

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

**Millî Reasürans Türk Anonim Şirketi
and its Subsidiary**

31 December 2015

Consolidated Financial Statements

Together With

Independent Auditors' Report Thereon

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

19 February 2016

*This report includes 2 pages of independent auditors'
report and 94 pages of financial information
together with their explanatory notes.*



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Milli Reasürans Türk Anonim Şirketi

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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



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

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

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

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

Alper Güvenç
Partner

19 February 2016
İstanbul, Turkey

Additional paragraph for convenience translation to English:

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

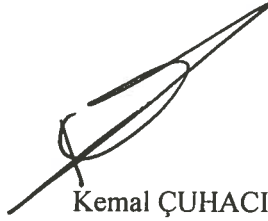
MİLLÎ REASÜRANS TÜRK ANONİM ŞİRKETİ
CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

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

Istanbul, 19 February 2016



Şule SOYLU
Group Manager



Kemal ÇUHACI
Assistant
General Manager



Hasan Hulki YALÇIN
General Manager



Ertan TAN
Actuary

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Millî Reasürans Türk Anonim Şirketi
Consolidated Balance Sheet
As At 31 December 2015
(Currency: Turkish Lira (TL))

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

ASSETS			
I- Current Assets	Note	Audited Current Period 31 December 2015	Restated(*) Audited Prior Period 31 December 2014
A- Cash and Cash Equivalents	14	3,296,902,698	2,348,242,173
1- Cash	14	53,835	53,676
2- Cheques Received		--	--
3- Banks	14	2,929,798,391	2,098,910,576
4- Cheques Given and Payment Orders	14	(125,585)	(171,519)
5- Bank Guaranteed Credit Card Receivables With Maturity Less Than Three Months	14	367,176,057	249,449,440
6- Other Cash and Cash Equivalents		--	--
B- Financial Assets and Financial Investments with Risks on Policyholders	11	1,133,957,261	1,114,726,681
1- Available-for-Sale Financial Assets	11	1,022,265,854	906,847,326
2- Held to Maturity Investments	11	15,555,214	73,670,047
3- Financial Assets Held for Trading	11	96,232,135	140,006,920
4- Loans and Receivables		--	--
5- Provision for Loans and Receivables		--	--
6- Financial Investments with Risks on Life Insurance Policyholders		--	--
7- Company's Own Equity Shares		--	--
8- Diminution in Value of Financial Investments	11	(95,942)	(5,797,612)
C- Receivables from Main Operations	12	1,102,022,681	971,491,906
1- Receivables from Insurance Operations	12	869,275,449	751,368,850
2- Provision for Receivables from Insurance Operations	12	(8,305,178)	(7,677,067)
3- Receivables from Reinsurance Operations	12	169,725,737	159,969,053
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited to Insurance & Reinsurance Companies	12	71,326,673	67,831,070
6- Loans to the Policyholders		--	--
7- Provision for Loans to the Policyholders		--	--
8- Receivables from Private Pension Operations		--	--
9- Doubtful Receivables from Main Operations	4.2,12	150,770,368	113,390,295
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(150,770,368)	(113,390,295)
D- Due from Related Parties		--	--
1- Due from Shareholders		--	--
2- Due from Associates		--	--
3- Due from Subsidiaries		--	--
4- Due from Joint Ventures		--	--
5- Due from Personnel		--	--
6- Due from Other Related Parties		--	--
7- Rediscount on Receivables from Related Parties		--	--
8- Doubtful Receivables from Related Parties		--	--
9- Provision for Doubtful Receivables from Related Parties		--	--
E- Other Receivables	12	10,983,942	5,727,672
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given	12	568,349	631,683
4- Other Miscellaneous Receivables	12	10,415,593	5,095,989
5- Rediscount on Other Miscellaneous Receivables		--	--
6- Other Doubtful Receivables	4.2,12	63,177	63,177
7- Provision for Other Doubtful Receivables	4.2,12	(63,177)	(63,177)
F- Prepaid Expenses and Income Accruals		382,912,914	315,596,207
1- Deferred Acquisition Costs	17	366,089,853	294,618,259
2- Accrued Interest and Rent Income		--	--
3- Income Accruals	4.2,12	16,363,166	20,722,572
4- Other Prepaid Expenses	4.2,12	459,895	255,376
G- Other Current Assets		35,540,786	11,480,486
1- Stocks to be Used in the Following Months		1,090,552	238,539
2- Prepaid Taxes and Funds	12,19	33,690,959	10,608,131
3- Deferred Tax Assets		--	--
4- Job Advances	12	255,077	167,145
5- Advances Given to Personnel	12	4,151	4,631
6- Inventory Count Differences		--	--
7- Other Miscellaneous Current Assets	12	500,047	462,040
8- Provision for Other Current Assets		--	--
I- Total Current Assets		5,962,320,282	4,767,265,125

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Balance Sheet
As At 31 December 2015
(Currency: Turkish Lira (TL))

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

ASSETS			
II- Non-Current Assets	Note	Audited Current Period 31 December 2015	Restated(*) Audited Prior Period 31 December 2014
A- Receivables from Main Operations		--	--
1- Receivables from Insurance Operations		--	--
2- Provision for Receivables from Insurance Operations		--	--
3- Receivables from Reinsurance Operations		--	--
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited for Insurance and Reinsurance Companies		--	--
6- Loans to the Policyholders		--	--
7- Provision for Loans to the Policyholders		--	--
8- Receivables from Individual Pension Business		--	--
9- Doubtful Receivables from Main Operations	4.2,12	14,221,013	11,695,323
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(14,221,013)	(11,695,323)
B- Due from Related Parties		--	--
1- Due from Shareholders		--	--
2- Due from Associates		--	--
3- Due from Subsidiaries		--	--
4- Due from Joint Ventures		--	--
5- Due from Personnel		--	--
6- Due from Other Related Parties		--	--
7- Rediscount on Receivables from Related Parties		--	--
8- Doubtful Receivables from Related Parties		--	--
9- Provision for Doubtful Receivables from Related Parties		--	--
C- Other Receivables	4.2,12	2,207,981	--
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given		--	--
4- Other Miscellaneous Receivables	4.2,12	2,839,780	--
5- Rediscount on Other Miscellaneous Receivables	4.2,12	(631,799)	--
6- Other Doubtful Receivables		--	--
7- Provision for Other Doubtful Receivables		--	--
D- Financial Assets	9	165,528,161	149,298,487
1- Investments in Equity Shares		--	--
2- Investments in Associates	9	164,435,454	148,205,780
3- Capital Commitments to Associates		--	--
4- Investments in Subsidiaries	9	1,092,707	1,092,707
5- Capital Commitments to Subsidiaries		--	--
6- Investments in Joint Ventures		--	--
7- Capital Commitments to Joint Ventures		--	--
8- Financial Assets and Financial Investments with Risks on Policyholders		--	--
9- Other Financial Assets		--	--
10- Impairment in Value of Financial Assets		--	--
E- Tangible Assets	6	510,242,396	279,861,279
1- Investment Properties	6,7	324,911,650	230,606,045
2- Impairment for Investment Properties		--	--
3- Owner Occupied Property	6	158,649,350	38,751,315
4- Machinery and Equipments	6	41,909,394	34,554,018
5- Furniture and Fixtures	6	17,209,219	15,701,150
6- Motor Vehicles	6	1,859,204	2,674,433
7- Other Tangible Assets (Including Leasehold Improvements)	6	20,322,655	19,401,127
8- Tangible Assets Acquired Through Finance Leases	6	4,166,354	4,166,354
9- Accumulated Depreciation	6	(58,785,430)	(65,993,163)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		--	--
F- Intangible Assets	8	59,597,284	63,041,229
1- Rights	8	97,650,098	90,745,932
2- Goodwill	8	16,250,000	16,250,000
3- Pre-operating Expenses		--	--
4- Research and Development Costs		--	--
5- Other Intangible Assets		--	--
6- Accumulated Amortization	8	(69,276,525)	(45,684,081)
7- Advances Paid for Intangible Assets	8	14,973,711	1,729,378
G- Prepaid Expenses and Income Accruals		5,344,867	3,562,038
1- Deferred Acquisition Costs	17	5,221,880	3,562,038
2- Income Accruals		--	--
3- Other Prepaid Expenses	4.2	122,987	--
H- Other Non-Current Assets	21	13,948,959	31,926,180
1- Effective Foreign Currency Accounts		--	--
2- Foreign Currency Accounts		--	--
3- Stocks to be Used in the Following Years		--	--
4- Prepaid Taxes and Funds		--	--
5- Deferred Tax Assets	21	13,948,959	31,926,180
6- Other Miscellaneous Non-Current Assets		--	--
7- Amortization on Other Non-Current Assets		--	--
8- Provision for Other Non-Current Assets		--	--
II- Total Non-Current Assets		756,869,648	527,689,213
TOTAL ASSETS		6,719,189,930	5,294,954,338

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Balance Sheet
As At 31 December 2015
(Currency: Turkish Lira (TL))

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

LIABILITIES			
	Note	Audited Current Period 31 December 2015	Restated ^(*) Audited Prior Period 31 December 2014
III- Short-Term Liabilities			
A- Financial Liabilities	20	297,347,979	--
1- Borrowings from Financial Institutions		--	--
2- Finance Lease Payables		--	--
3- Deferred Leasing Costs		--	--
4- Current Portion of Long Term Debts		--	--
5- Principal Installments and Interests on Bonds Issued		--	--
6- Other Financial Assets Issued		--	--
7- Valuation Differences of Other Financial Assets Issued		--	--
8- Other Financial Liabilities		297,347,979	--
B- Payables Arising from Main Operations	19	373,784,676	333,218,811
1- Payables Arising from Insurance Operations		216,615,209	206,687,366
2- Payables Arising from Reinsurance Operations		43,014,872	41,910,954
3- Cash Deposited by Insurance and Reinsurance Companies		5,496,957	8,514,584
4- Payables Arising from Pension Operations		--	--
5- Payables Arising from Other Operations		108,657,638	76,105,907
6- Discount on Payables from Other Operations		--	--
C- Due to Related Parties	19	158,568	81,488
1- Due to Shareholders		53,738	53,738
2- Due to Associates		--	--
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		92,190	--
6- Due to Other Related Parties		12,640	27,750
D- Other Payables	19	62,710,887	48,001,148
1- Deposits and Guarantees Received		3,177,561	2,958,994
2- Payables to Social Security Institution Related to Treatment Expenses		27,524,238	16,625,234
3- Other Miscellaneous Payables		32,516,197	28,666,170
4- Discount on Other Miscellaneous Payables		(507,109)	(249,250)
E- Insurance Technical Provisions	17	4,108,661,380	3,357,104,047
1- Reserve for Unearned Premiums - Net	17	1,846,273,474	1,528,917,388
2- Reserve for Unexpired Risks- Net	17	32,682,256	80,455,896
3- Life Mathematical Provisions - Net	17	491,937	368,342
4- Provision for Outstanding Claims - Net	17	2,229,213,713	1,747,362,421
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net		--	--
F- Provisions for Taxes and Other Similar Obligations	19	38,761,168	28,779,229
1- Taxes and Funds Payable		36,015,743	26,416,196
2- Social Security Premiums Payable		2,745,425	2,363,033
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		--	--
4- Other Taxes and Similar Payables		--	--
5- Corporate Tax Payable		1,769,959	21,081,960
6- Prepaid Taxes and Other Liabilities Regarding Current Year Income		(1,769,959)	(21,081,960)
7- Provisions for Other Taxes and Similar Liabilities		--	--
G- Provisions for Other Risks		--	--
1- Provision for Employee Termination Benefits		--	--
2- Provision for Pension Fund Deficits		--	--
3- Provisions for Costs		--	--
H- Deferred Income and Expense Accruals	19	75,955,282	75,756,584
1- Deferred Commission Income	10,19	39,714,319	34,699,722
2- Expense Accruals	19	36,066,016	40,881,668
3- Other Deferred Income	19	174,947	175,194
I- Other Short Term Liabilities	23	1,492,709	1,433,153
1- Deferred Tax Liabilities		--	--
2- Inventory Count Differences		--	--
3- Other Various Short Term Liabilities	23	1,492,709	1,433,153
III - Total Short Term Liabilities		4,958,872,649	3,844,374,460

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Balance Sheet
As At 31 December 2015
(Currency: Turkish Lira (TL))

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

LIABILITIES			
IV- Long-Term Liabilities	Note	Audited Current Period 31 December 2015	Restated^(*) Audited Prior Period 31 December 2014
A- Financial Liabilities		---	---
1- Borrowings from Financial Institutions		--	--
2- Finance Lease Payables		--	--
3- Deferred Leasing Costs		--	--
4- Bonds Issued		--	--
5- Other Financial Assets Issued		--	--
6- Valuation Differences of Other Financial Assets Issued		--	--
7- Other Financial Liabilities		--	--
B- Payables Arising from Operating Activities		---	---
1- Payables Arising from Insurance Operations		--	--
2- Payables Arising from Reinsurance Operations		--	--
3- Cash Deposited by Insurance and Reinsurance Companies		--	--
4- Payables Arising from Pension Operations		--	--
5- Payables Arising from Other Operations		--	--
6- Discount on Payables from Other Operations		--	--
C- Due to Related Parties		---	---
1- Due to Shareholders		--	--
2- Due to Associates		--	--
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		--	--
6- Due to Other Related Parties		--	--
D- Other Payables		---	---
1- Deposits and Guarantees Received		--	--
2- Payables to Social Security Institution Related to Treatment Expenses		--	--
3- Other Miscellaneous Payables		--	--
4- Discount on Other Miscellaneous Payables		--	--
E-Insurance Technical Provisions	17	104,977,919	83,054,021
1- Reserve for Unearned Premiums - Net		--	--
2- Reserve for Unexpired Risks - Net		--	--
3- Life Mathematical Provisions - Net		--	--
4- Provision for Outstanding Claims - Net		--	--
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net	17	104,977,919	83,054,021
F-Other Liabilities and Relevant Accruals		---	---
1- Other Liabilities		--	--
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		--	--
3- Other Liabilities and Expense Accruals		--	--
G- Provisions for Other Risks	23	50,253,639	46,763,394
1- Provisions for Employment Termination Benefits	23	21,894,700	18,432,669
2- Provisions for Pension Fund Deficits	22,23	28,358,939	28,330,725
H-Deferred Income and Expense Accruals	19	43,332	92,083
1- Deferred Commission Income		--	--
2- Expense Accruals		--	--
3- Other Deferred Income	19	43,332	92,083
I- Other Long Term Liabilities		---	---
1- Deferred Tax Liabilities		--	--
2- Other Long Term Liabilities		--	--
IV - Total Long Term Liabilities		155,274,890	129,909,498

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Balance Sheet
As At 31 December 2015
(Currency: Turkish Lira (TL))

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

EQUITY			
V- Equity	Note	Audited Current Period 31 December 2015	Restated(*) Audited Prior Period 31 December 2014
A- Paid in Capital		660,000,000	660,000,000
1- (Nominal) Capital	2.13,15	660,000,000	660,000,000
2- Unpaid Capital (-)		--	--
3- Positive Capital Restatement Differences		--	--
4- Negative Capital Restatement Differences (-)		--	--
5- Unregistered Capital		--	--
B- Capital Reserves	15	117,604,491	(6,859,068)
1- Share Premiums		--	--
2- Cancellation Profits of Equity Shares		--	--
3- Profit on Sale Assets That Will Be Transferred to Capital		--	--
4- Currency Translation Adjustments	15	(19,573,401)	(11,907,682)
5- Other Capital Reserves	15	137,177,892	5,048,614
C- Profit Reserves		103,545,587	97,148,770
1- Legal Reserves	15	80,567,006	77,369,316
2- Statutory Reserves	15	6,759,148	4,441,017
3- Extraordinary Reserves	15	34,827,040	12,047,517
4- Special Funds		--	--
5- Revaluation of Financial Assets	11,15	28,234,178	49,409,155
6- Other Profit Reserves	15	24,218,264	24,941,814
7- Subsidiary Capital Correction	15	(71,060,049)	(71,060,049)
D- Retained Earnings		195,873,555	144,703,437
1- Retained Earnings		195,873,555	144,703,437
E- Accumulated Losses		--	--
1- Accumulated Losses		--	--
F-Net Profit/(Loss) for the Year		156,222,767	80,363,867
1- Net Profit for the Period		131,042,910	79,540,889
2- Net Loss for the Period		--	--
3- Net Profit for the Period not Subject to Distribution		25,179,857	822,978
G- Minority Shares		371,795,991	345,313,374
V- Total Equity		1,605,042,391	1,320,670,380
TOTAL EQUITY AND LIABILITIES		6,719,189,930	5,294,954,338

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Statement of Income
For the Year Ended 31 December 2015
(Currency: Turkish Lira (TL))

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

	Note	Audited Current Period 31 December 2015	Restated ^(*) Audited Prior Period 31 December 2014
I-TECHNICAL SECTION			
A- Non-Life Technical Income		3,868,158,939	3,348,472,224
1- Earned Premiums (Net of Reinsurer Share)		3,362,793,609	2,997,531,819
1.1- Written Premiums (Net of Reinsurer Share)	17	3,631,983,131	3,131,619,183
1.1.1- Written Premiums, gross	17	4,487,551,165	3,844,788,600
1.1.2- Written Premiums, ceded	10,17	(756,056,567)	(639,067,377)
1.1.3- Written Premiums, SSI share		(99,511,467)	(74,102,040)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(316,963,162)	(71,406,993)
1.2.1- Reserve for Unearned Premiums, gross	17	(374,332,005)	(73,295,604)
1.2.2- Reserve for Unearned Premiums, ceded	10,17	39,086,070	(49,046)
1.2.3- Reserve for Unearned Premiums, SSI share		18,282,773	1,937,657
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	47,773,640	(62,680,371)
1.3.1- Reserve for Unexpired Risks, gross		45,621,785	(63,767,740)
1.3.2- Reserve for Unexpired Risks, ceded		2,151,855	1,087,369
2- Investment Income - Transferred from Non-Technical Section		377,454,291	301,839,464
3- Other Technical Income (Net of Reinsurer Share)		71,477,926	36,941,711
3.1- Other Technical Income, gross		71,477,926	36,944,656
3.2- Other Technical Income, ceded		--	(2,945)
4- Accrued Salvage and Subrogation Income		56,433,113	12,159,230
B- Non-Life Technical Expense		(3,805,677,102)	(3,222,295,801)
1- Incurred Losses (Net of Reinsurer Share)		(2,802,133,939)	(2,361,395,001)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(2,320,746,150)	(1,983,768,035)
1.1.1- Claims Paid, gross	17	(2,538,268,492)	(2,100,564,859)
1.1.2- Claims Paid, ceded	10,17	217,522,342	116,796,824
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(481,387,789)	(377,626,966)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(731,830,650)	(451,754,342)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10,17	250,442,861	74,127,376
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
2.1- Provision for Bonus and Discounts, gross		--	--
2.2- Provision for Bonus and Discounts, ceded		--	--
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	(21,724,626)	(16,762,259)
4- Operating Expenses	32	(908,004,593)	(800,916,609)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		(255,578)	--
5.1- Mathematical Provisions		(255,578)	--
5.2- Mathematical Provisions, ceded		--	--
6- Other Technical Expense		(73,558,366)	(43,221,932)
6.1- Other Technical Expense, gross		(73,558,366)	(43,221,932)
6.2- Other Technical Expense, ceded		--	--
C- Net Technical Income-Non-Life (A - B)		62,481,837	126,176,423
D- Life Technical Income		19,541,877	21,023,279
1- Earned Premiums (Net of Reinsurer Share)		17,904,430	19,456,394
1.1- Written Premiums (Net of Reinsurer Share)	17	18,297,354	18,845,399
1.1.1- Written Premiums, gross	17	19,755,699	24,082,962
1.1.2- Written Premiums, ceded	10,17	(1,458,345)	(5,237,563)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(392,924)	610,995
1.2.1- Reserve for Unearned Premiums, gross	17	84,139	60,476
1.2.2- Reserve for Unearned Premiums, ceded	10,17	(477,063)	550,519
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
1.3.1- Reserve for Unexpired Risks, gross		--	--
1.3.2- Reserve for Unexpired Risks, ceded		--	--
2- Investment Income		1,466,954	1,489,069
3- Unrealized Gains on Investments		--	--
4- Other Technical Income (Net of Reinsurer Share)		170,493	77,816
4.1- Other Technical Income, gross		59,603	77,816
4.2- Other Technical Income, ceded		110,890	--
5- Accrued Salvage and Subrogation Income		--	--

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Statement of Income
For the Year Ended 31 December 2015
(Currency: Turkish Lira (TL))

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

I-TECHNICAL SECTION	Note	Audited Current Period 31 December 2015	Restated(*) Audited Prior Period 31 December 2014
E- Life Technical Expense		(16,825,215)	(15,693,822)
1- Incurred Losses (Net of Reinsurer Share)		(6,575,473)	(7,744,957)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(6,111,970)	(6,801,752)
1.1.1- Claims Paid, gross	17	(6,492,393)	(10,861,957)
1.1.2- Claims Paid, ceded	10,17	380,423	4,060,205
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(463,503)	(943,205)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(828,662)	(1,109,507)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10,17	365,159	166,302
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
2.1- Provision for Bonus and Discounts, gross		--	--
2.2- Provision for Bonus and Discounts, ceded		--	--
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	131,983	273,294
3.1- Change in Mathematical Provisions, gross	29	131,983	273,294
3.1.1- Actuarial Mathematical Provisions	29	131,983	273,294
3.1.2- Profit Sharing Provisions (Provisions for Policies Investment Risks of Which Belong to Life Insurance Policyholders)		--	--
3.2- Change in Mathematical Provisions, ceded		--	--
3.2.1- Actuarial Mathematical Provisions, ceded		--	--
3.2.2- Profit Sharing Provisions, ceded (Provisions for Policies Investment Risks of Which Belong to Life Insurance Policyholders)		--	--
4- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	(199,272)	79,365
5- Operating Expenses	32	(10,182,453)	(8,301,524)
6- Investment Expenses		--	--
7- Unrealized Losses on Investments		--	--
8- Investment Income Transferred to the Non-Life Technical Section		--	--
F- Net Technical Income- Life (D – E)		2,716,662	5,329,457
G- Pension Business Technical Income		--	--
1- Fund Management Income		--	--
2- Management Fee		--	--
3- Entrance Fee Income		--	--
4- Management Expense Charge in case of Suspension		--	--
5- Income from Private Service Charges		--	--
6- Increase in Value of Capital Allowances Given as Advance		--	--
7- Other Technical Expense		--	--
H- Pension Business Technical Expense		--	--
1- Fund Management Expense		--	--
2- Decrease in Value of Capital Allowances Given as Advance		--	--
3- Operating Expenses		--	--
4- Other Technical Expenses		--	--
I- Net Technical Income - Pension Business (G – H)		--	--

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Statement of Income
For the Year Ended 31 December 2015
(Currency: Turkish Lira (TL))

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

	Note	Audited Current Period 31 December 2015	Restated(*) Audited Prior Period 31 December 2014
II-NON-TECHNICAL SECTION			
C- Net Technical Income – Non-Life (A-B)		62,481,837	126,176,423
F- Net Technical Income – Life (D-E)		2,716,662	5,329,457
I- Net Technical Income – Pension Business (G-H)		--	--
J- Total Net Technical Income (C+F+I)		65,198,499	131,505,880
K- Investment Income		659,953,132	423,455,812
1- Income from Financial Assets	4.2	288,672,778	214,542,234
2- Income from Disposal of Financial Assets	4.2	55,904,227	61,386,475
3- Valuation of Financial Assets	4.2	32,495,483	16,705,624
4- Foreign Exchange Gains	4.2	149,059,354	74,755,504
5- Income from Associates	4.2	30,635,392	21,855,676
6- Income from Subsidiaries and Joint Ventures	4.2	4,075	347,307
7- Income from Property, Plant and Equipment	7	101,851,209	33,232,443
8- Income from Derivative Transactions	4.2	741,200	441,863
9- Other Investments		589,414	188,686
10- Income Transferred from Life Section		--	--
L- Investment Expense		(503,350,993)	(411,814,463)
1- Investment Management Expenses (inc. interest)	4.2	(3,060,240)	(413,808)
2- Diminution in Value of Investments		(2,824,154)	(3,509,979)
3- Loss from Disposal of Financial Assets	4.2	(11,039,996)	(17,584,246)
4- Investment Income Transferred to Non-Life Technical Section		(377,454,292)	(301,839,464)
5- Loss from Derivative Transactions	4.2	(74,638)	(282,254)
6- Foreign Exchange Losses	4.2	(67,687,210)	(57,145,242)
7- Depreciation and Amortization Expenses	6,8	(32,779,765)	(24,962,910)
8- Other Investment Expenses		(8,430,698)	(6,076,560)
M- Income and Expenses From Other and Extraordinary Operations		(31,797,769)	(9,037,365)
1- Provisions	47	(25,565,845)	(16,008,099)
2- Rediscounts	47	999,672	(3,019,675)
3- Specified Insurance Accounts		--	--
4- Monetary Gains and Losses		--	--
5- Deferred Taxation (Deferred Tax Assets)	35	--	6,875,889
6- Deferred Taxation (Deferred Tax Liabilities)	35	(14,290,010)	--
7- Other Income		9,528,258	5,288,210
8- Other Expenses and Losses		(2,469,844)	(2,173,690)
9- Prior Year's Income		--	--
10- Prior Year's Expenses and Losses		--	--
N- Net Profit for the Year		188,232,910	113,027,904
1- Profit for the Year		190,002,869	134,109,864
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(1,769,959)	(21,081,960)
3- Net Profit for the Year		188,232,910	113,027,904
3.1-Groups Profit/(Loss)		156,222,767	80,363,867
3.2-Minority Shares		32,010,143	32,664,037
4- Monetary Gains and Losses		--	--

(*) See Note 2.1.6

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2015
(Currency: Turkish Lira (TL))

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

	Note	Audited Current Period 31 December 2015	Audited Prior Period 31 December 2014
A. Cash flows from operating activities			
1. Cash provided from insurance activities		3,792,126,779	3,057,769,886
2. Cash provided from reinsurance activities		1,082,027,764	1,009,325,193
3. Cash provided from private pension business		--	--
4. Cash used in insurance activities		(3,634,027,829)	(2,929,122,653)
5. Cash used in reinsurance activities		(893,254,430)	(803,997,793)
6. Cash used in private pension business		--	--
7. Cash provided from operating activities		346,872,284	333,974,633
8. Interest paid		--	--
9. Income taxes paid		(22,398,667)	(22,930,452)
10. Other cash inflows		925,534,252	667,872,563
11. Other cash outflows		(1,310,262,560)	(791,279,095)
12. Net cash provided from operating activities		(60,254,691)	187,637,649
B. Cash flows from investing activities		--	--
1. Proceeds from disposal of tangible assets		18,142,811	238
2. Acquisition of tangible assets	6, 8	(30,156,258)	(22,199,158)
3. Acquisition of financial assets	11	(1,165,407,715)	(1,280,823,743)
4. Proceeds from disposal of financial assets	11	1,219,198,917	1,327,186,209
5. Interests received		271,228,019	296,835,030
6. Dividends received		6,170,248	5,210,648
7. Other cash inflows		393,855,080	138,471,262
8. Other cash outflows		(330,550,178)	(292,691,169)
9. Net cash provided by / (used in) investing activities		382,480,925	171,989,317
C. Cash flows from financing activities		--	--
1. Equity shares issued		--	--
2. Cash provided from loans and borrowings		--	--
3. Finance lease payments		--	--
4. Dividends paid		(12,871,811)	--
5. Other cash inflows		297,347,979	--
6. Other cash outflows		(8,876,616)	--
7. Net cash provided by financing activities		275,599,552	--
D. Effect of exchange rate fluctuations on cash and cash equivalents		1,930,699	1,700,942
E. Net increase / (decrease) in cash and cash equivalents		599,756,484	361,327,908
F. Cash and cash equivalents at the beginning of the year	14	1,703,863,051	1,342,535,143
G. Cash and cash equivalents at the end of the year	14	2,303,619,535	1,703,863,051

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2015
(Currency: Turkish Lira (TL))

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

Audited Changes(*) in Equity – 31 December 2014													
Note	Paid-in capital	Own shares of the company	Revaluation of financial assets	Inflation adjustment	Currency translation adjustment	Legal reserves	statutory Reserves	Other reserves and retained earnings	Net profit for the year	Retained earnings	Total equity before minority shares	Minority share	Total
I - Balance at the end of the previous year – 31 December 2013	15	615,000,000	--	18,869,209	--	76,312,898	43,612,652	(24,809,529)	71,800,159	(97,983,106)	693,556,210	281,987,556	975,543,766
II - Correction (*)		--	--	--	--	--	--	(207)	144,700,744	27,700,804	172,401,341	20,138,604	192,539,945
III - Restated balances (I+II) (1 January 2014)		615,000,000	--	18,869,209	--	76,312,898	43,612,652	(24,809,736)	216,500,903	(70,282,302)	865,957,551	302,126,160	1,168,083,711
A- Capital increase (A1+A2)		45,000,000	--	--	--	--	(39,500,000)	(5,500,000)	--	--	--	--	--
I- In cash		--	--	--	--	--	--	--	--	--	--	--	--
2- From reserves		45,000,000	--	--	--	--	(39,500,000)	(5,500,000)	--	--	--	--	--
B - Effects of changes in group structure		--	--	--	--	--	--	--	--	--	--	--	--
C - Purchase of own shares		--	--	--	--	--	--	--	--	--	--	--	--
D - Gains or losses that are not included in the statement of income		--	--	--	--	--	--	267,622	--	--	267,622	386,206	653,828
E - Change in the value of financial assets		--	--	30,539,946	--	--	--	--	--	--	30,539,946	10,136,971	40,676,917
F - Currency translation adjustments		--	--	--	(2,661,609)	--	--	--	--	--	(2,661,609)	--	(2,661,609)
G - Other gains or losses		--	--	--	--	--	--	--	--	--	--	--	--
H - Inflation adjustment differences		--	--	--	--	--	--	--	--	--	--	--	--
I - Net profit for the year		--	--	--	--	--	--	--	80,363,867	214,985,739	80,363,867	32,664,037	113,027,904
J - Other reserves and transfers from retained earnings		--	--	--	--	1,056,418	328,365	1,020,010	(216,500,903)	--	889,629	--	889,629
K - Dividends paid		--	--	--	--	--	--	--	--	--	--	--	--
II - Balance at the end of the year – 31 December 2014	15	660,000,000	--	49,409,155	--	77,369,316	4,441,017	(29,022,104)	80,363,867	144,703,437	975,357,006	345,313,374	1,320,670,380

Audited Changes in Equity – 31 December 2015													
Note	Paid-in capital	Own shares of the company	Revaluation of financial assets	Inflation adjustment	Currency translation adjustment	Legal reserves	statutory Reserves	Other reserves and retained earnings	Net profit for the year	Retained earnings	Total equity before minority shares	Minority share	Total
I - Balance at the end of the previous year – 31 December 2014	15	660,000,000	--	49,409,155	--	77,369,316	4,441,017	(29,022,104)	80,363,867	144,703,437	975,357,006	345,313,374	1,320,670,380
II - Correction		--	--	--	--	--	--	--	--	--	--	--	--
III - Restated balances (I+II) (1 January 2015)		660,000,000	--	49,409,155	--	77,369,316	4,441,017	(29,022,104)	80,363,867	144,703,437	975,357,006	345,313,374	1,320,670,380
A- Capital increase (A1+A2)		--	--	--	--	--	--	--	--	--	--	--	--
I- In cash		--	--	--	--	--	--	--	--	--	--	--	--
2- From reserves		--	--	--	--	--	--	--	--	--	--	--	--
B - Effects of changes in group structure		--	--	--	--	--	--	--	--	--	--	--	--
C - Purchase of own shares		--	--	--	--	--	--	--	--	--	--	--	--
D - Gains or losses that are not included in the statement of income		--	--	--	--	--	--	--	--	--	--	--	--
E - Change in the value of financial assets		--	--	(21,174,977)	--	--	--	121,598,260	--	--	121,598,260	809,659	122,407,919
F - Currency translation adjustments		--	--	--	(7,665,719)	--	--	--	--	--	(21,174,977)	(2,570,431)	(23,745,408)
G - Other gains or losses		--	--	--	--	--	--	--	--	9,519,361	(7,665,719)	--	(7,665,719)
H - Inflation adjustment differences		--	--	--	--	--	--	--	--	--	9,519,361	7,090,930	16,610,291
I - Net profit for the year		--	--	--	--	--	--	--	156,222,767	--	156,222,767	32,010,144	188,232,911
J - Other reserves and transfers from retained earnings		--	--	--	--	3,197,690	2,318,131	32,586,991	(80,363,867)	41,650,757	(610,298)	--	(610,298)
K - Dividends paid		--	--	--	--	--	--	--	--	--	--	(10,857,685)	(10,857,685)
II - Balance at the end of the year – 31 December 2015	15	660,000,000	--	28,234,178	(19,573,401)	80,567,006	6,759,148	125,163,147	156,222,767	195,873,555	1,233,246,400	371,795,991	1,605,042,391

(*) See Note 2.1.6

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

Milli Reasürans Türk Anonim Şirketi
Consolidated Statement of Profit Distribution
For the Year Ended 31 December 2015
(Currency: Turkish Lira (TL))

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

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

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

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

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

Millî Reasürans Türk Anonim Şirketi

Notes to the Consolidated Financial Statements As at 31 December 2015

(Currency: Turkish Lira (TL))

1 General information

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

As at 31 December 2015, the shareholder having direct or indirect control over the shares of Millî Reasürans Türk Anonim Şirketi (the "Company") is Türkiye İş Bankası AŞ Group ("İş Bankası") having 76.64% of the outstanding shares.

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

On 30 September 2010, the Company purchased 35.53% shares of Anadolu Sigorta Anonim Şirketi with nominal value of TL 177,650,110 from İş Bankası amounting to TL 248,710,154. The transaction is realized on the weighted average price on İstanbul Stock Exchange wholesale market. With the purchase, the share of the Company at Anadolu Sigorta increased to 57.31% and investment increased to TL 286,550,106.

The consolidated financial statements as of 31 December 2015 include the Company and its subsidiary Anadolu Sigorta (together with "the Group").

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

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

1.3 Business of the Company

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

The subsidiary of the Company, Anadolu Sigorta operates in almost all non-life insurance branches consisting of mainly accident, health, motor vehicles, air vehicles, water vehicles, transportation, fire and natural disasters, general loss, credit, financial losses, and legal protection. As at 31 December 2015, the Company serves through 2,561 agencies of which 2,468 authorized and 93 unauthorized agencies (31 December 2014: 2,485 authorized and 91 unauthorized, total 2,576).

1.4 Description of the main operations of the Company

The Company and its subsidiary Anadolu Sigorta conduct their operations in accordance with the Insurance Law No. 5684 (the "Insurance Law") issued in 14 June 2007 dated and 26552 numbered Official Gazette and the communiqués and other regulations in force issued by Republic of Turkey Prime Ministry-Undersecretariat of Treasury (the "Turkish Treasury") based on the Insurance Law.

1 General information (continued)

1.4 Description of the main operations of the Company (continued)

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.

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

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

	31 December 2015	31 December 2014
Senior managers	13	13
Managers	58	57
Assistant managers	145	142
Officers	749	661
Contracted personnel	7	43
Advisors	3	3
Other personnel	308	270
Total	1,283	1,189

1.6 Wages and similar benefits provided to the senior management

For the year ended 31 December 2015, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers is amounting to TL 10,526,324 (31 December 2014: TL 9,444,775).

1 General information (continued)

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

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

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

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

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

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

The accompanying financial statements comprise the consolidated financial information of the Company. Consolidation principles are further discussed in note 2.2 - *Consolidation*.

As at 31 December 2015, the Company owns 57.31% of its subsidiary, Anadolu Anonim Türk Sigorta Şirketi (“Anadolu Sigorta”) are included in the scope of consolidation by line-by-line method. Anadolu Hayat Emeklilik 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 31 December 2015.

Anadolu Sigorta as a subsidiary company of the Group, is operating in almost all of the none-life insurance branches composed of accident, health, general losses, motor vehicles liability, air craft liability, general liability, credit, financial losses and legal protection.

The activities of Anadolu Hayat involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and related personal accident branches, establishing retirement funds, developing internal rules and regulations related to these funds, carrying out retirement, annual income insurance, portfolio management and custody contracts for the assets of the funds held in custody.

1 General information (continued)

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

Trade name of the Company : Millî Reasürans Türk Anonim Şirketi

Registered address of the head office : Maçka Cad. No:35
34367 Şişli/İstanbul

The web page of the Company : www.millire.com

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

1.10 Subsequent events

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

2 Summary of significant accounting policies

2.1 Basis of preparation

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

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

In the Article 4 of related regulation, procedures and principles related to insurance contracts, recognition of subsidiaries, jointly controlled associations and associates and formation of consolidated financial statements, financial statements disclosed to public, and explanations related to these statements will be determined by Communiqués issued by Turkish Treasury.

The form and content of financial statements of companies is regulated by “Communiqué on Presentation of Financial Statements” that is published in Official Gazette dated 18 April 2008 and numbered 26851 in order for comparison of financial statements with previous period and other companies’ financial statements.

Additional paragraph for convenience translation to English

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

Accounting in hyperinflationary countries

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

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

Other accounting policies

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

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

2.1.3 Valid and presentation currency

The accompanying consolidated financial statements are presented in TL, which is the Group’s valid currency.

2.1.4 Rounding scale of the amounts presented in the financial statements

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

2 Summary of significant accounting policies (continued)

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

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

2.1.6 Accounting policies, changes in accounting estimates and errors

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

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

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

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.6 Accounting policies, changes in accounting estimates and errors (continued)

calculate IBNR reserve for General Losses within two subbranches with the letter dated 28 January 2013 and numbered 24179134. As at 31 December 2015, the Company recognised the amount that arised due to change in calculation method for IBNR on General Losses branch.

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

Accounting policy changes regarding subsequent measurement of owner occupied properties

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

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

As of 31 December 2015, according to real estate appraisal reports, the fair value of owner occupied properties is amounting to TL 158,649,350. The revaluation difference amounting to TL 138,528,285 excluding tax amounting to TL 131,601,870 is presented under the other profit reserves in equity.

Accounting policy changes regarding subsequent measurement of investment property

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

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

As of 31 December 2015, according to real estate appraisal reports, the fair value of investment properties is amounting to TL 324,911,650. The revaluation difference TL 282,029,093 is presented as income from property, plan and equipment account in current year profit and amounting to TL 182,042,978 as previous years' profit in equity and amounting to TL 79,851,398 as income from property, plant and equipment.

2 Summary of significant accounting policies (continued)

2.1.6 Accounting policies, changes in accounting estimates and errors (continued)

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

	31 December 2014	
	Previously Reported	Revised
Investment property	48,325,615	230,606,045
Accumulated depreciation	(89,110,412)	(65,993,163)
Deferred tax assets	41,790,025	31,926,180
Prior years' profit	(27,922,604)	144,703,437
Net income of the period	59,801,754	80,363,867
Depreciation and redemption expenses	(25,929,420)	(24,962,910)
Income from property, plant and equipment	13,668,530	33,232,443
Deferred tax assets account (profit/loss account)	7,895,427	6,875,889
	31 December 2013	
	Previously Reported	Revised
Investment property	48,325,615	211,042,132
Accumulated depreciation	(81,117,506)	(58,966,767)
Deferred tax assets	40,606,546	31,370,165
Prior years' profit / (loss)	(97,983,106)	(70,282,302)
Net income of the period	71,800,159	216,500,903

2.2 Consolidation

“Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Individual Pension Companies” issued by the Turkish Treasury in the Official Gazette dated 31 December 2008 and numbered 27097 (“the Circular for Consolidation”) requires that insurance, reinsurance and individual pension companies issue consolidated financial statements starting from 31 March 2009. The Company consolidated its subsidiary Anadolu Sigorta by using line-by-line method and Anadolu Hayat which is associate of Anadolu Sigorta is consolidated by the equity method.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

Company	Direct and indirect controlling interest	Direct controlling interest	Total assets	Shareholders' equity	Prior period loss	Current period profit
Anadolu Sigorta (consolidated)	57.31%	57.31%	4,548,870,173	863,218,237	64,827,919	74,982,806

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

Transactions eliminated on consolidation

Anadolu Sigorta's balance sheet and income statement is consolidated by line-by-line method and the book value of Anadolu Sigorta in the Company's accounts and the capital amount in the Anadolu Sigorta accounts are eliminated. Intra-group balances and transactions between the Company and Anadolu Sigorta, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The accounting policies of subsidiary have been changed when necessary to align them with the policies adopted by the Company.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Net profit or loss of subsidiary, applicable to the non-controlling interest are presented under "Non-controlling interest" account under consolidated statement of income.

2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. As at 31 December 2015 and 2014, the Group operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

2.4 Foreign currency transactions

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

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

2.5 Tangible assets

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.5 Tangible assets (continued)

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

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

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

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

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

Depreciation rates and estimated useful lives are as follows:

Tangible assets	Estimated useful lives (years)	Depreciation rates (%)
Buildings	50	2.0
Machinery and equipment	3 – 15	6.7 – 33.3
Vehicles	5	20.0
Other tangible assets (includes leasehold improvements)	5	20.0

2.6 Investment property

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

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

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

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

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

2.7 Intangible assets

The Group's intangible assets consist of computer software and goodwill.

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

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

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

2 Summary of significant accounting policies (continued)

2.7 Intangible assets (continued)

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gain or losses on the disposal of an entity includes the carrying amount of goodwill relating to the entity disposed of.

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocations made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arises.

The Group has acquired the health portfolio of Anadolu Hayat Emeklilik A.Ş. at 31 August 2004 with all of its rights and liabilities. The value at acquisition of the portfolio amounting to TL 16,250,000 is capitalized as goodwill by the Group.

2.8 Financial assets

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

Securities are recognized and derecognized at the date of settlement.

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

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

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

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

2 Summary of significant accounting policies (continued)**2.8 Financial assets (continued)**

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

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

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

In the accompanying consolidated financial statements, Anadolu Hayat, associate of the Group, has been consolidated by using the equity method of accounting.

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

2.9 Impairment on assets**Impairment on financial assets**

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

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

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

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

2 Summary of significant accounting policies (continued)

2.9 Impairment on assets (continued)

Impairment on tangible and intangible assets

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

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

2.10 Derivative financial instruments

Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 – *Financial Instruments: Recognition and measurement*.

Derivative financial instruments are initially recognized at their fair value.

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

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

2.11 Offsetting of financial assets

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

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

2.12 Cash and cash equivalents

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

2 Summary of significant accounting policies (continued)

2.13 Capital

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

Name	31 December 2015		31 December 2014	
	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	69,585,028	10.54	69,585,028	10.54
Groupama Emeklilik AŞ	38,809,894	5.88	38,809,894	5.88
T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı	22,240,456	3.37	22,240,456	3.37
T.C. Ziraat Bankası AŞ	16,430,944	2.49	16,430,944	2.49
Others	7,122,753	1.08	7,122,753	1.08
Paid in capital	660,000,000	100.00	660,000,000	100.00

Privileges on common shares representing share capital

There are no privileges on common shares representing share capital.

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

Registered capital system in the Company

None.

Repurchased own shares by the Company

None.

2 Summary of significant accounting policies (continued)

2.14 Insurance and investment contracts - classification

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

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

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

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

2.15 Insurance contracts and investment contracts with discretionary participation feature

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

- (i) that are likely to comprise a significant portion of the total contractual benefits,
- (ii) whose amount or timing is contractually at the discretion of the Issuer; and
- (iii) that are contractually based on:
 - (1) the performance of a specified pool of contracts or a specified type of contract;
 - (2) realized and/or unrealized investments returns on a specified pool of assets held by the Issuer; or
 - (3) the profit or loss of company, fund or other entity that issues the contract.

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

2.16 Investment contracts with DPF

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

2 Summary of significant accounting policies (continued)

2.17 Liabilities

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

2.18 Income taxes

Corporate tax

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

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

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

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

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

Deferred tax

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

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

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

2 Summary of significant accounting policies (continued)**2.18 Income taxes (continued)****Transfer pricing**

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

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

2.19 Employee benefits**Pension and other post-retirement obligations**

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

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

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

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

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

Funds participating, pensioned or endowed and beneficiaries of the established funds for the personnel of banks, insurance and reinsurance companies, chambers of commerce, chamber of industries, stock exchanges or is organized by them under the temporary 20th article of law no. 506, council of ministers is entitled to determine the date of transfer to Social Security Institution. As of the transfer date, fund participatngs 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.

2.19 Employee benefits (continued)

Pension and other post-retirement obligations (continued)

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:

- Technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and
- Gains and losses of the funds stems from benefits covered by the aforementioned Law taken into accounts to calculate present value of the obligations.

Employee termination benefits

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

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 – *Employee Benefits*. The major actuarial assumptions used in the calculation of the total liability as at 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Discount rate	3.77-4.61%	3.77-4.46%
Expected rate of salary/limit increase	5.00-5.83%	4.37-5.00%
Estimated employee turnover rate	2.00-3.27%	2.00-6.29%

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

Other benefits

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

2.20 Provisions

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

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

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.

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition (continued)

Claims paid

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

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

Subrogation, salvage and quasi income

According to the Circular 2010/13 dated 20 September 2010; the Company may account for income accrual for subrogation receivables without any voucher after the completion of the claim payments made to the insuree. If the amount cannot be collected from the counterparty insurance company, the Company provides provision for uncollected amounts due for six months. If the counter party is not an insurance company, the provision is provided after four months. As at the reporting date, in accordance with the related circular the Group provided TL 45,354,423 (31 December 2014: TL 26,118,178) subrogation receivables and recorded TL 49,626,517 (31 December 2014: TL 30,648,790) (Note 12) amount net subrogation and salvage receivables under receivables from main operations. The Group provided allowance for uncollected subrogation receivables amounting to TL 8,305,178 (31 December 2014: TL 7,677,067) (Note 12) in accordance with circular.

For the periods ended 31 December 2015 and 2014, salvage and subrogation collected are as follows:

	31 December 2015	31 December 2014
Motor vehicles	292,754,774	255,938,892
Third party liability for motor vehicles (MTPL)	7,174,650	4,894,794
Transportation	3,654,611	1,951,328
Fire and natural disaster	2,946,419	2,556,620
Water vehicles	1,052,607	1,087,073
Accident	164,084	248,943
General losses	135,207	129,658
General responsibility	68,150	2,410
Air crafts	7,759	452,519
Credit	--	16,861
Legal protection	--	(22,011)
Total	307,958,261	267,257,087

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition (continued)

Subrogation, salvage and quasi income (continued)

As at 31 December 2015 and 2014, accrued subrogation and salvage income per branches is as follows:

	31 December 2015	31 December 2014
Motor vehicles	36,648,709	29,805,959
Third party liability for motor vehicles (MTPL)	4,252,062	213,733
Water vehicles	3,904,872	16,671
Fire and natural disaster	3,485,325	397,028
Transportation	1,048,488	181,347
General losses	274,558	--
Accident	12,503	34,052
Total	49,626,517	30,648,790

Commission income and expenses

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

Interest income and expenses

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

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

Trading income/expense

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

Dividends

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

2 Summary of significant accounting policies (continued)

2.22 Leasing transactions

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

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

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

2.23 Dividend distribution

As a result of the General Assembly Meeting of the Company held on 25 March 2015, the Company has profit amounting to TL 11,054,672 for 2014, it has been decided unanimously that the profit distribution is not made and offsetted by losses in previous years.

2.24 Reserve for unearned premiums

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

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

The subsidiary of the Company, Anadolu Sigorta calculated unearned premium reserve in accordance with the basis specified above.

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

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

2 Summary of significant accounting policies (continued)

2.24 Reserve for unearned premiums (continued)

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

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

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

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

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

As at the reporting date, the Group has provided reserve for unearned premiums amounting to TL 2,194,659,969 (31 December 2014: TL 1,820,412,103) and reinsurer share in reserve for unearned premiums amounting TL 293,410,931 (31 December 2014: TL 254,801,924). Furthermore, reserve for unearned premiums includes Social Security Institution (“SSI”) share amounting to TL 54,975,564 (31 December 2014: TL 36,692,791).

2 Summary of significant accounting policies (continued)

2.25 Provision for outstanding claims

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

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

In accordance with 5 December 2014 dated and 2014/15 numbered “Circular for Provision for Outstanding Claims” of Turkish Treasury, ACML calculation should be on main branch. Insurance and reinsurance companies are allowed to use six different methods which are “Standard Chain, Claim/Premium, Cape Code, Frequency/Volume, Munich Chain Ladder and Bornhuetter-Ferguson” to make ACLM calculations. The Company’s method selections for each branch are presented below.

In accordance with the Circular issued by the Turkish Treasury dated 2014/16, the Company eliminated severe damages by using Box-Plot method to make more homogeneous calculation in ACML.

According to the Circular issued by Turkish Treasury dated 2014/16, IBNR is calculated by the Company’s actuaries. The selection of data to be used, correction operations, selection of the most appropriate method and growth factors and interference to growth factors is made by the Company’s actuaries by using actuarial methods on the basis of branches. This matter is detailed in the actuarial report that is sent to Turkish Treasury according to Article 11 of Actuaries Regulation.

Used damage claims software and damage claims reserve development factors are tested for all methods and the selection was made with actuarial factor analysis. Development of coefficients are evaluated retrospectively in the next step. The data which is high damage, the effect of inflation, determining the factors that may affect the analysis as CDS application corrections were made.

As a consequence of actuarial work, trend function of development of coefficient of portfolio for each branch is determined and conclusion of that function for each development period is calculated. Consequently, the curve which passed from data points with the least error is considered.

In this context, development of coefficient is calculated for all branches and incurred damage triangles are analyzed and the effects regarding damage files that affect development of coefficient are eliminated.

According to 2015/28 numbered circular of Turkish Treasury, IBNR amount that calculated by basing 10% increase rate in Compulsory Traffic, Facultative Fiscal Responsibility and General Responsibility branches is represented on financial statements.

In accordance with these judgements, net IBNR amount that is not reflected to the financial statements of Anadolu Sigorta is TL 203,903,058 in branch of Motor Vehicles, TL 7,407,845 in branch of Third Party Liability and TL 10,774,133 in branch of General Liability. The total amount is TL 222,085,036.

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

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

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

2 Summary of significant accounting policies (continued)

2.25 Provision for outstanding claims (continued)

The ACML methods selected for each branch is provided in the following section. The Group could not perform big claim elimination by Box Plox.

Branches	Milli Reasürans	Anadolu Sigorta
Fire and Natural Disasters	Standard Chain	Standard Chain
General Damages ^(*)	Standard Chain	Standard Chain
General Responsibility	Standard Chain	Cape Cod
Compulsory Traffic	Standard Chain	Cape Cod
Transportation	Standard Chain	Standard Chain
Water Vehicles	Standard Chain	Standard Chain
Land Vehicles	Standard Chain	Standard Chain
Accident	Standard Chain	Standard Chain
Health	Standard Chain	Standard Chain
Air Vehicles	Standard Chain	Standard Chain
Legal Protection	Standard Chain	Standard Chain
Water Vehicles Responsibility	Sector Average (Birlik 09/2015)	--
Air Vehicles Responsibility	Sector Average (Birlik 09/2015)	Standard Chain
Indemnity	Sector Average (Birlik 09/2015)	--
Financial Losses	Sector Average (Birlik 09/2015)	Standard Chain
Credit	Sector Average (Birlik 09/2015)	Standard Chain
Life	Sector Average (Birlik 09/2015)	--
Facultative Financial Responsibility	--	Standard Chain

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

As of 31 December 2015, in the branch of Fire and Natural Disasters that is branch-based chosen by Anadolu Sigorta, "Standart Chain" method is used instead of "Munich Chain" method.

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

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

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

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

2 Summary of significant accounting policies (continued)

2.25 Provision for outstanding claims (continued)

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

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

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

2 Summary of significant accounting policies (continued)

2.25 Provision for outstanding claims (continued)

As at 31 December 2015, Anadolu Sigorta, the subsidiary of the Company provided IBNR amounting to gross TL 483,809,233 and reinsurance share TL 47,092,646 using 100% of ACLM result (31 December 2014: test IBNR method, Gross IBNR: TL 327,611,024, reinsurance share: TL 17,969,121) in the consolidated financial statements.

In accordance with “Circular Related to Information on Calculation of Incurred But Not Reported Claims Reserve” and dated 26 November 2011, companies may decrease their outstanding claims reserve balances based on the winning ratio of the sub-branches calculated from the last five years claims. Winning ratio used for decrease in provision for outstanding claims could not exceed 25% (15% for the new sub-branches which do not have five year data). Based on the aforementioned regulation, the Company calculated winning ratio between 15%-20% from the last five year data set and TL 104,862,951 (31 December 2014: TL 75,260,122) as IBNR and TL 18,207,321 (31 December 2014: TL 9,912,780) as reinsurer’s share of IBNR is excluded from outstanding claims reserve balance.

The calculated winning ratio of Anadolu Sigorta, the subsidiary of the Company as at 31 December 2015 is within 0%-100% range (31 December 2014: 0%-100%). Winning ratios used in and amounts decreased from provision for outstanding claims are as follows:

Branch	31 December 2015		
	Winning ratios used	Gross amount decreased	Net amount decreased
General responsibility	25%	44,952,215	40,954,135
Third party liability for motor vehicles (MTPL)	10%	34,977,046	34,149,860
Fire and natural disasters	25%	16,115,339	5,546,618
General losses	25%	3,014,805	1,082,648
Motor vehicles	21%	2,994,637	2,925,531
Transportation	25%	804,446	394,117
Water vehicles	25%	677,619	482,354
Accident	16%	656,803	469,951
Credit	25%	636,655	636,655
Financial Losses	3%	28,162	8,537
Legal protection	25%	5,224	5,224
Total		104,862,951	86,655,630

Branch	31 December 2014		
	Winning ratios used	Gross amount decreased	Net amount decreased
Third party liability for motor vehicles (MTPL)	13%	27,061,833	26,173,740
General responsibility	25%	31,775,165	30,362,994
Fire and natural disasters	23%	10,183,292	4,417,948
Motor vehicles	21%	2,623,152	2,533,992
General losses	19%	2,057,461	686,961
Water vehicles	25%	791,187	493,422
Transportation	25%	431,542	362,137
Accident	14%	304,698	284,356
Credit	25%	25,000	25,000
Legal protection	25%	6,792	6,792
Total		75,260,122	65,347,342

2 Summary of significant accounting policies (continued)

2.25 Provision for outstanding claims (continued)

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

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

According to the Article 59 of the aforementioned law, starting from 25 February 2011, premiums written under compulsory motor third party liability insurance contracts providing health assurance will be transferred to SSI by the rate up to 15% which will be later defined by Turkish Treasury. By this premium transfer, all liabilities related to body injuries resulted from traffic accidents will be compensated by SSI. According to the Provisional Article 1 and Article 59 of the Law, up to 20% of the transferred premium amount defined by the Turkish Treasury will also be transferred to SSI and treatment costs resulted from traffic accidents occurred before 25 February 2011 will also be compensated by SSI. As part of the aforementioned law, “Communiqué on Payment of Treatment Costs Resulted from Traffic Accidents” which was issued in Official Gazette numbered 28038 and dated 27 August 2011 has become effective. On 17 October 2011, the Turkish Treasury issued circular numbered 2011/18 “Circular Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from Traffic Accidents and New Accounts in the Insurance Chart of Accounts”. In accordance with the related circular, the Company eliminated outstanding claims reserve amounting to TL 2,279,273 related to treatment costs occurred before issuance of the aforementioned law, with “Paid Claims” account. The same amount is recorded as “Payable to SSI” under “Other Payables” in the accompanying financial statements.

In accordance with the circular numbered 2011/18, the Company recalculated test IBNR amount by excluding treatments costs covered by the aforementioned law as at 31 March 2011 and eliminated difference between the newly calculated IBNR amount and IBNR amount in the financial statements amounting to TL 2,375,923 with “Paid Claims” account. The same amount is recorded as “Payable to SSI” under “Other Payables” in the accompanying financial statements.

The Group classified total of TL 2,375,923 which includes new calculation difference over premiums written under compulsory motor third party liability insurance contracts between 25 February 2011 – 26 August 2011 per “Circular Stated Principals on Implementation Related to Collection of Health Service Fees in Connection with Traffic Accidents” stated by the Turkish Treasury as “Payable to SSI”.

The Turkish Treasury informed the Company 7.02% for motor third party liability, 2.08% for compulsory personal accident seat insurance and 15.8% for compulsory transportation liability for traffic accidents occurred before issuance of the aforementioned law. The difference amounting to TL 448 between the amount informed by the Turkish Treasury and the amount eliminated by the Company is transferred to “Other Technical Expense” as at 31 December 2015 (31 December 2014: TL 1,153,499).

2 Summary of significant accounting policies (continued)

2.26 Mathematical provisions

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

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

2.27 Reserve for unexpired risk

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

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

In order to eliminate the misleading effect of the revised calculation of outstanding claims reserves, reserve for unexpired risks is calculated with the revised outstanding claims reserve for the opening balance.

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

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

According to the related test, as at the reporting date, the Group has provided net reserve for unexpired risk amounting to TL 32,682,256 in the accompanying consolidated financial statements (31 December 2014: TL 80,455,896).

2 Summary of significant accounting policies (continued)

2.28 Equalization provision

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

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

Equalization provisions are presented under "other technical reserves" within long term liabilities in the accompanying consolidated financial statements. As at the reporting date, the Group has recognized equalization provision amounting to TL 104,977,919 (31 December 2014: TL 83,054,021).

As at 31 December 2015, the Group has deducted TL 21,443,124 (31 December 2014: TL 27,076,935) from equalization provision in consequence of realized earthquake losses.

2 Summary of significant accounting policies (continued)

2.29 Related parties

Parties are considered related to the Company if;

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

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

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

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

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

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

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

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

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

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

2.30 Earnings per share

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

2 Summary of significant accounting policies (continued)

2.31 Subsequent events

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

2.32 New standards and interpretations not yet adopted

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

TFRS 9 Financial Instruments: Recognition and Measurement

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

3 Critical accounting estimates and judgments in applying accounting policies

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

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

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

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

- Note 4.1* – Management of insurance risk
- Note 4.2* – Financial risk management
- Note 7* – Investment properties
- Note 9* – Investments in subsidiaries
- Note 10* – Reinsurance assets/liabilities
- Note 11* – Financial assets
- Note 12* – Loans and receivables
- Note 17* – Insurance contract liabilities and reinsurance assets
- Note 17* – Deferred acquisition costs
- Note 19* – Trade and other payables and deferred income
- Note 21* – Deferred income taxes
- Note 23* – Provision for other liabilities and charges

4 Management of insurance and financial risk

4.1 Management of insurance risk

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

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

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

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

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

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

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

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

Instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

4 Management of insurance and financial risk (continued)

4.1 Management of insurance risk (continued)

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

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.

4 Management of insurance and financial risk (continued)

4.1 Management of insurance risk (continued)

Insurance risk concentrations

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

Branches	31 December 2015		
	Gross total claims liability ^(*)	Reinsurance share of total claims liability	Net total claims liability
Motor vehicles	618,805,649	933,225	619,738,874
Motor vehicles liability(MTPL)	565,027,359	(2,225,458)	562,801,901
Fire and natural disasters	449,254,743	(79,242,218)	370,012,525
General losses	382,547,462	(65,052,063)	317,495,399
Health	283,625,533	(15,683,716)	267,941,817
General liability	81,076,828	(16,848,913)	64,227,915
Water vehicles	63,082,149	(25,232,499)	37,849,650
Transportation	43,680,167	(6,978,256)	36,701,911
Accident	28,721,311	(1,919,589)	26,801,722
Air crafts	15,461,734	(2,839,416)	12,622,318
Life	6,492,393	(380,423)	6,111,970
Financial losses	4,494,461	(1,980,489)	2,513,972
Air crafts liability	1,575,450	--	1,575,450
Legal protection	180,879	--	180,879
Guarantee	173,639	(513)	173,126
Credit	558,318	(452,437)	105,881
Water vehicles liability	2,810	--	2,810
Total	2,544,760,885	(217,902,765)	2,326,858,120

Branches	31 December 2014		
	Gross total claims liability ^(*)	Reinsurance share of total claims liability	Net total claims liability
Motor vehicles	543,514,898	(2,019,216)	541,495,682
Motor vehicles liability (MTPL)	506,068,519	(111,366)	505,957,153
Fire and natural disasters	340,199,580	(37,079,591)	303,119,989
General losses	270,908,309	(22,904,508)	248,003,801
Health	230,503,917	(12,936,762)	217,567,155
Water vehicles	81,345,661	(29,576,427)	51,769,234
General liability	54,104,745	(3,358,223)	50,746,522
Transportation	40,493,803	(7,431,770)	33,062,033
Accident	26,290,988	(1,204,030)	25,086,958
Life	10,861,957	(4,060,205)	6,801,752
Air crafts	4,990,389	(2,478)	4,987,911
Credit	1,149,860	(58,980)	1,090,880
Guarantee	367,178	(24,632)	342,546
Air crafts liability	296,092	(64,936)	231,156
Legal protection	162,950	(45)	162,905
Financial losses	115,030	(23,860)	91,170
Water vehicles liability	52,940	--	52,940
Total	2,111,426,816	(120,857,029)	1,990,569,787

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

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

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

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk

Introduction and overview

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

- credit risk
- liquidity risk
- market risk

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

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

Credit risk

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

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.

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Credit risk (continued)

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

	31 December 2015	31 December 2014
Cash and cash equivalents (Note 14) (*)	3,296,974,448	2,348,360,016
Receivables from main operations (Note 12)	1,102,022,681	971,491,906
Financial assets and financial investments with risks on policyholders (Note 11) (**)	952,668,900	932,112,278
Reinsurer share in provision for outstanding claims (Note 10), (Note 17)	438,178,953	187,370,933
Prepaid taxes and funds (Note 12)	33,690,959	10,608,131
Income accruals (Note 12)	16,363,166	20,722,572
Other receivables (Note 12)	13,191,923	5,727,672
Other current asset (Note 12)	759,275	633,816
Total	5,853,850,305	4,477,027,324

(*) Cash on hands balance amounting to TL 53,835 are not included (31 December 2014: TL 53,676).

(**) Equity shares amounting to 181,288,361 TL are not included (31 December 2014: TL 182,614,403).

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

	31 December 2015		31 December 2014	
	Gross amount	Provision	Gross amount	Provision
Not past due	775,620,092	--	691,089,895	--
Past due 0-30 days	119,127,361	--	117,223,501	--
Past due 31-60 days	23,594,511	--	16,979,325	--
Past due 61-90 days	11,863,059	--	12,392,923	--
More than 90 days (*)	187,385,523	(164,991,381)	154,810,606	(125,085,618)
Total (**)	1,117,590,546	(164,991,381)	992,496,250	(125,085,618)

(*) As per the 3 February 2005 dated and B.02.1.HM.O.SGM.0.3.1/01/05 numbered Circular issued by the Turkish Treasury, in case where subrogation is subject to claim/legal action, related subrogation amount is recognized as doubtful receivables and allowance for doubtful receivables is provided by the same amount in the financial statements. Related amounts are presented in "More than 90 days" line in the above table.

(**) In consolidated financial tables, except 929,617,402 TL (31 December 2014: 806,753,346 TL) in the balance of receivables from insurance and reinsurance operations includes TL 108,102,177 (31 December 2014: TL 81,109,551) of untransferred amount collected by intermediaries and TL 49,626,517 (31 December 2014: TL 30,648,790) of subrogation and salvage receivables in the consolidated financial statements. Subrogation receivables having passed over 4 months for individuals and 6 months for legal entities but not transferred to legal follow-up amounting to TL 8,305,178 (31 December 2014: TL 7,677,067) are excluded from the table.

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

	31 December 2015	31 December 2014
Provision for receivables from insurance operations at the beginning of the year	125,085,618	113,746,505
Collections during the period (Note 47)	(350,189)	(1,077,499)
Impairment losses provided during the period (Note 47)	748,206	2,518,673
Impairment losses provided for subrogation – salvage receivables during the period (Note 47)	36,978,505	9,104,101
Foreign currency translation effect (Note 47)	2,529,241	793,838
Provision for receivables from insurance operations at the end of the year	164,991,381	125,085,618

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Credit risk (continued)

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

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

Liquidity risk

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

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

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

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

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

Management of the liquidity risk

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

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Liquidity risk (continued)

Maturity distribution of monetary assets and liabilities:

31 December 2015	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Assets						
Cash and cash equivalents	3,296,902,698	834,942,131	2,363,085,480	35,431,171	48,610,833	14,833,083
Receivables from main operations	1,102,022,681	174,701,805	364,291,401	415,411,347	136,892,645	10,725,483
Financial assets and financial investments with risks on policyholders ^(*)	952,668,900	317,420,540	30,398,589	24,133,356	96,505,354	484,211,061
Other receivables and current assets	64,588,205	49,632,241	2,821,831	1,612,816	3,923,841	6,597,476
Total monetary assets	5,416,182,484	1,376,696,717	2,760,597,301	476,588,690	285,932,673	516,367,103
Liabilities						
Insurance technical provisions ^(**)	2,229,213,713	195,693,816	386,759,515	157,100,713	146,675,348	1,342,984,321
Payables arising from main operations	373,784,676	136,796,701	43,639,580	75,056,633	118,291,762	--
Other liabilities	62,710,887	24,878,685	34,654,641	--	--	3,177,561
Provisions for other risks and expense accruals	86,319,655	2,989,356	14,194,372	9,759,024	7,690,111	51,686,792
Provisions for taxes and other similar obligations	38,761,168	38,761,168	--	--	--	--
Financial Liabilities	297,347,979	297,347,979	--	--	--	--
Due to related parties	158,568	158,568	--	--	--	--
Total monetary liabilities	3,088,296,646	696,626,273	479,248,108	241,916,370	272,657,221	1,397,848,674

^(*) Equity shares amounting to TL 181,288,361 are not included.

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

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Liquidity risk (continued)

31 December 2014	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Assets						
Cash and cash equivalents	2,348,242,173	760,590,602	1,444,741,803	117,552,880	25,356,888	--
Receivables from main operations	971,491,906	167,065,674	332,687,147	330,406,279	133,158,264	8,174,542
Financial assets and financial investments with risks on policyholders(*)	932,112,278	323,285,988	49,685,433	40,508,395	62,680,823	455,951,639
Other receivables and current assets	37,947,567	32,562,672	2,332,079	1,914,880	1,137,936	--
Total monetary assets	4,289,793,924	1,283,504,936	1,829,446,462	490,382,434	222,333,911	464,126,181
Liabilities						
Insurance technical provisions(**)	1,747,362,421	145,696,723	305,563,607	116,206,094	99,256,001	1,080,639,996
Payables arising from main operations	333,218,811	103,441,845	50,466,353	83,703,672	95,606,941	--
Provisions for other risks and expense accruals	87,645,062	6,493,459	3,139,661	15,759,247	--	62,252,695
Other liabilities	48,001,148	18,691,190	26,393,381	--	--	2,916,577
Provisions for taxes and other similar obligations	28,779,229	28,779,229	--	--	--	--
Due to related parties	81,488	81,488	--	--	--	--
Total monetary liabilities	2,245,088,159	303,183,934	385,563,002	215,669,013	194,862,942	1,145,809,268

(*) Equity shares amounting to TL 182,614,403 are not included.

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

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.

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Foreign currency risk

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

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

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

31 December 2015	US Dollar	Euro	Other currencies	Total
<i>Assets:</i>				
Receivables from main operations	217,690,101	71,611,738	102,342,657	391,644,496
Cash and cash equivalents	382,061,544	13,591,035	5,014,051	400,666,630
Financial assets and financial investments with risks on policyholders	17,469,980	11,206,804	--	28,676,784
Total foreign currency assets	617,221,625	96,409,577	107,356,708	820,987,910
<i>Liabilities:</i>				
Payables arising from main operations	(139,817,443)	(12,281,990)	(8,581,099)	(160,680,532)
Insurance technical provisions(*)	(250,489,227)	(115,466,094)	(100,535,963)	(466,491,284)
Total foreign currency liabilities	(390,306,670)	(127,748,084)	(109,117,062)	(627,171,816)
Net on-balance sheet position	226,914,955	(31,338,507)	(1,760,354)	193,816,094

31 December 2014	US Dollar	Euro	Other currencies	Total
<i>Assets:</i>				
Receivables from main operations	200,570,942	60,452,264	98,142,646	359,165,852
Cash and cash equivalents	266,710,622	5,718,197	4,089,735	276,518,554
Financial assets and financial investments with risks on policyholders	--	12,320,065	--	12,320,065
Total foreign currency assets	467,281,564	78,490,526	102,232,381	648,004,471
<i>Liabilities:</i>				
Payables arising from main operations	(125,041,261)	(14,340,894)	(3,639,460)	(143,021,615)
Insurance technical provisions(*)	(201,931,554)	(115,074,078)	(91,191,721)	(408,197,353)
Total foreign currency liabilities	(326,972,815)	(129,414,972)	(94,831,181)	(551,218,968)
Net on-balance sheet position	140,308,749	(50,924,446)	7,401,200	96,785,503

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

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

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Foreign currency risk (continued)

Foreign currency rates used for the translation of foreign currency denominated monetary assets and liabilities as at reporting dates at 31 December 2015 and 2014 are as follows:

	At the end of the period		Average	
	US Dollar	Euro	US Dollar	Euro
31 December 2015	2.9076	3.1776	2.7187	3.0175
31 December 2014	2.3189	2.8207	2.1876	2.9061

Exposure to foreign currency risk

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

	31 December 2015		31 December 2014	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
US Dollar	22,632,349	22,691,496	14,030,875	14,030,875
Euro	(3,133,851)	(3,133,851)	(5,092,445)	(5,092,445)
Others	(176,035)	(176,035)	740,120	740,120
Total, net	19,322,463	19,381,610	9,678,550	9,678,550

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

Exposure to interest rate risk

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

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Exposure to interest rate risk (continued)

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

	31 December 2015	31 December 2014
Financial assets		
<i>Financial assets with fixed interest rates:</i>		
Cash at banks (Note 14) ^(*)	3,469,973,909	2,610,973,155
Available for sale financial assets – Government bonds – TL (Note 11)	2,912,696,899	2,087,098,971
Cash deposited to insurance and reinsurance companies (Note 12)	443,991,707	432,386,187
Financial assets held for trading – other (Note 11)	71,326,673	67,831,070
Available for sale financial assets – Private sector bonds (Note 11)	--	5,887,281
Other- financial assets (Note 11)	30,070,603	17,769,646
	11,888,027	--
<i>Financial assets with variable interest rate:</i>		
Available for sale financial assets – Private sector bonds – TL (Note 11)	161,186,051	169,073,492
Available for sale financial assets – Government bonds– TL (Note 11)	102,367,158	70,632,152
Held to maturity investments – Government bonds (Note 11)	42,365,317	18,798,159
Financial assets held for trading – Private sector bonds – TL (Note 11)	15,555,214	73,670,047
Financial assets held for trading – Government bonds – TL (Note 11)	898,362	900,017
	--	5,073,117
Financial liabilities:		
Financial liabilities with fixed interest rate:	297,347,979	--
Funds from repo transactions (Note 20)	297,347,979	--

(*) Demand deposits amounting to TL 17,101,492 are not included (31 December 2014: TL 11,811,605).

Interest rate sensitivity of the financial instruments

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

	Profit or loss		Equity ^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2015				
Financial assets held for trading	(1,842)	1,889	(1,842)	1,889
Available for sale financial assets	--	--	(6,940,196)	7,098,494
Total, net	(1,842)	1,889	(6,942,038)	7,100,383
31 December 2014				
Financial assets held for trading	(45,465)	34,401	(45,465)	34,401
Available for sale financial assets	--	--	(8,443,462)	8,568,762
Total, net	(45,465)	34,401	(8,488,927)	8,603,163

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

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Fair value information

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

The Group has classified its financial assets as whether held for trading purpose or available for sale, As at the reporting date, available for sale financial assets and financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying consolidated financial statements. Held to maturity investments with a carrying amount of TL 15,555,214 (31 December 2014: TL 73,670,047) are measured at amortized cost and their fair value amounting to TL 14,936,855 (31 December 2014: TL 74,133,508) as at 31 December 2015 in the consolidated financial statements. Held to maturity financial assets of the Group is consist of the government bonds that are dealt at the organized markets and classified as Level 1.

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

Classification relevant to fair value information

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

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

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

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

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

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Classification relevant to fair value information (continued)

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

	31 December 2015			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Available for sale financial assets ^(*)	1,002,425,627	18,205,108	358,464	1,020,989,199
Financial assets held for trading (Note 11)	96,232,135	--	--	96,232,135
Total financial assets	1,098,657,762	18,205,108	358,464	1,117,221,334

	31 December 2014			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Available for sale financial assets ^(*)	886,064,419	6,533,319	3,297,263	895,895,001
Financial assets held for trading (Note 11)	140,006,920	--	--	140,006,920
Total financial assets	1,026,071,339	6,533,319	3,297,263	1,035,901,921

^(*) As at 31 December 2015, securities that are not publicly traded amounting to TL 1,180,713 (31 December 2014: TL 5,154,713) have been measured at cost.

	31 December 2015	31 December 2014
Available for sale financial assets at the beginning of the period	3,297,263	3,297,263
Valuation increase (Account of valuation of financial assets)	(2,938,799)	--
Available for sale financial assets at the end of the period	358,464	3,297,263

Equity share price risk

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

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

	31 December 2015		31 December 2014	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
Financial assets held for trading	(265,467)	(265,467)	(391,590)	(391,590)
Available for sale financial assets	--	(17,709,451)	--	(17,024,653)
Total, net	(265,467)	(17,974,918)	(391,590)	(17,416,243)

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

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Gain and losses from financial assets

<i>Gains and losses recognized in the statement of income, net:</i>	31 December 2015	31 December 2014
Interest income from bank deposits	243,833,157	157,667,255
Income from equity shares	23,150,967	18,279,830
Interest income from debt securities classified as available-for-sale financial assets	52,831,329	67,056,489
Foreign exchange gains	149,059,354	74,755,504
Income from investment funds	9,308,317	34,887,530
Income from participates	30,635,392	21,855,676
Interest income from debt securities classified as held to maturity financial investments	3,511,381	10,730,801
Interest income from debt securities classified as held for trading financial assets	435,648	3,134,653
Income from debt securities classified as held for trading financial assets	430,223	--
Interest income from repos	7,542,195	1,293,630
Income from derivative transactions	741,200	441,863
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (Note 15)	2,581,239	(3,522,062)
Income from subsidiaries	4,075	347,307
Income from investment funds reclassified as available for sale financial assets	498,879	--
Other	32,949,153	3,106,207
Investment income	557,512,509	390,034,683
Foreign exchange losses	(67,687,210)	(57,145,242)
Loss from disposal of financial assets	(11,039,996)	(17,584,246)
Loss from valuation of financial assets	(2,824,154)	(3,509,979)
Investment management expenses (including interest)	(3,060,240)	(413,808)
Loss from derivative transactions	(74,638)	(282,254)
Investment expenses	(84,686,238)	(78,935,529)
Investment income, net	472,826,271	311,099,154
<i>Financial gains and losses recognized in equity, net:</i>	31 December 2015	31 December 2014
Fair value changes in available for sale financial assets (Note 15)	(16,455,829)	20,704,059
Amounts resulted from associates through equity accounted consolidation method (Note 15)	(2,137,909)	6,313,825
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (Note 15)	(2,581,239)	3,522,062
Total	(21,174,977)	30,539,946

4 Management insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Capital management

The Company's capital management policies include the following:

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

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

As of 30 June 2015, required equity amount determined in calculations over consolidated financial statements of Company's subsidiary Anadolu Sigorta, is amounted TL 857,574,387. As of 31 December 2015, according to communiqué, equity amount in consolidated financial statements of Anadolu Sigorta is over required equity amount.

5 Segment reporting

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

Business segment

Financial information of the Group is presented on life and non-life basis in the accompanying consolidated financial statements.

Geographical segment

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

6 Tangible assets

Movement in tangible assets in the period from 1 January to 31 December 2015 is presented below:

	1 January 2015	Additions	Transfers	Foreign currency translation effect ^(*)	Disposals	Revaluation Surplus	31 December 2015
Cost:							
Investment properties (Note 7)	230,606,045	59,500	10,584,507	--	--	83,661,598	324,911,650
Owner occupied properties ^(*)	38,751,315	304,228	(10,584,507)	--	--	130,178,314	158,649,350
Machinery and equipment	34,554,018	7,449,593	--	--	(94,217)	--	41,909,394
Furniture and fixtures	15,701,150	1,635,576	--	125,653	(253,160)	--	17,209,219
Motor vehicles	2,674,433	--	--	106,473	(921,702)	--	1,859,204
Other tangible assets (including leasehold improvements)	19,401,127	921,528	--	--	--	--	20,322,655
Leased tangible assets	4,166,354	--	--	--	--	--	4,166,354
	345,854,442	10,370,425		232,126	(1,269,079)	213,839,912	569,027,826
Accumulated depreciation:							
Investment properties (Note 7)	--	--	--	--	--	--	--
Owner occupied properties	15,236,700	618,669	--	--	--	(15,667,967)	187,402
Machinery and equipment	25,913,753	3,776,154	--	--	(66,717)	--	29,623,190
Furniture and fixtures	11,998,444	1,337,973	--	62,879	(170,101)	--	13,229,195
Motor vehicles	1,824,512	345,094	--	67,182	(863,765)	--	1,373,023
Other tangible assets (including leasehold improvements)	6,853,450	3,352,816	--	--	--	--	10,206,266
Leased tangible assets	4,166,304	50	--	--	--	--	4,166,354
	65,993,163	9,430,756		130,061	(1,100,583)	(15,667,967)	58,785,430
Carrying amounts	279,861,279						510,242,396

^(*) Owner occupied properties have been presented with fair values in the financial statements starting from 30 September 2015, previously they were presented with their historical cost.

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

As of 31 December 2015, owner occupied properties are evaluated with their fair value. Appraisal reports were provided by CMB licensed real estate appraisal company at June 2015 and July 2015. There is no mortgage on the property.

As of 31 December 2015, the fair values (excluding VAT) and net carrying values of owner occupied properties are presented below:

Owner occupied land and buildings	Appraisal value	Net Book Value (31 December 2015)
Central Management Building	147,116,950	146,963,127
İzmir Regional Headquarter	7,957,400	7,938,011
Adana Regional Headquarter	1,750,000	1,745,694
Lefkoşe Cyprus Branch	720,000	716,571
Adana Office	425,000	423,935
Other	680,000	674,610
Total	158,649,350	158,461,948

Fair value measurement

The fair values of owner occupied land and buildings were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as Level 2.

6 Tangible assets (continued)

Movement in tangible assets in the period from 1 January to 31 December 2014 is presented below:

	1 January 2014	Additions	Foreign currency translation effect ^(*)	Disposals	Revaluation Surplus	31 December 2014
Cost:						
Investment properties (Note 7)	211,042,132	--	--	--	19,563,913	230,606,045
Owner occupied properties	37,913,919	888,859	--	(51,463)	--	38,751,315
Machinery and equipment	32,800,391	2,925,379	--	(1,171,752)	--	34,554,018
Furniture and fixtures	14,871,838	1,050,435	26,967	(248,090)	--	15,701,150
Motor vehicles	2,564,806	383,160	33,387	(306,920)	--	2,674,433
Other tangible assets (including leasehold improvements)	18,262,277	1,138,850	--	--	--	19,401,127
Leased tangible assets	4,166,354	--	--	--	--	4,166,354
	321,621,717	6,386,683	60,354	(1,778,225)	19,563,913	345,854,442
Accumulated depreciation:						
Investment properties (Note 7)	--	139,655	--	--	(139,655)	--
Owner occupied properties	14,501,246	761,226	--	(25,772)	--	15,236,700
Machinery and equipment	23,879,216	3,198,899	--	(1,164,362)	--	25,913,753
Furniture and fixtures	11,173,991	1,043,546	26,348	(245,441)	--	11,998,444
Motor vehicles	1,652,507	410,071	16,991	(255,057)	--	1,824,512
Other tangible assets (including leasehold improvements)	3,593,702	3,259,748	--	--	--	6,853,450
Leased tangible assets	4,166,105	199	--	--	--	4,166,304
	58,966,767	8,813,344	43,339	(1,690,632)	(139,655)	65,993,163
Carrying amounts	262,654,950					279,861,279

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

As of 31 December 2015 and 31 December 2014, there is no mortgage on Company's tangible assets.

7 Investment properties

Additions and disposals for investment properties is given “6- Tangible Assets” note in table of current period movement of tangible assets.

Investment property is presented by fair value method as of third quarter of 2015 on balance sheet and detailed information regarding policy change is given 2.1.6 note. The Company’s investment properties gained TL 94,305,605 amount of value in 2015 in the context of expertise report prepared by independent professional valuation specialists authorized by Capital Markets Board. As at 31 December 2015, inflation adjusted cost and carrying amounts of the Company’s investment properties are amounting to TL 324,911,650 (31 December 2014: TL 230,606,045).

Property based value of expertise report (excluding VAT) and fair values of investment properties are as follows. Expertise reports regarding these property is prepared by independent professional valuation specialists authorized by CMB in June, August and September 2015. There is no mortgage on Company’s investment properties.

As at 31 December 2015 and 2014, details of investment properties and the fair values are as follows:

	31 December 2015 Carrying amount	31 December 2015 Carrying amount	Date of expertise report	Value of expertise report
Operating Center Rental Offices	127,883,050	98,315,099	30 September 2015	127,883,050
Suadiye Fitness Center	18,280,000	13,055,407	30 September 2015	18,280,000
Tunaman Garage	85,400,000	63,676,994	30 September 2015	85,400,000
Villa Office Block	39,000,000	19,316,437	30 September 2015	39,000,000
Çifteler Land	5,000	108	30 September 2015	5,000
Other buildings	54,343,600	36,242,000	30 August 2015	54,343,600
Carrying amounts	324,911,650	230,606,045		324,911,650

For the year ended 31 December 2015, the Group has rental income from investment properties amounting to TL 14,766,839 (31 December 2014: TL 13,625,922).

Fair value measurement

The fair values of investment properties were determined by market comparison technique. The fair value measurement of owner occupied land and buildings is classified as Level 2.

8 Intangible assets

Movement in intangible assets in the period from 1 January to 31 December 2015 is presented below:

	1 January 2015	Additions	Transfers	Foreign currency translation effects ^(*)	Disposal	31 December 2015
Cost:						
Other intangible assets	90,745,932	3,136,809	3,404,691	362,666	--	97,650,098
Goodwill	16,250,000	--	--	--	--	16,250,000
Advances given for intangible assets	1,729,378	16,649,024	(3,404,691)	--	--	14,973,711
	108,725,310	19,785,833		362,666	--	128,873,809
Accumulated amortization:						
Other intangible assets	45,684,081	23,349,009	(117,837)	361,272	--	69,276,525
	45,684,081	23,349,009	(117,837)	361,272	--	69,276,525
Carrying amounts	63,041,229					59,597,284

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

8 Intangible assets (continued)

Movement in intangible assets in the period from 1 January to 31 December 2014 is presented below:

	1 January 2014	Additions	Foreign currency translation effects(*)	Transfer	Disposal	31 December 2014
Cost:						
Other intangible assets	57,253,263	12,958,832	113,258	20,420,579	--	90,745,932
Goodwill	16,250,000	--	--	--	--	16,250,000
Advances given for intangible assets	19,296,314	2,853,643	--	(20,420,579)	--	1,729,378
	92,799,577	15,812,475	113,258	--	--	108,725,310
Accumulated amortization:						
Other intangible assets	29,281,745	16,289,221	113,115	--	--	45,684,081
	29,281,745	16,289,221	113,115	--	--	45,684,081
Carrying amounts	63,517,832					63,041,229

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

9 Investments in associates

	31 December 2015		31 December 2014	
	Carrying value	Participation rate %	Carrying value	Participation rate %
Anadolu Hayat Emeklilik A.Ş.	164,435,454	21,00	148,205,780	21,00
Associates, net	164,435,454		148,205,780	
Miltaş Turizm İnşaat Ticaret Anonim Şirketi	1,092,707	77,00	1,092,707	77,00
Subsidiaries, net	1,092,707		1,092,707	
Financial asset total	165,528,161		149,298,487	

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the year	Audited	Period
Subsidiaries:						
Miltaş Turizm İnşaat Ticaret AŞ	4,153,320	3,837,630	--	88,895	Not audited	31 December 2015
Associates:						
Anadolu Hayat Emeklilik AŞ (consolidated)	11,893,996,679	783,025,976	101,289,300	145,882,820	Audited	31 December 2015

In the current period TL 30,635,392 of income is obtained from associates through equity accounted consolidation method (31 December 2014: TL 21,855,676).

10 Reinsurance asset and liabilities

As at 31 December 2015 and 2014, outstanding reinsurance assets and liabilities of the Group in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	31 December 2015	31 December 2014
Reserve for unearned premiums, ceded (Note 17)	293,410,931	254,801,924
Provision for outstanding claims, ceded (Note 4.2), (Note 17)	438,178,953	187,370,933
Receivables from reinsurance companies (Note 12)	16,263,461	15,749,171
Cash deposited to reinsurance companies	24,827,641	--
Reinsurers share in the provision for subrogation and salvage receivables	--	25,739,633
Total	772,680,986	483,661,661

There is no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	31 December 2015	31 December 2014
Payables to the reinsurers related to premiums written (Note 19)	221,834,755	218,545,652
Deferred commission income (Note 19)	39,714,319	34,699,722
Cash deposited by reinsurance companies	4,365,775	7,277,133
Commission payables to the reinsurers related to written premiums (Note 19)	2,237,886	1,359,739
Total	268,152,735	261,882,246

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

	31 December 2015	31 December 2014
Premiums ceded during the period (Note 17)	(757,514,912)	(644,304,940)
Reserve for unearned premiums, ceded at the beginning of the period (Note 17)	(254,801,924)	(254,300,451)
Reserve for unearned premiums, ceded at the end of the period (Note 17)	293,410,931	254,801,924
Premiums earned, ceded (Note 17)	(718,905,905)	(643,803,467)
Claims paid, ceded during the period (Note 17)	217,902,765	120,857,029
Provision for outstanding claims, ceded at the beginning of the period (Note 17)	(187,370,933)	(113,077,255)
Provision for outstanding claims, ceded at the end of the period (Note 17)	438,178,953	187,370,933
Claims incurred, ceded (Note 17)	468,710,785	195,150,707
Commission income accrued from reinsurers during the period (Note 32)	108,348,827	60,985,494
Deferred commission income at the beginning of the period (Note 19)	34,699,722	30,341,851
Deferred commission income at the end of the period (Note 19)	(39,714,319)	(21,360,146)
Commission income earned from reinsurers (Note 32)	103,334,230	69,967,199
Changes in provision for outstanding claims, reinsurers' share (Note 17)	2,151,855	1,087,370
Total, net	(144,709,035)	(377,598,191)

11 Financial assets

As at 31 December 2015 and 2014, the Group's financial assets are detailed as follows:

	31 December 2015	31 December 2014
Available for sale financial assets	1,022,265,854	906,847,326
Financial assets held for trading	96,232,135	140,006,920
Held to maturity financial assets	15,555,214	73,670,047
Impairment loss on available for sale financial assets	(95,942)	(5,797,612)
Total	1,133,957,261	1,114,726,681

As at 31 December 2015 and 2014, the Group's financial assets held for trading are detailed as follows:

	31 December 2015			Carrying value
	Face value	Cost	Fair value	
<i>Debt instruments:</i>				
Government bonds – TL	900,000	905,152	898,362	898,362
Other	--	11,884,791	11,888,027	11,888,027
		12,789,943	12,786,389	12,786,389
<i>Non-fixed income financial assets:</i>				
Equity shares		3,664,047	2,654,674	2,654,674
Investment funds		63,837,754	80,791,072	80,791,072
		67,501,801	83,445,746	83,445,746
Total financial assets held for trading		80,291,744	96,232,135	96,232,135
	31 December 2014			Carrying value
	Face value	Cost	Fair value	
<i>Debt instruments:</i>				
Private sector bonds – TL	4,990,000	4,991,033	5,073,117	5,073,117
Government bonds – TL	900,000	907,616	900,017	900,017
Reverse repo	--	5,885,733	5,887,281	5,887,281
		11,784,382	11,860,415	11,860,415
<i>Non-fixed income financial assets:</i>				
Equity shares		6,032,093	3,915,902	3,915,902
Investment funds		106,660,295	124,230,603	124,230,603
		112,692,388	128,146,505	128,146,505
Total financial assets held for trading		124,476,770	140,006,920	140,006,920

11 Financial assets (continued)

As at 31 December 2015 and 2014, the Group's available for sale financial assets are detailed as follows:

	31 December 2015			Carrying value
	Face value	Cost	Fair value	
Debt instruments:				
Government bonds – TL	491,419,930	487,236,417	486,357,024	486,357,024
Private sector bonds – TL	112,694,800	112,298,598	114,967,781	114,967,781
Private sector bonds- USD	517,649,132	17,267,984	17,469,980	17,469,980
		616,802,999	618,794,785	618,794,785
Non-fixed income financial assets:				
Investment funds		223,360,394	224,741,440	224,741,440
Equity shares		137,982,546	178,729,629	178,729,629
Impairment loss on equity shares		--	(95,942)	(95,942)
		361,342,940	403,375,127	403,375,127
Total available-for-sale financial assets		978,145,939	1,022,169,912	1,022,169,912
31 December 2014				
	Face value	Cost	Fair value	Carrying value
Debt instruments:				
Government bonds – TL	433,270,054	435,887,187	451,184,346	451,184,346
Private sector bonds – TL	87,033,900	86,612,054	88,401,798	88,401,798
		522,499,241	539,586,144	539,586,144
Non-fixed income financial assets:				
Investment funds		181,151,117	182,765,069	182,765,069
Equity shares		132,150,514	184,496,113	184,496,113
Impairment loss on equity shares		--	(5,797,612)	(5,797,612)
		313,301,631	361,463,570	361,463,570
Total available-for-sale financial assets		835,800,872	901,049,714	901,049,714

All debt instruments presented above are traded in the capital markets, As at 31 December 2015, equity shares classified as available for sale financial assets with a carrying amount of TL 1,539,177 are not publicly traded (31 December 2014: TL 8,451,976).

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

There is no financial asset that is overdue but not impaired among the Group's financial investments portfolio. As at 31 December 2015, TL 95,942 of impairment loss is recognized for equity shares classified as available for sale in the accompanying consolidated financial statements (31 December 2014: TL 5,797,612).

Value increases in financial assets including equity shares classified as available for sale financial assets and subsidiaries for the last 3 years (including tax effects):

Year	Change in value increase / (decrease)	Total increase / (decrease) in value
2015	(21,174,977)	28,234,178
2014	30,539,946	49,409,155
2013	(32,786,549)	18,869,209

11 Financial assets (continued)

As at 31 December 2015 and 2014, the Group's financial assets held to maturity are detailed as follows:

	31 December 2015			Carrying value
	Face value	Cost	Fair value	
<i>Debt instruments:</i>				
Government bonds – TL	14,866,200	14,890,092	14,936,855	15,555,214
Total financial assets held to maturity	14,866,200	14,890,092	14,936,855	15,555,214
	31 December 2014			Carrying value
	Face value	Cost	Fair value	
<i>Debt instruments:</i>				
Government bonds – TL	55,937,785	57,921,026	74,133,508	73,670,047
Total financial assets held to maturity	55,937,785	57,921,026	74,133,508	73,670,047

As at 31 December 2015 and 2014 the movement of the financial assets is presented below:

	31 December 2015			
	Trading	Available-for-Sale	Held to maturity	Total
Balance at the beginning of the period	140,006,920	901,049,714	73,670,047	1,114,726,681
Unrealized exchange differences on financial assets	--	--	--	--
Acquisitions during the period	10,000,000	1,155,407,715	--	1,165,407,715
Disposals (sale and redemption)	(64,843,411)	(1,092,729,292)	(61,626,214)	(1,219,198,917)
Change in the fair value of financial assets	11,068,626	53,263,772	--	64,332,398
Change in amortized cost of the financial assets	--	(5,582,883)	3,511,381	(2,071,502)
Bonus shares acquired	--	10,760,886	--	10,760,886
Balance at the end of the period	96,232,135	1,022,169,912	15,555,214	1,133,957,261
	31 December 2014			
	Trading	Available-for-sale	Held to maturity	Total
Balance at the beginning of the period	115,904,563	899,440,735	94,501,549	1,109,846,847
Unrealized exchange differences on financial assets	--	--	--	--
Acquisitions during the period	90,450,000	1,190,373,743	--	1,280,823,743
Disposals (sale and redemption)	(48,849,746)	(1,259,590,621)	(18,745,842)	(1,327,186,209)
Change in the fair value of financial assets	(17,497,897)	31,907,834	--	14,409,937
Change in amortized cost of the financial assets	--	29,999,042	(2,085,660)	27,613,382
Bonus shares acquired	--	8,918,981	--	9,218,981
Balance at the end of the period	140,006,920	901,049,714	73,670,047	1,114,726,681

11 Financial assets (continued)

Details of the financial assets issued by related parties of the Group are as follows:

	31 December 2015			Carrying value
	Face value	Cost	Fair value	
Available for sale financial assets – Private sector bonds	33,958,896	33,746,319	34,318,123	34,318,123
Financial assets held for trading – Investment funds		63,837,754	80,791,072	80,791,072
Available for sale financial assets – Investment funds		193,638,136	193,416,293	193,416,293
Available for sale financial assets – Equity shares		42,291,736	56,058,636	56,058,636
Total		333,513,945	364,584,124	364,584,124

	31 December 2014			Carrying value
	Face value	Cost	Fair value	
Available for sale financial assets – Private sector bonds	35,430,000	34,975,900	35,785,699	35,785,699
Financial assets held for trading – Investment funds		106,660,295	124,230,603	124,230,603
Available for sale financial assets – Investment funds		164,298,343	165,831,625	165,831,625
Available for sale financial assets – Equity shares		37,486,872	65,096,978	65,096,978
Total		343,421,410	390,944,905	390,944,905

As at 31 December 2015 and 2014, financial assets blocked in favour of the Turkish Treasury as a guarantee for the insurance activities are detailed as follows:

	31 December 2015			Carrying value
	Face value	Cost	Fair value	
Held to maturity financial assets (Note 17)	14,866,200	14,890,092	14,936,855	15,555,214
Total	14,866,200	14,890,092	14,936,855	15,555,214

	31 December 2014			Carrying value
	Face value	Cost	Fair value	
Available for sale financial assets (Note 17)	10,000,000	9,801,651	10,145,962	10,145,962
Held to maturity financial assets (Note 17)	55,937,785	57,921,026	74,133,508	73,670,047
Total	65,937,785	67,722,677	84,279,470	83,816,009

12 Loans and receivables

	31 December 2015	31 December 2014
Receivables from main operations (Note 4.2)	1,102,022,681	971,491,906
Prepaid taxes and funds (Note 19), (Note 4.2)	33,690,959	10,608,131
Income accruals (Note 4.2)	16,363,166	20,722,572
Other receivables (Note 4.2)	13,191,923	5,727,672
Other current assets (Note 4.2)	759,275	633,816
Total	1,166,028,004	1,009,184,097
Short-term receivables	1,163,820,023	1,009,184,097
Medium and long-term receivables	2,207,981	--
Total	1,166,028,004	1,009,184,097

As at 31 December 2015 and 2014, receivables from main operations are detailed as follows:

	31 December 2015	31 December 2014
Receivables from insurance companies	101,717,061	92,217,539
Receivables from reinsurance companies (Note 10)	16,263,461	15,749,171
Receivables from agencies, brokers and intermediaries	51,745,215	52,002,343
Total receivables from reinsurance operations, net	169,725,737	159,969,053
Receivables from agencies, brokers and other intermediaries	690,773,097	624,433,183
Long term receivable which is bank guarantee and three months credit card	94,861,111	63,044,183
Receivables from policyholders	49,626,517	30,648,790
Salvage and subrogation receivables (Note 2.21)	34,014,724	33,242,694
Total receivables from insurance operations, net	869,275,449	751,368,850
Cash deposited to insurance and reinsurance companies (Note 4.2)	71,326,673	67,831,070
Provisions for receivables from insurance operations – subrogation receivables (Note 2.21)	(8,305,178)	(7,677,067)
Doubtful receivables from main operations – premium receivables	41,367,610	38,440,353
Provision for doubtful receivables from main operations – premium receivables	(41,367,610)	(38,440,353)
Doubtful receivables from insurance operations – subrogation receivables	123,623,771	86,645,265
Provisions for doubtful receivables from insurance operations – subrogation receivables	(123,623,771)	(86,645,265)
Receivables from main operations	1,102,022,681	971,491,906

As at 31 December 2015 and 2014, mortgages and collaterals obtained for receivables are disclosed as follows:

	31 December 2015	31 December 2014
Letters of guarantees	70,151,308	71,599,108
Mortgage notes	86,456,091	77,412,426
Other guarantees	17,322,671	15,188,186
Government bonds and treasury bills	2,951,479	2,976,479
Total	176,881,549	167,176,199

12 Loans and receivables (continued)

Provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 41,367,610 for main operations (31 December 2014: TL 38,440,353) and TL 63,177 (31 December 2014: TL 63,177) for other receivables.

b) Provision for premium receivables (due): None (31 December 2014: None).

c) Provision for subrogation receivables: TL 131,928,949 (31 December 2014: TL 94,322,332).

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

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

13 Derivative financial assets

As at 31 December 2015, the Group does not have derivative financial instruments (31 December 2014: None).

14 Cash and cash equivalents

As at 31 December 2015 and 2014, cash and cash equivalents are as follows:

	31 December 2015		31 December 2014	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	53,835	53,676	53,676	62,280
Cheques received	--	--	--	--
Bank deposits	2,929,798,391	2,098,910,576	2,098,910,576	1,505,408,327
Cheques given and payment orders	(125,585)	(171,519)	(171,519)	(1,025,984)
Bank guaranteed credit card receivables with maturities less than three months	367,176,057	249,449,440	249,449,440	252,850,367
Cash and cash equivalents in the balance sheet	3,296,902,698	2,348,242,173	2,348,242,173	1,757,294,990
Bank deposits – blocked ^(*)	(340,278,123)	(223,171,910)	(223,171,910)	(151,508,738)
Time deposits with maturities longer than 3 months	(644,460,216)	(414,971,615)	(414,971,615)	(259,281,663)
Interest accruals on banks deposits	(8,544,824)	(6,235,597)	(6,235,597)	(3,969,446)
Cash and cash equivalents presented in the statement of cash flows	2,303,619,535	1,703,863,051	1,703,863,051	1,342,535,143

^(*) As at 31 December 2015, cash collateral amounting to TL 340,277,623 is kept in favour of the Turkish Treasury as a guarantee for the insurance activities. (31 December 2014: TL 223,171,410)

As at 31 December 2015 and 2014, bank deposits are further analysed as follows:

	31 December 2015	31 December 2014
Foreign currency denominated bank deposits		
- time deposits	385,699,076	267,015,501
- demand deposits	14,928,007	9,481,120
Bank deposits in Turkish Lira		
- time deposits	2,526,997,823	1,820,083,470
- demand deposits	2,173,485	2,330,485
Cash at banks	2,929,798,391	2,098,910,576

15 Equity

Paid in capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group having 76.64% of outstanding shares. As at 31 December 2015 and 2014, the shareholding structure of the Company is presented below:

Name	31 December 2015		31 December 2014	
	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	69,585,028	10.54	69,585,028	10.54
Groupama Emeklilik AŞ	38,809,894	5.88	38,809,894	5.88
T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı	22,240,456	3.37	22,240,456	3.37
T.C. Ziraat Bankası AŞ	16,430,944	2.49	16,430,944	2.49
Other	7,122,753	1.08	7,122,753	1.08
Paid in capital	660,000,000	100.00	660,000,000	100.00

As at 31 December 2015, the issued share capital of the Group is TL 660,000,000 (31 December 2014: TL 660,000,000) and the share capital of the Group consists of 66,000,000,000 (31 December 2014: 66,000,000,000 shares) issued shares with TL 0,01 nominal value each. There are no privileges over the shares of the Group.

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

There are not any treasury shares held by the Group itself or by its subsidiaries or associates.

There are not any treasury shares issued which will be subject to sale in accordance with forward transactions and contracts.

Equity method consolidation

As at 31 December 2015 and 2014, in the accompanying consolidated financial statements of the Group, Anadolu Hayat, 21% of shares is owned by the Group, is consolidated by using the equity method.

15 Equity (continued)

Legal reserves

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

The movements of legal reserves are as follows:

	31 December 2015	31 December 2014
Legal reserves at the beginning of the period	77,369,316	76,312,898
Transfer from profit	3,197,690	1,056,418
Legal reserves at the end of the period	80,567,006	77,369,316

As at 31 December 2015 and 2014, "Other Reserves and Retained Earnings" are detailed as below:

	31 December 2015	31 December 2014
Other profit reserves	25,495,279	25,322,878
Extraordinary reserves	34,827,040	12,047,517
Other capital reserves	137,177,892	5,048,614
Other earnings and losses	1,277,015	(381,064)
Subsidiary capital correction	(71,060,049)	(71,060,049)
Total	125,163,147	(29,022,104)

Other capital reserves

According to TAS 16 – "Property Plant and Equipment", property, plant and equipments are initially recorded at cost and can be subsequently measured at their fair values. The Company has started to show based on the revaluation model by measuring over fair value as of the third quarter of the current year by making changes in the use of the property which is measuring the cost model in the financial statements before.

Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

According to expertise reports, fair value of property for use is calculated as TL 158,649,350 and revaluation differences amounted TL 138,528,285 is recognized in 'Other Capital Reserves' account under equity as amounted TL 131,601,870 with net tax effect in financial statements as of 31 December 2015 (31 December 2014: None).

In accordance with tax legislation, 75% of profits from sales of participation shares and real states included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years. As of 31 December 2015, tax exempt gain from disposal of fix assets and subsidiary amounting TL 5,576,022 (31 December 2014: TL 5,048,614) is classified as other capital reserves.

Extraordinary reserves

The movement of extraordinary reserves is as follows:

	31 December 2015	31 December 2014
Extraordinary reserves at the beginning of the period	12,047,517	16,896,500
Transfer from profit	22,779,523	(4,848,983)
Extraordinary reserves at the end of the period	34,827,040	12,047,517

15 Equity (continued)

Subsidiary capital correction

On 30 September 2010, the Company purchased 35.53% shares of Anadolu Sigorta Anonim Şirketi with nominal value of TL 177,650,110 from İş Bankası amounting to TL 248,710,154. As Anadolu Sigorta and the Company are under common control and when information transfer and structure is considered, Anadolu Sigorta is accepted as a part of the Company's operations. This subsidiary under common control is recorded at cost in the financial statements. In the business combination of subsidiary under common control, the purchasing company is not obliged to, but has the permission to reflect the effects of business combination the prior year financial statements. In business combinations under common control, shares are transferred from one company to the other in the same group and independent third parties are not included in the transaction and purchasing price is not determined on fair value, the application is determined by the management's decision. The Company management decided not to reflect the effects of the business combination in the comparative financial statements. The difference between purchase price and net asset value amounting to TL (71,060,049), is recorded under "Subsidiary Capital Correction" account under equity.

Other profit reserves

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

As at 31 December 2015, the earthquake provision provided in accordance with this circular is TL 25,495,279 (31 December 2014: TL 25,322,878).

According to revision on TAS 19, actuarial profit and losses that recognized in income statement in termination indemnity calculation before, is recognized in "Other Profit Reserves" account under equity in current period financial statements. As of 31 December 2015, TL 1,277,015 (31 December 2014: TL (381,064)) of actuarial gains and losses, which are presented in profit or loss is presented under "other profit reserves".

Profit for the period that is extraneous from the distribution

In accordance terms of tax legislation 75% portion of the gains from sales real estate and subsidiaries are exempt from corporate tax on condition that it has kept in a special fund account at least five years. Exempt gains cannot be transferred to another account except to add capital or in any way cannot be withdrawn from the business in five years. In the direction of sector announcement made by Treasury dated 27 October, 2008 and numbered 2008/41, for the year ended 31 December 2015, the Company categorized the TL 25,179,857 (31 December 2014: TL 822,978) profit on sale from the sale of the properties under the company's equity as "Profit for the period that is extraneous from the distribution".

15 Equity (continued)

Statutory reserves

After the allocation of first legal reserves and first dividend to shareholders, reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly. As at 31 December 2015, total funds allocated is amounting TL 6,759,148 (31 December 2014: TL 4,441,017) and funds amounting TL 2,318,131 is allocated from current period profit in current period.

Foreign currency translation differences

Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. As at 31 December 2015, foreign currency translation reserve amounting to TL 19,573,401 loss (31 December 2014: TL 11,907,682 loss) stems from Singapore Branch whose functional currency is US Dollars.

Valuation of financial assets

As at 31 December 2015 and 2014, changes in fair values that stem from securities classified as available for sale financial assets that present share in capital and associates are detailed as below:

	31 December 2015	31 December 2014
Fair value reserves at the beginning of the period	49,409,155	18,869,209
Change in the fair value during the period (Note 4.2)	(16,455,828)	20,704,059
Resulted from equity accounted associate (Note 4.2)	(2,137,909)	6,313,825
Net gains transferred to the statement of income (Note 4.2)	(2,581,239)	3,522,062
Fair value reserves at the end of the period	28,234,178	49,409,155

16 Other reserves and equity component of DPF

As at 31 December 2015 and 2014, other reserves are explained in detail in Note 15 – *Equity* above.

As at 31 December 2015 and 2014, the Group does not hold any insurance or investment contracts which contain a DPF.

17 Insurance contract liabilities and reinsurance assets

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

As at 31 December 2015 and 2014, technical reserves of the Group' are as follows:

	31 December 2015	31 December 2014
Reserve for unearned premiums, gross	2,194,659,969	1,820,412,103
Reserve for unearned premiums, ceded (Note 10)	(293,410,931)	(254,801,924)
Reserve for unearned premiums, SSI share	(54,975,564)	(36,692,791)
Reserves for unearned premiums, net	1,846,273,474	1,528,917,388
Provision for outstanding claims, gross	2,667,392,666	1,934,733,354
Provision for outstanding claims, ceded (Note 10)	(438,178,953)	(187,370,933)
Provision for outstanding claims, net	2,229,213,713	1,747,362,421
Provision for unexpired risk	45,093,496	90,715,281
Provision for unexpired risk, ceded	(12,411,240)	(10,259,385)
Provision for outstanding claims, net	32,682,256	80,455,896
Equalization provision, net(*)	104,977,919	83,054,021
Other technical provisions, net	104,977,919	83,054,021
Life mathematical provisions	491,937	368,342
Total technical provisions, net	4,213,639,299	3,440,158,068
Short-term	4,108,661,380	3,357,104,047
Medium and long-term	104,977,919	83,054,021
Total technical provisions, net	4,213,639,299	3,440,158,068

(*) Net losses (after reinsurance resulted from earthquakes occurred in 2015 amounting to TL 21,443,124 are decreased from prior periods' equalization provision based on regulation (2014: TL 27,076,935).

As at 31 December 2015 and 2014, movements of the insurance liabilities and related reinsurance assets are presented below:

	31 December 2015			
	Gross	Ceded	SSI Share	Net
Reserve for unearned premiums at the beginning of the period	1,820,412,103	(254,801,924)	(36,692,791)	1,528,917,388
Premiums written during the period	4,507,306,864	(757,514,912)	(99,511,467)	3,650,280,485
Premiums earned during the period	(4,133,058,998)	718,905,905	81,228,694	(3,332,924,399)
Reserve for unearned premiums at the end of the period	2,194,659,969	(293,410,931)	(54,975,564)	1,846,273,474

17 Insurance liabilities and reinsurance assets (continued)

Reserve for unearned premiums	31 December 2014			Net
	Gross	Ceded	SSI Share	
Reserve for unearned premiums at the beginning of the period	1,747,176,975	(254,300,451)	(34,755,134)	1,458,121,390
Premiums written during the period	3,868,871,562	(644,304,940)	(74,102,040)	3,150,464,582
Premiums earned during the period	(3,795,636,434)	643,803,467	72,164,383	(3,079,668,584)
Reserve for unearned premiums at the end of the period	1,820,412,103	(254,801,924)	(36,692,791)	1,528,917,388

Provision for outstanding claims	31 December 2015			Net
	Gross	Ceded		
Provision for outstanding claims at the beginning of the period	1,934,733,354	(187,370,933)		1,747,362,421
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	3,277,420,197	(468,710,785)		2,808,709,412
Claims paid during the period	(2,544,760,885)	217,902,765		(2,326,858,120)
Provision for outstanding claims at the end of the period	2,667,392,666	(438,178,953)		2,229,213,713

Provision for outstanding claims	31 December 2014			Net
	Gross	Ceded		
Provision for outstanding claims at the beginning of the period	1,481,869,505	(113,077,255)		1,368,792,250
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	2,564,290,665	(195,150,707)		2,369,139,958
Claims paid during the period	(2,111,426,816)	120,857,029		(1,990,569,787)
Provision for outstanding claims at the end of the period	1,934,733,354	(187,370,933)		1,747,362,421

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

As the Company is a reinsurance company, there is not any guarantee that should be placed. The details given below are the amounts of guarantees for Anadolu Sigorta A.Ş.

	31 December 2015		
	Should be placed ^(**)	Placed ^(*)	Carrying amount
<i>Non-life:</i>			
Bank deposits (Note 14)	--	339,186,373	340,277,623
Financial assets ^(*) (Note 11)	--	15,150,590	15,555,214
Total	286,658,129	354,336,963	355,832,837

17 Insurance liabilities and reinsurance assets (continued)

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 (continued)

	31 December 2014		Carrying amount
	Should be placed ^(**)	Placed ^(*)	
<i>Non-life:</i>			
Bank deposits (Note 14)	--	222,697,267	223,171,410
Financial assets ^(*) (Note 11)	--	84,612,376	83,816,009
Total	282,343,518	307,309,643	306,987,419

(*) "As at 31 December 2015 and 31 December 2014, government bonds and treasury bills are measured at daily official prices announced by the Central Bank of Turkey in accordance with the 6th Article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies.

(**) "According to the 7th article of the "Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies" which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to "Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Private Pension Companies", companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Turkish Treasury Department within two months. Since the amounts that should be placed as of 31 December 2015 (31 December 2014) will be through the calculated amounts as of 30 June 2015 (30 June 2014), the settled amounts as of June is presented as "should be placed" amounts.

Total amount of insurance risk on a branch basis

Total amount of insurance risk on branch basis for non-life insurance branch is not kept by the Group.

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

None.

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

None.

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

None.

Pension investment funds established by the Group and their unit prices

None.

Number and amount of participation certificates in portfolio and circulation

None.

Portfolio amounts in terms of number of new participants, left or cancelled participants, and existing participants for individuals and groups

None.

17 Insurance liabilities and reinsurance assets (continued)

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 at 31 December 2015, short-term prepaid expenses amounting to TL 366,089,853 (31 December 2014: TL 294,618,259) consist of deferred production expenses; deferred commission expenses amounting to TL 340,538,326 (31 December 2014: TL 289,357,775) and other prepaid expenses amounting to TL 25,551,527 (31 December 2014: TL 5,260,484). Long-term prepaid expenses amounting TL 5,221,880 (31 December 2014: TL 3,562,038) are composed of other prepaid expenses.

	31 December 2015	31 December 2014
Deferred commission expenses at the beginning of the period	289,357,775	272,881,015
Commissions accrued during the period (Note 32)	775,132,091	631,085,514
Commissions expensed during the period ^(*)	(723,951,540)	(614,608,754)
Deferred commission expenses at the end of the period	340,538,326	289,357,775

(*) Commission expense are included as a reinsurance commissions.

Individual pension funds

None.

18 Investment contract liabilities

None.

19 Trade and other payables and deferred income

	31 December 2015	31 December 2014
Payables from main operations	373,784,676	333,218,811
Other payables	62,710,887	48,001,148
Short/long term deferred income and expense accruals	75,998,614	75,848,667
Taxes and other liabilities and similar obligations	38,761,168	28,779,229
Due to related parties (Note 45)	158,568	81,488
Financial payables	297,347,979	--
Total	848,761,893	485,929,343
Short-term liabilities	848,718,561	485,837,260
Long-term liabilities	43,332	92,083
Total	848,761,893	485,929,343

As at 31 December 2015, other payables amounting to TL 62,710,887 (31 December 2014: TL 48,001,148) consist of treatment cost payables to SSI amounting to TL 27,017,129 (31 December 2014: TL 16,375,984), payables to Tarsim and DASK and outsourced benefits and services amounting to TL 32,516,197 (31 December 2014: TL 28,666,170) and deposits and guarantees received amounting to TL 3,177,561 (31 December 2014: TL 2,958,994).

Short/long term deferred income and expense accruals are comprised of deferred commission income amounting to TL 39,714,319 (31 December 2014: TL 34,699,722) (Note 10). Expense accruals and deferred income details are presented below:

	31 December 2015	31 December 2014
Personnel premium provision	10,356,235	9,475,316
Security fund provision	9,759,024	7,182,519
Provision for tax assessment (Note 47)	3,084,516	18,400,102
Agency remuneration provision	9,125,000	3,356,650
Sliding scale commission provision (Note 10)	2,237,886	1,359,739
Deferred rent income	218,280	267,277
Other accruals	1,503,354	1,107,342
Deferred income and expense accruals	36,284,295	41,148,945

Payables arising from main operations of the Group as at 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Payables to reinsurance companies (Note 10)	221,834,755	218,545,652
Payables to agencies, brokers and intermediaries	37,795,326	30,052,668
Cash deposited by insurance and reinsurance companies	5,496,957	8,514,584
Total payables arising from insurance operations	265,127,038	257,112,904
Payables arising from other operating activities	108,657,638	76,105,907
Payables arising from main operations	373,784,676	333,218,811

Corporate tax liabilities and prepaid taxes are disclosed below:

	31 December 2015	31 December 2014
Corporate tax liabilities	(1.769.959)	(21.081.960)
Taxes paid during the period	35.460.918	31.690.091
Corporate tax assets, net	33.690.959	10.608.131

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

None.

20 Financial liabilities

Group's financial liabilities from repo transactions is amounted TL 297,347,979 as of 31 December 2015 (31 December 2014: None). The maturity of repo transactions on 10 February 2016 and interest rate of 13.40%.

21 Deferred taxes

As at 31 December 2015 and 2014, deferred tax assets and liabilities are attributable to the following:

	31 December 2015	31 December 2014
	Deferred tax assets / (liabilities)	Deferred tax assets / (liabilities)
Equalization provision	12,355,520	9,259,358
Carried forward tax losses (Note 2.18)	10,039,500	13,968,912
Reserve for unexpired risks	6,536,451	16,091,179
Provision for the pension fund deficits	5,671,788	5,666,145
Other provisions	5,104,091	2,539,062
Provisions for employee termination benefits	4,781,636	3,973,165
Provision for recourse	2,030,898	1,535,413
Discount of receivables and payables	(47,969)	(93,589)
Other	(1,171,079)	(1,369,677)
Valuation differences in financial assets	(1,619,615)	(2,800,691)
Income accruals	(2,157,068)	(3,597,829)
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(2,663,491)	(2,416,022)
Subrogation receivables from third parties	(3,147,915)	(965,401)
Valuation differences in financial assets	(21,763,788)	(9,863,845)
Deferred tax assets, net	13,948,959	31,926,180

The Group has recognized deferred tax assets on these tax losses because it is probable that future taxable profit will be available in accordance with the Group's projections. Maturity of financial losses is as below:

	31 December 2015	31 December 2014
31 December 2016	50,197,498	58,603,684
Total	50,197,498	58,603,684

Movement of deferred tax assets as at 31 December 2015 and 2014 are given below:

	31 December 2015	31 December 2014
Opening balance at 1 January	31,926,180	31,370,165
Recognized in profit or loss	(14,290,010)	6,875,889
Recognized in equity	(3,687,211)	(6,319,874)
Closing balance at 31 December	13,948,959	31,926,180

22 Retirement benefit obligations

Employees of the Company are the members of “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 1 November 2005. However, the said article of the Banking Law has been vetoed by the President on 2 November 2005 and the execution of the article was ceased based on the Supreme Court’s decision numbered E.2005/39, K.2007/33 and dated 22 March 2007 effective from 31 March 2007. Supreme Court asserted possible losses on acquired rights of employees of pension fund as reason for cancellation decision.

Following annulment of the temporary Article 23 of the Banking Law, the new law “Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees” was published in the Official Gazette dated 8 May 2008 and came into force. The new law requires transfer of the participants or beneficiaries of pension funds to Social Security Institution as at the effective date of the Act within 3 years and prescribe the extension period of the transfer as maximum of two years upon the order of the Cabinet. Accordingly, the three-year period expired on 8 May 2011 was extended to the 8 May 2013. On 8 March 2012, “Amendments to the Social Security and General Health Insurance Act Including Certain Laws and Decrees” numbered 28227, was published on Official Gazette and 4th article of this act changed “two years” phrase as “four years” which takes part on second sentence of first clause of 20th article of the code numbered 5510. Also, under the scope of Decree of the council of ministers numbered 2013/4617 was published on Official Gazette numbered 28636, on 3 May 2013 and 20th temporary article of the Social Security Laws numbered 506 banks, insurance and reinsurance companies, chambers of commerce, stock markets or participants of pension funds and salary or income provided ones and their shareholders’ transfer duration has been extended one year to the Social Security Institution by Decree of the council of ministers.

Under the scope of Decree of Turkish Ministry of Labour and Social Security numbered 174, according to 20th temporary article of the Social Security Laws numbered 5510, the Council of Ministers postpone transfer of the funds until 8 May 2015 with the decision of The Council of Ministers dated 24 February 2014.

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

“Council of minister is entitled to determine the Social Security Intuition’s turnover date for banks, assurance and reinsurance companies, chamber of commerce and industry, stock markets or pension fund’ partnerships that is constituted by them for union employees along with monthly income endowed people and their rights holder within the scope of 506 numbered law’ provisional 20. Article. As part of this law’ 4. article’ first sub-article’ (a) clause, pension fund partnerships are counted as insured as of the turnover date.”

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

On the other hand, the application made on 19 June 2008 by the Republican People’s Party to the Constitutional Court for the annulment and motion for stay of some articles, including the first paragraph of the provisional article 20 of the Law, which covers provisions on transfers, was rejected in accordance with the decision taken at the meeting of the afore-mentioned court on 30 March 2011.

22 Retirement benefit obligations (continued)

As per the temporary sub article No: 20 of the Article 73 of the above mentioned law also includes the following:

- technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and
- 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 Institution, 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 28,358,939 (31 December 2014: TL 28,330,725) 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 and 9.8% of technical deficit interest rate are taken into account in the calculation of the said technical deficit. No real increase / decrease is anticipated in salary and health expenses. The health benefits to be paid will be considered by the Group management due to the changes in the Social Security Institution legislation and other regulations. At 31 December 2015 and 2014, technical deficit from pension funds comprised the following:

	31 December 2015	31 December 2014
Net present value of total liabilities other than health	(92,355,113)	(85,239,925)
Net present value of insurance premiums	17,661,596	15,749,955
Net present value of total liabilities other than health	(74,693,517)	(69,489,970)
Net present value of health liabilities	(11,172,968)	(9,900,232)
Net present value of health premiums	9,681,587	8,632,751
Net present value of health liabilities	(1,491,381)	(1,267,481)
Pension fund assets	47,825,959	42,426,726
Amount of actuarial and technical deficit	(28,358,939)	(28,330,725)

Plan assets are comprised of the following items:

	31 December 2015	31 December 2014
Cash and cash equivalents	40,973,136	36,076,138
Associates	6,759,312	6,193,278
Other	93,511	157,310
Total plan assets	47,825,959	42,426,726

Up to date, as per the actuarial calculation performed, there has not been any deficit in Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı and Anadolu Sigorta has made no payment for this purpose. It is believed that the assets of this institution are adequate enough to cover its total obligations; therefore this shall not constitute any additional liability on Anadolu Sigorta.

23 Provision for other liabilities and charges

As at 31 December 2015 and 2014, the provisions for other risks are disclosed as follows:

	31 December 2015	31 December 2014
Provision for pension fund deficits (Note 22)	28,358,939	28,330,725
Provision for employee termination benefits	21,894,700	18,432,669
Provision for unused vacation	1,492,709	1,433,153
Total provision for other risks	51,746,348	48,196,547

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

	31 December 2015	31 December 2014
Provision at the beginning of the period	18,432,669	17,564,332
Interest cost (Note 47)	1,716,920	1,606,697
Service cost (Note 47)	1,490,763	1,293,444
Payments during the period (Note 47)	(1,518,282)	(1,275,266)
Actuarial differences (Note 47)	1,772,630	(756,538)
Provision at the end of the period	21,894,700	18,432,669

24 Net insurance premium

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

25 Fee revenue

None.

26 Investment income

Investment income is presented in Note 4.2 – *Financial risk management*.

27 Net income accrual on financial assets

Net realized gains on financial assets are presented in Note 4.2 – *Financial risk management*.

28 Asset held at fair value through profit or loss

Presented in “*Note 4.2 – Financial Risk Management*”.

29 Insurance rights and claims

	31 December 2015		31 December 2014	
	Life	Non-Life	Life	Non-Life
Claims paid, net off reinsurers' share	(6,111,970)	(2,320,746,150)	(6,801,752)	(1,983,768,035)
Changes in provision for outstanding claims, net off reinsurers' share	(463,503)	(481,387,789)	(943,205)	(377,626,966)
Changes in reserve for unearned premium, net off reinsurers' share	(392,924)	(316,963,162)	610,995	(71,406,993)
Change in equalization provision	(199,272)	(21,724,626)	79,365	(16,762,259)
Change in life mathematical provisions, net off reinsurers' share	131,983	(255,578)	273,294	--
Changes in reserve for unexpired risks, net off reinsurers' share	--	47,773,640	--	(62,680,371)
Total	(7,035,686)	(3,093,303,665)	(6,781,303)	(2,512,244,624)

30 Investment contract benefits

None.

31 Other expenses

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

32 Operating expenses

For the years ended 31 December 2015 and 2014, the operating expenses are disclosed as follows:

	31 December 2015		31 December 2014	
	Life	Non-life	Life	Non-life
Commission expenses (Note 17)	8,950,911	715,000,629	7,617,519	606,991,235
Commissions to the intermediaries accrued during the period (Note 17)	8,863,918	766,268,173	7,973,014	623,112,500
Changes in deferred commission expenses (Note 17)	86,993	(51,267,544)	(355,495)	(16,121,265)
Employee benefit expenses (Note 33)	799,808	149,845,678	772,694	139,603,175
Foreign exchange losses	241,415	22,737,610	122,711	18,868,395
Administration expenses	217,634	93,375,196	162,680	77,182,973
Commission income from reinsurers (Note 10)	(76,340)	(103,257,890)	(161,755)	(69,805,444)
Commission income from reinsurers accrued during the period (Note 10)	(35,951)	(108,272,487)	(173,576)	(60,811,918)
Change in deferred commission income (Note 10)	(40,389)	5,014,597	11,821	(8,993,526)
Advertising and marketing expenses	--	19,727,757	--	13,987,613
Outsourced benefits and services	19,512	10,659,058	27,327	9,371,612
Other	29,513	(83,445)	(239,652)	4,717,050
Total	10,182,453	908,004,593	8,301,524	800,916,609

33 Employee benefit expenses

For the years ended 31 December 2015 and 2014, employee benefit expenses are disclosed as follows:

	31 December 2015		31 December 2014	
	Life	Non-life	Life	Non-life
Wages and salaries	563,471	110,159,569	522,125	99,792,172
Employer's share in social security premiums	137,113	25,016,078	168,276	22,660,731
Pension fund benefits	99,224	5,038,314	82,293	4,305,878
Other	--	9,631,717	--	12,844,394
Total (Note 32)	799,808	149,845,678	772,694	139,603,175

34 Financial costs

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

35 Income tax expense

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

	31 December 2015	31 December 2014
<i>Corporate tax expense:</i>		
Corporate tax provision	(1,769,959)	(21,081,960)
<i>Deferred taxes:</i>		
Origination and reversal of temporary differences	(14,290,010)	6,875,889
Total income tax expense/(income)	(16,059,969)	(14,206,071)

A reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the year ended 31 December 2015 and 2014 is as follows:

	31 December 2015		31 December 2014	
		Tax rate (%)		Tax rate (%)
Profit before taxes	204,292,879		127,233,975	
Taxes on income per statutory tax rate	40,858,576	20.00	25,446,795	12.46
Tax exempt income	(28,846,454)	(14.12)	(11,700,434)	(5.73)
Non-deductible expenses	4,047,847	1.98	459,710	0.23
Total tax expense recognized in consolidated profit or loss	16,059,969	7.86	14,206,071	6.95

36 Net foreign exchange gains

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

37 Earnings per share

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

	31 December 2015	31 December 2014
Net profit for the period	188,232,910	113,027,904
Weighted average number of shares	66,000,000,000	66,000,000,000
Earnings per share (TL)	0.00285	0.00171

Capital increase performed with the internal sources and increase in number of shares is used for calculating the prior period's earnings per share.

38 Dividends per share

Dividend distribution policy of the Company stated its Articles of Association are as follows:

Net profit for the year presents remaining amount of total income of the year after deducting operating expenses, amortisation, provisions, taxes and other similar obligations and prior year losses if any. Net profit is divided and distributed in accordance with order as follows.

- 5% of legal reserve is divided from annual net profit, until it reaches 20% of share capital.
- Amounts described by a and b clauses of 2nd paragraph of 519th article of the Turkish Commercial Law will be added to general legal reserves, after legal limit is reached.
- 10% of the remaining net profit amount is distributed to shareholders, as first dividend.
- If the company has acquired his share, according to 520th article of the Turkish Commercial Law, legal reserve is divided to meet the acquiring amount.
- Reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly,
- After the allocation of first legal reserves, first dividend to shareholders and statutory reserves, 3.5% of the remaining amount is distributed to the Founder Shares and up to 3% of the remaining amount not exceeding three-wages is distributed to personnel, based on the suggestion of the Board of Directors and decision of the General Assembly.
- After the allocation of above mentioned reserves and dividends, second dividend to shareholders might be allocated, based on the suggestion of the Board of Directors and decision of the General Assembly.
- According to c clause of 2nd paragraph of 519th article of the Turkish Commercial Law, 10% of total amount distributed to people have share of profit will be added to general legal reserves.
- The fate of remaining amount will be determined by the General Assembly.

Judgements of 3rd paragraph of 519th article of Turkish Commercial Law are reserved.

Other legal reserves can not be divided, profit can not be transferred to next year and share of profit can not be distributed to members of the Board of Directors, founders or workers, unless legal reserves have to be divided according to laws and first dividend for shareholders is divided, in accordance with the Articles of Association.

As a result of the Ordinary General Meeting of the Company held on 25 March 2015, the Company has profit amounting to TL 11,054,672 for 2014. It has been decided unanimously that the profit distribution is not made and reduced towards by carry forward losses from previous years.

39 Cash generated from operations

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

40 Convertible bond

None.

41 Redeemable preference shares

None.

42 Risks

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

As at 31 December 2015, total amount of the claims that the Group face is TL 925,745,000 in gross (31 December 2014: TL 1,040,392,000). The Group provided provision for outstanding claims in the consolidated financial statements by considering collateral amounts.

As at 31 December 2015, ongoing law suits prosecuted by the Company's subsidiary Insurance Company against the third parties amounting TL 233,643,000 (31 December 2014: TL 194,259,000).

"Anadolu Anonim Türk Sigorta Şirketi Mensupları Dayanışma Vakfı" was established by Anadolu Anonim Türk Sigorta Şirketi, subsidiary of the Company, in accordance with the Turkish Commercial and Civil Laws which is examined by Tax Audit Committee inspectors due to the Company payments what are fulfilled obligations to the foundation owing to deed of the foundation and the related act. As a result of this investigation, an examination was reported for periods of 2007, 2008, 2009, 2010 and 2011.

The final legal process which is related the period of 2007, 2008 is expected to result in the Company's favor and the amount of provision TL 12,768,684 which was published on the Official Gazette dated 12 November 2014. December 2013 and after the condition of the provision is evaluated later ongoing development of the legal process. There is a provision amount of TL 3,084,516 (31 December 2014: 15,489,301) related with this process. Furthermore, the Company has paid a total of TL 4,229,629 pursuant to the tax inspection in line with the above description (31 December 2014: None) was recognized as the prospect will get back, it is recognized accrued income in the current period.

As a result of investigation conducted by the Ministry of Finance Tax Audit Board, tax penalty which is amount of TL 2.1 million(actual tax), and TL 3.1 million tax penalty is announced by reason to tax salvage operations not subject to banking and insurance transactions. The amount of TL 10 million tax, TL 15 million tax penalty has been modified for the period of 2010, 2011, and 2012 in 6 February 2015. The company do not make provision for this tax penalty because of considering the implementation of these financial statements in accordance with legislation.

42 Risks (continued)

An examination related to payments made for Company's liabilities in frame of related regulations to "Millî Reasürans Türk Anonim Şirketi Mensupları Yardımlaşma Sandığı Vakfı" that established by Milli Rasürans Türk Anonim Şirketi in accordance with the Turkish Commercial and Civil Laws is realized by Tax Inspection Board inspectors. As a result of this investigation, a tax audit report is issued for the periods 2007, 2008, 2009, 2010 and 2011 with the claim that liability amounts shall be taxed at cost principle and be taxable for income tax withholding and stamp tax.

Legal process has been initiated related to 2007 and 2008, also as of the report date there are cases against/on behalf of us and also for the against result cases the case has been moved to a higher court. In addition, some part of the payment orders submitted to us for the following periods are subjected to litigation and for the other part of the cases compromise were made to relevant parties. Because the parties could not reach a settlement, a legal process has been started for the years 2009, 2010 and 2011, related payment is made to tax authority (31 December 2014: TL 2,910,801).

43 Commitments

The future aggregate minimum lease payments under operating leases for properties rented for use are as follows:

	31 December 2015	31 December 2014
Less than one year	4,220,673	8,225,284
Between one to five years	2,816,249	4,950,268
More than 5 years	--	--
Total of minimum rent payments	7,036,922	13,175,552

44 Business combinations

None.

45 Related party transactions

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

The related party balances as of 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Investment funds founded by İş Portföy Yönetimi A.Ş. (Note 11)	243,023,139	233,371,896
Equity shares of the related parties (Note 11)	56,058,636	65,096,978
Investment funds founded by İş Yatırım Menkul Değerler A.Ş. (Note 11)	19,977,422	28,398,072
Bond issued by İş GYO (Note 11)	14,749,064	16,336,950
Investment funds founded by İşbank AG (Note 11)	11,206,804	12,320,065
Bonds issued by İş Finansal Kiralama A.Ş. (Note 11)	8,203,256	9,618,449
Bond issued by İş Faktoring (Note 11)	5,522,064	--
Bond issued by Türkiye Sınai Kalkınma Bankası (Note 11)	5,843,739	--
Investment funds founded by İş Bankası A.Ş. (Note 11)	--	15,972,195
Bonds issued by İş Yatırım Menkul Değerler A.Ş. (Note 11)	--	9,830,300
Financial assets	364,584,124	390,944,905
Türkiye İş Bankası A.Ş.	1,624,387,985	834,620,279
Other	430	822
Banks	1,624,388,415	834,621,101
Türkiye İş Bankası AŞ	106,339,774	91,802,800
Şişecam Sigorta Aracılık Hizmetleri AŞ	5,621,566	2,924,252
Axa Sigorta AŞ	4,273,009	7,655,182
Anadolu Hayat	873,250	679,124
Groupama Sigorta AŞ	167,561	1,689,735
İstanbul Umum Sigorta AŞ	109,963	105,003
Ziraat Sigorta AŞ	81,886	--
Trakya Cam Sanayii A.Ş.	47,472	167,971
Ziraat Hayat ve Emeklilik	47,220	433,125
Ergo Sigorta A.Ş.	18,246	18,246
Receivables from main operations	117,579,947	105,475,438
Türkiye İş Bankası AŞ	9,603,965	7,082,553
Ergo Sigorta AŞ	5,304,570	3,619,529
Güven Sigorta TAŞ	1,360,722	2,192,741
Allianz Sigorta AŞ	874,590	751,048
Şişecam Sigorta Aracılık Hizmetleri AŞ	349,731	23,437
Groupama Sigorta AŞ	55,043	60,224
Axa Sigorta AŞ	50,953	54,833
İstanbul Umum Sigorta AŞ	40,403	44,343
Ziraat Sigorta AŞ	--	352,262
Payables from main operations	17,639,977	14,180,970
Due to personnel	92,190	--
Due to shareholders	53,738	53,738
Due to other related parties	12,640	27,750
Due to related parties	158,568	81,488

45 Related party transactions (continued)

No guarantees have been taken against receivables from related parties.

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

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

The transactions with related parties during the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
İş Bankası	410,699,700	328,891,626
Axa Sigorta AŞ	48,212,402	43,051,681
Şişecam Sigorta Aracılık Hizmetleri AŞ	17,600,899	41,316,107
Ergo Sigorta AŞ	14,189,023	17,563,499
Ziraat Sigorta AŞ	12,178,834	9,462,839
Groupama Sigorta AŞ	11,167,164	12,215,432
Anadolu Hayat	3,663,916	859,473
Allianz Sigorta AŞ	933,867	1,001,533
Ziraat Hayat ve Emeklilik	390,235	1,949,018
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	315	2,048,792
AvivaSa Emeklilik AŞ	--	(382)
İş Finansal Kiralama	--	17,077,324
TSKB	--	101,511
Premium received	519,036,355	475,538,453
Ergo Sigorta AŞ	12,902	10,111
Groupama Sigorta AŞ	3,800	7,992
Axa Sigorta AŞ	2,172	3,447
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	767	1,359
İstanbul Umum Sigorta AŞ	1	34
Allianz Sigorta AŞ	(34)	90
Premiums ceded	19,608	23,033
Groupama Sigorta AŞ	7,659	(2,839)
Ergo Sigorta AŞ	5,134	(330)
Axa Sigorta AŞ	3,037	399
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	1,389	(182)
Allianz Sigorta AŞ	1	(4)
İstanbul Umum Sigorta AŞ	--	(2)
Commissions received	17,220	(2,958)
İş Bankası	54,279,283	33,650,040
Axa Sigorta AŞ	7,953,361	7,705,485
Şişecam Sigorta Aracılık Hizmetleri AŞ	3,520,602	8,674,189
Ergo Sigorta A.Ş	2,975,744	4,382,862
Ziraat Sigorta AŞ	2,861,183	2,259,787
Groupama Sigorta AŞ	1,323,906	1,968,242
Anadolu Hayat	223,783	263,521
Allianz Sigorta AŞ	146,237	1,812,204
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	(62,182)	(1)
AvivaSa Emeklilik AŞ	--	(191)
İş Finansal Kiralama	--	(3,240,935)
Commissions given	73,221,917	57,475,203

45 Related party transactions (continued)

	31 December 2015	31 December 2014
Axa Sigorta AŞ	41,100,417	12,458,213
Groupama Sigorta AŞ	19,670,681	28,775,974
Ergo Sigorta AŞ	13,250,572	16,418,632
Ziraat Sigorta A.Ş.	5,780,262	2,986,945
Allianz Sigorta AŞ	4,209,033	9,570,599
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	2,361,285	4,307,333
Ziraat Hayat ve Emeklilik	749,298	735,576
Anadolu Hayat	167,542	100,216
AvivaSa Emeklilik AŞ	--	54,000
Claims paid	87,289,090	75,407,488
Groupama Sigorta AŞ	269,451	233,044
Axa Sigorta AŞ	196,702	133,552
Ergo Sigorta AŞ	121,500	211,383
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	95,107	77,160
İstanbul Umum Sigorta AŞ	21,018	16,835
Allianz Sigorta AŞ	16,536	14,241
Reinsurance's share of claims paid	720,314	686,215
Axa Sigorta AŞ	690,593	(63,408)
Ergo Sigorta AŞ	421,667	(47,895)
Groupama Sigorta AŞ	273,437	51,753
Anadolu Hayat	180,761	823
Allianz Sigorta AŞ	148,657	370,011
Ziraat Sigorta A.Ş.	49,556	6,349
AvivaSa Emeklilik AŞ	--	35
Other income	1,764,671	317,668
Axa Sigorta AŞ	1,139,001	187,955
Ergo Sigorta AŞ	358,197	353,710
Groupama Sigorta AŞ (Güven Sigorta TAŞ)	264,090	33
Groupama Sigorta AŞ	125,132	36,872
Allianz Sigorta AŞ	115,889	209,265
Ziraat Sigorta A.Ş.	13,525	7,444
Anadolu Hayat	1,918	4,060
Ziraat Hayat ve Emeklilik	506	7,229
İş Merkezleri Yönetim ve İşletim A.Ş. – office service costs	(3,212,713)	--
Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı	--	--
Vakfi-rent expense	(2,790,764)	--
İş Portföy Yönetimi – management commission	(690,905)	--
AvivaSa Emeklilik AŞ	--	5
Other expenses	(4,676,124)	806,573

46 Subsequent events

Subsequent events are disclosed in note 1.10 - *Subsequent events*.

47 Other

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

They are presented in the related notes above.

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

None.

Subrogation recorded in “Off-Balance Sheet Accounts”

None.

Real rights on immovable and their values

None.

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

None.

As at and for the year ended 31 December 2015 and 2014, details of discount and provision expenses are as follows:

	31 December 2015	31 December 2014
Provision expense for doubtful receivables (Note 4.2) ^(*)	(39,905,763)	(11,339,113)
Provision for pension fund deficits (Note 23)	(28,214)	7,985,301
Provision expense for employee termination benefits (Note 23)	(1,689,401)	(1,624,875)
Provision expenses for unused vacation (Note 23)	(59,556)	(245,663)
Provision expenses for tax assessments (Note 42)	2,546,902	(10,784,553)
Other provision expenses (Note 4.2) ^(*)	13,570,187	804
Provision expenses	(25,565,845)	(16,008,099)

^(*) Provision expense stems from foreign exchange translation effect on doubtful receivables from main operations amounting to TL 39,905,763 (31 December 2014: TL 11,339,113) and there is not any provision expense on doubtful receivables from other receivables (Note 4.2).

	31 December 2015	31 December 2014
Rediscount income / (expense) from main operations receivables	18,196,109	12,637,725
Rediscount income / (expense) from main operations payables	(17,196,437)	(15,657,400)
Total of rediscounts	999,672	(3,019,675)