorta A.Ş.	14.896	13.919
Reinsurance's share of claims paid	441.970	(18.780)
Axa Sigorta A.Ş.	491.232	625.977
Anadolu Sigorta	437.245	563.569
Güven Sigorta T.A.Ş.	259.537	-
Ziraat Sigorta A.Ş.	90.046	67.728
Allianz Sigorta A.Ş.	31.477	99.536
Groupama Sigorta A.Ş.	23.922	22.475
Ergo Sigorta A.Ş.	10.941	1.398.446
İstanbul Umum A.Ş.	721	-
Anadolu Hayat Emeklilik A.Ş.	220	2.532
Other income	1.345.341	2.780.263
Anadolu Sigorta	328.457	80.186
Ergo Sigorta A.Ş.	192.974	1.467.669
Allianz Sigorta A.Ş.	124.008	113.938
Axa Sigorta A.Ş.	62.251	117.026
Groupama Sigorta A.Ş.	21.223	7.017
Ziraat Sigorta A.Ş.	8.636	9.925
İstanbul Umum A.Ş.	6.789	-
Anadolu Hayat Emeklilik A.Ş.	242	178
Güven Sigorta T.A.Ş.	-	457.001
Other expenses	744.580	2.252.940

Millî Reasürans Türk Anonim Şirketi

Notes to the Unconsolidated Financial Statements As of December 31, 2017

(Currency: Turkish Lira (TL))

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

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 December 31, 2017 and 2016, details of rediscount and provision expenses are as follows:

Provision expenses	December 31, 2017	December 31, 2016
Provision for pension fund deficits	(9.650.003)	(1.326.173)
Provision for impairment of securities	(99.300)	(6.855.240)
Provision expenses for doubtful receivables (*)	(1.110.895)	(2.631.464)
Provision for employee termination benefits *(Note 23)*	(662.239)	(98.439)
Other provision	3.172	4.142
Other	(11.519.265)	(10.907.174)

(*) The provision for doubtful receivables related to valuation of foreign currency denominated receivables from main operations.

Rediscount Expenses	December 31, 2017	December 31, 2016
Rediscount income/(expense) from reinsurance receivables	(342)	2.561
Rediscount income/(expense) from reinsurance payables	(271.427)	547.549
Total of rediscounts	(271.769)	550.110

Millî Reasürans Türk Anonim Şirketi

Consolidated Financial Statements as of December 31, 2017 Together with the Independent Auditor's Report

(Convenience translation of independent auditors' report and consolidated financial statements originally issued in Turkish)

Millî Reasürans Türk Anonim Şirketi

Information on Consolidated Subsidiaries

Writing non-life insurance and reinsurance business, Anadolu Sigorta was founded on 1925 at the initiative of Mustafa Kemal 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 experienced staff, solid financial and high-tech infrastructure, dynamic approach towards continuous development and improvement, and extensive network of expert agents.

48% of Anadolu Sigorta's shares are quoted on Borsa İstanbul (BİST) National Market under the symbol "ANSGR". 57.31% of the Company's share is held by Millî Reasürans T.A.Ş.

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 2,215 agencies.

Anadolu Sigorta uses 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 2017, Anadolu Sigorta expanded its total premium production by 4.18% year-on-year on nominal basis to TL 4.67 billion and controls an 11.78% share of the overall market among non-life companies.

Anadolu Sigorta registered its highest premium production in 2017 in Land Vehicles Liability with TL 1,342 million, followed by Land Vehicles with TL 953 million, Fire and Natural Disasters with 813 million and Sickness/Health with TL 538 million.

Total unconsolidated assets of Anadolu Sigorta were up by 17.7% year-on-year and reached TL 7,032 million at year end 2016, while its shareholders' equity registered as TL 1,639 million with 34% increase. Posting TL 236.8 million gross profit, the Company successfully reached its target of sustainable profitability in 2017.

Independent Auditor's Report

(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

Building a better working world

Güney Bağımsız Denetim ve SMMM A.Ş.
Eski Büyükdere Cad. Orjin Maslak
No: 27 Maslak, Sarıyer 34398
İstanbul - Turkey

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No: 479920
Mersis No: 0-4350-3032-6000017

To the Board of Directors of Milli Reasürans Türk Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Milli Reasürans Türk Anonim Şirketi (the Company), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Accounting Standards decree for the matters not regulated by insurance legislation; "Insurance Accounting and Financial Reporting Legislation".

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Other matter

The consolidated financial statements of the Company which were prepared in accordance with the accounting principles and standards in force as of December 31, 2016 were subject to full-scope audit by another independent audit firm. In their independent auditor's report dated February 17, 2017, independent audit firm expressed unqualified opinion on the consolidated financial statements prepared at December 31, 2016.

4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Insurance Accounting and Financial Reporting Legislation and designing, implementing and maintaining internal systems relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

B) Report on Other Legal and Regulatory Requirements

1) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2017 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

2) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Seda Akkuş Tecer.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Seda Akkuş Tecer, SMMM
Partner

February 26, 2018
Istanbul, Turkey

Millî Reasürans Türk Anonim Şirketi

Convenience Translation of the Company's Representation on the Consolidated Financial Statement Prepared as of December 31, 2017

We confirm that the consolidated financial statements and related disclosures and footnotes as of December 31, 2017 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,
February 26, 2018

Şule SOYLU	Özlem CİVAN	Hasan Hulki YALÇIN	Ertan TAN
Assistant General Manager	Assistant General Manager	General Manager	Actuary Registration No: 21

Contents

Millî Reasürans Türk Anonim Şirketi

Consolidated Balance Sheet
As of December 31, 2017

(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 December 31, 2017	Audited-Restated Prior Period December 31, 2016
A- Cash and Cash Equivalents	14	4.727.809.372	4.342.688.861
1- Cash	14	68.699	52.555
2- Cheques Received		-	1.950.000
3- Banks	14	4.328.461.218	3.919.164.699
4- Cheques Given and Payment Orders (-)	14	(87.620)	(82.544)
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	14	399.367.075	421.604.151
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Investments with Risks on Policy Holders	11	1.554.601.188	1.106.730.656
1- Financial Assets Available for Sale	11	1.214.020.578	970.628.652
2- Financial Assets Held to Maturity	11	-	15.172.182
3- Financial Assets Held for Trading	11	347.535.150	127.881.004
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders		-	-
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)	11	(6.954.540)	(6.951.182)
C- Receivables From Main Operations	12	1.355.731.258	1.208.734.082
1- Receivables From Insurance Operations	12	1.074.438.568	984.855.530
2- Provision for Receivables From Insurance Operations (-)	12	(8.337.019)	(8.836.586)
3- Receivables From Reinsurance Operations	12	197.025.414	169.611.886
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited For Insurance & Reinsurance Companies	12	92.604.295	63.103.252
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Pension Operation		-	-
9- Doubtful Receivables From Main Operations	4.2,12	226.233.121	188.867.237
10- Provisions for Doubtful Receivables From Main Operations (-)	4.2,12	(226.233.121)	(188.867.237)
D- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
E- Other Receivables	12	20.249.955	15.454.198
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given	12	303.934	583.462
4- Other Receivables	12	19.946.021	14.870.736
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables	4.2,12	53.177	53.177
7- Provisions for Other Doubtful Receivables (-)	4.2,12	(53.177)	(53.177)
F- Prepaid Expenses and Income Accruals		453.776.252	408.923.726
1- Deferred Commission Expenses	17	422.238.492	399.249.100
2- Accrued Interest and Rent Income		-	-
3- Income Accruals	4.2,12	31.213.090	8.999.362
4- Other Prepaid Expenses	4.2,12	324.670	675.264
G- Other Current Assets		2.160.121	24.550.172
1- Inventories		727.971	1.006.926
2- Prepaid Taxes and Funds	12,19	-	22.930.006
3- Deferred Tax Assets		-	-
4- Job Advances	12	547.641	170.946
5- Advances Given to Personnel	12	466.665	14.890
6- Stock Count Differences		-	-
7- Other Current Assets	12	417.844	427.404
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		8.114.328.146	7.107.081.695

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

Millî Reasürans Türk Anonim Şirketi

Consolidated Balance Sheet
As of December 31, 2017

(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 December 31, 2017	Audited-Restated Prior Period December 31, 2016
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 & Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables From Pension Operations		-	-
9- Doubtful Receivables from Main Operations	4.2,12	17.966.058	16.858.335
10-Provision for Doubtful Receivables from Main Operations	4.2,12	(17.966.058)	(16.858.335)
B- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
C- Other Receivables	4.2,12	2.205.704	1.749.362
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		320.795	-
4- Other Receivables	4.2,12	2.129.835	2.129.835
5- Discount on Other Receivables (-)	4.2,12	(244.926)	(380.473)
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
D- Financial Assets	9	197.258.522	183.088.026
1- Investments In Associates		-	-
2- Affiliates	9	196.165.815	181.995.319
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries	9	1.092.707	1.092.707
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)		-	-
E- Tangible Fixed Assets	6	616.339.449	578.741.391
1- Investment Properties	6,7	427.026.000	388.265.000
2- Diminution in Value for Investment Properties (-)		-	-
3- Buildings for Own Use	6	161.310.000	160.287.253
4- Machinery and Equipments	6	56.957.217	49.033.797
5- Furnitures and Fixtures	6	19.688.504	19.296.491
6- Vehicles	6	1.894.818	1.732.838
7- Other Tangible Assets (Including Leasehold Improvements)	6	23.486.838	22.982.418
8- Leased Tangible Fixed Assets	6	3.858.074	3.868.337
9- Accumulated Depreciation (-)	6	(77.882.002)	(66.724.743)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		-	-
F- Intangible Fixed Assets	8	83.327.989	69.805.708
1- Rights	8	126.607.897	116.516.653
2- Goodwill	8	16.250.000	16.250.000
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortizations (-)	8	(104.579.269)	(87.076.641)
8- Advances Regarding Intangible Assets	8	45.049.361	24.115.696
G- Prepaid Expenses and Income Accruals		6.690.268	6.296.844
1- Deferred Commission Expenses	17	6.639.202	6.211.364
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses	4.2	51.066	85.480
H- Other Non-current Assets	21	22.161.260	-
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	22.161.260	-
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
II- Total Non-current Assets		927.983.192	839.681.331
TOTAL ASSETS		9.042.311.338	7.946.763.026

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

Millî Reasürans Türk Anonim Şirketi

Consolidated Balance Sheet
As of December 31, 2017

(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 December 31, 2017	Audited-Restated Prior Period December 31, 2016
A- Borrowings	19,20	110.802.339	134.413.473
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Current Portion of Long Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Financial Assets Issued		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)	19,20	110.802.339	134.413.473
B- Payables From Main Operations	19	518.869.894	466.995.593
1- Payables Due to Insurance Operations	19	302.138.659	282.126.010
2- Payables Due to Reinsurance Operations	19	35.718.777	35.487.145
3- Cash Deposited by Insurance & Reinsurance Companies	19	9.247.311	6.570.424
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations	19	171.765.147	142.812.014
6- Rediscount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties	19	362.820	171.856
1- Due to Shareholders	19	81.850	66.287
2- Due to Affiliates	19	36.133	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		220.377	91.826
6- Due to Other Related Parties		24.460	13.743
D- Other Payables	19	116.595.290	85.550.857
1- Deposits and Guarantees Received	19	6.282.082	7.436.777
2- Due to SSI regarding Treatment Expenses	19	31.604.313	32.500.031
3- Other Payables	19	79.390.665	46.076.135
4- Discount on Other Payables (-)	19	(681.770)	(462.086)
E- Insurance Technical Reserves	17	5.728.670.119	5.048.648.727
1- Unearned Premiums Reserve - Net	17	2.151.464.445	2.135.349.141
2- Unexpired Risk Reserves - Net	17	29.445.732	5.051.590
3- Mathematical Reserves - Net	17	116.109	165.157
4- Outstanding Claims Reserve - Net	17	3.547.643.833	2.908.082.839
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Relevant Provisions	19	59.324.763	40.980.017
1- Taxes and Dues Payable	19	40.881.289	37.869.439
2- Social Security Premiums Payable	19	3.612.955	3.110.578
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		-	-
5- Corporate Tax Liability Provision on Period Profit	19	96.767.913	26.875.657
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	19	(81.937.394)	(26.875.657)
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks		-	-
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs		-	-
H- Deferred Income and Expense Accruals	19	133.367.192	104.670.373
1- Deferred Commission Income	10,19	77.376.043	46.650.934
2- Expense Accruals	19	55.735.173	57.847.236
3- Other Deferred Income	19	255.976	172.203
I- Other Short Term Liabilities	23	1.878.908	1.561.950
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities	23	1.878.908	1.561.950
III - Total Short Term Liabilities		6.669.871.325	5.882.992.846

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

Millî Reasürans Türk Anonim Şirketi

Consolidated Balance Sheet
As of December 31, 2017

(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 December 31, 2017	Audited-Restated Prior Period December 31, 2016
A- Borrowings		-	-
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Bonds Issued		-	-
5- Other Issued Financial Assets		-	-
6- Value Differences on Issued Financial Assets (-)		-	-
7- Other Financial Borrowings (Liabilities)		-	-
B- Payables From Main Operations		-	-
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Discount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables		-	-
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves	17	211.872.440	154.637.733
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net	17	211.872.440	154.637.733
F- Other Liabilities and Provisions		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks	23	68.568.329	54.251.255
1- Provision for Employment Termination Benefits	23	29.233.214	24.566.143
2- Provisions for Employee Pension Fund Deficits	22,23	39.335.115	29.685.112
H- Deferred Income and Expense Accruals	19	110.500	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income	19	110.500	-
I- Other Long Term Liabilities	21	27.239.279	10.848.500
1- Deferred Tax Liability	21	27.239.279	10.848.500
2- Other Long Term Liabilities		-	-
IV- Total Long Term Liabilities		307.790.548	219.737.488

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

Millî Reasürans Türk Anonim Şirketi

Consolidated Balance Sheet
As of December 31, 2017

(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 December 31, 2017	Audited-Restated Prior Period December 31, 2016
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 Inflation Adjustment on Capital		-	-
4- Negative Inflation Adjustment on Capital (-)		-	-
5- Unregistered Capital		-	-
B- Capital Reserves	15	129.183.348	137.993.463
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital		23.723.323	23.723.323
4- Translation Reserves	15	(28.441.170)	(26.027.092)
5- Other Capital Reserves	15	133.901.195	140.297.232
C- Profit Reserves		303.156.167	165.559.918
1- Legal Reserves	15	104.543.229	90.232.526
2- Statutory Reserves	15	14.966.872	10.220.997
3- Extraordinary Reserves	15	179.927.446	81.426.632
4- Special Funds (Reserves)		-	-
5- Revaluation of Financial Assets	11,15	52.911.805	31.358.139
6- Other Profit Reserves	15	21.866.864	23.381.673
7- Subsidiary Capital Correction	15	(71.060.049)	(71.060.049)
D- Previous Years' Profits		295.707.526	267.203.763
1- Previous Years' Profits		295.707.526	267.203.763
E- Previous Years' Losses (-)		-	-
1- Previous Years' Losses		-	-
F- Net Profit of the Period		189.520.109	196.283.268
1- Net Profit of the Period		189.520.109	196.274.618
2- Net Loss of the Period (-)		-	-
3- Net Income not subject to distribution		-	8.650
G- Minority Shares		487.082.315	416.992.280
Total Shareholders' Equity		2.064.649.465	1.844.032.692
Total Liabilities and Shareholders' Equity		9.042.311.338	7.946.763.026

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Income
For the Year Ended December 31, 2017

(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 January 1- December 31, 2017	Audited-Restated Prior Period January 1- December 31, 2016
A- Non-Life Technical Income		4.978.734.613	4.624.123.461
1- Earned Premiums (Net of Reinsurer Share)		4.180.416.012	4.012.230.016
1.1 - Written Premiums (Net of Reinsurer Share)	17	4.222.586.079	4.277.940.082
1.1.1 - Gross Written Premiums (+)	17	5.628.119.053	5.304.350.878
1.1.2 - Ceded Premiums to Reinsurers (-)	10,17	(1.296.301.601)	(875.616.791)
1.1.3 - Ceded Premiums to SSI (-)	17	(109.231.373)	(150.794.005)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	17,29	(17.775.925)	(288.500.376)
1.2.1 - Unearned Premiums Reserve (-)	17	(203.314.435)	(365.034.325)
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	10,17	201.780.496	56.450.295
1.2.3 - SSI of Unearned Premiums Reserve (+)		(16.241.986)	20.083.654
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	17	(24.394.142)	22.790.310
1.3.1 - Unexpired Risks Reserve (-)	17	(44.717.443)	31.430.693
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)	10,17	20.323.301	(8.640.383)
2- Investment Income Transferred from Non-Technical Part		698.707.059	528.362.786
3- Other Technical Income (Net of Reinsurer Share)		58.869.585	52.151.853
3.1 - Gross Other Technical Income (+)		58.865.675	52.152.151
3.2 - Reinsurance Share of Other Technical Income (-)		3.910	(298)
4- Accrued Subrogation and Salvage Income (+)		40.741.957	31.378.806
B- Non-Life Technical Expense (-)		(4.636.804.108)	(4.388.689.646)
1- Total Claims (Net of Reinsurer Share)		(3.380.543.580)	(3.176.559.936)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(2.741.342.291)	(2.418.397.262)
1.1.1 - Gross Claims Paid (-)	17	(3.294.941.135)	(2.728.766.418)
1.1.2 - Reinsurance Share of Claims Paid (+)	10,17	553.598.844	310.369.156
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17,29	(639.201.289)	(758.162.674)
1.2.1 - Outstanding Claims Reserve (-)	17	(790.963.561)	(763.503.693)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	10,17	151.762.272	5.341.019
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 - Bonus and Discount Reserve (-)		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(57.055.818)	(49.076.229)
4- Operating Expenses (-)	32	(1.080.593.212)	(1.049.421.699)
5- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	255.578
5.1- Mathematical Reserves (-)		-	255.578
5.2- Reinsurance Share of Mathematical Reserves (+)		-	-
6.- Other Technical Expenses (-)		(118.611.498)	(113.887.360)
6.1.- Gross Other Technical Expenses (-)		(121.529.377)	(113.887.360)
6.2.- Reinsurance Share of Other Technical Expenses (+)		2.917.879	-
C- Non Life Technical Net Profit (A-B)		341.930.505	235.433.815
D- Life Technical Income		18.732.233	19.687.077
1- Earned Premiums (Net of Reinsurer Share)		16.242.726	17.549.152
1.1 - Written Premiums (Net of Reinsurer Share)	17	14.582.105	18.124.443
1.1.1 - Gross Written Premiums (+)	17	15.929.503	19.210.055
1.1.2 - Ceded Premiums to Reinsurers (-)	10,17	(1.347.398)	(1.085.612)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	17,29	1.660.621	(575.291)
1.2.1- Unearned Premium Reserves (-)	17	1.610.673	(502.515)
1.2.2- Unearned Premium Reserves Reinsurer Share (+)	10,17	49.948	(72.776)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		-	-
1.3.1- Unexpired Risks Reserves (-)		-	-
1.3.2- Unexpired Risks Reserves Reinsurer Share (+)		-	-
2- Life Branch Investment Income		2.393.978	2.049.914
3- Unrealized Income from Investments		-	-
4- Other Technical Income (Net of Reinsurer Share) (+/-)		95.529	88.011
4.1- Gross Other Technical Income (+/-)		99.116	185.899
4.2- Reinsurance Share of Other Technical Income (+/-)		(3.587)	(97.888)
5- Accrued Subrogation and Salvage Income (+)		-	-

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Income
For the Year Ended December 31, 2017

(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 January 1- December 31, 2017	Audited-Restated Prior Period January 1- December 31, 2016
E-	Life Technical Expense		(19.687.047)	(21.187.012)
1-	Total Claims (Net of Reinsurer Share)		(14.784.249)	(10.454.943)
1.1-	Claims Paid (Net of Reinsurer Share)	17,29	(14.424.544)	(8.006.413)
1.1.1-	Gross Claims Paid (-)	17	(15.010.303)	(8.664.622)
1.1.2-	Claims Paid Reinsurer Share (+)	10,17	585.759	658.209
1.2-	Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17,29	(359.705)	(2.448.530)
1.2.1 -	Outstanding Claims Reserve (-)	17	(922.579)	(2.730.793)
1.2.2 -	Reinsurance Share of Outstanding Claims Reserve (+)	10,17	562.874	282.263
2-	Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 -	Bonus and Discount Reserve (-)		-	-
2.2 -	Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3-	Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	49.048	71.202
3.1-	Mathematical Reserves (-)	29	49.048	71.202
3.1.1-	Actuarial Mathematical Reserve (-)		49.048	71.202
3.1.2-	Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
3.2-	Reinsurer Share of Mathematical Reserves (+)		-	-
3.2.1-	Reinsurance Share of Actuarial Mathematical Reserve (+)		-	-
3.2.2-	Reinsurance Share of Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
4-	Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(178.889)	(583.585)
5-	Operating Expenses (-)	32	(4.772.957)	(10.219.686)
6-	Investment Expenses (-)		-	-
7-	Unrealized Losses from Investments (-)		-	-
8-	Investment Income Transferred to Non- Technical Part (-)		-	-
F-	Life Technical Profit (D-E)		(954.814)	(1.499.935)
G-	Individual Retirement Technical Income		-	-
1-	Fund Management Fee		-	-
2-	Management Fee Deduction		-	-
3-	Initial Contribution Fee		-	-
4-	Management Fee In Case Of Temporary Suspension		-	-
5-	Witholding tax		-	-
6-	Increase in Market Value of Capital Commitment Advances		-	-
7-	Other Technical Income		-	-
H-	Individual Retirement Technical Expense		-	-
1-	Fund Management Expenses (-)		-	-
2-	Decrease in Market Value of Capital Commitment Advances (-)		-	-
3-	Operating Expenses (-)		-	-
4-	Other Technical Expense (-)		-	-
I-	Individual Retirement Technical Profit (G-H)		-	-

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Income
For the Year Ended December 31, 2017

(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 January 1- December 31. 2017	Audited-Restated Prior Period January 1- December 31. 2016
C- Net Technical Income - Non-Life (A-B)		341.930.505	235.433.815
F- Net Technical Income - Life (D-E)		(954.814)	(1.499.935)
I - Net Technical Income - Pension Business (G-H)		-	-
J- Total Net Technical Income (C+F+I)		340.975.691	233.933.880
K- Investment Income		1.136.476.415	763.869.487
1- Income From Financial Investment	4.2	366.403.590	370.164.896
2- Income from Sales of Financial Investments	4.2	49.294.001	33.059.353
3- Revaluation of Financial Investments	4.2	53.431.892	51.967.175
4- Foreign Exchange Gains	4.2	472.065.152	184.579.297
5- Income from Affiliates	4.2	47.584.280	40.163.943
6- Income from Subsidiaries and Joint Ventures	4.2	4.544	3.251
7- Income Received from Land and Building	7	57.319.827	79.387.860
8- Income from Derivatives	4.2	90.116.129	4.432.112
9- Other Investments		257.000	111.600
10- Investment Income transferred from Life Technical Part		-	-
L- Investment Expense		(1.071.281.739)	(680.499.653)
1- Investment Management Expenses (including interest) (-)	4.2	(1.231.961)	(4.630.870)
2- Valuation Allowance of Investments (-)	4.2	(1.118.002)	(1.643.638)
3- Losses On Sales of Investments (-)	4.2	(17.134.520)	(17.234.556)
4- Investment Income Transferred to Non-Life Technical Part (-)		(698.707.059)	(528.362.786)
5- Losses from Derivatives (-)	4.2	(179.274.294)	(3.616.449)
6- Foreign Exchange Losses (-)	4.2	(134.071.983)	(88.324.565)
7- Depreciation Expenses (-)	6.8	(30.088.247)	(28.732.695)
8- Other Investment Expenses (-)		(9.655.673)	(7.954.094)
M- Income and Expenses From Other and Extraordinary Operations		(35.073.584)	(50.550.339)
1- Provisions Account (+/-)	47	(43.838.199)	(49.002.399)
2- Discount account (+/-)	47	(12.174.788)	1.042.702
3- Mandatory Earthquake Insurance Account (+/-)		-	-
4- Inflation Adjustment Account (+/-)		-	-
5- Deferred Tax Asset Accounts(+/-)	35	18.150.973	-
6- Deferred Tax Expense Accounts (-)	35	-	(4.646.599)
7- Other Income and Revenues		3.271.280	3.862.489
8- Other Expense and Losses (-)		(482.850)	(1.806.532)
9- Prior Period Income		-	-
10- Prior Period Losses (-)		-	-
N- Net Profit for the Year		274.328.870	239.877.718
1- Profit/(Loss) Before Tax		371.096.783	266.753.375
2- Corporate Tax Liability Provision (-)	35	(96.767.913)	(26.875.657)
3- Net Profit (Loss)		274.328.870	239.877.718
3.1-Groups Profit/(Loss)		189.520.109	196.283.268
3.2-Minority Shares		84.808.761	43.594.450
4- Monetary Gains and Losses		-	-

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Changes in Equity
For the Year Ended December 31, 2017

(Currency: Turkish Lira (TL))

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

Audited-Restated Changes in Equity - December 31, 2016

	Note	Paid-in capital	Equity Share Owned by Company	Revaluation of financial assets	Inflation Adjustment on Capital	Currency translation reserves
I - Balance at the end of the previous year - December 31, 2015	15	660.000.000	-	28.234.178	-	(19.573.401)
II - Change in Accounting Standards		-	-	-	-	-
III - Restated balances (I+II) - January 1, 2016		660.000.000	-	28.234.178	-	(19.573.401)
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	15	-	-	3.123.961	-	-
F - Currency translation adjustments		-	-	-	-	(6.453.691)
G - Other gains or losses		-	-	-	-	-
H - Inflation adjustment differences		-	-	-	-	-
I - Net profit for the year		-	-	-	-	-
J - Other reserves and transfers from retained earnings	38	-	-	-	-	-
K - Dividends paid	38	-	-	-	-	-
IV- Balance at the end of the year- December 31, 2016	15	660.000.000	-	31.358.139	-	(26.027.092)

Audited Changes in Equity - December 31, 2017

	Note	Paid-in capital	Equity Share Owned by Company	Revaluation of financial assets	Inflation Adjustment on Capital	Currency translation reserves
I - Balance at the end of the previous year - December 31, 2016	15	660.000.000	-	31.358.139	-	(26.027.092)
II - Change in Accounting Standards		-	-	-	-	-
III - Restated balances (I+II) - January 1, 2017		660.000.000	-	31.358.139	-	(26.027.092)
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	15	-	-	21.553.666	-	-
F - Currency translation adjustments		-	-	-	-	(2.414.078)
G - Other gains or losses		-	-	-	-	-
H - Inflation adjustment differences		-	-	-	-	-
I - Net profit for the year		-	-	-	-	-
J - Other reserves and transfers from retained earnings	38	-	-	-	-	-
K - Dividends paid	38	-	-	-	-	-
IV- Balance at the end of the year- December 31, 2017	15	660.000.000	-	52.911.805	-	(28.441.170)

Legal reserves	Statutory Reserves	Other reserves and retained earnings	Net profit/ (Loss) for the year	Retained earnings	Total equity before minority shares	Minority share	Total
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
-	-	-	1.809.722	67.456.224	69.265.946	-	69.265.946
80.567.006	6.759.148	125.163.147	158.032.489	263.329.779	1.302.512.346	371.795.991	1.674.308.337
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(27.166.000)	-	-	(27.166.000)	-	(27.166.000)
-	-	843.778	-	-	843.778	-	843.778
-	-	-	-	-	3.123.961	1.601.839	4.725.800
-	-	-	-	-	(6.453.691)	-	(6.453.691)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	196.283.268	-	196.283.268	43.594.450	239.877.718
9.665.520	3.461.849	98.927.886	(115.224.759)	3.873.984	704.480	-	704.480
-	-	-	(42.807.730)	-	(42.807.730)	-	(42.807.730)
90.232.526	10.220.997	197.768.811	196.283.268	267.203.763	1.427.040.412	416.992.280	1.844.032.692

Legal reserves	Statutory Reserves	Other reserves and retained earnings	Net profit/ (Loss) for the year	Retained earnings	Total equity before minority shares	Minority share	Total
90.232.526	10.220.997	197.768.811	181.244.361	197.937.817	1.342.735.559	416.992.280	1.759.727.839
-	-	-	15.038.907	69.265.946	84.304.853	-	84.304.853
90.232.526	10.220.997	197.768.811	196.283.268	267.203.763	1.427.040.412	416.992.280	1.844.032.692
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(8.000.764)	-	-	(8.000.764)	-	(8.000.764)
-	-	98.584	-	-	21.652.250	119.598	21.771.848
-	-	-	-	-	(2.414.078)	-	(2.414.078)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	189.520.109	-	189.520.109	84.808.761	274.328.870
14.310.703	4.745.875	98.492.148	(146.283.268)	28.503.763	(230.779)	-	(230.779)
-	-	-	(50.000.000)	-	(50.000.000)	(14.838.324)	(64.838.324)
104.543.229	14.966.872	288.358.779	189.520.109	295.707.526	1.577.567.150	487.082.315	2.064.649.465

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2017

(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 December 31. 2017	Audited Prior Period December 31. 2016
A.	CASH FLOWS FROM THE OPERATING ACTIVITIES			
1.	Cash inflows from the insurance operations		5.164.303.853	4.963.098.172
2.	Cash inflows from the reinsurance operations		1.216.258.445	844.811.957
3.	Cash inflows from the pension operations		-	-
4.	Cash outflows due to the insurance operations (-)		(5.104.249.941)	(4.769.080.059)
5.	Cash outflows due to the reinsurance operations (-)		(890.576.172)	(212.748.356)
6.	Cash outflows due to the pension operations (-)		-	-
7.	Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		385.736.185	826.081.714
8.	Interest payments (-)		-	-
9.	Income tax payments (-)		(69.496.299)	(531.339)
10.	Other cash inflows		1.208.846.984	1.313.756.953
11.	Other cash outflows (-)		(1.285.537.090)	(1.496.564.413)
12.	Net cash generated from the operating activities		239.549.780	642.742.915
B.	CASH FLOWS FROM THE INVESTING ACTIVITIES		-	
1.	Sale of tangible assets		611.469	8.424.794
2.	Purchase of tangible assets (-)	6, 8	(41.358.935)	(42.245.758)
3.	Acquisition of financial assets (-)	11	(1.396.845.131)	(1.284.787.847)
4.	Sale of financial assets	11	1.124.217.952	1.403.536.295
5.	Interest received		476.296.946	63.883.362
6.	Dividends received		7.327.798	5.178.576
7.	Other cash inflows		390.215.670	200.230.723
8.	Other cash outflows (-)		(335.951.255)	(156.293.766)
9.	Net cash generated from the investing activities		224.514.514	197.926.379
C.	CASH FLOWS FROM THE FINANCING ACTIVITIES		-	
1.	Issue of equity shares		-	-
2.	Cash inflows from the loans to policyholders		-	-
3.	Payments of financial leases (-)		-	-
4.	Dividend paid (-)		(64.822.707)	(45.197.943)
5.	Other cash inflows		-	-
6.	Other cash outflows (-)		(17.820.655)	(214.584.486)
7.	Cash generated from the financing activities		(82.643.362)	(259.782.429)
D.	EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS		16.571.266	2.029.215
E.	Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		397.992.198	582.916.080
F.	Cash and cash equivalents at the beginning of the period	14	2.886.535.615	2.303.619.535
G.	Cash and cash equivalents at the end of the period (E+F)	14	3.284.527.813	2.886.535.615

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

Millî Reasürans Türk Anonim Şirketi

Consolidated Statement of Profit Distribution For the Year Ended December 31, 2017

(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 December 31, 2017 (*)	Audited Prior Period December 31, 2016
I.	PROFIT DISTRIBUTION			
1.1.	CURRENT YEAR PROFIT (*)		150.503.442	135.640.914
1.2.	TAX AND FUNDS PAYABLE	35	(44.131.400)	(3.558.844)
	1.2.1. Corporate Income Tax(Income Tax)	35	(44.131.400)	(3.558.844)
	1.2.2. Income tax deduction		-	-
	1.2.3. Other taxes and Duties		-	-
A.	NET PROFIT(1.1 - 1.2)		106.372.042	132.082.070
1.3.	PREVIOUS PERIOD LOSSES (-)		-	-
	1.4. FIRST LEGAL RESERVE		(5.318.602)	(6.604.104)
	1.5. STATUTORY FUND (-)		-	-
B.	NET PROFIT DISTRIBUTION [(A-(1.3 + 1.4 + 1.5)]		101.053.440	125.477.966
1.6.	FIRST DIVIDEND TO SHAREHOLDERS (-)		-	(12.547.797)
	1.6.1. Holders of shares		-	(12.547.797)
	1.6.2. Holders of Preferred shares		-	-
	1.6.3. Holders of Redeemed shares		-	-
	1.6.4. Holders of Participation Bond		-	-
	1.6.5. Holders of Profıt and Loss sharing certificate		-	-
1.7.	DIVIDEND TO PERSONNEL (-)		-	(2.915.128)
1.8.	DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9.	SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
	1.9.1. Holders of shares		-	(37.452.203)
	1.9.2. Holders of Preferred shares		-	(37.452.203)
	1.9.3. Holders of Redeemed shares		-	-
	1.9.4. Holders of Participation Bond		-	-
	1.9.5. Holders of Profıt and Loss sharing certificate		-	-
1.10.	SECOND LEGAL RESERVE (-)		-	-
1.11.	STATUTORY RESERVES (-)		-	(1.991.513)
1.12.	EXTRAORDINARY RESERVES		-	-
1.13.	OTHER RESERVES		-	(70.571.325)
1.14.	SPECIAL FUNDS		-	-
II.	DISTRIBUTION OF RESERVES		-	-
2.1.	DISTRIBUTION OF RESERVES		-	-
2.2.	SECOND LEGAL RESERVES (-)		-	-
2.3.	COMMON SHARES (-)		-	-
	2.3.1. Holders of shares		-	-
	2.3.2. Holders of Preferred shares		-	-
	2.3.3. Holders of Redeemed shares		-	-
	2.3.4. Holders of Participation Bond		-	-
	2.3.5. Holders of Profıt and Loss sharing certificate		-	-
2.4.	DIVIDENDS TO PERSONNEL (-)		-	-
2.5.	DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III.	PROFIT PER SHARE		-	-
3.1.	HOLDERS OF SHARES		-	132.082.070
3.2.	HOLDERS OF SHARES (%)		-	20,0124
3.3.	HOLDERS OF PREFERRED SHARES		-	-
3.4.	HOLDERS OF PREFERRED SHARES (%)		-	-
IV.	DIVIDEND PER SHARE		-	-
4.1.	HOLDERS OF SHARES		-	50.000.000
4.2.	HOLDERS OF SHARES (%)		-	7,5758
4.3.	HOLDERS OF PREFERRED SHARES		-	-
4.4.	HOLDERS OF PREFERRED SHARES (%)		-	-

(*) Since the profit distribution proposal for the year 2017 has not prepared by the Board of Directors, profit distribution table has not been filled yet.

(**) Reserve for personnel dividend amounting to TL 2.660.209 that recognized according to TAS 19 is included in period profit as of December 31, 2017

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

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As of December 31, 2017

(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

As of December 31, 2017, the shareholder having direct or indirect control over the shares of Millî Reasürans Türk Anonim Şirketi (the "Company") is Türkiye İş Bankası AŞ Group ("İş Bankası") having 76,64% of the outstanding shares.

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

On September 30, 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 December 31, 2017 include the Company and its subsidiary Anadolu Sigorta (together with "the Group").

1.2 The Company's address and legal structure and address of its registered country and registered office (or, if the Company's address is different from its registered office, the original location where the Company's actual operations are performed)

The Company was registered in Turkey in July 16, 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 Main operations 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 Casualty, health, Land Vehicles, aircraft, ships, marine, Fire and Natural Disasters, general losses, credits, financial losses, and legal protection. As at December 31, 2017, the Company serves through 2.314 agencies of which 2.215 authorized and 99 unauthorized agencies. (December 31, 2016: 2.458 authorized 98 unauthorized total 2.556 agencies).

1.4 Details of the Company's operations and nature of field of activities

The Company and its subsidiary Anadolu Sigorta conduct their operations in accordance with the Insurance Law No. 5684 (the "Insurance Law") issued in June 14, 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.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As of December 31, 2017

(Currency: Turkish Lira (TL))

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

1.5 Average number of the Company's personnel based on their categories

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

	December 31, 2017	December 31, 2016
Top executive	13	12
Managers	71	67
Assistant managers	171	163
Contracted personnel	6	6
Advisors	2	3
Specialist/Senior/Other personnel	1.153	1.121
Total	1.416	1.372

1.6 Remuneration and similar benefits provided to top management

For the year ended December 31, 2017, wages and similar benefits provided to the top management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers is amounting to TL 13.250.296. (December 31, 2016: TL 12.179.938).

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 January 4, 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 March 6, 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", net 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 December 31 2017, 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 AŞ ("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 December 31, 2017.

Anadolu Sigorta as a subsidiary company of the Group, is operating in almost all of the none-life insurance branches composed of Casualty, health, general losses, Land Vehicles' liability, aircraft liability, general liability, credits, financial losses and legal protection.

The activities of Anadolu Hayat involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and related personal Casualty 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.

Millî Reasürans Türk Anonim Şirketi

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(Currency: Turkish Lira (TL))
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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

None.

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 Anadolu Sigorta and Anadolu Hayat, subsidiaries of the Company, complies with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting. Therefore, the Group 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 April 18, 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 related 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 of December 31, 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 April 4, 2005 and numbered 19387, consolidated financial statements as of December 31, 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 January 15, 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 December 31, 2017, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded before January 1, 2005 are measured as restated to December 31, 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 January 1, 2005 are measured at their nominal values.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As of December 31, 2017

(Currency: Turkish Lira (TL))
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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 December 31, 2016 and nine-month results as at and for the period ended September 30, 2017 and accordingly related balance sheet balances as of December 31, 2017 do not reflect the actual position. According to the letter dated August 31, 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 reporting 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 December 31, 2004, except for the financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments, self-used buildings and investment properties recorded in tangible assets 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 August 2, 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 August 12, 2011 sent by the Turkish Treasury to the Company, prospective application as at June 30, 2011 effective from January 1, 2011 is allowed since retrospective application is impossible. Accordingly, financial statements prepared as of December 31, 2016, 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 January 1, 2016 - December 31, 2016. The same ratio is used for unproportioned reinsurance treaties in accordance with the Communiqué released on July 28, 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 January 12, 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 of December 31, 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, outstanding claims reserve 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.

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

Turkish Treasury has given permission the Company in order to calculate IBNR reserve for General Damages within two sub branches with the letter dated January 28, 2013 and numbered 24179134. As at December 31, 2017, the Company recognised the amount that arose due to change in calculation method for IBNR on General Damages branch.

Critical accounting judgements used in applying the Company's accounting policies are explained in

3 - *Significant accounting estimates and requirements.*

Effects of restatements according to the Circular 2017/7 announced by the T.C. Prime Ministry Undersecretariat of the Treasury are as follows

With the Circular 2017/7 announced by the Undersecretariat of Treasury regarding "the discount of net cash flow from outstanding claim files". Since the discount of "Land Vehicle Liability" and "General Liability" branches has become compulsory, according to the Article 1 of the circular, this is considered as a change of accounting policies and financial statements have been retrospectively restated. Companies are able to discount net cash flow from outstanding claim files according to the methods outlined by the circular.

The effects of the changes were made retrospectively are shown below:

Restatement of detailed the balance sheet as of December 31, 2016:

Detailed Balance Sheet	Previously Reported	Restated	Effect
	December 31, 2016	December 31, 2016	
II- Non-Current Assets	849.909.045	839.681.331	(10.227.714)
H- Other Non-Current Assets	10.227.714	-	(10.227.714)
5- Deferred Tax Assets	10.227.714	-	(10.227.714)
III- Short-Term Liabilities	5.988.373.913	5.882.992.846	105.381.068
E-Insurance Technical Reserves	5.154.029.795	5.048.648.727	105.381.068
2- Unexpired Risk Reserves- Net	12.888.197	5.051.590	7.836.607
4- Outstanding Claims Reserve - Net	3.005.627.300	2.908.082.839	97.544.461
IV- Long-Term Liabilities	208.888.988	219.737.488	(10.848.500)
I - Other Long Term Liabilities	-	10.848.500	(10.848.500)
1- Deferred Tax Liabilities	-	10.848.500	(10.848.500)
V- Equity	1.759.727.839	1.844.032.692	(84.304.853)
E- Previous Years' Profits	197.937.817	267.203.763	(69.265.946)
1- Previous Years' Profits	197.937.817	267.203.763	(69.265.946)
F-Net Profit for the Year	181.244.361	196.283.268	(15.038.907)
1- Net Profit of the Period	181.235.711	196.274.618	(15.038.907)

Millî Reasürans Türk Anonim Şirketi

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Restatements of the detailed income statement as of January 1 to December 31, 2016:

Detailed Income Statement	Previously Reported	Restated	Effects
	January 1 - December 31, 2016	January 1 - December 31, 2016	
A- Non-Life Technical Income	4.621.127.210	4.624.123.461	(2.996.251)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	19.794.059	22.790.310	(2.996.251)
1.3.1 - Unexpired Risks Reserve (-)	28.490.590	31.430.693	(2.940.103)
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)	(8.696.531)	(8.640.383)	(56.148)
B- Non-Life Technical Expense	(4.404.492.029)	(4.388.689.646)	(15.802.383)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(773.965.057)	(758.162.674)	(15.802.383)
1.2.1 - Outstanding Claims Reserve (-)	(779.788.377)	(763.503.693)	(16.284.684)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	5.823.320	5.341.019	482.301
C- Net Technical Income-Non-Life (A - B)	216.635.181	235.433.815	(18.798.634)
J- Total Net Technical Income (C+F+I)	215.135.246	233.933.880	(18.798.634)
M- Income and Expenses From Other and Extraordinary Operations	(46.790.612)	(50.550.339)	3.759.727
6- Deferred Tax Expense Accounts (-)	(886.872)	(4.646.599)	3.759.727
N- Net Profit for the Year	224.838.811	239.877.718	(15.038.907)
1- Profit Before Tax	251.714.468	266.753.375	(15.038.907)
3- Net Profit for the Year	224.838.811	239.877.718	(15.038.907)

Restatement of the detailed balance sheet as of January 01, 2016:

Detailed Balance Sheet	Previously Reported	Restated	Effects
	January 01, 2016	January 01, 2016	
II- Non-Current Assets	756.869.648	742.920.689	(13.948.959)
H- Other Non-Current Assets	13.948.959	-	(13.948.959)
5- Deferred Tax Assets	13.948.959	-	(13.948.959)
III- Short-Term Liabilities	4.958.872.649	4.872.290.216	86.582.433
E-Insurance Technical Reserves	4.108.661.380	4.022.078.947	86.582.433
2- Unexpired Risk Reserves- Net	32.682.256	27.841.900	4.840.356
4- Outstanding Claims Reserve - Net	2.229.213.713	2.147.471.636	81.742.077
IV- Long-Term Liabilities	155.274.890	158.642.418	(3.367.528)
I - Other Long Term Liabilities	-	3.367.528	(3.367.528)
1- Deferred Tax Liabilities	-	3.367.528	(3.367.528)
V- Equity	1.605.042.391	1.674.308.337	(69.265.946)
E- Previous Years' Profit	352.096.322	421.362.268	(69.265.946)
1- Previous Years' Profit	352.096.322	421.362.268	(69.265.946)

Millî Reasürans Türk Anonim Şirketi

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(Currency: Turkish Lira (TL))
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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.

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
December 31, 2017	Anadolu Sigorta (consolidated)	%57,31	%57,31	6.529.419.178	1.136.126.006	75.051.095	201.514.988
December 31, 2016	Anadolu Sigorta (consolidated)	%57,31	%57,31	5.720.082.152	969.089.194	70.926.240	102.118.697

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 December 31, 2017 and 2016.

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 of December 31, 2017 and 2016, 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.

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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 "valuation of financial assets" in equity.

2.5 Tangible assets

Except buildings for own use, tangible assets are recorded at their historical costs that have been adjusted according to the inflation rates until the end of December 31, 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 December 31, 2004. Tangible assets that have been purchased after January 1, 2005 have been recorded at their costs excluding their exchange rate differences and finance expenses less impairment losses if any.

The company has started to show based on the revaluation model by measuring over fair value as of the third quarter of the 2015 year by making changes in the use of the property which is measuring the cost model in the financial statements before.

Buildings for own use are recognized by fair value that are determined in valuations made by independent valuation experts who have professional competency by reducing their values accumulated depreciation. Accumulated depreciation at the date of revaluation is deducted from gross book value and net amount is brought to values after revaluation.

Increase arising from the revaluation of buildings for own use are presented under the other capital reserves in the equity excluding tax. As a result of property based evaluation, value decreases that correspond the previous period value increases are deducted from related fund; other decreases are recognized in income statement.

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 life. Tangible assets are depreciated on a straight-line basis over their estimated useful lives (3-15 years) over the cost of the asset or 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.

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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 at cost.

Depreciation rates and estimated useful lives are as follows

Tangible assets	Estimated useful lives (years)	Depreciation rates (%)
Buildings for own use	50	2.0
Machinery and equipment	3 - 16	6.7 - 33.3
Vehicles	5	20.0
Other tangible assets (includes leasehold improvements)	5 - 10	10.0 - 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.

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, goodwill and advances on intangible assets.

Intangible assets are recorded at cost in compliance with the "TAS 38 - Accounting for intangible assets". The cost of the intangible assets purchased before December 31, 2004 are restated from the purchasing dates to December 31, 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. as of August 31, 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.

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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 consolidated 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.

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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 uncollectability. 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.

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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.

2.13 Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group. As of December 31, 2017 and 2016, the share capital and ownership structure of the Company are as follows:

	December 31, 2017		December 31, 2016	
Name	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Türkiye İş Bankası AŞ	505.810.925	76,64	505.810.925	76,64
Millî Reasürans TAŞ Mensupları Yardımlaşma Sandığı Vakfı	69.604.854	10,55	69.604.854	10,55
Groupama Emeklilik AŞ	38.809.894	5,88	38.809.894	5,88
Ankara Doğal Elektrik Üretim ve Ticaret A.Ş.	22.240.456	3,37	22.240.456	3,37
T.C. Ziraat Bankası AŞ	16.430.944	2,49	16.430.944	2,49
Other	7.102.927	1,07	7.102.927	1,07
Paid Capital	660.000.000	100,00	660.000.000	100,00

Sources of capital increases during the period

The company has not performed capital increase as of December 31, 2017 (December 31, 2016: 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.

As a result of the Extraordinary General Assembly Meeting of the Company held on June 27, 2016, acquisition of total amount of the Founding Shares by Millî Reasürans T.A.Ş. with the cost amounting to TL 27.166.000 determined in the Expert Review Report approved by the Istanbul 6th Court of Peace is unanimously decided. Abolition and extinguishment of Founding Shares acquired by the Company and absorbing acquisition cost from extraordinary reserves is decided in the Extraordinary General Meeting of the Company held on November 30, 2016.

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.

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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 discretionary participation feature

As of the reporting date, the Group does not have any insurance contracts and investment contracts without discretionary participation feature.

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%.(However, according to the Provisional Article 10 added to the Corporate Tax Law, the corporate tax rate of 20% is calculated as 22% for the corporate earnings for the fiscal periods starting in the related year for the institutions whose special accounting periods are assigned to the taxation periods of 2018, 2019 and 2020 will be implemented. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

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

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

In 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.

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

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot be retrospectively offset against the profits of previous years.

In case where gains/losses resulting from the revaluation 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.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from January 1, 2018, 22% tax rate is used in the deferred tax calculation of December 31, 2017 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

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 November 18, 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 "Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı ("Milli 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 May 8, 2008 . Decree of the Council of Ministers about two years extending transfer duration, was published in the Official Gazette on April 9, 2011. Based on this, expiration date has been extended to May 8, 2013 from the expiration date on 8 May 2011. On March 8, 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 May 3, 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.

Employees of the Company are the members of "Milli Reasürans Türk Anonim Şirketi Memurları Emekli ve Sağlık Sandığı ("Milli 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 May 8, 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 April 9, 2011. Accordingly, the three-year period expired on May 8, 2011 was extended to May 8, 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 April 23, 2015 dated Official Gazette is changed as following.

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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) sub clause 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 9.8% 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 of December 31, 2017 is TL 4.732 (December 31, 2016: TL 4.297).

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 of December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Discount rate	%4,21-4,25	%4,25-4,61
Expected rate of salary/limit increase	%6,00-7,00	%6,00-5,83
Estimated employee turnover rate	%2,00-3,27	%2,00-3,22

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.

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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 reserve 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 reserve are off-set against these reserves..

Subrogation, salvage and quasi income

According to the Circular 2010/13 dated September 20, 2010; the Company may account for income accrual for subrogation receivables without any voucher after the completion of the claim payments made to the insurer. If the amount cannot be collected from the counterparty insurance company, the Company provides provision for uncollected amounts due for six months. If the counter party is not an insurance Company, the provision is provided after four months. As at the reporting date, in accordance with the related circular the Company provided TL 47.325.075 (December 31, 2016: TL 43.739.284) subrogation receivables and recorded TL 50.653.264 (December 31, 2016: TL 47.016.782) (Note 12) net subrogation and salvage receivables under receivables from main operations. The Company provided allowance for uncollected subrogation receivables amounting to TL 8.337.019 (December 31, 2016: TL 8.836.586) (Note 12) in accordance with circular.

For the years ended December 31, 2017 and 2016, salvage and subrogation collected are as follows:

	December 31, 2017	December 31, 2016
Land Vehicles	375.105.975	341.775.724
Land Vehicles Liability	13.422.397	10.694.282
Fire and Natural Disasters	4.521.486	3.961.070
Marine	1.485.087	2.799.577
Sea Vehicles	1.004.392	10.222
General Liability	812.773	103.795
General Damages	307.007	313.114
Financial Losses	144.816	-
Casualty	28.880	21.706
Legal Protection	475	529
Credit	-	467.351
Air Vehicles	-	10.588
Total	396.833.288	360.157.958

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As of December 31, 2017 and December 31, 2016, accrued subrogation and salvage income per branches is as follows:

	December 31, 2017	December 31, 2016
Land Vehicles	37.076.373	37.302.823
Land Vehicles Liability	5.926.818	4.565.163
Fire and Natural Disasters	1.321.152	1.883.852
General Damages	1.657.069	490.114
Marine	2.991.999	2.688.121
Casualty	1.544.801	--
Sea Vehicles	122.868	78.448
General Liability	12.184	8.261
Total	50.653.264	47.016.782

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 January 1, 2008 and recognizing deferred commission income and deferred commission expense in the financial statements for the policies produced after January 1, 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

It is decided in Ordinary General Assembly Meeting of the Company, held on March 28, 2017, to make a cash dividend payment of TL 50.000.000 to shareholders and to allocate remaining balance as voluntary reserves from the net period income amounting to TL 129.243.232, obtained from 2016 activities of the Company, after the legal reserves are allocated. (December 31, 2016 : TL 42.807.730)

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2.24 Unearned premiums reserve

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 August 7, 2007 dated Official Gazette and put into effect starting from January 1, 2008, the reserve for unearned premiums represents the proportions of the gross written premiums 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;

- Unearned premium reserves 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 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.

Unearned premiums reserve is calculated for all insurance contracts except for the contracts for which the mathematical reserve is provided. Unearned premiums reserve 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 August 7, 2007 dated Official Gazette and put into effect starting from 1 January 2008, the reserve for unearned premiums represents the proportions of the gross written premiums 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.

Since the Communiqué on Technical Reserves was effective from January 1, 2008, the Turkish Treasury issued July 4, 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 June 14, 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 June 14, 2007, while the Company had not calculated reserve for unearned premiums for the earthquake premiums written before June 14, 2007.

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

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

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 July 28, 2010; there is no change in the calculation of reserve for unearned premiums for reinsurance companies.

As of the reporting date, the Group has provided unearned premiums reserve amounting to TL 2.761.900.572 (December 31, 2016: TL 2.560.196.809) and reinsurer share in unearned premiums reserve amounting TL 551.618.894 (December 31, 2016: TL 349.788.450). Furthermore, unearned premiums reserve includes Social Security Institution ("SSI") share amounting to TL 58.817.233 (December 31, 2016: TL 75.059.218).

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2.25 Outstanding claims reserves

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

December 5, 2014 dated "Circular regarding Outstanding Claims Reserve (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 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. Actuary of Anadolu Sigorta selects the correct factors for the actuarial analysis and to write back and to calculate the damage growth factors.

In the compulsory traffic branch the physical and bodily damages, and in the General Responsibility branch the employer's liability, medical injury compensation, professional liability and other liability branches are being analyzed separately.

Anadolu Sigorta uses %9 which is the latest statutory rate of interest in the Official Gazette for the discount process in accordance with "General Instructions Regarding The Cash Flow From Outstanding Claim Reserves And Their Discounts" numbered 2016/22 which regulates the processes involving the discount of cash flow from outstanding claims reserve.

Anadolu Sigorta has used the gradual transition curve which was published by the Undersecretariat of Treasury's "General Instructions Regarding to the Changes in the General Instructions Regarding Outstanding Claim Reserves (2014/16)" which was published in February 29th, 2016 with the number 2016/11. The company has used these gradual transition curve with 100% accuracy and has reflected the calculations on the official statements as of December 31, 2016 and has continued to use same method in the current period.

Anadolu Sigorta, according to Provisional Article 12 of the Regulation on the Amendment of the Regulation on Tariff Implementation Principles in the Compulsory Motor Insurance for Compulsory Liability for Land Vehicles, published in the Official Gazette dated July 11, 2017 and numbered 30121, the "Risk Insured Pool" has been established for those vehicle groups with high damage frequencies. In this context, the premiums and damages related to the traffic insurance policies issued within the scope of the pool starting on April 12, 2017 have started to be shared among insurance companies within the framework of the principles determined by the Undersecretariat of Turkish Motor Vehicle Office.

After the change in legislation, by the Turkish Motor Vehicles office (TMTB) within the scope of monthly declarations, accounting records were created on premiums, damages and commission amounts transferred the pool and transferred to the pool according to its share, and also accounting was made for the amounts for the period not yet communicated by the Turkish Motor Vehicles office.

Except for the life branch, outstanding claims reserves 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.

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The ACML methods selected for each branch is provided in the following section. The Group could not perform big claim elimination by Box Plox.

	December 31, 2017		December 31, 2016	
Branches	Milli Reasürans	Anadolu Sigorta	Milli Reasürans	Anadolu Sigorta
Fire and Natural Disasters	Standard Chain	Standard Chain	Standard Chain	Standard Chain
General Damages(*)	Standard Chain	Standard Chain	Standard Chain	Standard Chain
General Liability	Standard Chain	Cape Cod	Standard Chain	Cape Cod
Land Vehicles Liability	Standard Chain	Cape Cod	Standard Chain	Cape Cod
Marine	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Sea Vehicles	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Land Vehicles	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Casualty	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Health	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Air Vehicles	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Legal Protection	Standard Chain	Standard Chain	Standard Chain	Standard Chain
Sea Vehicles Liabilities	Sector Average (Insurance Association of Turkey 09/2017)	Standard Chain	Sector Average (Insurance Association of Turkey 09/2016)	-
Air Vehicles Liability	Sector Average (Insurance Association of Turkey 09/2017)	Standard Chain	Sector Average (Insurance Association of Turkey 09/2016)	Standard Chain
Fidelity Guarantees	Sector Average (Insurance Association of Turkey 09/2017)	-	Sector Average (Insurance Association of Turkey 09/2016)	-
Financial Losses	Sector Average (Insurance Association of Turkey 09/2017)	Standard Chain	Sector Average (Insurance Association of Turkey 09/2016)	Standard Chain
Credit	Sector Average (Insurance Association of Turkey 09/2017)	Standard Chain	Sector Average (Insurance Association of Turkey 09/2016)	Standard Chain
Life	Sector Average (Insurance Association of Turkey 09/2017)	-	Sector Average (Insurance Association of Turkey 09/2016)	-
Facultative Third Party Liability	-	Standard Chain	-	Standard Chain

(*) Two separate calculations have been made as agriculture and non agriculture sub branches. (Milli Reasürans T.A.Ş.).

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 ships, aircraft liability, Fidelity Guarantees, financial losses, credits 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 December 5, 2014 dated "Circular regarding Outstanding Claims Reserves (2014/16)" of Turkish Treasury, the Company constitutes data by taking base of acceptance year rather than Casualty 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.

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According to the letter dated January 12, 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 of December 31, 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, outstanding claims reserves 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 December 5, 2014 dated and 2014/16 numbered "Circular for Outstanding Claims Reserve" of Turkish Treasury, ACML calculation should be on main branch. However, as at December 31, 2012, the Company has calculated ACML reserve for General Losses main branch as two separate sub branches namely agriculture and non agriculture branches. Because, Agriculture and Engineering sub branches 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 January 17, 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Losses branch as agriculture and non agriculture sub branches separately. Turkish Treasury has given permission the Company in order to calculate IBNR reserve for General Losses within two sub branches with the letter dated January 28, 2013 and numbered 24179134. As of December 31, 2017, the Company recognised the amount that arose due to change in calculation method for IBNR on General Losses branch.

With the Circular 2017/7 announced by the Undersecretariat of Treasury regarding "the discount of net cash flow from outstanding claim files". Since the discount of "Land Vehicle Liability" and "General Liability" branches has become compulsory, according to the Article 1 of the circular, this is considered as a change of accounting policies and financial statements have been retrospectively restated. Companies are able to discount net cash flow from outstanding claim files according to the methods outlined by the circular.

As of 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 131.488.022 (31 December 2016: TL 49.181.395 negative IBNR) as outstanding claims reserves . As of the reporting date, TL 13.602.239 (31 December 2016: TL 19.924.049) of IBNR provision is recorded for Singapore branch.

In accordance with "Circular Related to Information on Calculation of Incurred But Not Reported Claims Reserve" and dated November 26, 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 outstanding claims reserves 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%-25% from the last five year data set and TL 182.575.898 (December 31, 2016: TL 170.861.245) as IBNR and TL 30.415.385 (December 31, 2016: TL 25.166.208) as reinsurer's share of IBNR is excluded from outstanding claims reserve balance.

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The calculated winning ratio of Anadolu Sigorta, the subsidiary of the Company as at 31 December 2017 is within 0%-100% range (December 31, 2016: 0%-100%). Winning ratios used in and amounts decreased from outstanding claims reserves are as follows:

December 31, 2017

Branch	Earnings Ratios Used	Gross Amount Decreased	Net Amount Decreased
General Liability	25%	74.714.664	65.998.305
Land Vehicles Liability (MTPL)	10%	62.120.743	61.236.662
Fire and Natural Disasters	25%	25.698.638	11.128.770
Land Vehicles	22%	8.048.030	7.958.337
General Damages	25%	4.214.820	1.646.063
Marine	25%	3.920.234	1.599.097
Casualty	21%	2.320.622	1.366.437
Sea Vehicles	25%	769.345	484.519
Credit	25%	726.931	726.931
Financial Losses	4%	38.485	12.006
Legal Protection	25%	3.386	3.386
Total		182.575.898	152.160.513

December 31, 2016

Branch	Earnings Ratios Used	Gross Amount Decreased	Net Amount Decreased
General Liability	25%	78.777.548	72.050.356
Land Vehicles Liability (MTPL)	11%	55.777.818	54.833.381
Fire and Natural Disasters	25%	21.068.122	9.042.415
General Damages	25%	5.382.650	1.422.206
Land Vehicles	22%	5.296.987	5.210.113
Casualty	25%	1.825.148	1.167.341
Marine	25%	1.308.549	851.196
Sea Vehicles	25%	708.020	422.494
Credit	25%	681.222	681.222
Financial Losses	3%	30.283	9.415
Legal Protection	25%	4.898	4.898
Total		170.861.245	145.695.037

2.26 Mathematical reserves

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 Casualty insurance contracts. Actuarial mathematical reserves, 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 reserves are recorded based on the data sent by ceding companies.

2.27 Unexpired risk reserves

In accordance with the Communiqué on Technical Reserves, while providing unearned premiums reserve, 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 unearned premiums reserve already provided. In performing this test, it is required to multiply the unearned premiums reserve, net with the expected claim/premium ratio. Expected claim/premium ratio is calculated by dividing incurred losses (outstanding claims reserve, net at the end of the period + claims paid, net -outstanding claims reserve, net at the beginning of the period) to earned premiums (written premiums, net + unearned premiums reserve, net at the beginning of the period -unearned premiums reserve, net at the end of the period).

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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 28356 dated 17 July 2012; besides the net unexpired risk reserves detailed in the above, gross unexpired risk reserve 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 unearned premiums reserve 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 impact of change in calculation method of outstanding claims reserves , outstanding claims reserves of the previous period is calculated by the new method and the amount calculated by the new method as outstanding claims reserves at the beginning of the period is used for calculation of reserve for unexpired risk.

Unexpired risks reserve is calculated on the basis of main branches, within the context of circular of Turkish Treasury, numbered 2012/15 and dated December 10, 2012.

According to the Circular numbered 2011/18, the Company excluded both the premiums and claims transferred to SSI from calculation of reserve for unexpired risks in Land Vehicles Third Party Liability, Compulsory Third Party Liability Insurance for Road Passanger Transportation and Compulsory Road Passenger Transportation Personal Casualty branches.

According to the Circular numbered 2015/30, the opening outstanding claims reserve amount used in the determination of the expected loss premium ratio, which is set for outstanding risk reserves calculation is redefined in a manner consistent with the current period as of December 31, 2017.

With the Circular 2017/7 announced by the Undersecretariat of Treasury regarding "the discount of net cash flow from outstanding claim files". Since the discount of "Land Vehicle Liability" and "General Liability" branches has become compulsory, according to the Article 1 of the circular, this is considered as a change of accounting policies and financial statements have been retrospectively restated. Companies are able to discount net cash flow from outstanding claim files according to the methods outlined by the circular.

According to the related test, as at the reporting date, the Group has provided net unexpired risk reserves amounting to TL 29.445.732 in the accompanying consolidated financial statements (December 31, 2016: 5.051.590 TL).

Net and gross unexpired risk reserves are calculated by multiplying the exceeding portion of the expected claim/premium ratio with the net and gross unearned premiums reserve of that main branch is added to the reserves of that branch in case where the net and gross expected claim/premium ratio that is calculated on the basis of Casualty year and by including indirect reinsurance contracts is higher than 95% for the year 2016, 90% for the year 2017 and 85% for the year 2018. The Company, as a reinsurance company, indicated that usage of Casualty year for the calculation is not possible and demanded the following particulars;

- Calculation of unexpired risk reserves on the basis of business year,
- Calculation of unexpired risk reserves once a year and using portion that calculated on previous year-end in the interim periods,
- The opportunity that the Company will take weighted average of final claim/premium ratio of the previous two years (total final claims of related two years/total final premium of related two years) in consideration for the final claim/premium ratio estimates on the basis of business year. Turkish Treasury has accepted the demand of the Company as appropriate with the letter dated December 31, 2016 and numbered 38681552-306.99-E.36992 As of the reporting date, the Company has provided net unexpired risk reserves amounting to TL 5.834.053 in the accompanying unconsolidated financial statements (December 31, 2016: TL 3.285.325). If the above calculation had not been made, the Company would have allocated TL 14.715.416 of unexpired risk reserves as of 31 December 2017.

In order to ensure the elimination of misleading impact, caused by the amended outstanding claims reserve calculation method, on unexpired risk reserve, outstanding claims reserve of previous period is also calculated by the new method and amount, calculated based on aforementioned new method, is used in unexpired risk reserves account as the provision for carry-over outstanding claims reserve.

2.28 Equalization reserves

In accordance with the Communiqué on Technical Reserves put into effect starting from January 1, 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 written premiums 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.

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With the Communiqué released on July 28, 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 211.872.440 (December 31, 2016: TL 154.637.733)

As of December 31, 2017, the Group has deducted TL 4.070.305 (December 31, 2016: TL 4.475.777) 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. Accordingly, weighted average number of the outstanding shares used in this calculation is found by considering the retrospective effects of the outstanding shares distributions..

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.

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2.32 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim financial statements as of December 31, 2017 are consistent with those of the previous financial year except for new and amended TFRS standarts and TFRIC interpretation effective from January 1, 2017. The effect of these standards and interpretations on the Company's financial position and performance are explained in the relevent paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2017 are as follows:

TAS 7 Statement of Cash Flows (Amendments)

In December 2017, POA issued amendments to TAS 7 'Statement of Cash Flows'. The amendments are intended to clarify TAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Group first applies those amendments, it is not required to provide comparative information for preceding periods. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

In December 2017, POA issued amendments to TAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Group applies this relief, it shall disclose that fact. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Annual Improvements to TFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014-2016 Cycle, amending the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after January 1, 2018.
- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that are classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after January 1, 2017.
- IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

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TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TFRS 9 Financial Instruments

TFRS 9 "Financial Instruments" standard (2017 version) has been published on Official Gazette dated January 19, 2017 and numbered 29953 in order to be implemented for accounting periods on and after January 1, 2018. The general purpose of the standard is to determine financial reporting principles related to financial assets and financial liabilities towards representing required appropriate and beneficial information of the Group to financial statement readers for evaluating its future cash flow amounts, timing and uncertainty.

Classification and Measurement of Financial Assets:

Financial assets are classified through depending upon business model for managing financial assets and contractual cash flow characteristics over amortised cost in the recognition following being recorded and reflecting fair value to other comprehensive income or to profit or loss in scope of TFRS 9.

Impairment:

In scope of TFRS 9, provision for loss is made for financial assets, whose fair value is recognized based on amortised cost and expected credit loss with respect to credit commitment and financial collateral agreement. The Group evaluates whether there is a significant increase in credit risk of financial instrument or not on each financial reporting date since such financial instrument was initially included in financial statements. Provided that there exists a significant increase in credit risk of a financial instrument since its initial inclusion in financial statements the Group measures provision for loss related to aforementioned financial instrument based on an amount which is equal to lifetime expected credit loss. Provided that there exists no significant increase in credit risk of financial instrument since its inclusion in financial statement the Group shall classify the aforementioned financial assets as first level and measures provision for loss related aforementioned financial instrument based on an amount which is equal to 12 months expected credit loss. The purpose of impairment is to include lifetime expected losses of all financial instruments, which have a significant increase in their credit risks since being initially included in financial statements, through considering all supportable information including those which are reasonable or prospective as separate or collective.

Hedge accounting:

The purpose of hedge accounting is representation of impact of risk management activities, which are carried out through utilizing appropriate financial instruments to manage certain risks which may affect profit or loss (or other comprehensive income when equity instrument investments, in which fair value changes are preferred to be presented under other comprehensive income), in financial statements. Such approach aims to transfer context of instruments, for which hedge accounting is applied, in order to provide understanding of purpose and impact of hedging instruments.

The Group shall continue to implement hedge accounting provisions of TAS 39 as accounting policy. Hedge accounting provisions shall be applied prospectively.

The Group does not anticipate a significant impact on its balance sheet and equities except for impairment calculations. A detailed review with respect to impacts of provision shall be performed in following periods. The Group shall continue to benefit from provisional exemption clauses for TFRS 9, included in TFRS 4, until the date, on which IFRS 17 shall be applicable.

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TFRS 4 Insurance Contracts (Amendments)

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

a) give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and

b) give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 Financial instruments until 2021. The entities that defer the application of TFRS 9 Financial instruments will continue to apply the existing financial instruments Standard-TAS 39.

These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on December 19, 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

b. share-based payment transactions with a net settlement feature for withholding tax obligations; and

c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)

In December 2017, POA issued amendments to TAS 28 **Investments in Associates and Joint Ventures**. The amendments make clarifications for companies that apply TFRS 9 **Financial Instruments** to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a group accounts for using the equity method. A Group applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after January 1, 2019, with early application permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

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TAS 40 Investment Property: Transfers of Investment Property (Amendments)

In December 2017, POA issued amendments to TAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

Annual Improvements - 2010-2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

Annual Improvements - 2011-2013 Cycle

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

(a) whether an entity considers uncertain tax treatments separately;

(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;

(c) how an entity determines taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates; and

(d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

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IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after January 1, 2021; early application is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a group would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after January 1, 2019, with early application permitted.

The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

Annual Improvements - 2015-2017 Cycle

In December 2017, the IASB announced *Annual Improvements to IFRS Standards 2015-2017 Cycle*, containing the following amendments to IFRSs:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 Borrowing Costs - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings.

The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

3 Significant accounting estimates and requirements

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.

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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..

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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.

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:

	December 31, 2017		
Branches	Gross total claims liability (*)	Reinsurance share of total claims liability	Net total claims liability
Land Vehicles Liability	760.470.215	(23.933.307)	736.536.908
Land Vehicles	716.831.060	(22.123.590)	694.707.470
Fire and Natural Disasters	609.435.692	(160.698.754)	448.736.938
Health	414.379.027	(25.540.811)	388.838.216
General Damages	333.826.800	(63.053.016)	270.773.784
General Liability	67.891.271	(7.929.900)	59.961.371
Sea Vehicles	83.104.425	(32.903.093)	50.201.332
Casualty	49.643.113	(7.228.749)	42.414.364
Marine	56.393.114	(13.004.328)	43.388.786
Life	15.010.302	(585.759)	14.424.543
Air Vehicles	159.260.684	(156.660.724)	2.599.960
Financial Losses	14.450.056	(12.348.494)	2.101.562
Air Vehicles Liability	25.717.182	(25.261.475)	455.707
Fidelity Guarantees	399.558	-	399.558
Credits	3.069.415	(2.912.603)	156.812
Legal Protection	81.864	-	81.864
Sea Vehicles Liability	(12.340)	-	(12.340)
Total	3.309.951.438	(554.184.603)	2.755.766.835

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	December 31, 2016		
Branches	Gross total claims liability (*)	Reinsurance share of total claims liability	Net total claims liability
Land Vehicles Liability	729.691.973	(70.930)	729.621.043
Land Vehicles	625.870.266	(2.057.672)	623.812.594
Fire and Natural Disasters	491.281.870	(136.047.629)	355.234.241
General Damages	344.274.753	(94.467.884)	249.806.869
Health	334.700.119	(43.192.417)	291.507.702
General Liability	58.876.855	(2.905.888)	55.970.967
Sea Vehicles	55.309.663	(15.238.133)	40.071.530
Casualty	38.922.785	(2.401.040)	36.521.745
Marine	34.644.629	(4.613.117)	30.031.512
Life	8.664.622	(658.209)	8.006.413
Air Vehicles	9.169.585	(4.095.208)	5.074.377
Fidelity Guarantees	671.676	(1.390)	670.286
Air Vehicles Liability	1.333.750	(1.082.372)	251.378
Legal Protection	99.268	--	99.268
Sea Vehicles Liability	64.363	--	64.363
Financial Losses	4.033.210	(4.051.280)	(18.070)
Credit	(178.347)	(144.196)	(322.543)
Total	**2.737.431.040**	**(311.027.365)**	**2.426.403.675**

(*) 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.

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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.

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

	December 31, 2017	December 31, 2016
Cash and cash equivalents *(Note 14)*(*)	4.727.828.293	4.342.718.850
Receivables from main operations *(Note 12)*	1.355.731.258	1.208.734.082
Financial assets and financial investments with risks on policyholders *(Note 11)*(**)	1.322.268.089	901.399.497
Reinsurer share in outstanding claims reserves *(Note 10), (Note 17)*	595.038.575	442.713.431
Prepaid taxes and funds *(Note 12)*	-	22.930.006
Income accruals *(Note 12)*	31.213.090	8.999.362
Other receivables *(Note 12)*	22.455.659	17.203.560
Other current asset *(Note 12)*	1.014.306	185.836
Total	8.055.549.270	6.945.312.028

(*) Cash on hands balance amounting to TL 68.699 are not included (December 31, 2016: TL 52.555)
(**) Equity shares amounting to TL 232.333.099 are not included(December 31, 2016: TL 205.331.159).

December 31, 2017 and 2016, the aging of the receivables from main operations and related provisions are as follows:

	December 31, 2017		December 31, 2016	
	Gross amount	Provision	Gross amount	Provision
Not past due	1.078.593.595	-	799.022.932	-
Past due 0-30 days	193.751.038	(1.992.510)	182.192.754	-
Past due 31-60 days	26.504.805	(1.486.876)	28.512.365	-
Past due 61-90 days	28.126.173	(1.783.910)	14.269.658	-
More than 90 days(*)	281.291.845	(247.272.902)	236.471.494	(205.725.572)
Total(**)	1.608.267.456	(252.536.198)	1.260.469.203	(205.725.572)

(*) As per the February 3, 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

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

	December 31, 2017	December 31, 2016
Provision for receivables from insurance operations at the beginning of the year	205.725.572	164.991.381
Collections during the period *(Note 47)*	(591.941)	(584.677)
Impairment losses provided during the period *(Note 47)*	1.079.389	2.758.273
Impairment losses provided for subrogation - salvage receivables during the period *(Note 47)*	36.875.264	35.926.722
Valuation of doubtful receivables *(Note 47)*	1.110.895	2.633.873
Provision for receivables from insurance operations at the end of the year	244.199.179	205.725.572

(*) As of December 31, 2017 subrogation and salvage receivables is not included in the movement table of the provision for doubtful receivables amounting to TL 8.337.019.

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

	December 31, 2017	December 31, 2016
Provision for other receivables at the beginning of the year	(53.177)	63.177
Collections during the period *(Note 47)*	-	(10.000)
Provision for other receivables at the end of the year	(53.177)	53.177

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.

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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.

Maturity distribution of monetary assets and liabilities:

December 31, 2017	Book value	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Assets						
Cash and cash equivalents	4.727.809.372	2.340.765.964	1.225.315.897	1.161.727.511	-	-
Financial assets and financial investments with risks on policyholders(*)	1.322.268.089	896.682.036	6.072.043	3.093.332	3.636.781	412.783.897
Receivables from main operations	1.355.731.258	209.414.249	465.095.198	422.146.562	240.288.180	18.787.069
Other receivables and current assets	55.476.635	47.514.629	400.486	1.671.027	3.684.789	2.205.704
Total monetary assets	7.461.285.354	3.494.376.878	1.696.883.624	1.588.638.432	247.609.750	433.776.670
Liabilities						
Financial liabilities	110.802.339	108.072.424	-	2.729.915	-	-
Payables arising from main operations	518.869.894	187.645.069	78.034.089	93.428.986	159.761.750	-
Due to related parties	362.820	362.820	-	-	-	-
Other liabilities	116.595.290	64.928.832	45.384.376	-	-	6.282.082
Insurance technical reserves(**)	3.547.643.833	202.561.915	381.060.259	226.832.656	287.309.067	2.449.879.936
Provisions for taxes and other similar obligations	59.324.763	59.324.763	-	-	-	-
Provisions for other risks and expense accruals	126.182.410	5.631.417	17.357.441	-	29.067.524	74.126.028
Total monetary liabilities	4.479.781.349	628.527.240	521.836.165	322.991.557	476.138.341	2.520.288.046

(*) Equity shares amounting to TL 232.333.099 are not included.

(**) Outstanding claims reserve 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.

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December 31, 2016	Book value	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Assets						
Cash and cash equivalents	4.342.688.861	2.743.823.526	1.108.329.213	482.762.057	7.774.065	-
Financial assets and financial investments with risks on policyholders(*)	901.399.497	449.903.394	16.535.516	30.624.086	32.071.199	372.265.302
Receivables from main operations	1.208.734.082	194.500.341	454.956.986	404.869.773	142.507.214	11.899.768
Other receivables and current assets	50.506.912	41.886.334	1.735.956	1.628.792	3.506.468	1.749.362
Total monetary assets	6.503.329.352	3.430.113.595	1.581.557.671	919.884.708	185.858.946	385.914.432
Liabilities						
Financial liabilities	134.413.473	134.413.473	-	-	-	-
Payables arising from main operations	466.995.593	157.983.000	2.619.060	49.905.836	256.487.697	-
Due to related parties	171.856	171.856	-	-	-	-
Other liabilities	85.550.857	32.369.933	45.744.147	-	1.950.000	5.486.777
Insurance technical provisions (**)	2.908.082.839	163.150.628	320.240.339	180.809.484	214.124.793	2.029.757.595
Provisions for taxes and other similar obligations	40.980.017	40.980.017	-	-	-	-
Provisions for other risks and expense accruals	112.098.491	1.573.016	50.146.730	20.109.362	-	40.269.383
Total monetary liabilities	3.748.293.126	530.641.923	418.750.276	250.824.682	472.562.490	2.075.513.755

(*) Equity shares amounting to TL 205.331.159 are not included.

(**) Outstanding claims reserve 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.

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.

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

December 31, 2017	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	405.018.634	50.642.040	5.308.957	460.969.631
Financial assets and financial investments with risks on policyholders	133.672.721	17.439.313	-	151.112.034
Receivables from main operations	269.828.361	116.314.547	86.258.484	472.401.392
Total foreign currency assets	808.519.716	184.395.900	91.567.441	1.084.483.057
Liabilities:				
Payables arising from main operations	(135.001.053)	(36.488.564)	(11.189.643)	(182.679.260)
Insurance technical reserve(*)	(385.164.426)	(165.677.569)	(132.375.354)	(683.217.349)
Total foreign currency liabilities	(520.165.479)	(202.166.133)	(143.564.997)	(865.896.609)
Net financial position	288.354.237	(17.770.233)	(51.997.556)	218.586.448

December 31, 2016	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	366.927.501	31.634.119	8.273.112	406.834.732
Financial assets and financial investments with risks on policyholders	127.861.783	11.880.374	-	139.742.157
Receivables from main operations	280.850.864	90.019.255	78.228.421	449.098.540
Total foreign currency assets	775.640.148	133.533.748	86.501.533	995.675.429
Liabilities:				
Payables arising from main operations	(181.127.230)	(53.055.138)	(2.029.957)	(236.212.325)
Insurance technical reserve(*)	(311.561.480)	(148.502.270)	(119.539.912)	(579.603.662)
Total foreign currency liabilities	(492.688.710)	(201.557.408)	(121.569.869)	(815.815.987)
Net financial position	282.951.438	(68.023.660)	(35.068.336)	179.859.442

(*) 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 July 28, 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 of December 31, 2017 and 2016 are as follows:

	At the end of the period		Average	
	US Dollar	Euro	US Dollar	Euro
December 31, 2017	3,7719	4,5155	3,6445	4,1159
December 31, 2016	3,5192	3,7099	3,0208	3,3392

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Exposure to foreign currency risk

A 10 percent depreciation of the TL against the following currencies as of December 31, 2017 and 2016 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.

	December 31, 2017		December 31, 2016	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	15.468.152	28.835.424	28.295.144	28.067.874
Euro	(3.520.954)	(1.777.023)	(6.802.366)	(6.802.366)
Others	(5.199.756)	(5.199.756)	(3.506.834)	(3.506.834)
Total, net	6.747.442	21.858.645	17.985.944	17.758.674

(*) 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:

	December 31, 2017	December 31, 2016
Financial assets		
Financial assets with fixed interest rates:	*4.700.100.331*	*4.297.312.503*
Cash at banks *(Note 14)*(*)	4.302.893.552	3.897.091.928
Available for sale financial assets - Government bonds - TL *(Note 11)*	243.261.087	275.517.300
Cash deposited to insurance and reinsurance companies *(Note 12)*	92.604.295	63.103.252
Available for sale financial assets - Private sector bonds *(Note 11)*	38.099.583	57.291.689
Other- financial assets *(Note 11)*	23.241.814	4.308.334
Financial assets with variable interest rate:	*143.370.843*	*126.454.421*
Available for sale financial assets - Private sector bonds - TL *(Note 11)*	119.759.173	68.430.540
Available for sale financial assets - Government bonds- TL *(Note 11)*	23.611.670	41.938.456
Held to maturity investments - Government bonds *(Note 11)*	-	15.172.182
Financial assets held for trading - Government bonds - TL *(Note 11)*	-	913.243
Financial liabilities:		
Financial liabilities with fixed interest rate:	*110.802.339*	*134.413.473*
Funds from repo transactions *(Note 20)*	102.934.273	134.413.473
Expense Accruals From Derivative Contracts (Not 20)	7.868.066	-

(*) Demand deposits amounting to TL 25.567.666 are not included (December 31, 2016: 22.072.771 TL).

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 held for trading 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. Group management estimates that the fair value of other financial assets and liabilities are not materially different than their carrying values.

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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.

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

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available for sale financial assets(*)	918.673.655	219.514.315	67.311.993	1.205.499.963
Financial assets held for trading *(Note 11)*	123.087.098	224.448.052	-	347.535.150
Total financial assets	1.041.760.753	443.962.367	67.311.993	1.553.035.113

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Available for sale financial assets(*)	740.034.504	159.492.559	62.944.793	962.471.856
Financial assets held for trading *(Note 11)*	67.520.258	60.360.746	-	127.881.004
Total financial assets	807.554.762	219.853.305	62.944.793	1.090.352.860

(*) As of 31 December 2017, securities that are not publicly traded amounting to TL 1.566.075 (31 December 2016: TL 1.205.614) have been measured at cost.

	December 31, 2017	December 31, 2016
Available for sale financial assets at the beginning of the period	62.944.793	62.944.793
Valuation increase (Account of valuation of financial assets)	4.367.200	-
Available for sale financial assets at the end of the period	67.311.993	62.944.793

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.

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The effect on Group 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):

	December 31, 2017		December 31, 2016	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
Financial assets held for trading	4.834.620	4.834.620	(3.778.444)	(3.778.444)
Available for sale financial assets	-	(18.242.083)	-	(16.598.264)
Total, net	4.834.620	(13.407.463)	(3.778.444)	(20.376.708)

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

Gain and losses from financial assets

Gains and losses recognized in the statement of income, net:	December 31, 2017	December 31, 2016
Interest income from bank deposits	318.873.647	348.883.022
Foreign exchange gains	472.065.152	184.579.297
Interest income from debt securities classified as available-for-sale financial assets	31.959.880	49.632.870
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)*	10.944.242	(2.251.759)
Income from derivative transactions	90.116.129	4.432.112
Income from participates	47.584.280	40.163.943
Interest income from debt securities classified as held to maturity financial investments	13.641	1.494.265
Income from debt securities classified as held for trading financial assets	18.303.260	6.762.828
Interest income from debt securities classified as held for trading financial assets	39.566	109.741
Income from equity shares	22.503.231	19.079.145
Interest income from repos	34.218.331	9.510.276
Income from subsidiaries	4.544	3.251
Income from investment funds	22.067.629	17.943.279
Other	3.087.195	1.530.171
Income from investment funds reclassified as available for sale financial assets	7.118.861	2.497.586
Investment income	1.078.899.588	684.370.027
Loss from derivative transactions	(179.274.294)	(3.616.449)
Foreign exchange losses	(134.071.983)	(88.324.565)
Loss from valuation of financial assets	(1.118.002)	(1.643.638)
Loss from disposal of financial assets	(17.134.520)	(17.234.556)
Investment management expenses (including interest)	(1.231.961)	(4.630.870)
Investment expenses	(332.830.760)	(115.450.078)
Investment income, net	746.068.828	568.919.949

Financial gains and losses recognized in equity, net:	December 31, 2017	December 31, 2016
Fair value changes in available for sale financial assets *(Note 15)*	35.995.664	2.183.107
Amounts resulted from associates through equity accounted consolidation method *(Note 15)*	(3.497.756)	(1.310.905)
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)*	(10.944.242)	2.251.759
Total	21.553.666	3.123.961

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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 August 23, 2015 dated and 29454 numbered; the Company measured its minimum capital requirement as TL 391.350.403 as of December 31, 2017. As of December 31, 2017 and December 31, 2016, the capital amount of the Company presented in the unconsolidated financial statements are TL 1.841.569.110 and TL 1.420.211.473 respectively and capital surplus of the Company is amounting to TL 1.234.601.830 according to the communiqué.

As of June 30, 2017, required equity amount determined in calculations over consolidated financial statements of Company's subsidiary Anadolu Sigorta, is amounted TL 1.137.929.541. As of June 30, 2017, according to communiqué, equity amount in consolidated financial statements of Anadolu Sigorta is over required equity amount.

5 Segment information

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.

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6 Tangible assets

Movement in tangible assets in the period from January 1 to December 31, 2017 is presented below:

	January 1, 2017	Addition	Foreign currency translation effect	Disposals	Revaluation surplus	December 31, 2017
Cost:						
Investment properties *(Note 7)*	388.265.000	39.136	-	-	38.721.864	427.026.000
Buildings for own use	160.287.253	-	-	-	1.022.747	161.310.000
Machinery and equipment	49.033.797	8.204.174	-	(280.754)	-	56.957.217
Furniture and fixtures	19.296.491	553.674	57.432	(219.093)	-	19.688.504
Land Vehicles	1.732.838	734.663	36.629	(609.312)	-	1.894.818
Other tangible assets (including leasehold improvements)	22.982.418	922.014	-	(417.594)	-	23.486.838
Leased tangible assets	3.868.337	-	-	(10.263)	-	3.858.074
	645.466.134	10.453.661	94.061	(1.537.016)	39.744.611	694.221.451
Accumulated depreciation:						
Buildings for own use	95.501	551.265		-	(158.435)	488.331
Machinery and equipment	33.541.297	6.486.538	-	(270.968)	-	39.756.867
Furniture and fixtures	14.303.421	1.563.068	51.125	(217.336)	-	15.700.278
Land Vehicles	1.077.997	291.152	9.794	(535.228)	-	843.715
Other tangible assets (including leasehold improvements)	13.838.190	3.814.142	-	(417.595)	-	17.234.737
Leased tangible assets	3.868.337	-	-	(10.263)	-	3.858.074
	66.724.743	12.706.165	60.919	(1.451.390)	(158.435)	77.882.002
Net book value	578.741.391					616.339.449

(*) Foreign currency translation effect resulted from Singapore Branch.

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Movement in tangible assets in the period from January 1 to December 31, 2016 is presented below:

	January 1, 2016	Additions	Foreign currency translation effect(*)	Disposals	Revaluation Surplus	December 31, 2016
Cost:						
Investment properties *(Note 7)*	324.911.650	9.243	-	(65.000)	63.409.107	388.265.000
Buildings for own use	158.649.350	194.731	-	-	1.443.172	160.287.253
Machinery and equipment	41.909.394	8.714.053	-	(1.589.650)	-	49.033.797
Furniture and fixtures	17.209.219	2.448.147	135.757	(496.632)	-	19.296.491
Land Vehicles	1.859.204	510.108	110.615	(747.089)	-	1.732.838
Other tangible assets (including leasehold improvements)	20.322.655	2.659.763	-	-	-	22.982.418
Leased tangible assets	4.166.354	-	-	(298.017)	-	3.868.337
	569.027.826	14.536.045	246.372	(3.196.388)	64.852.279	645.466.134
Accumulated depreciation:						
Buildings for own use	187.402	562.188	-	-	(654.089)	95.501
Machinery and equipment	29.623.190	5.481.559	-	(1.563.452)	-	33.541.297
Furniture and fixtures	13.229.195	1.447.107	105.968	(478.849)	-	14.303.421
Land Vehicles	1.373.023	127.470	99.848	(522.344)	-	1.077.997
Other tangible assets (including leasehold improvements)	10.206.266	3.631.924	-	-	-	13.838.190
Leased tangible assets	4.166.354	-	-	(298.017)	-	3.868.337
	58.785.430	11.250.248	205.816	(2.862.662)	(654.089)	66.724.743
Net book value	510.242.396					578.741.391

(*)Foreign currency translation effect resulted from Singapore Branch.

The Group's buildings for own use is valuated over fair value as of December 31, 2017 and 2016 year-end and subjected to valuation in this context. Expertise reports regarding this property are prepared by CMB licenced Property Valuation Company in December 2017. There is no pledge over Company's buildings for own use.Milli Reasürans, the Company's buildings for own use is valuated over fair value as of 2016. Expertise reports regarding this property are prepared by independent professional valuation specialists authorized by CMB in December 2016.

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As of December 31, 2017, the fair values (excluding VAT) and net carrying values of buidings for own use are presented below:

Owner occupied land and buildings	Expertise date	Expertise value	Net Book Value (December 31, 2017)	Net Book Value (December 31, 2016)
Headquarter	December 2016	147.915.000	147.436.357	147.878.181
İzmir Regional Headquarter	December 2017	7.500.000	7.494.105	8.669.647
Adana Regional Headquarter	December 2017	1.835.000	1.833.762	1.825.031
Lefkoşe Cyprus Branch	December 2017	2.775.000	2.774.620	706.286
Adana Office	December 2017	425.000	424.709	454.719
Other	December 2017	860.000	858.115	657.888
Total		161.310.000	160.821.669	160.191.752

Fair value measurement

The fair values of self-used land and buildings were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as Level 2.

As of December 31, 2017 and 2016, 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 properties are started to be presented by fair value method as of December 31, 2016 and 2017 on balance sheet and the Company's investment properties gained TL 38.721.864 amount of value in 2017 in the context of expertise report prepared by independent professional valuation specialists authorized by Capital Markets Board. For the year ended December 31 2017, the Group has rental income from investment properties amounting to TL 18.597.963 (December 31, 2016: TL 15.978.753)

As of December 31, 2017, inflation adjusted cost and carrying amounts of the Company's investment properties are amounting to TL 427.026.000 (December 31, 2016: TL 388.265.000).

Property based value of expertise report (excluding VAT) and fair values of investment properties are as follows. Expertise reports regarding these properties are prepared by independent professional valuation specialists authorized by CMB in December 2017. There is no mortgage on Company's investment properties.

As of December 31, 2017 and 2016, details of investment properties and the fair values are as follows:

	December 31, 2017 Net book value	December 31, 2016 Net book value	Date of expertise report	Value of expertise report
Operating Center Rental Offices	180.500.000	160.085.000	October 2017	180.500.000
Suadiye Fitness Center	36.175.000	33.200.000	October 2017	36.175.000
Tunaman Garage	105.000.000	90.000.000	October 2017	105.000.000
Villa Office Block	44.300.000	42.800.000	October 2017	44.300.000
Çifteler Land	6.000	5.000	October 2017	6.000
Other buildings	61.045.000	62.175.000	December 2017	61.045.000
Net book value	427.026.000	388.265.000		427.026.000

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.

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8 Intangible Assets

Movement in intangible assets in the period from January 1 to December 31, 2017 is presented below:

	January 1, 2017	Additions	Transfers	Foreign currency translation effects (*)	Disposals	December 31, 2017
Cost:						
Other intangible assets	116.516.653	3.959.109	6.012.500	156.034	(36.399)	126.607.897
Goodwill	16.250.000	-		-	-	16.250.000
Advances given for intangible assets	24.115.696	26.946.165	(6.012.500)	-	-	45.049.361
	156.882.349	30.905.274	-	156.034	(36.399)	187.907.258
Accumulated amortization:						
Other intangible assets	87.076.641	17.382.082	-	155.881	(35.335)	104.579.269
	87.076.641	17.382.082	-	155.881	(35.335)	104.579.269
Net book value	69.805.708					83.327.989

(*) Foreign currency translation effect resulted from Singapore Branch.

Movement in intangible assets in the period from January 1 to December 31, 2016 is presented below:

	January 1, 2016	Additions	Transfers	Foreign currency translation effects (*)	Disposals	December 31, 2016
Cost:						
Other intangible assets	97.650.098	3.608.180	14.959.548	377.264	(78.437)	116.516.653
Goodwill	16.250.000	-	-	-	-	16.250.000
Advances given for intangible assets	14.973.711	24.101.533	(14.959.548)	-	-	24.115.696
	128.873.809	27.709.713	-	377.264	(78.437)	156.882.349
Accumulated amortization:						
Other intangible assets	69.276.525	17.482.447	-	376.837	(59.168)	87.076.641
	69.276.525	17.482.447	-	376.837	(59.168)	87.076.641
Net book value	59.597.284					69.805.708

(*) Foreign currency translation effect resulted from Singapore Branch.

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9 Investments in associates

	December 31, 2017		December 31, 2016	
	Book value	Participation rate %	Book value	Participation rate %
Anadolu Hayat Emeklilik A.Ş.	196.165.815	21,00	181.995.319	21,00
Associates, net	196.165.815		181.995.319	
Miltaş Turizm Inşaat Ticaret Anonim Şirketi	1.092.707	77,00	1.092.707	77,00
Subsidiaries, net	1.092.707		1.092.707	
Total financial asset	197.258.522		183.088.026	

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the year	Audited	Period
Subsidiaries:						
Miltaş Turizm Inşaat Ticaret AŞ	4.350.019	4.151.613	-	199.876	Not Audited	December 31, 2017
Associates:						
Anadolu Hayat Emeklilik AŞ (consolidated)	17.884.757.726	934.122.932	102.405.178	226.591.810	Audited	December 31, 2017

In the current period TL 47.584.280 of income is obtained from associates through equity accounted consolidation method (December 31, 2016: TL 40.163.943).

10 Reinsurance assets and liabilities

As of December 31, 2017 and 2016, outstanding reinsurance assets and liabilities of the Group in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	December 31, 2017	December 31, 2016
Unearned premiums reserves, ceded (Note 17)	551.618.894	349.788.450
Outstanding claims reserve, ceded (Note 4.2), (Note 17)	595.038.575	442.713.431
Receivables from reinsurance companies (Note 12)	56.929.444	41.416.933
Cash deposited to reinsurance companies	92.604.295	31.738.373
Total	1.296.191.208	865.657.187

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There are no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	December 31, 2017	December 31, 2016
Payables to the reinsurers related to premiums written *(Note 19)*	293.709.891	276.408.549
Deferred commission income *(Note 19)*	77.376.043	46.650.934
Cash deposited by reinsurance companies	8.573.616	5.624.583
Commission payables to the reinsurers related to written premiums *(Note 19)*	-	7.963.322
Total	379.659.550	336.647.388

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

	December 31, 2017	December 31, 2016
Premiums ceded during the period *(Note 17)*	(1.297.648.999)	(876.702.403)
Unearned premiums reserve, ceded at the beginning of the period *(Note 17)*	(349.788.450)	(293.410.931)
Unearned premiums reserve, ceded at the end of the period *(Note 17)*	551.618.894	349.788.450
Earned premiums, ceded *(Note 17)*	(1.095.818.555)	(820.324.884)
Claims paid, ceded during the period *(Note 17)*	554.184.603	311.027.365
Outstanding claims reserves, ceded at the beginning of the period *(Note 17)*	(442.713.429)	(437.090.148)
Outstanding claims reserves, ceded at the end of the period *(Note 17)*	(595.038.575)	442.713.429
Incurred claims, ceded *(Note 17)*	(483.567.401)	316.650.646
Commission income accrued from reinsurers during the period *(Note 32)*	209.781.952	119.937.652
Deferred commission income at the beginning of the period *(Note 19)*	46.650.934	39.714.319
Deferred commission income at the end of the period *(Note 19)*	(77.376.043)	(46.650.934)
Commission income earned from reinsurers *(Note 32)*	179.056.843	113.001.037
Changes in unexpired risk reserves, reinsurers' share *(Note 17)*	20.323.301	(8.640.383)
Total, net	(1.380.005.812)	(399.313.584)

11 Financial assets

As of December 31, 2017 and 2016, the Group's financial assets are detailed as follows:

	December 31, 2017	December 31, 2016
Available for sale financial assets	1.214.020.578	970.628.652
Financial assets held for trading	347.535.150	127.881.004
Held to maturity financial assets	-	15.172.182
Impairment loss on available for sale financial assets	(6.954.540)	(6.951.182)
Total	1.554.601.188	1.106.730.656

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As of December 31, 2017 and 2016, the Group's financial assets held for trading are detailed as follows:

	December 31, 2017			
	Nominal value	Cost	Fair value	Book value
Debt instruments:				
Other TL	-	23.219.811	23.241.814	23.241.814
	-	23.219.811	23.241.814	23.241.814
Non-fixed income financial assets:				
Equity shares	-	220.387.100	266.365.506	266.365.506
Investment funds	-	45.337.430	48.346.198	48.346.198
Derivative guarantees	-	9.570.458	9.581.632	9.581.632
		275.294.988	324.293.336	324.293.336
Total financial assets held for trading		298.514.799	347.535.150	347.535.150

	December 31, 2016			
	Nominal value	Cost	Fair value	Book value
Debt instruments:				
Government bonds - TL	900.000	902.576	913.243	913.243
Other TL	-	4.306.508	4.308.334	4.308.334
	900.000	5.209.084	5.221.577	5.221.577
Non-fixed income financial assets:				
Equity shares	-	37.936.869	37.784.443	37.784.443
Investment funds	-	55.064.774	78.225.348	78.225.348
Derivative guarantees	-	6.646.566	6.649.636	6.649.636
		99.648.209	122.659.427	122.659.427
Total financial assets held for trading		104.857.293	127.881.004	127.881.004

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As of December 31, 2017 and 2016, the Group's available for sale financial assets are detailed as follows:

	December 31, 2017			
	Nominal value	Cost	Fair value	Book Value
Debt instruments:				
Government bonds - TL	205.859.655	198.858.005	199.853.376	199.853.376
Private sector bonds - TL	90.318.788	96.418.788	98.159.956	98.159.956
Private sector bonds- USD	65.517.903	65.746.944	66.653.340	66.653.340
Government bonds - USD	62.613.540	71.044.346	67.019.381	67.019.381
Impairment loss on private sector bonds			(6.954.540)	(6.954.540)
		432.068.083	424.731.513	424.731.513
Non-fixed income financial assets:				
Investment funds		549.341.464	598.347.625	598.347.625
Equity shares		144.022.438	183.986.900	183.986.900
		693.363.902	782.334.525	782.334.525
Total available-for-sale financial assets		1.125.431.985	1.207.066.038	1.207.066.038

	December 31, 2016			
	Nominal value	Cost	Fair value	Book Value
Debt instruments:				
Government bonds - TL	254.676.176	248.809.966	252.180.302	252.180.302
Private sector bonds - TL	68.559.000	68.559.863	69.991.140	69.991.140
Private sector bonds- USD	61.656.384	61.591.056	62.586.329	62.586.329
Government bonds - USD	57.714.880	65.861.358	65.275.454	65.275.454
Impairment loss on private sector bonds			(6.855.240)	(6.855.240)
		444.822.243	443.177.985	443.177.985
Non-fixed income financial assets:				
Investment funds		341.217.943	352.952.769	352.952.769
Equity shares		131.160.255	167.642.658	167.642.658
Impairment loss on equity shares		-	(95.942)	(95.942)
		472.378.198	520.499.485	520.499.485
Total available-for-sale financial assets		917.200.441	963.677.470	963.677.470

All debt instruments presented above are traded in the capital markets, As of December 31, 2017, equity shares classified as available for sale financial assets with a carrying amount of TL 1.566.075 are not publicly traded (December 31, 2016: TL 1.564.077).

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

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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	Total increase in value
2017	21.553.666	52.911.805
2016	3.123.961	31.358.139
2015	(21.174.977)	28.234.178

As of December 31, 2017, there is no financial assets held to maturity. As of December 31, 2016, the Group's financial assets held to maturity are detailed as follows:

	December 31, 2016			
	Nominal value	Cost	Fair value	Book value
Debt instruments:				
Government bonds - TL	14.866.200	14.870.978	15.168.262	15.172.182
Total financial assets held to maturity	14.866.200	14.870.978	15.168.262	15.172.182

As of 31 December 2017 and 2016 the movement of the financial assets is presented below:

	December 31, 2017			
	Trading	Available-for-Sale	Held to maturity	Total
Balance at the beginning of the period	127.881.004	963.677.470	15.172.182	1.106.730.656
Acquisitions during the period	501.264.684	895.580.447	-	1.396.845.131
Disposals (sale and redemption)	(346.680.646)	(762.351.483)	(15.185.823)	(1.124.217.952)
Change in the fair value of financial assets	64.872.059	75.449.709	-	140.321.768
Change in amortized cost of the financial assets	-	20.789.498	13.641	20.803.139
Bonus shares acquired	198.049	13.920.397	-	14.118.446
Balance at the end of the period	347.535.150	1.207.066.038	-	1.554.601.188

	December 31, 2016			
	Trading	Available-for-Sale	Held to maturity	Total
Balance at the beginning of the period	96.232.135	1.022.169.912	15.555.214	1.133.957.261
Acquisitions during the period	243.494.173	1.041.293.674	-	1.284.787.847
Disposals (sale and redemption)	(216.906.226)	(1.185.116.690)	(1.513.379)	(1.403.536.295)
Change in the fair value of financial assets	4.802.230	68.203.716	-	73.005.946
Change in amortized cost of the financial assets	-	3.355.195	1.130.347	4.485.542
Bonus shares acquired	258.692	13.771.663	-	14.030.355
Balance at the end of the period	127.881.004	963.677.470	15.172.182	1.106.730.656

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Details of the financial assets issued by related parties of the Group are as follows:

	December 31, 2017			
	Nominal value	Cost	Fair value	Book value
Available for sale financial assets - Private sector bonds	15.000.000	15.000.000	15.302.769	15.302.769
Financial assets held for trading - Investment funds		769.728.564	864.713.131	864.713.131
Available for sale financial assets – Equity shares		54.872.059	72.183.344	72.183.344
Total	15.000.000	839.600.623	952.199.244	952.199.244

	December 31, 2016			
	Nominal value	Cost	Fair value	Book value
Available for sale financial assets - Private sector bonds	21.897.632	21.985.364	22.593.404	22.593.404
Financial assets held for trading - Investment funds		55.064.774	78.225.348	78.225.348
Available for sale financial assets - Investment funds		341.217.943	352.952.769	352.952.769
Available for sale financial assets - Equity shares		48.003.771	60.025.295	60.025.295
Total		466.271.852	513.796.816	513.796.816

As of December 31, 2017, there is no financial assets blocked in favour of the Turkish Treasury as a guarantee for the insurance activities. As of December 31, 2016, financial assets blocked in favour of the Turkish Treasury as a guarantee for the insurance activities are detailed as follows

	December 31, 2016			
	Nominal value	Cost	Fair value	Book value
Held to maturity financial assets *(Note 17)*	14.866.200	14.870.978	15.168.262	15.172.182
Total	14.866.200	14.870.978	15.168.262	15.172.182

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12 Loans and receivables

	December 31, 2017	December 31, 2016
Receivables from main operations *(Note 4.2)*	1.355.731.258	1.208.734.082
Prepaid taxes and funds *(Note 19), (Note 4.2)*	-	22.930.006
Income accruals (*Note 4.2)*	31.213.090	8.999.362
Other receivables *(Note 4.2)*	22.455.659	17.203.560
Other current assets *(Note 4.2)*	1.014.306	185.836
Total	1.410.414.313	1.258.052.846
Short-term receivables	1.408.208.609	1.256.303.484
Medium and long-term receivables	2.205.704	1.749.362
Total	1.410.414.313	1.258.052.846

As at 31 December 2017 and 2016, receivables from main operations are detailed as follows:

	December 31, 2017	December 31, 2016
Receivables from insurance companies	90.857.035	76.357.040
Receivables from reinsurance companies *(Note 10)*	56.929.444	41.416.933
Receivables from agencies, brokers and intermediaries	49.238.935	51.837.913
Total receivables from reinsurance operations, net	197.025.414	169.611.886
Receivables from agencies, brokers and other intermediaries	884.442.432	786.165.652
Long term receivable which is bank guarantee and three months credit card	107.556.543	105.184.248
Receivables from policyholders	50.653.264	47.016.782
Salvage and subrogation receivables *(Note 2.21)*	31.786.329	46.488.848
Total receivables from insurance operations, net	1.074.438.568	984.855.530
Cash deposited to insurance and reinsurance companies *(Note 4.2)*	92.604.295	63.103.252
Provisions for receivables from insurance operations - subrogation receivables *(Note 2.21)*	(8.337.019)	(8.836.586)
Doubtful receivables from main operations - premium receivables	47.804.379	46.175.079
Provision for doubtful receivables from main operations - premium receivables	(47.804.379)	(46.175.079)
Doubtful receivables from insurance operations - subrogation receivables	196.394.800	159.550.493
Provisions for doubtful receivables from insurance operations - subrogation receivables	(196.394.800)	(159.550.493)
Receivables from main operations	1.355.731.258	1.208.734.082

As of December 31, 2017 and 2016, mortgages and collaterals obtained for receivables are disclosed as follows:

	December 31, 2017	December 31, 2016
Letters of guarantees	83.516.803	80.884.673
Mortgage notes	115.537.919	111.390.450
Other guarantees	50.299.983	49.243.518
Government bonds and treasury bills	3.028.656	2.902.263
Total	252.383.361	244.420.904

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Provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 47.804.379 for main operations (December 31, 2016: TL 46.175.079) and TL 53.177 (December 31, 2016: TL 53.177) for other receivables.
b) Provision for premium receivables (due): None (December 31, 2016: None).
c) Provision for subrogation receivables: TL 204.731.819 (December 31, 2016: TL 168.387.079).

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 assets

As of December 31, 2017, the Company has derivative financial instruments recognized in the financial assets held for trading amounting to TL 9.581.631 (December 31, 2016: TL 6.649.637). As of December 31, 2017 the Company has express warranty in derivative instruments amounting to TL 5.818.015 (December 31, 2016: None)

As of December 31, 2017, the Company has accounted in income accruals and other financial liabilities amounting to TL 18.939.649 (December 31, 2016: None) that is increase in value and TL (7.868.067) (December 31, 2016: None) that is decrease in value respectively, due to forward foreign currency agreement..

14 Cash and cash equivalents

As of December 31, 2017 and December 31, 2016, the details of the cash and cash equivalents are as follows:

	December 31, 2017		December 31, 2016	
	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	68.699	52.555	52.555	53.835
Cheques received	-	1.950.000	1.950.000	-
Bank deposits	4.328.461.218	3.919.164.699	3.919.164.699	2.929.798.391
Cheques given and payment orders	(87.620)	(82.544)	(82.544)	(125.585)
Bank guaranteed credit card receivables with maturities less than three months	399.367.075	421.604.151	421.604.151	367.176.057
Cash and cash equivalents in the balance sheet	**4.727.809.372**	**4.342.688.861**	**4.342.688.861**	**3.296.902.698**
Bank deposits - blocked(*)	(483.583.442)	(399.689.396)	(399.689.396)	(340.278.123)
Time deposits with maturities longer than 3 months	(945.825.944)	(1.037.818.192)	(1.037.818.192)	(644.460.216)
Interest accruals on banks deposits	(13.872.173)	(18.645.658)	(18.645.658)	(8.544.824)
Cash and cash equivalents presented in the statement of cash flows	**3.284.527.813**	**2.886.535.615**	**2.886.535.615**	**2.303.619.535**

(*) As of December 31, 2017, cash collateral amounting to TL 483.582.942 is kept in favour of the Turkish Treasury as a guarantee for the insurance activities of Anadolu Sigorta. (31 December 2015: TL 399.688.896).

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As of December 31, 2017 and 2016, bank deposits are further analysed as follows:

	December 31, 2017	December 31, 2016
Foreign currency denominated bank deposits		
- time deposits	2.292.662.264	394.517.157
- demand deposits	13.068.914	12.279.005
Bank deposits in Turkish Lira		
- time deposits	2.010.231.288	3.502.574.771
- demand deposits	12.498.752	9.793.766
Bank deposits	4.328.461.218	3.919.164.699

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 of December 31, 2017 and 2016, the shareholding structure of the Company is presented below:

	December 31, 2017		December 31, 2016	
Name	Shareholding amount(TL)	Shareholding rate (%)	Shareholding amount(TL)	Shareholding rate (%)
Türkiye İş Bankası AŞ	505.810.925	76,64	505.810.925	76,64
Millî Reasürans TAŞ Mensupları Yardımlaşma Sandığı Vakfı	69.604.854	10,55	69.604.854	10,55
Groupama Emeklilik AŞ	38.809.894	5,88	38.809.894	5,88
Ankara Doğal Elektrik Üretim ve Ticaret A.Ş.(*)	22.240.456	3,37	22.240.456	3,37
T.C. Ziraat Bankası AŞ	16.430.944	2,49	16.430.944	2,49
Other	7.102.927	1,07	7.102.927	1,07
Paid in capital	660.000.000	100,00	660.000.000	100,00

As of December 31, 2017, the issued share capital of the Group is TL 660,000,000 (December 31, 2016: TL 660,000,000) and the share capital of the Group consists of 66,000,000,000 (December 31, 2016: 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..

As a result of the Extraordinary General Assembly Meeting of the Company held on June 27, 2016, acquisition of total amount of the founding stocks by Millî Reasürans T.A.Ş. with the cost amounting to TL 27.166.000 has been determined in the Expert Review Report approved by the Istanbul 6th Court of Peace is unanimously decided. Abolition and extinguishment of founding stocks acquired by the Company and absorbing acquisition cost from extraordinary reserves is decided in the Extraordinary General Meeting of the Company held on November 30, 2016

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.

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Equity method consolidation

As of December 31, 2017 and 2016, 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:

	December 31, 2017	December 31, 2016
Legal reserves at the beginning of the period	90.232.526	80.567.006
Transfer from profit	14.310.703	9.665.520
Legal reserves at the end of the period	104.543.229	90.232.526

As of December 31, 2017 and 2016, "Other Reserves and Retained Earnings" includes extraordinary reserves, sales profits to be capitalized and buidings for own use revaluation differences.

As at December 31, 2017 and 2016, "Other Reserves and Retained Earnings" are detailed as below:

	December 31, 2017	December 31, 2016
Other profit reserves	25.107.926	25.353.668
Extraordinary reserves	179.927.446	81.426.632
Other capital reserves	133.901.195	140.297.232
Sales profits to be capitalized	23.723.323	23.723.323
Other earnings and losses	(3.241.062)	(1.971.995)
Subsidiary capital correction	(71.060.049)	(71.060.049)
Total	288.358.779	197.768.811

Other capital reserves

According to TAS 16 - "Property Plant and Equipment", property, plant and equipment 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 2015 by making changes in the use of the property which is measuring the cost model in the financial statements before.

In accordance with tax legislation, 75% of profits from sales of participation shares and 50% of profits from sales real estates 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..

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Anadolu Sigorta, as of December 31, 2017, the tax exempt gain from sale of participation shares and real estate in 2010, 2011, 2013, 2014, 2015 and 2016 years respectively, amounting to TL 8.081.516, TL 80.025, TL 647.763, TL 920.272, TL 2.541.500 and TL 15.094 are classified as other capital reserves.

Milli Reasürans, according to expertise reports, fair value of property for use is calculated as TL 147.915.000 and revaluation differences amounting to TL 130.065.426 TL is recognized in 'Other Capital Reserves' account under equity as TL 117.058.884 with net tax effect in financial statements as of December 31, 2017 (December 31, 2016: TL 123.562.155).

Extraordinary reserves

The movement of extraordinary reserves is as follows:

	December 31, 2017	December 31, 2016
Extraordinary reserves at the beginning of the period	81.426.632	34.827.040
Transfer from profit	98.500.814	73.765.592
Acquisition of the founding stocks (*)	-	(27.166.000)
Extraordinary reserves at the end of the period	179.927.446	81.426.632

(*) As a result of the Extraordinary General Assembly Meeting of the Company held on June 27, 2016, acquisition of total amount of the founding stocks by Millî Reasürans T.A.Ş. with the cost amounting to TL 27.166.000 determined in the Expert Review Report approved by the Istanbul 6th Court of Peace is unanimously decided. Abolition and extinguishment of founding stocks acquired by the Company and absorbing acquisition cost from extraordinary reserves is decided in the Extraordinary General Meeting of the Company held on November 30, 2016.

Subsidiary capital correction

On September 30, 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.

Other profit reserves

In accordance with the July 4, 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 December 31, 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 December 31, 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 September 1, 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.

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 December 31, 2017, TL (3.241.062) (31 December 2016: TL (1.971.995)). of actuarial gains and losses, which are presented in profit or loss is presented under "other profit reserves".

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Profit for the period that is extraneous from the distribution

In accordance terms of tax legislation 50% portion of the gains from sales real estate and 75% portion of the gains from 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 October 27, 2008 and numbered 2008/41, for the year ended December 31, 2016, the Company categorized the TL 23.723.323 profit on sale from the sale of the properties realized on April 10, 2015 under the company's equity as "Profit for the period that is extraneous from the distribution" and as "sales profits to be capitalized" and "other capital reserves" under the equity for the current period

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 of December 31, 2017, total funds allocated is amounting TL 14.966.872 (December 31, 2016: TL 10.220.997) and funds amounting TL 4.745.875 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 December 31, 2017, foreign currency translation reserve amounting to TL 28.441.170 loss (December 31, 2016: TL 26.027.092 loss) stems from Singapore Branch whose functional currency is US Dollars.

Valuation of financial assets

As of December 31, 2017 and 2016, 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:

	December 31, 2017	December 31, 2016
Fair value reserves at the beginning of the period	31.358.139	28.234.178
Change in the fair value during the period *(Note 4.2)*	35.995.664	2.183.107
Resulted from equity accounted associate *(Note 4.2)*	(3.497.756)	(1.310.905)
Net gains transferred to the statement of income *(Note 4.2)*	(10.944.242)	2.251.759
Fair value reserves at the end of the period	52.911.805	31.358.139

16 Other reserves and equity component of discretionary participation

As of December 31, 2017 and 2016, other reserves are explained in detail in Note 15 - *Equity* above.

As of December 31, 2017 and 2016, the Group does not hold any insurance or investment contracts which contain a DPF.

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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 of December 31, 2017 and 2016, technical reserves of the Group' are as follows:

	December 31, 2017	December 31, 2016
Unearned premiums reserves, gross	2.761.900.572	2.560.196.810
Unearned premiums reserves, ceded *(Note 10)*	(551.618.894)	(349.788.450)
Unearned premiums reserves, SSI share	(58.817.233)	(75.059.219)
Unearned premiums reserves, net	**2.151.464.445**	**2.135.349.141**
Outstanding claims reserve, gross	4.142.682.408	3.350.796.268
Outstanding claims reserve, ceded *(Note 10)*	(595.038.575)	(442.713.429)
Outstanding claims reserve, net	**3.547.643.833**	**2.908.082.839**
Unexpired risk reserves	53.356.959	8.639.516
Unexpired risk reserves, ceded	(23.911.227)	(3.587.926)
Unexpired risk reserves, net	**29.445.732**	**5.051.590**
Equalization reserves, net(*)	211.872.440	154.637.733
Other technical reserves, net	**211.872.440**	**154.637.733**
Life mathematical reserves	**116.109**	**165.157**
Total technical reserves, net	**5.940.542.559**	**5.203.286.460**
Short-term	5.728.670.119	5.048.648.727
Medium and long-term	211.872.440	154.637.733
Total technical reserves, net	**5.940.542.559**	**5.203.286.460**

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As of December 31, 2017 and 2016, movements of the insurance liabilities and related reinsurance assets are presented below:

	December 31, 2017			
Unearned premiums reserve	Gross	Ceded	SSI Share	Net
Unearned premiums reserve at the beginning of the period	2.560.196.810	(349.788.450)	(75.059.219)	2.135.349.141
Written premiums during the period	5.644.048.556	(1.297.648.999)	(109.231.373)	4.237.168.184
Earned premiums during the period	(5.442.344.794)	1.095.818.555	125.473.359	(4.221.052.880)
Unearned premiums reserve at the end of the period	2.761.900.572	(551.618.894)	(58.817.233)	2.151.464.445

	December 31, 2016			
Unearned premiums reserve	Gross	Ceded	SSI Share	Net
Unearned premiums reserve at the beginning of the period	2.194.659.969	(293.410.931)	(54.975.564)	1.846.273.474
Written premiums during the period	5.323.560.933	(876.702.403)	(150.794.005)	4.296.064.525
Earned premiums during the period	(4.958.024.093)	820.324.884	130.710.351	(4.006.988.858)
Unearned premiums reserve at the end of the period	2.560.196.809	(349.788.450)	(75.059.218)	2.135.349.141

	December 31, 2017		
Outstanding claims reserves	Gross	Ceded	Net
Outstanding claims reserve at the beginning of the period	3.350.796.268	(442.713.429)	2.908.082.839
Claims reported during the period and changes in the estimations of outstanding claims reserves provided at the beginning of the period	4.101.837.578	(706.509.749)	3.395.327.829
Claims paid during the period	(3.309.951.438)	554.184.603	(2.755.766.835)
Outstanding claims reserve at the end of the period	4.142.682.408	(595.038.575)	3.547.643.833

	December 31, 2016		
Outstanding claims reserves	Gross	Ceded	Net
Outstanding claims reserve at the beginning of the period	2.584.561.784	(437.090.148)	2.147.471.636
Claims reported during the period and changes in the estimations of outstanding claims reserves provided at the beginning of the period	3.503.665.524	(316.650.646)	3.187.014.878
Claims paid during the period	(2.737.431.040)	311.027.365	(2.426.403.675)
Outstanding claims reserve at the end of the period	3.350.796.268	(442.713.429)	2.908.082.839

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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.

	December 31, 2017		
	Should be placed (**)	Placed (*)	Book value
Non-life:			
Bank deposits *(Note 14)*		483.372.018	483.582.942
Total	380.109.847	483.372.018	483.582.942

	December 31, 2016		
	Should be placed (**)	Placed (*)	Book value
Non-life:			
Bank deposits *(Note 14*	-	398.452.370	399.688.896
Financial assets(*) *(Note 11))*	-	15.169.173	15.172.182
Total	359.073.153	413.621.543	414.861.078

(*) As of December 31, 2017 and 2016, 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.

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.

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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.

Deferred commission expenses

The Group capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As of December 31, 2017, short-term prepaid expenses amounting to TL 422.238.492 (December 31, 2016: TL 399.249.100) consist of deferred acquisition cost; deferred commission expenses amounting to TL 384.974.032 (December 31, 2016: TL 369.762.099) and other prepaid expenses amounting to TL 37.264.460 (December 31, 2016: TL 29.487.001). Long-term prepaid expenses amounting TL 6.639.202 (December 31, 2016: TL 6.211.364) are composed of other prepaid expenses.

	December 31, 2017	December 31, 2016
Deferred commission expenses at the beginning of the period	369.762.099	340.538.326
Commissions accrued during the period *(Note 32)*	805.870.258	882.941.642
Commissions expensed during the period	(790.658.325)	(853.717.869)
Deferred commission expenses at the end of the period	384.974.032	369.762.099

Individual pension funds

None.

18 Investment contract liabilities

None.

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19 Trade and other payables and deferred income

	December 31, 2017	December 31, 2016
Financial payables	110.802.339	134.413.473
Payables from main operations	518.869.894	466.995.593
Other payables	116.595.290	85.550.857
Short/long term deferred income and expense accruals	133.477.692	104.670.373
Taxes and other liabilities and similar obligations	59.324.763	40.980.017
Due to related parties *(Note 45)*	362.820	171.856
Total	939.432.798	832.782.169
Short-term liabilities	939.322.298	832.782.169
Long-term liabilities	110.500	-
Total	939.432.798	832.782.169

As of December 31, 2017, other payables amounting to TL 116.595.290 (December 31, 2016: TL 85.550.857) consist of treatment cost payables to SSI amounting to TL 30.922.543 (December 31, 2016: TL 32.037.945), payables to Tarsim and DASK and outsourced benefits and services amounting to TL 76.358.578 (December 31, 2016: TL 46.076.135) and deposits and guarantees received amounting to TL 9.314.169 (December 31, 2016: TL 7.436.777).

Payables arising from main operations of the Group as of December 31, 2017 and 2016 are as follows

	December 31, 2017	December 31, 2016
Payables to reinsurance companies *(Note 10)*	293.709.891	276.408.549
Payables to agencies, brokers and intermediaries	44.147.545	41.204.606
Cash deposited by insurance and reinsurance companies	9.247.311	6.570.424
Total payables arising from reinsurance and insurance operations	347.104.747	324.183.579
Payables arising from other operating activities	171.765.147	142.812.014
Payables arising from main operations	518.869.894	466.995.593

Corporate tax liabilities and prepaid taxes are disclosed below

	December 31, 2017	December 31, 2016
Corporate tax liabilities	(96.767.913)	(26.875.657)
Taxes paid during the period	81.937.394	49.805.663
Corporate tax assets, net	(14.830.519)	22.930.006

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

None.

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20 Financial liabilities

Group's financial liabilities from repo transactions is amounted TL 102.934.273 as of December 31, 2017 (December 31, 2016: TL 134.413.473)

Maturity	December 31, 2017	Maturity	December 31, 2016
January 19, 2018	20.084.905	January 17, 2017	40.153.847
January 26, 2018	82.849.368	January 25, 2017	94.259.626
Balance sheet value	102.934.273		134.413.473

As of December 31, 2017, the detail of the expense accrual arising from swap contracts amounting to TL 7.868.066 is disclosed at Note 13

21 Deferred taxes

As of December 31, 2017 and 2016, deferred tax assets and liabilities are attributable to the following:

	December 31, 2017 Deferred tax assets/(liabilities))	December 31, 2016 Deferred tax assets/(liabilities))
Unexpired risk reserves	6.478.061	2.577.639
Provision for the pension fund deficits	7.867.023	5.937.022
Equalization reserves	30.152.964	20.212.691
Provisions for employee termination benefits	6.260.002	5.793.388
Other provisions	11.218.221	8.802.603
Subrogation provision	1.834.144	3.137.117
Discount of receivables and payables	658.758	500.832
TAS adjustment differences in depreciation	(2.352.237)	(3.368.617)
Profit commission accruals	(2.004.770)	(928.093)
Subrogation receivables from third parties	(3.977.190)	(3.356.747)
Valuation differences in financial assets	(8.864.895)	(3.485.938)
Time deposits	85.806	52.495
Other	1.951.615	(607.571)
Valuation of real estate	(54.385.521)	(25.039.108)
Discount of outstanding claims	-	(21.076.213)
Deferred tax assets, net	(5.078.019)	(10.848.500)

As of December 31, 2017, the Group does not have deductible tax losses.. (December 31, 2016: None.)

Movement of deferred tax assets as of December 31, 2017 and 2016 are given below

	December 31, 2017	December 31, 2016
Opening balance at January 1	(10.848.500)	(3.367.528)
Recognized in profit or loss	18.150.973	(4.646.599)
Recognized in equity	(12.380.492)	(2.834.372)
Closing balance at December 31	(5.078.019)	(10.848.500)

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22 Retirement benefit obligations

Employees of the Company are the members of "Milli Reasürans Türk Anonim Şirketi Emekli ve Sağlık Sandığı Vakfı ("Milli 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 November 1, 2005. However, the said article of the Banking Law has been vetoed by the President on November 2, 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 March 22, 2007 effective from March 31, 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 May 8, 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 May 8, 2011 was extended to the May 8, 2013. On March 8, 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 May 3, 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 May 8, 2015 with the decision of The Council of Ministers dated February 24, 2015.

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 April 23, 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. Pension fund contributors as of the transfer date and considered insured by the first paragraph of Article 4 of this 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.

On the other hand, the application made on June 19, 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 March 30, 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.

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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 Milli 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 39.335.115 (December 31, 2016: TL 29.685.112) is accounted as "Provision for pension fund deficits" in the accompanying consolidated 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 for December 31,2016 and the TUIK 2013 mortality table for December 31, 2017 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. As of December 31, 2017 and 2016, technical deficit from pension funds comprised the following:

	December 31, 2017	December 31, 2016
Net present value of total liabilities other than health	(120.115.748)	(105.825.425)
Net present value of insurance premiums	25.469.048	23.100.988
Net present value of total liabilities other than health	(94.646.700)	(82.724.437)
Net present value of health liabilities	(14.756.726)	(12.841.513)
Net present value of health premiums	13.918.802	12.625.747
Net present value of health liabilities	(837.924)	(215.766)
Pension fund assets	56.149.509	53.255.091
Amount of actuarial and technical deficit	(39.335.115)	(29.685.112)

Plan assets are comprised of the following items:

	December 31, 2017	December 31, 2016
Cash and cash equivalents	46.869.599	45.069.448
Associates	8.356.885	7.376.761
Other	923.025	808.882
Total plan assets	56.149.509	53.255.091

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.

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23 Provision for other liabilities and expense accruals

As of December 31, 2017 and 2016, the provisions for other risks are disclosed as follows:

	December 31, 2017	December 31, 2016
Provision for pension fund deficits *(Note 22)*	39.335.115	29.685.112
Provision for employee termination benefits	29.233.214	24.566.143
Provision for unused vacation	1.878.908	1.561.950
Total provision for other risks	70.447.237	55.813.205

Movement of provision for employee termination benefits during the period is presented below:

	December 31, 2017	December 31, 2016
Provision at the beginning of the period	24.566.143	21.894.700
Interest cost *(Note 47)*	2.472.607	2.109.207
Service cost *(Note 47)*	1.986.644	1.649.185
Payments during the period *(Note 47)*	(2.306.150)	(2.263.874)
Actuarial gain/loss	2.513.970	1.176.925
Provision at the end of the period	29.233.214	24.566.143

24 Net insurance premium revenue

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 asset

Net realized gains on financial assets are presented in Note 4.2 - *Financial risk management*.

28 Assets held at fair value through profit or loss

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

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29 Insurance rights and claims

	December 31, 2017	December 31, 2016
Claims paid, net off reinsurers' share	(2.755.766.835)	(2.426.403.675)
Changes in outstanding claims reserves, net off reinsurers' share	(639.560.994)	(760.611.204)
Changes in unearned premium reserves, net off reinsurers' share	(16.115.304)	(289.075.667)
Change in equalization reserves	(57.234.707)	(49.659.814)
Change in life mathematical reserves, net off reinsurers' share	49.048	326.780
Changes in unexpired risks reserves, net off reinsurers' share	(24.394.142)	22.790.310
Total	(3.493.022.934)	(3.502.633.270)

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 December 31, 2017 and 2016, the operating expenses are disclosed as follows:

	December 31, 2017	December 31, 2016
Commission expenses *(Note 17)*	790.658.325	853.717.869
Commissions to the intermediaries accrued during the period (Note 17)	*805.870.258*	*882.941.642*
Changes in deferred commission expenses (Note 17)	*(15.211.933)*	*(29.223.773)*
Employee benefit expenses *(Note 33)*	201.226.446	177.232.414
Foreign exchange losses	26.255.159	20.648.604
Administration expenses	120.087.667	107.794.640
Commission income from reinsurers *(Note 10)*	(179.056.843)	(113.001.037)
Commission income from reinsurers accrued during the period (Note 10)	*(209.781.952)*	*(119.937.652)*
Change in deferred commission income (Note 10)	*30.725.109*	*6.936.615*
Advertising and marketing expenses	21.577.701	12.046.504
Outsourced benefits and services	20.149.187	17.987.684
Other	84.468.527	(16.785.293)
Total	1.085.366.169	1.059.641.385

33 Employee benefit expenses

As of December 31 2017 and 2016, employee benefit expenses are disclosed as follows:

	December 31, 2017	December 31, 2016
Wages and salaries	151.637.041	131.597.277
Employer's share in social security premiums	32.708.900	30.080.787
Pension fund benefits	4.021.799	3.885.629
Other	12.858.706	11.668.721
Total *(Note 32)*	201.226.446	177.232.414

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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 recognized as expense in the consolidated statement of income.

35 Income tax

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

	December 31, 2017	December 31, 2016
Current tax expense provision:		
Corporate tax provision	(96.767.913)	(26.875.657)
Deferred taxes:		
Origination and reversal of temporary differences	18.150.973	(4.646.599)
Total income tax expense/(income)	(78.616.940)	(31.522.256)

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 December 31, 2017 and 2016 is as follows:

	2017		2016	
Profit before taxes	352.945.810	Tax rate (%)	271.399.974	Tax rate (%)
Taxes on income per statutory tax rate	70.589.162	20,00	54.279.995	20,00
Tax exempt income	(24.127.762)	(6,84)	(26.462.474)	(9,75)
Non-deductible expenses	32.155.540	9,11	3.704.735	1,37
Total tax expense recognized in consolidated profit or loss	78.616.940	22,27	31.522.256	11,61

36 Net foreign exchange gains

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

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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.

	2017	2016
Net profit for the period	189.520.109	196.283.268
Weighted average number of shares	66.000.000.000	66.000.000.000
Earnings per share (TL)	0,00287	0,00297

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, up to 3% of the remaining amount not exceeding three-wages is distributed to personnel.
- 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 cannot be divided, profit cannot be transferred to next year and share of profit cannot be distributed to 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.

It is decided in Ordinary General Assembly Meeting of the Company, held on March 28, 2017, to make a cash dividend payment of TL 50.000.000 to shareholders and to allocate remaining balance as voluntary reserves from the net period income amounting to TL 129.243.232, from 2016 activities of the Company, after the legal reserves are allocated.

Paid dividend amount is reflected to financial statements as liability in the period it is declared by the Company.

As a result of the Extraordinary General Assembly Meeting of the Company held on June 27, 2016, acquisition of total amount of the founding stocks by Millî Reasürans T.A.Ş. with the cost amounting to TL 27.166.000 has been determined in the Expert Review Report approved by the Istanbul 6th Court of Peace is unanimously decided. Abolition and extinguishment of founding stocks acquired by the Company and absorbing acquisition cost from extraordinary reserves is decided in the Extraordinary General Meeting of the Company held on November 30, 2016.

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.

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41 Redeemable preference shares

None.

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 outstanding claims reserves in the accompanying consolidated financial statements.

As of December 31,2017, total amount of the claims that the Group face is TL 1.485.894.000 in gross (December 31, 2016: TL 1.189.434.000). The Group provided outstanding claims reserves in the consolidated financial statements by considering collateral amounts.

As of December 31, 2017, ongoing law suits prosecuted by the Company's subsidiary Insurance Company against the third parties amounting TL 378.729.000 (December 31, 2016: TL 324.644.000).

Anadolu Anonim Türk Sigorta Şirketi Mensupları Dayanışma Vakfı" was established by Anadolu Anonim Türk Sigorta 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.

The final legal process which is related the period of 2007 and 2008 is expected to result in the Company's favour and the amount of provision TL 12.768.684 which was published on the Official Gazette dated November 12, 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 3.678.791 (December 31, 2016: TL 3.381.653) related with this process. The Company has no revenue recognization resulting from the possibility of recovering tax auditing fines.(December 31, 2016: None).

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 the 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 February 6, 2015. The Company do not make provision for this tax penalty because of considering the implementation of these financial statements in accordance with legislation. The Company has utilized the means put forward in the "Law Regarding Some Claims" which was published in the official gazette on August 19, 2016 with the number 6736. According to this, The Company has paid TL 6.990.560 on November 29, 2016 and as a result the assessment has ended..

An examination related to payments made for Company's liabilities in frame of related regulations to "Milli Reasürans Türk Anonim Şirketi Mensupları Yardımlaşma Sandığı Vakfı" that established by Milli 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 started for the years 2007, 2008, 2009, 2010, 2011 and the later years and the payment regarding to the revenue authorities was paid. As of the report date, there is no recognized provision.

43 Commitments

The future aggregate minimum lease payments under operating leases for properties rented for use are as follows:

	December 31, 2017	December 31, 2016
Less than one year	10.841.883	11.866.768
Between one to five years	18.012.507	16.138.148
More than 5 years	3.390.162	3.390.161
Total of minimum rent payments	32.244.552	31.395.077

44 Business combinations

None.

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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 December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Türkiye İş Bankası AŞ	1.189.057.352	1.167.824.872
Other	617	1.132
Banks	1.189.057.969	1.167.826.004
Investment funds founded by İş Portföy Yönetimi A.Ş. (Note 11)	847.273.818	419.297.743
Equity shares of the related parties (Note 11)	72.183.344	60.025.295
Bond issued by İş GYO (Note 11)	15.302.769	15.543.150
Bond issued by Türkiye Sınai Kalkınma Bankası (Note 11)	-	7.050.254
Investment funds founded by İşbank AG (Note 11)	17.439.313	11.880.374
Financial assets	952.199.244	513.796.816
Türkiye İş Bankası A.Ş	333.801.033	304.802.265
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	4.773.567	6.182.414
Anadolu Hayat Emeklilik A.Ş.	1.046.299	1.474.059
Ziraat Sigorta A.Ş.	723.702	1.238.110
Allianz Sigorta AŞ	207.266	-
İstanbul Umum Sigorta A.Ş.	120.904	107.627
Ziraat Hayat ve Emeklilik	70.000	51.250
Ergo Sigorta A.Ş.	18.246	18.246
Axa Sigorta A.Ş.	-	3.934.701
Receivables from main operations	340.761.017	317.808.672
Türkiye İş Bankası AŞ	3.962.974	7.016.739
Ergo Sigorta AŞ	1.793.100	2.468.712
Şişecam Sigorta Aracılık Hizmetleri AŞ	554.498	399.796
Axa Sigorta AŞ	385.547	35.723
Güven Sigorta TAŞ	194.916	1.266.357
Groupama Sigorta AŞ	94.095	222.070
AvivaSa Emeklilik A.Ş.	46.800	-
İstanbul Umum Sigorta A.Ş.	35.023	30.112
Allianz Sigorta AŞ	28.741	1.193.374
Anadolu Hayat Emeklilik A.Ş.	-	2
Payables from main operations	7.095.694	12.632.885
Due to personnel	220.377	91.826
Due to shareholders	81.850	66.287
Due to subsidiaries	36.133	-
Due to other related parties	24.460	13.743
Due to related parties	362.820	171.856

No guarantees have been taken against receivables from related parties.

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

There are no guarantees, commitments, guarantee letters, advances and endorsements given in favor of shareholders, associates and subsidiaries.

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The transactions with related parties during the years ended December 31, 2017 and 2016 are as follows:

	December 31, 2017	December 31, 2016
Türkiye İş Bankası A.Ş.	601.172.759	502.036.843
Axa Sigorta A.Ş	22.769.967	36.740.520
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	17.080.389	20.429.253
Ziraat Sigorta A.Ş.	15.697.535	15.282.714
Groupama Sigorta A.Ş	3.688.180	4.528.283
Anadolu Hayat Emeklilik A.Ş.	1.400.834	3.911.743
Allianz Sigorta A.Ş	903.676	684.257
Ziraat Hayat ve Emeklilik	280.000	205.000
Ergo Sigorta A.Ş	241.627	3.793.595
Güven Sigorta TAŞ	14	21.639
Premium received	663.234.981	587.633.847
Groupama Sigorta A.Ş	1.422	28
Axa Sigorta A.Ş	719	(72)
Ergo Sigorta A.Ş	630	(1.227)
Güven Sigorta TAŞ	259	(80)
Allianz Sigorta A.Ş.	27	(29)
İstanbul Umum Sigorta A.Ş.	14	(3)
Premiums ceded	3.071	(1.383)
Allianz Sigorta A.Ş.	-	(3)
Axa Sigorta A.Ş.	(295)	(3.021)
Groupama Sigorta A.Ş.	(375)	(1.285)
Güven Sigorta T.A.Ş.	(111)	(7.032)
Ergo Sigorta A.Ş.	(249.343)	(3.567)
Commissions received	(250.124)	(14.908)
Türkiye İş Bankası A.Ş.	67.160.770	59.382.880
Ziraat Sigorta A.Ş	3.936.304	3.562.905
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	3.389.113	4.027.166
Axa Sigorta A.Ş	3.045.707	6.778.440
Groupama Sigorta A.Ş	1.029.254	908.651
Allianz Sigorta A.Ş	149.046	96.741
Anadolu Hayat Emeklilik A.Ş.	86.163	122.120
Güven Sigorta T.A.Ş	1	(5)
Ergo Sigorta A.Ş	-	1.345.451
Commissions given	78.796.358	76.224.349

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	December 31, 2017	December 31, 2016
Axa Sigorta A.Ş	13.029.641	14.516.386
Ziraat Sigorta A.Ş.	10.858.885	3.811.044
Ergo Sigorta A.Ş	10.377.343	13.725.776
Groupama Sigorta A.Ş	3.914.587	3.573.133
Allianz Sigorta A.Ş	1.984.185	4.875.749
Güven Sigorta TAŞ	1.036.209	2.496.742
Anadolu Hayat Emeklilik A.Ş.	509.224	307.788
Ziraat Hayat ve Emeklilik	169.447	217.078
Avivasa Emeklilik A.Ş.	46.800	-
Claims paid	41.926.321	43.523.696
Ergo Sigorta A.Ş	61.945	(11.781)
Groupama Sigorta A.Ş	83.682	(18.898)
Axa Sigorta A.Ş.	66.253	33.560
Güven Sigorta T.A.Ş	51.508	38.868
İstanbul Umum Sigorta A.Ş	18.462	15.706
Allianz Sigorta A.Ş	14.896	13.919
Reinsurance's share of claims paid	296.746	71.374
Axa Sigorta A.Ş	491.232	625.977
Güven Sigorta T.A.Ş	259.537	-
Anadolu Hayat Emeklilik A.Ş.	189.576	179.649
Ziraat Sigorta A.Ş.	90.046	67.728
Allianz Sigorta A.Ş	31.477	99.536
Ergo Sigorta A.Ş	10.941	1.398.446
Groupama Sigorta A.Ş	23.922	22.475
İstanbul Umum Sigorta A.Ş	721	-
Other income	1.097.452	2.393.811
İş Merkezleri Yönetim ve İşletim A.Ş. - office service costs	5.418.690	4.176.042
Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı Vakfı-rent expense	3.381.423	2.997.956
Ergo Sigorta A.Ş.	192.974	1.467.669
İş Portföy Yönetimi - management commission	293.093	965.206
Allianz Sigorta A.Ş.	124.008	113.938
Yatırım Finansman Menkul Değerler A.Ş. - management commission	122.317	51.884
Axa Sigorta A.Ş.	62.251	117.026
Groupama Sigorta A.Ş.	21.223	7.017
Ziraat Sigorta A.Ş.	8.636	9.925
İstanbul Umum Sigorta A.Ş	6.789	-
Anadolu Hayat ve Emeklilik A.Ş.	242	178
Groupama Sigorta A.Ş. (Güven Sigorta T.A.Ş)	-	457.001
Other expenses	9.631.646	10.363.842

46 Subsequent events

Subsequent events are disclosed in note 1.10 - *Subsequent events*.

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As of December 31, 2017

(Currency: Turkish Lira (TL))

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

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 of and for the year ended December 31, 2017 and 2016, details of discount and provision expenses are as follows:

	December 31, 2017	December 31, 2016
Provision expense for doubtful receivables *(Note 4.2)*(*)	(39.065.548)	(40.724.191)
Provision for pension fund deficits *(Note 23)*	(9.650.003)	(1.326.173)
Provision expense for employee termination benefits *(Note 23)*	(2.153.101)	(1.494.518)
Provision expenses for unused vacation *(Note 23)*	(316.958)	(69.241)
Provision expenses for tax assessments *(Note 42)*	(297.137)	(297.137)
Impairment loss on financial assets	(99.299)	(6.855.240)
Terminated provision income/(expense)	7.740.675	2.352.227
Other provision expenses *(Note 4.2)*(*)	3.172	(588.126)
Provision expenses	(43.838.199)	(49.002.399)

	December 31, 2017	December 31, 2016
Rediscount income/(expense) from main operations receivables	16.755.100	21.048.926
Rediscount income/(expense) from main operations payables	(28.929.888)	(20.006.224)
Total of rediscounts	(12.174.788)	1.042.702

Contact Information

Millî Reasürans T.A.Ş.
Harbiye Mahallesi Maçka Caddesi No: 35
34367 Şişli - İstanbul

Tel (0212) 231 47 30
Fax (0212) 230 86 08
E-mail info@millire.com
millire@millire.com

www.millire.com
www.millire.com.tr

Singapur Branch
4 Battery Road #20-01
Bank of China Building
Singapore 049908

Tel +65 6499 9340
Fax +65 6534 2884
E-mail singapore@millire.com

Produced by Tayburn
Tel: (90 212) 227 04 36
www.tayburnkurumsal.com

www.millire.com

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