

*(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 2016

Consolidated Financial Statements

Together With

Independent Auditors' Report Thereon

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

17 February 2017

*This report includes 2 pages of independent auditors'
report and 92 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 2016 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 2016 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 No. 6102 ("TCC"); no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2016, 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

17 February 2017
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 2016

We confirm that the consolidated financial statements and related disclosures and footnotes as at 31 December 2016 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, 17 February 2017

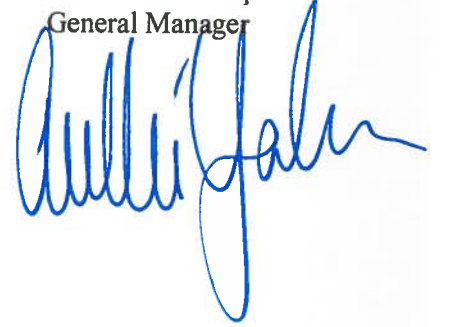
Şule Soylu
Assistant General Manager



Kemal Çuhacı
Assistant General Manager



Hasan Hulki Yalçın
General Manager



Ertan Tan
Actuary
License No:21



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Millî Reasürans Türk Anonim Şirketi
Consolidated Balance Sheet
As At 31 December 2016
(Currency: Turkish Lira (TL))

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

ASSETS			
	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
I- Current Assets			
A- Cash and Cash Equivalents	14	4,342,688,861	3,296,902,698
1- Cash	14	52,555	53,835
2- Cheques Received	14	1,950,000	--
3- Banks	14	3,919,164,699	2,929,798,391
4- Cheques Given and Payment Orders	14	(82,544)	(125,585)
5- Bank Guaranteed Credit Card Receivables With Maturity Less Than Three Months	14	421,604,151	367,176,057
6- Other Cash and Cash Equivalents		--	--
B- Financial Assets and Financial Investments with Risks on Policyholders	11	1,106,730,656	1,133,957,261
1- Available-for-Sale Financial Assets	11	970,628,652	1,022,265,854
2- Held to Maturity Investments	11	15,172,182	15,555,214
3- Financial Assets Held for Trading	11	127,881,004	96,232,135
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	(6,951,182)	(95,942)
C- Receivables from Main Operations	12	1,208,734,082	1,102,022,681
1- Receivables from Insurance Operations	12	984,855,530	869,275,449
2- Provision for Receivables from Insurance Operations	12	(8,836,586)	(8,305,178)
3- Receivables from Reinsurance Operations	12	169,611,886	169,725,737
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited to Insurance & Reinsurance Companies	12	63,103,252	71,326,673
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	188,867,237	150,770,368
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(188,867,237)	(150,770,368)
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	15,454,198	10,983,942
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given	12	583,462	568,349
4- Other Miscellaneous Receivables	12	14,870,736	10,415,593
5- Rediscount on Other Miscellaneous Receivables		--	--
6- Other Doubtful Receivables	4.2,12	53,177	63,177
7- Provision for Other Doubtful Receivables	4.2,12	(53,177)	(63,177)
F- Prepaid Expenses and Income Accruals		408,923,726	382,912,914
1- Deferred Acquisition Costs	17	399,249,100	366,089,853
2- Accrued Interest and Rent Income		--	--
3- Income Accruals	4.2,12	8,999,362	16,363,166
4- Other Prepaid Expenses	4.2,12	675,264	459,895
G- Other Current Assets		24,550,172	35,540,786
1- Stocks to be Used in the Following Months		1,006,926	1,090,552
2- Prepaid Taxes and Funds	12,19	22,930,006	33,690,959
3- Deferred Tax Assets		--	--
4- Job Advances	12	170,946	255,077
5- Advances Given to Personnel	12	14,890	4,151
6- Inventory Count Differences		--	--
7- Other Miscellaneous Current Assets	12	427,404	500,047
8- Provision for Other Current Assets		--	--
I- Total Current Assets		7,107,081,695	5,962,320,282

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Balance Sheet
As At 31 December 2016
(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 2016	Audited Prior Period 31 December 2015
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	16,858,335	14,221,013
10- Provision for Doubtful Receivables from Main Operations	4,2,12	(16,858,335)	(14,221,013)
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	1,749,362	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	2,129,835	2,839,780
5- Rediscount on Other Miscellaneous Receivables	4,2,12	(380,473)	(631,799)
6- Other Doubtful Receivables		--	--
7- Provision for Other Doubtful Receivables		--	--
D- Financial Assets	9	183,088,026	165,528,161
1- Investments in Equity Shares		--	--
2- Investments in Associates	9	181,995,319	164,435,454
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	578,741,391	510,242,396
1- Investment Properties	6,7	388,265,000	324,911,650
2- Impairment for Investment Properties		--	--
3- Owner Occupied Property	6	160,287,253	158,649,350
4- Machinery and Equipments	6	49,033,797	41,909,394
5- Furniture and Fixtures	6	19,296,491	17,209,219
6- Motor Vehicles	6	1,732,838	1,859,204
7- Other Tangible Assets (Including Leasehold Improvements)	6	22,982,418	20,322,655
8- Tangible Assets Acquired Through Finance Leases	6	3,868,337	4,166,354
9- Accumulated Depreciation	6	(66,724,743)	(58,785,430)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		--	--
F- Intangible Assets	8	69,805,708	59,597,284
1- Rights	8	116,516,653	97,650,098
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	(87,076,641)	(69,276,525)
7- Advances Paid for Intangible Assets	8	24,115,696	14,973,711
G- Prepaid Expenses and Income Accruals		6,296,844	5,344,867
1- Deferred Acquisition Costs	17	6,211,364	5,221,880
2- Income Accruals		--	--
3- Other Prepaid Expenses	4,2	85,480	122,987
H- Other Non-Current Assets	21	10,227,714	13,948,959
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	10,227,714	13,948,959
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		849,909,045	756,869,648
TOTAL ASSETS		7,956,990,740	6,719,189,930

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

LIABILITIES			
	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
III- Short-Term Liabilities			
A- Financial Liabilities	20	134,413,473	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		134,413,473	297,347,979
B- Payables Arising from Main Operations	19	466,995,593	373,784,676
1- Payables Arising from Insurance Operations		282,126,010	216,615,209
2- Payables Arising from Reinsurance Operations		35,487,145	43,014,872
3- Cash Deposited by Insurance and Reinsurance Companies		6,570,424	5,496,957
4- Payables Arising from Pension Operations		--	--
5- Payables Arising from Other Operations		142,812,014	108,657,638
6- Discount on Payables from Other Operations		--	--
C- Due to Related Parties	19	171,856	158,568
1- Due to Shareholders		66,287	53,738
2- Due to Associates		--	--
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		91,826	92,190
6- Due to Other Related Parties		13,743	12,640
D- Other Payables	19	85,550,857	62,710,887
1- Deposits and Guarantees Received		7,436,777	3,177,561
2- Payables to Social Security Institution Related to Treatment Expenses		32,500,031	27,524,238
3- Other Miscellaneous Payables		46,076,135	32,516,197
4- Discount on Other Miscellaneous Payables		(462,086)	(507,109)
E- Insurance Technical Provisions	17	5,154,029,795	4,108,661,380
1- Reserve for Unearned Premiums - Net	17	2,135,349,141	1,846,273,474
2- Reserve for Unexpired Risks- Net	17	12,888,197	32,682,256
3- Life Mathematical Provisions - Net	17	165,157	491,937
4- Provision for Outstanding Claims - Net	17	3,005,627,300	2,229,213,713
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net		--	--
F- Provisions for Taxes and Other Similar Obligations	19	40,980,017	38,761,168
1- Taxes and Funds Payable		37,869,439	36,015,743
2- Social Security Premiums Payable		3,110,578	2,745,425
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		--	--
4- Other Taxes and Similar Payables		--	--
5- Corporate Tax Payable		26,875,657	1,769,959
6- Prepaid Taxes and Other Liabilities Regarding Current Year Income		(26,875,657)	(1,769,959)
7- Provisions for Other Taxes and Similar Liabilities		--	--
G- Provisions for Other Risks	23	--	--
1- Provision for Employee Termination Benefits		--	--
2- Provision for Pension Fund Deficits		--	--
3- Provisions for Costs	23	--	--
H- Deferred Income and Expense Accruals	19	104,670,372	75,955,282
1- Deferred Commission Income	10,19	46,650,934	39,714,319
2- Expense Accruals	19	57,847,236	36,066,016
3- Other Deferred Income	19	172,202	174,947
I- Other Short Term Liabilities	23	1,561,950	1,492,709
1- Deferred Tax Liabilities		--	--
2- Inventory Count Differences		--	--
3- Other Various Short Term Liabilities	23	1,561,950	1,492,709
III - Total Short Term Liabilities		5,988,373,913	4,958,872,649

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

LIABILITIES			
IV- Long-Term Liabilities	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
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	154,637,733	104,977,919
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	154,637,733	104,977,919
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	54,251,255	50,253,639
1- Provisions for Employment Termination Benefits	23	24,566,143	21,894,700
2- Provisions for Pension Fund Deficits	22,23	29,685,112	28,358,939
H-Deferred Income and Expense Accruals	19	--	43,332
1- Deferred Commission Income		--	--
2- Expense Accruals		--	--
3- Other Deferred Income	19	--	43,332
I- Other Long Term Liabilities		--	--
1- Deferred Tax Liabilities		--	--
2- Other Long Term Liabilities		--	--
IV - Total Long Term Liabilities		208,888,988	155,274,890

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Balance Sheet
As At 31 December 2016
(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 2016	Audited Prior Period 31 December 2015
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	137,993,463	117,604,491
1- Share Premiums		--	--
2- Cancellation Profits of Equity Shares		--	--
3- Profit on Sale Assets That Will Be Transferred to Capital	15	23,723,323	--
4- Currency Translation Adjustments	15	(26,027,092)	(19,573,401)
5- Other Capital Reserves	15	140,297,232	137,177,892
C- Profit Reserves		165,559,918	103,545,587
1- Legal Reserves	15	90,232,526	80,567,006
2- Statutory Reserves	15	10,220,997	6,759,148
3- Extraordinary Reserves	15	81,426,632	34,827,040
4- Special Funds		--	--
5- Revaluation of Financial Assets	11,15	31,358,139	28,234,178
6- Other Profit Reserves	15	23,381,673	24,218,264
7- Subsidiary Capital Correction	15	(71,060,049)	(71,060,049)
D- Retained Earnings		197,937,817	195,873,555
1- Retained Earnings		197,937,817	195,873,555
E- Accumulated Losses		--	--
1- Accumulated Losses		--	--
F-Net Profit/(Loss) for the Year		181,244,361	156,222,767
1- Net Profit for the Period		181,235,711	131,042,910
2- Net Loss for the Period		--	--
3- Net Profit for the Period not Subject to Distribution		8,650	25,179,857
G- Minority Shares		416,992,280	371,795,991
V- Total Equity		1,759,727,839	1,605,042,391
TOTAL EQUITY AND LIABILITIES		7,956,990,740	6,719,189,930

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 2016
(Currency: Turkish Lira (TL))

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

	Note	Audited Current Period 1 January- 31 December 2016	Audited Prior Period 1 January- 31 December 2015
I-TECHNICAL SECTION			
A- Non-Life Technical Income		4,621,127,210	3,868,158,939
1- Eamed Premiums (Net of Reinsurer Share)		4,009,233,765	3,362,793,609
1.1- Written Premiums (Net of Reinsurer Share)	17	4,277,940,082	3,631,983,131
1.1.1- Written Premiums, gross	17	5,304,350,878	4,487,551,165
1.1.2- Written Premiums, ceded	10,17	(875,616,791)	(756,056,567)
1.1.3- Written Premiums, SSI share	17	(150,794,005)	(99,511,467)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(288,500,376)	(316,963,162)
1.2.1- Reserve for Unearned Premiums, gross	17	(365,034,325)	(374,332,005)
1.2.2- Reserve for Unearned Premiums, ceded	10,17	56,450,295	39,086,070
1.2.3- Reserve for Unearned Premiums, SSI share		20,083,654	18,282,773
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	17	19,794,059	47,773,640
1.3.1- Reserve for Unexpired Risks, gross	17	28,490,590	45,621,785
1.3.2- Reserve for Unexpired Risks, ceded	10,17	(8,696,531)	2,151,855
2- Investment Income - Transferred from Non-Technical Section		528,362,786	377,454,291
3- Other Technical Income (Net of Reinsurer Share)		52,151,853	71,477,926
3.1- Other Technical Income, gross		52,152,151	71,477,926
3.2- Other Technical Income, ceded		(298)	--
4- Accrued Salvage and Subrogation Income		31,378,806	56,433,113
B- Non-Life Technical Expense		(4,404,492,029)	(3,805,677,102)
1- Incurred Losses (Net of Reinsurer Share)		(3,192,362,319)	(2,802,133,939)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(2,418,397,262)	(2,320,746,150)
1.1.1- Claims Paid, gross	17	(2,728,766,418)	(2,538,268,492)
1.1.2- Claims Paid, ceded	10,17	310,369,156	217,522,342
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(773,965,057)	(481,387,789)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(779,788,377)	(731,830,650)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10,17	5,823,320	250,442,861
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	(49,076,229)	(21,724,626)
4- Operating Expenses	32	(1,049,421,699)	(908,004,593)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		255,578	(255,578)
5.1- Mathematical Provisions		255,578	(255,578)
5.2- Mathematical Provisions, ceded		--	--
6- Other Technical Expense		(113,887,360)	(73,558,366)
6.1- Other Technical Expense, gross		(113,887,360)	(73,558,366)
6.2- Other Technical Expense, ceded		--	--
C- Net Technical Income-Non-Life (A – B)		216,635,181	62,481,837
D- Life Technical Income		19,687,077	19,541,877
1- Eamed Premiums (Net of Reinsurer Share)		17,549,152	17,904,430
1.1- Written Premiums (Net of Reinsurer Share)	17	18,124,443	18,297,354
1.1.1- Written Premiums, gross	17	19,210,055	19,755,699
1.1.2- Written Premiums, ceded	10,17	(1,085,612)	(1,458,345)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(575,291)	(392,924)
1.2.1- Reserve for Unearned Premiums, gross	17	(502,515)	84,139
1.2.2- Reserve for Unearned Premiums, ceded	10,17	(72,776)	(477,063)
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		2,049,914	1,466,954
3- Unrealized Gains on Investments		--	--
4- Other Technical Income (Net of Reinsurer Share)		88,011	170,493
4.1- Other Technical Income, gross		185,899	59,603
4.2- Other Technical Income, ceded		(97,888)	110,890
5- Accrued Salvage and Subrogation Income		--	--

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 2016
(Currency: Turkish Lira (TL))

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

	Note	Audited Current Period 1 January- 31 December 2016	Audited Prior Period 1 January- 31 December 2015
I-TECHNICAL SECTION			
E- Life Technical Expense			
1- Incurred Losses (Net of Reinsurer Share)		(21,187,012)	(16,825,215)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(10,454,943)	(6,575,473)
1.1.1- Claims Paid, gross	17	(8,664,622)	(6,492,393)
1.1.2- Claims Paid, ceded	10,17	658,209	380,423
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(2,448,530)	(463,503)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(2,730,793)	(828,662)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10,17	282,263	365,159
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	71,202	131,983
3.1- Change in Mathematical Provisions, gross	29	71,202	131,983
3.1.1- Actuarial Mathematical Provisions		71,202	131,983
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	(583,585)	(199,272)
5- Operating Expenses	32	(10,219,686)	(10,182,453)
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)		(1,499,935)	2,716,662
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)		--	--

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 2016
(Currency: Turkish Lira (TL))

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

	Note	Audited Current Period 1 January- 31 December 2016	Audited Prior Period 1 January- 31 December 2015
II-NON-TECHNICAL SECTION			
C- Net Technical Income – Non-Life (A-B)		216,635,181	62,481,837
F- Net Technical Income – Life (D-E)		(1,499,935)	2,716,662
I- Net Technical Income – Pension Business (G-H)		--	--
J- Total Net Technical Income (C+F+I)		215,135,246	65,198,499
K- Investment Income		763,869,487	659,953,132
1- Income from Financial Assets	4.2	370,164,896	288,672,778
2- Income from Disposal of Financial Assets	4.2	33,059,353	55,904,227
3- Valuation of Financial Assets	4.2	51,967,175	32,495,483
4- Foreign Exchange Gains	4.2	184,579,297	149,059,354
5- Income from Associates	4.2	40,163,943	30,635,392
6- Income from Subsidiaries and Joint Ventures	4.2	3,251	4,075
7- Income from Property, Plant and Equipment	7	79,387,860	101,851,209
8- Income from Derivative Transactions	4.2	4,432,112	741,200
9- Other Investments		111,600	589,414
10- Income Transferred from Life Section		--	--
L- Investment Expense		(680,499,653)	(503,350,993)
1- Investment Management Expenses (inc. interest)	4.2	(4,630,870)	(3,060,240)
2- Diminution in Value of Investments	4.2	(1,643,638)	(2,824,154)
3- Loss from Disposal of Financial Assets	4.2	(17,234,556)	(11,039,996)
4- Investment Income Transferred to Non-Life Technical Section		(528,362,786)	(377,454,292)
5- Loss from Derivative Transactions	4.2	(3,616,449)	(74,638)
6- Foreign Exchange Losses	4.2	(88,324,565)	(67,687,210)
7- Depreciation and Amortization Expenses	6,8	(28,732,695)	(32,779,765)
8- Other Investment Expenses		(7,954,094)	(8,430,698)
M- Income and Expenses From Other and Extraordinary Operations		(46,790,612)	(31,797,769)
1- Provisions	47	(49,002,399)	(25,565,845)
2- Rediscounts	47	1,042,702	999,672
3- Specified Insurance Accounts		--	--
4- Monetary Gains and Losses		--	--
5- Deferred Taxation (Deferred Tax Assets)		--	--
6- Deferred Taxation (Deferred Tax Liabilities)	35	(886,872)	(14,290,010)
7- Other Income		3,862,489	9,528,258
8- Other Expenses and Losses		(1,806,532)	(2,469,844)
9- Prior Year's Income		--	--
10- Prior Year's Expenses and Losses		--	--
N- Net Profit for the Year		224,838,811	188,232,910
1- Profit for the Year		251,714,468	190,002,869
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(26,875,657)	(1,769,959)
3- Net Profit for the Year		224,838,811	188,232,910
3.1-Groups Profit/(Loss)		181,244,361	156,222,767
3.2-Minority Shares		43,594,450	32,010,143
4- Monetary Gains and Losses		--	--

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 2016
(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 2016	Audited Prior Period 31 December 2015
A. Cash flows from operating activities			
1. Cash provided from insurance activities		4,963,098,172	3,792,126,779
2. Cash provided from reinsurance activities		844,811,957	1,082,027,764
3. Cash provided from private pension business		--	--
4. Cash used in insurance activities		(4,769,080,059)	(3,634,027,829)
5. Cash used in reinsurance activities		(212,748,356)	(893,254,430)
6. Cash used in private pension business		--	--
7. Cash provided from operating activities		826,081,714	346,872,284
8. Interest paid		--	--
9. Income taxes paid		(531,339)	(22,398,667)
10. Other cash inflows		1,313,756,953	925,534,252
11. Other cash outflows		(1,496,564,413)	(1,310,262,560)
12. Net cash provided from operating activities		642,742,915	(60,254,691)
B. Cash flows from investing activities		--	--
1. Proceeds from disposal of tangible assets		8,424,794	18,142,811
2. Acquisition of tangible assets	6, 8	(42,245,758)	(30,156,258)
3. Acquisition of financial assets	11	(1,284,787,847)	(1,165,407,715)
4. Proceeds from disposal of financial assets	11	1,403,536,295	1,219,198,917
5. Interests received		63,883,362	271,228,019
6. Dividends received		5,178,576	6,170,248
7. Other cash inflows		200,230,723	393,855,080
8. Other cash outflows		(156,293,766)	(330,550,178)
9. Net cash provided by / (used in) investing activities		197,926,379	382,480,924
C. Cash flows from financing activities		--	--
1. Equity shares issued		--	--
2. Cash provided from loans and borrowings		--	--
3. Finance lease payments		--	--
4. Dividends paid		(45,197,943)	(12,871,811)
5. Other cash inflows		--	297,347,979
6. Other cash outflows		(214,584,486)	(8,876,616)
7. Net cash provided by financing activities		(259,782,429)	275,599,552
D. Effect of exchange rate fluctuations on cash and cash equivalents		2,029,215	1,930,699
E. Net increase /(decrease) in cash and cash equivalents		582,916,080	599,756,484
F. Cash and cash equivalents at the beginning of the year	14	2,303,619,535	1,703,863,051
G. Cash and cash equivalents at the end of the year	14	2,886,535,615	2,303,619,535

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 2016
(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 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	--	(11,907,682)	77,369,316	4,441,017	(29,022,104)	80,363,867	144,703,437	975,357,006	345,313,374	1,320,670,380
II - Correction (*)		--	--	--	--	--	--	--	--	--	--	--	--	--
III - Restated balances (I+II) (1 January 2015)		660,000,000	--	49,409,155	--	(11,907,682)	77,369,316	4,441,017	(29,022,104)	80,363,867	144,703,437	975,357,006	345,313,374	1,320,670,380
A - Capital increase (A1+A2)		--	--	--	--	--	--	--	--	--	--	--	--	--
1- In cash		--	--	--	--	--	--	--	--	--	--	--	--	--
2- From reserves		--	--	--	--	--	--	--	--	--	--	--	--	--
B - Effects of changes in group structure		--	--	--	--	--	--	--	--	--	--	--	--	--
C - Purchase of own shares		--	--	--	--	--	--	--	--	--	--	--	--	--
D - Gains or losses that are not included in the statement of income		--	--	--	--	--	--	--	--	--	--	--	--	--
E - Change in the value of financial assets		--	--	--	--	--	--	--	121,598,260	--	--	121,598,260	809,659	122,407,919
F - Currency translation adjustments	11	--	--	(21,174,977)	--	(7,665,719)	--	--	--	--	--	(21,174,977)	(2,570,431)	(23,745,408)
G - Other gains or losses		--	--	--	--	--	--	--	--	9,519,361	9,519,361	9,519,361	7,090,930	16,610,291
H - Inflation adjustment differences		--	--	--	--	--	--	--	--	--	--	--	--	--
I - Net profit for the year		--	--	--	--	--	--	--	--	156,222,767	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)	(10,857,685)	(10,857,685)
K - Dividends paid		--	--	--	--	--	--	--	--	--	--	--	--	--
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

Audited Changes in Equity – 31 December 2016														
	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 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
II - Correction		--	--	--	--	--	--	--	--	--	--	--	--	--
III - Restated balances (I+II) (1 January 2016)		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
A - Capital increase (A1+A2)		--	--	--	--	--	--	--	--	--	--	--	--	--
1- In cash		--	--	--	--	--	--	--	--	--	--	--	--	--
2- From reserves		--	--	--	--	--	--	--	--	--	--	--	--	--
B - Effects of changes in group structure		--	--	--	--	--	--	--	--	--	--	--	--	--
C - Purchase of own shares		--	--	--	--	--	--	--	--	--	--	--	--	--
D - Gains or losses that are not included in the statement of income		--	--	--	--	--	--	--	(27,166,000)	--	--	(27,166,000)	--	(27,166,000)
E - Change in the value of financial assets		--	--	--	--	--	--	--	843,778	--	--	843,778	--	843,778
F - Currency translation adjustments	11	--	--	3,123,961	--	(6,453,691)	--	--	--	--	--	3,123,961	1,601,839	4,725,800
G - Other gains or losses		--	--	--	--	--	--	--	--	--	--	(6,453,691)	--	(6,453,691)
H - Inflation adjustment differences		--	--	--	--	--	--	--	--	--	--	--	--	--
I - Net profit for the year		--	--	--	--	--	--	--	--	181,244,361	181,244,361	181,244,361	43,594,450	224,838,811
J - Other reserves and transfers from retained earnings		--	--	--	--	--	9,665,520	3,461,849	98,027,886	(113,415,037)	2,064,262	704,480	--	704,480
K - Dividends paid		--	--	--	--	--	--	--	--	(42,807,730)	(42,807,730)	(42,807,730)	--	(42,807,730)
II - Balance at the end of the year – 31 December 2016	15	660,000,000	--	31,358,139	--	(26,027,092)	90,232,526	10,220,997	197,768,811	181,244,361	197,937,817	1,342,735,559	416,992,280	1,759,727,839

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

Millî Reasürans Türk Anonim Şirketi
Consolidated Statement of Profit Distribution
For the Year Ended 31 December 2016
(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 2016 ^(*)	Audited Prior Period 31 December 2015
I. DISTRIBUTION OF THE PERIOD PROFIT^(**)			
1.1. PERIOD PROFIT		135,640,914	130,243,407
1.2. TAXES AND DUTIES PAYABLE	35	(3,558,844)	--
1.2.1. Corporate Tax (Income Tax)	35	(3,558,844)	--
1.2.2. Income Tax Deductions		--	--
1.2.3. Other Taxes and Legal Duties		--	--
A. CURRENT PERIOD PROFIT (1.1 – 1.2)		132,082,070	130,243,407
1.3. ACCUMULATED LOSSES (-)		--	(12,694,585)
1.4. FIRST LEGAL RESERVES (-)		(6,604,104)	(4,491,275)
1.5. OTHER STATUTORY RESERVES (-)		--	(23,723,323)
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5)]		125,477,966	89,134,224
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		--	(8,913,422)
1.6.1. To owners of ordinary shares		--	(8,913,422)
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 (-)		--	(2,406,624)
1.8. DIVIDENDS TO FOUNDERS (-)		--	(2,807,728)
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)		--	(31,086,578)
1.10.1. To owners of ordinary shares		--	(31,086,578)
1.10.2. To owners of privileged shares		--	--
1.10.3. To owners of redeemed shares		--	--
1.10.4. To holders profit sharing bonds		--	--
1.10.5. To holders of profit and loss sharing certificates		--	--
1.11. SECOND LEGAL RESERVES(-)		--	(1,221,435)
1.12. STATUTORY RESERVES(-)		--	--
1.13. EXTRAORDINARY RESERVES		--	(42,698,437)
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		--	130,243,407
3.2. TO OWNERS OF ORDINARY SHARES (%)		--	19,7338
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		--	40,000,000
4.2. TO OWNERS OF ORDINARY SHARES (%)		--	6,0606
4.3. TO OWNERS OF PRIVILEGED SHARES		--	--
4.4. TO OWNERS OF PRIVILEGED SHARES (%)		--	--

^(*) Since the profit distribution proposal for the year 2016 has not prepared by the Board of Directors, profit distribution table has not been filled yet. According to legislation in Turkey, companies can not distribute consolidated profit and statement of profit distribution above is belonged to parent company.

^(**) Reserve for personnel dividend amounting to TL 2,838,838 that recognized according to TMS 19 is included in period profit as of 31 December 2016.

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 2016

(Currency: Turkish Lira (TL))

1 General information

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

As at 31 December 2016, 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 2016 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 2016, the Company serves through 2,556 agencies of which 2,458 authorized and 98 unauthorized agencies. (31 December 2015: 2.468 authorized 93 unauthorized total 2,561 agencies)

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 2016	31 December 2015
Senior managers	12	13
Managers	63	58
Assistant managers	163	145
Officers	789	749
Contracted personnel	6	7
Advisors	3	3
Other personnel	326	308
Total	1,362	1,283

1.6 Wages and similar benefits provided to the senior management

For the year ended 31 December 2016, 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 12,179,938 (31 December 2015: TL 10,846,547).

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 2016, 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 2016.

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 damages, 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 Anadolu Sigorta and Anadolu Hayat, subsidiaries of the Company, complies with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting. Therefore, the Group maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”), and other accounting and financial reporting principles, statements and guidance (collectively “the Reporting Standards”) in accordance with the “Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies” as promulgated by the Turkish Treasury based on Article 18 of the Insurance Law and Article 11 of the 4632 numbered Individual Pension Savings and Investment System Law (“Individual Retirement Law”).

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

The form and content of financial statements of companies is regulated by “Communiqué on Presentation of Financial Statements” that is published in Official Gazette dated 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 2016, 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 2015 and nine-month results as at and for the period ended 30 September 2016 and accordingly related balance sheet balances as at 31 December 2016 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 reporting currency.

2.1.4 Rounding scale of the amounts presented in the financial statements

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

2 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, derivative financial instruments, self-used buildings and investment properties recorded in tangible assets and associates which are measured at their fair values unless reliable measures are available.

2.1.6 Accounting policies, changes in accounting estimates and errors

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

Fire and earthquake premiums obtained from foreign reinsurance treaties could not 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 2016, premiums obtained from foreign proportioned treaties are accounted on the basis of average earthquake premium ratio calculated from foreign proportioned treaties over the period of 1 January 2016 – 31 December 2016. 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 Damages main branch as two separate subbranches namely agriculture and non agriculture branches. Because, Agriculture and Engineering subbranches under General Damages main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Damages branch produces unreliable and improper results. The Company applied to Turkish Treasury on 17 January 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Damages

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)

branch as agriculture and non-agriculture sub branches separately. Turkish Treasury has given permission the Company in order to calculate IBNR reserve for General Damages within two sub branches with the letter dated 28 January 2013 and numbered 24179134. As at 31 December 2016, the Company recognised the amount that arose due to change in calculation method for IBNR on General Damages branch.

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

2.2 Consolidation

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

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

The subsidiary, Anadolu Sigorta included in consolidation and effective shareholding percentages of the Company are as follows. The information related to the associate of the Company, Anadolu Hayat which is consolidated using equity method is presented in Note 9.

Company	Direct and indirect controlling interest	Direct controlling interest	Total assets	Shareholders' equity	Prior period loss	Current period profit
Anadolu Sigorta (consolidated)	57,31%	57,31%	5,720,082,152	969,089,194	70,926,240	102,118,697

The Company has not consolidated Miltaş Turizm A.Ş., the subsidiary of the Company, based on the exception specified in the Circular for Consolidation; as the amount of total assets of such subsidiary was below 1% of total assets of the Company. The Company accounted for this subsidiary at cost as of 31 December 2016 and 2015.

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 2016 and 2015, 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 "valuation of financial assets" in equity.

2.5 Tangible assets

Except self-used buildings, 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 self-used buildings. Fair values of self-used buildings have been reflected in the financial statements instead of historical cost values since third quarter of 2015.

The fair values of self-used buildings 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 self-used buildings is presented under the other capital reserves in the equity excluding tax. As a result of property based evaluation, value decreases that correspond the previous period value increases are deducted from related fund; other decreases are recognized in income statement.

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

2 Summary of significant accounting policies (continued)

2.5 Tangible assets (continued)

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

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

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

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

2.7 Intangible assets

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

Intangible assets are recorded at cost in compliance with the "TAS 38 – Accounting for intangible assets". The cost of the intangible assets purchased before 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 consolidated financial statements and trading securities and derivatives are included in this category. Financial assets at fair value through profit or loss measured at their fair values and gain/loss arising due to changes in the fair values of related financial assets are recorded in the statement of income. Interest income earned on trading purpose financial assets and the difference between their fair values and acquisition costs are recorded as interest income in the statement of income. In case of disposal of such financial assets before their maturities, the gains/losses on such disposal are recorded under trading income/losses. Accounting policies of derivatives are detailed in note 2.10 – *Derivative financial instruments*.

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

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

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 2016 and 2015, the share capital and ownership structure of the Company are as follows:

Name	31 December 2016		31 December 2015	
	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Türkiye İş Bankası AŞ	505,810,925	76.64	505,810,925	76.64
Millî Reasürans TAŞ Mensupları Yardımlaşma Sandığı Vakfı ^(*)	69,604,854	10.55	69,585,028	10.54
Groupama Emeklilik AŞ	38,809,894	5.88	38,809,894	5.88
Ankara Doğal Elektrik Üretim ve Ticaret A.Ş. ^(*)	22,240,456	3.37	--	--
T.C. Ziraat Bankası AŞ	16,430,944	2.49	16,430,944	2.49
Diğer ^(**)	7,102,927	1.07	7,122,753	1.08
T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı	--	--	22,240,456	3.37
Paid in capital	660,000,000	100.00	660,000,000	100.00

^(*) As of 11 March 2016, the Company has decided to transfer total amount of 3.37% shares with TL 22,240,456 nominal value owned by T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı which is one of the shareholders of the Company to Ankara Doğal Elektrik Üretim ve Ticaret A.Ş. and to record this transfer to the share ledger with the Board Decision numbered 1239 and dated 11 March 2016.

^(**) The Company has decided to transfer total amount of 0,003004% Millî Reasürans T.A.Ş. shares with TL 19,826 nominal value owned by Fatma Ayşe Feyzioğlu Karakaş, Mevhibe Derya Feyzioğlu and Ali Zihni Feyzioğlu who are shareholders of the Company to Millî Reasürans T.A.Ş. Mensupları Yardımlaşma Sandığı Vakfı with the Board Decision numbered 1242 and dated 10 June 2016.

Privileges on common shares representing share capital

There are no privileges on common shares representing share capital.

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

As a result of the Extraordinary General Assembly Meeting of the Company held on 27 June 2016, acquisition of total amount of the Founding Shares by Millî Reasürans T.A.Ş. with the cost amounting to TL 27,166,000 determined in the Expert Review Report approved by the Istanbul 6th Court of Peace is unanimously decided. Abolition and extinguishment of Founding Shares acquired by the Company and absorbing acquisition cost from extraordinary reserves is decided in the Extraordinary General Meeting of the Company held on 30 November 2016.

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 2016, the Company does not have any deductible tax losses (31 December 2015: TL 50,197,498).

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. 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.

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.

2 Summary of significant accounting policies (continued)

2.19 Employee benefits (continued)

Pension and other post-retirement obligations (continued)

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 participations are regarded as social insurant in accordance with the (a) sub clause of first sub articles of 4th article of related law.

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

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

- 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 2016 is TL 4,297 (31 December 2015: TL 3,828).

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 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Discount rate	4,25-4,61%	3,77-4,61%
Expected rate of salary/limit increase	6,00-5,83%	5,00-5,83%
Estimated employee turnover rate	2,00-3,22%	2,00-3,27%

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 Summary of significant accounting policies (continued)

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.

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.

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition (continued)

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 43,739,284 (31 December 2015: TL 45,354,423) subrogation receivables and recorded TL 47,016,782 (31 December 2015: TL 49,626,517) (Note 12) amount net subrogation and salvage receivables under receivables from main operations. The Group provided allowance for uncollected subrogation receivables amounting to TL 8,836,586 (31 December 2015: TL 8,305,178) (Note 12) in accordance with circular.

For the periods ended 31 December 2016 and 2015, salvage and subrogation collected are as follows:

	31 December 2016	31 December 2015
Motor vehicles	341,775,724	292,754,774
Third party liability for motor vehicles (MTPL)	10,694,282	7,174,650
Fire and natural disaster	3,961,070	3,654,611
Transportation	2,799,577	2,946,419
Credit	467,351	68,150
General damages	313,114	164,084
General responsibility	103,795	135,207
Accident	21,706	7,759
Air crafts	10,588	--
Water vehicles	10,222	1,052,607
Legal protection	529	--
Total	360,157,958	307,958,261

As at 31 December 2016 and 2015, accrued subrogation and salvage income per branches is as follows:

	31 December 2016	31 December 2015
Motor vehicles	37,302,823	36,648,709
Third party liability for motor vehicles (MTPL)	4,565,163	4,252,062
Transportation	2,688,121	1,048,488
Fire and natural disaster	1,883,852	3,485,325
General damages	490,114	3,904,872
Water vehicles	78,448	12,503
General responsibility	8,261	--
Accident	--	274,558
Total	47,016,782	49,626,517

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition (continued)

Commission income and expenses

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

Interest income and expenses

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

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

Trading income/expense

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

Dividends

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

2.22 Leasing transactions

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

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

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

2 Summary of significant accounting policies (continued)

2.23 Dividend distribution

As a result of the General Assembly Meeting of the Company held on 25 March 2016, the Company has decided to distribute subsidiary sale exemption amounting to TL 23,723,323 to sales profits to be capitalized, TL 12,694,585 to accumulated losses as deducting from net profit for the year of 2015 amounting to TL 130,243,407 and after deducting legal reserves from remained amount, it has been decided to distribute TL 42,807,730 as cash dividend and TL 2,406,624 as personnel dividend and the remaining TL 42,698,436 as extraordinary reserves and the profit is distributed in the period.

2.24 Reserve for unearned premiums

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.24 Reserve for unearned premiums (continued)

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.

According to the 2009/9 Numbered Circular Related to Application of Technical Reserves issued on 27 March 2009 which published by Undersecretariat of Treasury reserve for unearned premiums is calculated by taking into account that all polices become active at 12:00 at noon and end at 12:00 at noon.

According to the Communiqué on Technical Reserves, for the calculation of unearned premium reserves of foreign currency indexed insurance agreements, foreign currency selling exchange rates announced by Turkish Central Bank will be considered, unless there is a specified exchange rate in the agreement.

According to the “Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves” published in Official Gazette no 27655 dated 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 2,560,196,809 (31 December 2015: TL 2,194,659,969) and reinsurer share in reserve for unearned premiums amounting TL 349,788,450 (31 December 2015: TL 293,410,931). Furthermore, reserve for unearned premiums includes Social Security Institution (“SSİ”) share amounting to TL 75,059,218 (31 December 2015: TL 54,975,564).

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.

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

The selection of data to be used, correction operations, selection of the most appropriate method and growth factors and interference to growth factors is made by the Company’s actuaries by using actuarial methods on the basis of branches. This matter is detailed in the actuarial report that is sent to Turkish Treasury according to Article 11 of Actuaries Regulation. Actuary of Anadolu Sigorta selects the correct factors for the actuarial analysis and to write back adn to calculate the damage growth factors.

2 Summary of significant accounting policies (continued)

2.25 Provision for outstanding claims (continued)

In the compulsory traffic branch the physical and bodily damages, and in the General Responsibility branch the employer's liability, medical injury compensation, professional liability and other liability branches are being analyzed separately.

According to the Anadolu Sigorta actuary's best damage assessment, as of 31 December 2015, the cash flow originating from pending compensations and their discount interest is 7,6% to 8%. Also after "General Instructions Regarding The Cash Flow From Pending Compensation and Their Discounts" which was published in 10 June 2016 which regulates the processes involving the discount of cash flow from pending compensations, which was published in the official gazette in 31 December 2016, the new discount rate (9%) has been put into use.

Anadolu Sigorta has used the gradual transition curve which was published by the Undersecretariat of treasury's "General Instructions Regarding to the Changes in the General Instructions Regarding Pending Compensations (2014/16)" which was published in 29 February 2016 with the number 2016/11. Anadolu Sigorta has used these gradual transition curve with 100% accuracy and has reflected the calculations on the official statements as well as possible. (According to the General Instructions which was published on December 31st 2015 with the number 2015/28, Compulsory Traffic, Fiscal and General Liability 10% rate of increase have been calculated as IBNR and has been represented in the statement. According to this, the IBNR sum which as not yet been represented in the statement is 203.903.058 TL for compulsory traffic branch, TL 7.407.845 for fiscal liability branch and TL 10.774.133 for the general liability branch total to 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.

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 (Insurance Association of Turkey 09/2016)	--
Air Vehicles Responsibility	Sector Average (Insurance Association of Turkey 09/2016)	Standard Chain
Indemnity	Sector Average (Insurance Association of Turkey 09/2016)	--
Financial Losses	Sector Average (Insurance Association of Turkey 09/2016)	Standard Chain
Credit	Sector Average (Insurance Association of Turkey 09/2016)	Standard Chain
Life	Sector Average (Insurance Association of Turkey 09/2016)	--
Facultative Financial Responsibility	--	Standard Chain

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

The Company, as a reinsurance company, selects data, adjustments, applicable methods and development factors by itself over the data obtained from insurance companies on a branch basis via actuarial methods. According to the article 11 clause 5 of "Circular on Actuarial Report for Non-Life Insurance Branch" dated 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 2014/16 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 Damages main branch as two separate sub branches namely agriculture and non-agriculture branches. Because, Agriculture and Engineering sub branches under General Damages main branch have different characteristics in conversion process of outstanding losses to paid losses, IBNR calculation of General Damages branch produces unreliable and improper results. The Company applied to Turkish Treasury on 17 January 2013 with letter numbered 300, so as to receive permission to calculate IBNR reserve for General Damages s branch as agriculture and non-agriculture sub branches separately. Turkish Treasury has given permission the Company in order to calculate IBNR reserve for General Damages within two sub branches with the letter dated 28 January 2013 and numbered 24179134. As at 31 December 2016 and 31 December 2015, the Company recognised the amount that aroused due to change in calculation method for IBNR on General Damages 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 49,181,395 (31 December 2015: TL 52,091,457 negative IBNR) as provision for outstanding claims. As at the reporting date, TL 19,924,049 (31 December 2015: TL 26,507,042) of IBNR provision is recorded for Singapore branch.

In accordance with “Circular Related to Information on Calculation of Incurred But Not Reported Claims Reserve” and dated 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%-25% from the last five year data set and TL 170,861,245 (31 December 2015: TL 104,862,951) as IBNR and TL 25,166,208 (31 December 2015: TL 18,207,321) as reinsurer’s share of IBNR is excluded from outstanding claims reserve balance.

2 Summary of significant accounting policies (continued)

2.25 Provision for outstanding claims (continued)

The calculated winning ratio of Anadolu Sigorta, the subsidiary of the Company as at 31 December 2016 is within 0%-100% range (31 December 2015: 0%-100%). Winning ratios used in and amounts decreased from provision for outstanding claims are as follows:

31 December 2016			
Branch	Winning ratios used	Gross amount decreased	Net amount decreased
General responsibility	25%	78,777,548	72,050,356
Third party liability for motor vehicles (MTPL)	11%	55,777,818	54,833,381
Fire and natural disasters	25%	21,068,122	9,042,415
Motor vehicles	22%	5,296,987	5,210,113
General Damages	%25	5.382.650	1.422.206
Transportation	25%	1,308,549	851,196
Water vehicles	25%	708,020	422,494
Accident	25%	1,825,148	1,167,341
Credit	25%	681,222	681,222
Financial Losses	3%	30,283	9,415
Legal protection	25%	4,898	4,898
Total		170,861,245	145,695,037

31 December 2015			
Branch	Winning ratios used	Gross amount decreased	Net amount decreased
General responsibility	25%	44,952,215	40,954,135
Third party liability for motor vehicles (MTPL)	10%	34,977,046	34,149,860
Fire and natural disasters	25%	16,115,339	5,546,618
General damages	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

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 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 58 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 2016 (31 December 2015: TL 448).

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 Summary of significant accounting policies (continued)

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).

According to the “Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves” published in Official Gazette no 28356 dated 17 July 2012; besides the net 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 impact of change in calculation method of provision for outstanding claims, provision for outstanding claims of the previous period is calculated by the new method and the amount calculated by the new method as provision for outstanding claims at the beginning of the period is used for calculation of reserve for unexpired risk.

Reserve for unexpired risks is calculated 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 Turkish Treasury circular numbered 2016/37, reserve for unexpired risk for the branches of land vehicles, land vehicles responsibility and general responsibility may be calculated by the following calculation method in addition to the abovementioned calculation method.

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

- Calculation of reserve for unexpired risk on the basis of business year,
- Calculation of reserve for unexpired risk once a year and using the portion that calculated on previous year-end in the interim periods,
- The opportunity that the Company will take weighted average of final claim/premium ratio of the previous two years (total final claims of related two years/ total final premium of related two years) in consideration for the final claim/premium ratio estimates on the basis of business year.

Turkish Treasury has accepted the demand of the Company as appropriate with the letter dated 30 December 2016 and numbered 38681552-306.99-E.36992.

2 Summary of significant accounting policies (continued)

2.27 Reserve for unexpired risk (continued)

According to the Circular numbered 2015/30, the amount of the opening provision for outstanding claims which is determined unexpired risk reserve redefined in a manner consistent with the current period as of 31 December 2016.

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 12,888,197 in the accompanying consolidated financial statements (31 December 2015: TL 32,682,256).

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 154,637,733 (31 December 2015: TL 104,977,919).

As at 31 December 2016, the Group has deducted TL 4,475,777 (31 December 2015: TL 21,443,124) 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. Accordingly, weighted average number of the outstanding shares used in this calculation is found by considering the retrospective effects of the outstanding shares distributions.

2.31 Subsequent events

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

2 Summary of significant accounting policies (continued)

2.32 New standards and interpretations not yet adopted

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

TFRS 9 - Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

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

International Financial Reporting Standards (“IFRS”) 16 Leases

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently change IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15-Revenue from Contracts with Customers. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

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 2016		
	Gross total claims liability ^(*)	Reinsurance share of total claims liability	Net total claims liability
Motor vehicles third party liability(MTPL)	729,691,973	(70,930)	729,621,043
Motor vehicles	625,870,266	(2,057,672)	623,812,594
Fire and natural disasters	491,281,870	(136,047,629)	355,234,241
General damages	344,274,753	(94,467,884)	249,806,869
Health	334,700,119	(43,192,417)	291,507,702
General liability	58,876,855	(2,905,888)	55,970,967
Water vehicles	55,309,663	(15,238,133)	40,071,530
Accident	38,922,785	(2,401,040)	36,521,745
Transportation	34,644,629	(4,613,117)	30,031,512
Life	8,664,622	(658,209)	8,006,413
Air crafts	9,169,585	(4,095,208)	5,074,377
Guarantee	671,676	(1,390)	670,286
Air crafts liability	1,333,750	(1,082,372)	251,378
Legal protection	99,268	--	99,268
Water vehicles liability	64,363	--	64,363
Financial losses	4,033,210	(4,051,280)	(18,070)
Credit	(178,347)	(144,196)	(322,543)
Total	2,737,431,040	(311,027,365)	2,426,403,675

Branches	31 December 2015		
	Gross total claims liability ^(*)	Reinsurance share of total claims liability	Net total claims liability
Motor vehicles third party liability(MTPL)	618,805,649	933,225	619,738,874
Motor vehicles	565,027,359	(2,225,458)	562,801,901
Fire and natural disasters	449,254,743	(79,242,218)	370,012,525
General damages	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

(*) 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 2016	31 December 2015
Cash and cash equivalents (Note 14) (*)	4,342,718,850	3,296,974,448
Receivables from main operations (Note 12)	1,208,734,082	1,102,022,681
Financial assets and financial investments with risks on policyholders (Note 11) (**)	901,399,497	952,668,900
Reinsurer share in provision for outstanding claims (Note 10), (Note 17)	444,284,536	438,178,953
Prepaid taxes and funds (Note 12)	22,930,006	33,690,959
Income accruals (Note 12)	8,999,362	16,363,166
Other receivables (Note 12)	17,203,560	13,191,923
Other current asset (Note 12)	613,240	759,275
Total	6,946,883,133	5,853,850,305

(*) Cash on hands balance amounting to TL 52,555 are not included (31 December 2015: TL 53,835).

(**) Equity shares amounting to TL 205,331,159 are not included (31 December 2015: TL 181,288,361).

31 December 2016 and 2015, the aging of the receivables from main operations and related provisions are as follows:

	31 December 2016		31 December 2015	
	Gross amount	Provision	Gross amount	Provision
Not past due	799,022,932	--	775,620,092	--
Past due 0-30 days	182,192,754	--	119,127,361	--
Past due 31-60 days	28,512,365	--	23,594,511	--
Past due 61-90 days	14,269,658	--	11,863,059	--
More than 90 days (*)	236,471,494	(205,725,572)	187,385,523	(164,991,381)
Total (**)	1,260,469,203	(205,725,572)	1,117,590,546	(164,991,381)

(*) 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 1.260.469.203 TL (31 December 2015: 1.117.590.546 TL) in the balance of receivables from insurance and reinsurance operations includes TL 115,810,255 (31 December 2015: TL 108,102,177) of untransferred amount collected by intermediaries and TL 47,016,782 (31 December 2015: TL 49,626,517) 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 8,836,586 (31 December 2015: TL 8,305,178) 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 2016	31 December 2015
Provision for receivables from insurance operations at the beginning of the year	164,991,381	125,085,618
Collections during the period (Note 47)	(584,677)	(350,189)
Impairment losses provided during the period (Note 47)	2,758,273	748,206
Impairment losses provided for subrogation – salvage receivables during the period (Note 47)	35,926,722	36,978,505
Foreign currency translation effect (Note 47)	2,633,873	2,529,241
Provision for receivables from insurance operations at the end of the year	205,725,572	164,991,381

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 2016	31 December 2015
Provision for other receivables at the beginning of the year	63,177	63,177
Collections during the period (Note 47)	(10,000)	--
Provision for other receivables at the end of the year	53,177	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 2016	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	4,342,688,861	2,743,823,526	1,108,329,213	482,762,057	7,774,065	--
Financial assets and financial investments with risks on policyholders ^(*)	901,399,497	449,903,394	16,535,516	30,624,086	32,071,199	372,265,302
Receivables from main operations	1,208,734,082	194,500,341	454,956,986	404,869,773	142,507,214	11,899,768
Other receivables and current assets	50,506,912	41,886,334	1,735,956	1,628,792	3,506,468	1,749,362
Total monetary assets	6,503,329,352	3,430,113,595	1,581,557,671	919,884,708	185,858,946	385,914,432
Liabilities						
Financial liabilities	134,413,473	134,413,473	--	--	--	--
Payables arising from main operations	466,995,593	157,983,000	2,619,060	49,905,836	256,487,697	--
Due to related parties	171,856	171,856	--	--	--	--
Other liabilities	85,550,857	32,369,933	45,744,147	--	1,950,000	5,486,777
Insurance technical provisions(**)	3,005,627,300	163,150,628	320,240,339	180,809,484	214,124,793	2,127,302,056
Provisions for taxes and other similar obligations	40,980,017	40,980,017	--	--	--	--
Provisions for other risks and expense accruals	112,098,491	1,573,016	50,146,730	20,109,362	--	40,269,383
Total monetary liabilities	3,845,837,587	530,641,923	418,750,276	250,824,682	472,562,490	2,173,058,216

(*) Equity shares amounting to TL 205,331,159 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 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
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
Receivables from main operations	1,102,022,681	174,701,805	364,291,401	415,411,347	136,892,645	10,725,483
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						
Financial liabilities	297,347,979	297,347,979	--	--	--	--
Payables arising from main operations	373,784,676	136,796,701	43,639,580	75,056,633	118,291,762	--
Due to related parties	158,568	158,568	--	--	--	--
Other liabilities	62,710,887	24,878,685	34,654,641	--	--	3,177,561
Insurance technical provisions(**)	2,229,213,713	195,693,816	386,759,515	157,100,713	146,675,348	1,342,984,321
Provisions for taxes and other similar obligations	38,761,168	38,761,168	--	--	--	--
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
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.

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 2016	US Dollar	Euro	Other currencies	Total
Assets:				
Cash and cash equivalents	366,927,501	31,634,119	8,273,112	406,834,732
Financial assets and financial investments with risks on policyholders	127,861,783	11,880,374	--	139,742,157
Receivables from main operations	280,850,864	90,019,255	78,228,421	449,098,540
Total foreign currency assets	775,640,148	133,533,748	86,501,533	995,675,429
Liabilities:				
Payables arising from main operations	(181,127,230)	(53,055,138)	(2,029,957)	(236,212,325)
Insurance technical provisions ^(*)	(311,561,480)	(148,502,270)	(119,539,912)	(579,603,662)
Total foreign currency liabilities	(492,688,710)	(201,557,408)	(121,569,869)	(815,815,987)
Net on-balance sheet position	282,951,438	(68,023,660)	(35,068,336)	179,859,442

31 December 2015	US Dollar	Euro	Other currencies	Total
Assets:				
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
Receivables from main operations	217,690,101	71,611,738	102,342,657	391,644,496
Total foreign currency assets	617,221,625	96,409,577	107,356,708	820,987,910
Liabilities:				
Payables arising from main operations	(139,817,443)	(12,281,990)	(8,581,099)	(160,680,532)
Insurance technical provisions ^(*)	(250,489,227)	(115,466,094)	(100,535,963)	(466,491,284)
Total foreign currency liabilities	(390,306,670)	(127,748,084)	(109,117,062)	(627,171,816)
Net on-balance sheet position	226,914,955	(31,338,507)	(1,760,354)	193,816,094

^(*) 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 2016 and 2015 are as follows:

	At the end of the period		Average	
	US Dollar	Euro	US Dollar	Euro
31 December 2016	3,5192	3,7099	3,0208	3,3392
31 December 2015	2,9076	3,1776	2,7184	3,0175

Exposure to foreign currency risk

A 10 percent depreciation of the TL against the following currencies as at 31 December 2016 and 2015 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 2016		31 December 2015	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
US Dollar	28,295,144	28,067,874	22,632,349	22,691,496
Euro	(6,802,366)	(6,802,366)	(3,133,851)	(3,133,851)
Others	(3,506,834)	(3,506,834)	(176,035)	(176,035)
Total, net	17,985,944	17,758,674	19,322,463	19,381,610

(*) 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 2016	31 December 2015
Financial assets		
<i>Financial assets with fixed interest rates:</i>		
Cash at banks (Note 14) ^(*)	4,297,312,503	3,469,973,909
Available for sale financial assets – Government bonds – TL (Note 11)	3,897,091,928	2,912,696,899
Cash deposited to insurance and reinsurance companies (Note 12)	275,517,300	443,991,707
Available for sale financial assets – Private sector bonds (Note 11)	63,103,252	71,326,673
Other- financial assets (Note 11)	57,291,689	30,070,603
	4,308,334	11,888,027
<i>Financial assets with variable interest rate:</i>		
Available for sale financial assets – Private sector bonds – TL (Note 11)	126,454,421	161,186,051
Available for sale financial assets – Government bonds– TL (Note 11)	68,430,540	102,367,158
Held to maturity investments – Government bonds (Note 11)	41,938,456	42,365,317
Financial assets held for trading – Government bonds – TL (Note 11)	15,172,182	15,555,214
	913,243	898,362
Financial liabilities:		
Financial liabilities with fixed interest rate:		
Funds from repo transactions (Note 20)	134,413,473	297,347,979
	134,413,473	297,347,979

(*) Demand deposits amounting to TL 22,072,771 are not included (31 December 2015: TL 17,101,492).

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 2016 and 2015 of the floating rate non-trading financial assets and financial liabilities held at 31 December 2016 and 2015. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

31 December 2016	Profit or loss		Equity ^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets held for trading	(6,560)	6,669	(6,560)	6,669
Available for sale financial assets	--	--	(7,899,493)	8,339,161
Total, net	(6,560)	6,669	(7,906,053)	8,345,830

31 December 2015	Profit or loss		Equity ^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets held for trading	(1,842)	1,889	(1,842)	1,889
Available for sale financial assets	--	--	(6,940,196)	7,098,494
Total, net	(1,842)	1,889	(6,942,038)	7,100,383

(*) 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 15,172,182 (31 December 2015: TL 15,555,214) are measured at amortized cost and their fair value amounting to TL 15,168,262 (31 December 2015: TL 14,936,855) as at 31 December 2016 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.

Group 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 2016			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Available for sale financial assets ^(*)	791,531,470	170,581,922	358,464	962,471,856
Financial assets held for trading (Note 11)	67,520,258	60,360,746	--	127,881,004
Total financial assets	859,051,728	230,942,668	358,464	1,090,352,860

	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

^(*) As at 31 December 2016, securities that are not publicly traded amounting to TL 1,205,614 (31 December 2015: TL 1,180,713) have been measured at cost.

	31 December 2016	31 December 2015
Available for sale financial assets at the beginning of the period	358,464	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	358,464

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

	31 December 2016		31 December 2015	
	Profit or loss	Equity ^(*)	Profit or loss	Equity ^(*)
Financial assets held for trading	(3,778,444)	(3,778,444)	(265,467)	(265,467)
Available for sale financial assets	--	(16,598,264)	--	(17,709,451)
Total, net	(3,778,444)	(20,376,708)	(265,467)	(17,974,918)

^(*) 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 2016	31 December 2015
Interest income from bank deposits	348,883,022	243,833,157
Foreign exchange gains	184,579,297	149,059,354
Interest income from debt securities classified as available-for-sale financial assets	49,632,870	52,831,329
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (Note 15)	(2,251,759)	2,581,239
Income from derivative transactions	4,432,112	741,200
Income from participates	40,163,943	30,635,392
Interest income from debt securities classified as held to maturity financial investments	1,494,265	3,511,381
Income from debt securities classified as held for trading financial assets	6,762,828	430,223
Interest income from debt securities classified as held for trading financial assets	109,741	435,648
Income from equity shares	19,079,145	23,150,967
Interest income from repos	9,510,276	7,542,195
Income from subsidiaries	3,251	4,075
Income from investment funds	17,943,279	9,308,317
Other	1,530,171	32,949,153
Income from investment funds reclassified as available for sale financial assets	2,497,586	498,879
Investment income	684,370,027	557,512,509
Loss from derivative transactions	(3,616,449)	(74,638)
Foreign exchange losses	(88,324,565)	(67,687,210)
Loss from valuation of financial assets	(1,643,638)	(2,824,154)
Loss from disposal of financial assets	(17,234,556)	(11,039,996)
Investment management expenses (including interest)	(4,630,870)	(3,060,240)
Investment expenses	(115,450,078)	(84,686,238)
Investment income, net	568,919,949	472,826,271
<i>Financial gains and losses recognized in equity, net:</i>	31 December 2016	31 December 2015
Fair value changes in available for sale financial assets (Note 15)	2,183,107	(16,455,829)
Amounts resulted from associates through equity accounted consolidation method (Note 15)	(1,310,905)	(2,137,909)
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (Note 15)	2,251,759	(2,581,239)
Total	3,123,961	(21,174,977)

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 366,047,998 as at 31 December 2016 (31 December 2015: TL 342,770,046). As at 31 December 2016 and 2015, the capital amount of the Company presented in the consolidated financial statements are TL 1,335,906,619 and TL 1,183,898,933 respectively and capital surplus of the Company is amounting to TL 728,518,441 according to the communiqué.

As of 30 June 2016, required equity amount determined in calculations over consolidated financial statements of Company's subsidiary Anadolu Sigorta, is amounted TL 1,077,219,458. As of 31 December 2016, 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 2016 is presented below:

	1 January 2016	Additions	Transfers	Foreign currency translation effect ^(*)	Disposals	Revaluation Surplus	31 December 2016
Cost:							
Investment properties (Note 7)	324.911.650	9.243	--	--	(65.000)	63.409.107	388.265.000
Self-used buildings	158.649.350	194.731	--	--	--	1.443.172	160.287.253
Machinery and equipment	41.909.394	8.714.053	--	--	(1.589.650)	--	49.033.797
Furniture and fixtures	17.209.219	2.448.147	--	135.757	(496.632)	--	19.296.491
Motor vehicles	1.859.204	510.108	--	110.615	(747.089)	--	1.732.838
Other tangible assets (including leasehold improvements)	20.322.655	2.659.763	--	--	--	--	22.982.418
Leased tangible assets	4.166.354	--	--	--	(298.017)	--	3.868.337
	569.027.826	14.536.045		246.372	(3.196.388)	64.852.279	645.466.134
Accumulated depreciation:							
Self-used buildings	187,402	562,188	--	--	--	(654,089)	95,501
Machinery and equipment	29,623,190	5,481,559	--	--	(1,563,452)	--	33,541,297
Furniture and fixtures	13,229,195	1,447,107	--	105,968	(478,849)	--	14,303,421
Motor vehicles	1,373,023	127,470	--	99,848	(522,344)	--	1,077,997
Other tangible assets (including leasehold improvements)	10,206,266	3,631,924	--	--	--	--	13,838,190
Leased tangible assets	4,166,354	--	--	--	(298,017)	--	3,868,337
	58,785,430	11,250,248		205,816	(2,862,662)	(654,089)	66,724,743
Carrying amounts	510,242,396						578,741,391

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

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:							
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

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

6 Tangible assets (continued)

As of 31 December 2016 and 31 December 2015, self-used buildings are evaluated with their fair value. Appraisal reports were provided by CMB licensed real estate appraisal company at December 2016 and December 2015.

As of 31 December 2016, the fair values (excluding VAT) and net carrying values of owner occupied properties are presented below:

Owner occupied land and buildings	Appraisal date	Appraisal value	Net Book Value (31 December 2016)	Net Book Value (31 December 2015)
Headquarter	December 2016	147,915,000	147,878,181	146,963,127
İzmir Regional Headquarter	December 2016	8,675,000	8,669,647	7,938,011
Adana Regional Headquarter	December 2015	1,842,253	1,825,031	1,745,694
Lefkoşe Cyprus Branch	December 2015	720,000	706,286	716,571
Adana Office	December 2016	455,000	454,719	423,935
Other	December 2015	680,000	657,888	674,610
Total		160,287,253	160,191,752	158,461,948

Fair value measurement

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

As of 31 December 2016 and 31 December 2015, there is no mortgage on Company's tangible assets.

7 Investment properties

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

Investment properties are started to be presented by fair value method as of 31 December 2016 and 31 December 2015 on balance sheet and the Company’s investment properties gained TL 63,409,107 amount of value in 2016 in the context of expertise report prepared by independent professional valuation specialists authorized by Capital Markets Board. For the year ended 31 December 2016, the Group has rental income from investment properties amounting to TL 15,978,753 (31 December 2015: TL 14,766,839).

As at 31 December 2016, inflation adjusted cost and carrying amounts of the Company’s investment properties are amounting to TL 388,265,000 (31 December 2015: TL 324,911,650).

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 December 2016. There is no mortgage on Company’s investment properties.

As at 31 December 2016 and 2015, details of investment properties and the fair values are as follows:

	31 December 2016 Carrying amount	31 December 2015 Carrying amount	Date of expertise report	Value of expertise report
Operating Center Rental Offices	160,085,000	127,883,050	December 2016	160,085,000
Suadiye Fitness Center	33,200,000	18,280,000	December 2016	33,200,000
Tunaman Garage	90,000,000	85,400,000	December 2016	90,000,000
Villa Office Block	42,800,000	39,000,000	December 2016	42,800,000
Çifteler Land	5,000	5,000	December 2016	5,000
Other buildings	62,175,000	54,343,600	December 2016	62,175,000
Carrying amounts	388,265,000	324,911,650		388,265,000

Fair value measurement

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

8 Intangible assets

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

	1 January 2016	Additions	Transfers	Foreign currency translation effects ^(*)	Disposal	31 December 2016
Cost:						
Other intangible assets	97,650,098	3,608,180	14,959,548	377,264	(78,437)	116,516,653
Goodwill	16,250,000	--	--	--	--	16,250,000
Advances given for intangible assets	14,973,711	24,101,533	(14,959,548)	--	--	24,115,696
	128,873,809	27,709,713	--	377,264	(78,437)	156,882,349
Accumulated amortization:						
Other intangible assets	69,276,525	17,482,447	--	376,837	(59,168)	87,076,641
	69,276,525	17,482,447	--	376,837	(59,168)	87,076,641
Carrying amounts	59,597,284					69,805,708

(*) 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 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.

9 Investments in associates

	31 December 2016		31 December 2015	
	Carrying value	Participation rate %	Carrying value	Participation rate %
Anadolu Hayat Emeklilik A.Ş.	181,995,319	21,00	164,435,454	21,00
Associates, net	181,995,319		164,435,454	
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	183,088,026		165,528,161	

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the year	Audited	Period
Subsidiaries:						
Miltaş Turizm İnşaat Ticaret AŞ	4,239,546	3,957,638	--	124,231	Not audited	31 December 2016
Associates:						
Anadolu Hayat Emeklilik AŞ (consolidated)	14,397,471,747	866,644,377	101,780,905	191,256,870	Audited	31 December 2016

In the current period TL 40,163,943 of income is obtained from associates through equity accounted consolidation method (31 December 2015: TL 30,635,392).

10 Reinsurance assets and liabilities

As at 31 December 2016 and 2015, outstanding reinsurance assets and liabilities of the Group in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	31 December 2016	31 December 2015
Reserve for unearned premiums, ceded (Note 17)	349,788,450	293,410,931
Provision for outstanding claims, ceded (Note 4.2), (Note 17)	444,284,536	438,178,953
Receivables from reinsurance companies (Note 12)	41,416,933	16,263,461
Cash deposited to reinsurance companies	31,738,373	24,827,641
Total	867,228,292	772,680,986

There is no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	31 December 2016	31 December 2015
Payables to the reinsurers related to premiums written (Note 19)	276,408,549	221,834,755
Deferred commission income (Note 19)	46,650,934	39,714,319
Cash deposited by reinsurance companies	5,624,583	4,365,775
Commission payables to the reinsurers related to written premiums (Note 19)	7,963,322	2,237,886
Total	336,647,388	268,152,735

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

	31 December 2016	31 December 2015
Premiums ceded during the period (Note 17)	(876,702,403)	(757,514,912)
Reserve for unearned premiums, ceded at the beginning of the period (Note 17)	(293,410,931)	(254,801,924)
Reserve for unearned premiums, ceded at the end of the period (Note 17)	349,788,450	293,410,931
Premiums earned, ceded (Note 17)	(820,324,884)	(718,905,905)
Claims paid, ceded during the period (Note 17)	311,027,365	217,902,765
Provision for outstanding claims, ceded at the beginning of the period (Note 17)	(438,178,953)	(187,370,933)
Provision for outstanding claims, ceded at the end of the period (Note 17)	444,284,536	438,178,953
Claims incurred, ceded (Note 17)	317,132,948	468,710,785
Commission income accrued from reinsurers during the period (Note 32)	119,937,652	108,308,438
Deferred commission income at the beginning of the period (Note 19)	39,714,319	34,699,722
Deferred commission income at the end of the period (Note 19)	(46,650,934)	(39,714,319)
Commission income earned from reinsurers (Note 32)	113,001,037	103,334,230
Changes in provision for outstanding claims, reinsurers' share (Note 17)	(8,696,531)	2,151,855
Total, net	(398,887,430)	(144,749,424)

11 Financial assets

As at 31 December 2016 and 2015, the Group's financial assets are detailed as follows:

	31 December 2016	31 December 2015
Available for sale financial assets	970,628,652	1,022,265,854
Financial assets held for trading	127,881,004	96,232,135
Held to maturity financial assets	15,172,182	15,555,214
Impairment loss on available for sale financial assets	(6,951,182)	(95,942)
Total	1,106,730,656	1,133,957,261

As at 31 December 2016 and 2015, the Group's financial assets held for trading are detailed as follows:

	31 December 2016			Carrying value
	Face value	Cost	Fair value	
<i>Debt instruments:</i>				
Government bonds – TL	900,000	902,576	913,243	913,243
Other	--	4,306,508	4,308,334	4,308,334
		5,209,084	5,221,577	5,221,577
<i>Non-fixed income financial assets:</i>				
Equity shares		37,936,869	37,784,443	37,784,443
Investment funds		55,064,774	78,225,348	78,225,348
Derivative guarantees		6,646,566	6,649,636	6,649,636
		99,648,209	122,659,427	122,659,427
Total financial assets held for trading		104,857,293	127,881,004	127,881,004
	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
Reverse repo	--	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

11 Financial assets (continued)

As at 31 December 2016 and 2015, the Group's available for sale financial assets are detailed as follows:

31 December 2016				
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds – TL	254,676,176	248,809,966	252,180,302	252,180,302
Private sector bonds – TL	68,559,000	68,559,863	69,991,140	69,991,140
Private sector bonds- USD	61,656,384	61,591,056	62,586,329	62,586,329
Government bonds – USD	57,714,880	65,861,358	65,275,454	65,275,454
Impairment loss on private sector bonds			(6,855,240)	(6,855,240)
		444,822,243	443,177,985	443,177,985
<i>Non-fixed income financial assets:</i>				
Investment funds		341,217,943	352,952,769	352,952,769
Equity shares		131,160,255	167,642,658	167,642,658
Impairment loss on equity shares		--	(95,942)	(95,942)
		472,378,198	520,499,485	520,499,485
Total available-for-sale financial assets		917,200,441	963,677,470	963,677,470
31 December 2015				
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
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	17,649,132	17,267,984	17,469,980	17,469,980
		616,802,999	618,794,785	618,794,785
<i>Non-fixed income financial assets:</i>				
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

All debt instruments presented above are traded in the capital markets, As at 31 December 2016, equity shares classified as available for sale financial assets with a carrying amount of TL 1,564,077 are not publicly traded (31 December 2015: TL 1,539,177).

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

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
2016	3,123,961	31,358,139
2015	(21,174,977)	28,234,178
2014	30,539,946	49,409,155

11 Financial assets (continued)

As at 31 December 2016 and 2015, the Group's financial assets held to maturity are detailed as follows:

	31 December 2016			Carrying value
	Face value	Cost	Fair value	
<i>Debt instruments:</i>				
Government bonds – TL	14,866,200	14,870,978	15,168,262	15,172,182
Total financial assets held to maturity	14,866,200	14,870,978	15,168,262	15,172,182
	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

As at 31 December 2016 and 2015 the movement of the financial assets is presented below:

	31 December 2016			
	Trading	Available-for-Sale	Held to maturity	Total
Balance at the beginning of the period	96,232,135	1,022,169,912	15,555,214	1,133,957,261
Unrealized exchange differences on financial assets	--	--	--	--
Acquisitions during the period	243,494,173	1,041,293,674	--	1,284,787,847
Disposals (sale and redemption)	(216,906,226)	(1,185,116,690)	(1,513,379)	(1,403,536,295)
Change in the fair value of financial assets	4,802,230	68,203,716	--	73,005,946
Change in amortized cost of the financial assets	--	3,355,195	1,130,347	4,485,542
Bonus shares acquired	258,692	13,771,663	--	14,030,355
Balance at the end of the period	127,881,004	963,677,470	15,172,182	1,106,730,656
	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

11 Financial assets (continued)

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

	31 December 2016			Carrying value
	Face value	Cost	Fair value	
Available for sale financial assets – Private sector bonds	21,897,632	21,985,364	22,593,404	22,593,404
Financial assets held for trading – Investment funds		55,064,774	78,225,348	78,225,348
Available for sale financial assets – Investment funds		341,217,943	352,952,769	352,952,769
Available for sale financial assets – Equity shares		48,003,771	60,025,295	60,025,295
Total		466,271,852	513,796,816	513,796,816

	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

As at 31 December 2016 and 2015, financial assets blocked in favour of the Turkish Treasury as a guarantee for the insurance activities are detailed as follows:

	31 December 2016			Carrying value
	Face value	Cost	Fair value	
Held to maturity financial assets (Note 17)	14,866,200	14,870,978	15,168,262	15,172,182
Total	14,866,200	14,870,978	15,168,262	15,172,182

	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

12 Loans and receivables

	31 December 2016	31 December 2015
Receivables from main operations (Note 4.2)	1,208,734,082	1,102,022,681
Prepaid taxes and funds (Note 19), (Note 4.2)	22,930,006	33,690,959
Income accruals (Note 4.2)	8,999,362	16,363,166
Other receivables (Note 4.2)	17,203,560	13,191,923
Other current assets (Note 4.2)	613,240	759,275
Total	1,258,480,250	1,166,028,004
Short-term receivables	1,256,730,888	1,163,820,023
Medium and long-term receivables	1,749,362	2,207,981
Total	1,258,480,250	1,166,028,004

As at 31 December 2016 and 2015, receivables from main operations are detailed as follows:

	31 December 2016	31 December 2015
Receivables from insurance companies	76,357,040	101,717,061
Receivables from reinsurance companies (Note 10)	41,416,933	16,263,461
Receivables from agencies, brokers and intermediaries	51,837,913	51,745,215
Total receivables from reinsurance operations, net	169,611,886	169,725,737
Receivables from agencies, brokers and other intermediaries	786,165,652	690,773,097
Long term receivable which is bank guarantee and three months credit card	105,184,248	94,861,111
Receivables from policyholders	47,016,782	49,626,517
Salvage and subrogation receivables (Note 2.21)	46,488,848	34,014,724
Total receivables from insurance operations, net	984,855,530	869,275,449
Cash deposited to insurance and reinsurance companies (Note 4.2)	63,103,252	71,326,673
Provisions for receivables from insurance operations – subrogation receivables (Note 2.21)	(8,836,586)	(8,305,178)
Doubtful receivables from main operations – premium receivables	46,175,079	41,367,610
Provision for doubtful receivables from main operations – premium receivables	(46,175,079)	(41,367,610)
Doubtful receivables from insurance operations – subrogation receivables	159,550,493	123,623,771
Provisions for doubtful receivables from insurance operations – subrogation receivables	(159,550,493)	(123,623,771)
Receivables from main operations	1,208,734,082	1,102,022,681

As at 31 December 2016 and 2015, mortgages and collaterals obtained for receivables are disclosed as follows:

	31 December 2016	31 December 2015
Letters of guarantees	80,884,673	70,151,308
Mortgage notes	111,390,450	86,456,091
Other guarantees	49,243,518	17,322,671
Government bonds and treasury bills	2,902,263	2,951,479
Total	244,420,904	176,881,549

12 Loans and receivables (continued)

Provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 46,175,079 for main operations (31 December 2015: TL 41,367,610) and TL 53,177 (31 December 2015: TL 63,177) for other receivables.

b) Provision for premium receivables (due): None (31 December 2015: None).

c) Provision for subrogation receivables: TL 168,387,079 (31 December 2015: TL 131,928,949).

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 2016, the Group have derivative guarantees reclassified in the financial assets held for trading amounting to TL 6,649,637 (31 December 2015: None) and does not have any open liabilities (31 December 2015: None).

14 Cash and cash equivalents

As at 31 December 2016 and 2015, cash and cash equivalents are as follows:

	31 December 2016		31 December 2015	
	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	52,555	53,835	53,835	53,676
Cheques received	1,950,000	--	--	--
Bank deposits	3,919,164,699	2,929,798,391	2,929,798,391	2,098,910,576
Cheques given and payment orders	(82,544)	(125,585)	(125,585)	(171,519)
Bank guaranteed credit card receivables with maturities less than three months	421,604,151	367,176,057	367,176,057	249,449,440
Cash and cash equivalents in the balance sheet	4,342,688,861	3,296,902,698	3,296,902,698	2,348,242,173
Bank deposits – blocked ^(*)	(399,689,396)	(340,278,123)	(340,278,123)	(223,171,910)
Time deposits with maturities longer than 3 months	(1,037,818,192)	(644,460,216)	(644,460,216)	(414,971,615)
Interest accruals on banks deposits	(18,645,658)	(8,544,824)	(8,544,824)	(6,235,597)
Cash and cash equivalents presented in the statement of cash flows	2,886,535,615	2,303,619,535	2,303,619,535	1,703,863,051

^(*) As at 31 December 2016, cash collateral amounting to TL 399,688,896 is kept in favour of the Turkish Treasury as a guarantee for the insurance activities. (31 December 2015: TL 340,277,623).

As at 31 December 2016 and 2015, bank deposits are further analysed as follows:

	31 December 2016	31 December 2015
Foreign currency denominated bank deposits		
- time deposits	394,517,157	385,699,076
- demand deposits	12,279,005	14,928,007
Bank deposits in Turkish Lira		
- time deposits	3,502,574,771	2,526,997,823
- demand deposits	9,793,766	2,173,485
Cash at banks	3,919,164,699	2,929,798,391

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 2016 and 2015, the shareholding structure of the Company is presented below:

Name	31 December 2016		31 December 2015	
	Shareholding amount (TL)	Shareholding rate (%)	Shareholding amount (TL)	Shareholding rate (%)
Türkiye İş Bankası AŞ	505,810,925	76.64	505,810,925	76.64
Millî Reasürans TAŞ Mensupları Yardımlaşma Sandığı Vakfı(**)	69,604,854	10.55	69,585,028	10.54
Groupama Emeklilik AŞ	38,809,894	5.88	38,809,894	5.88
Ankara Doğal Elektrik Üretim ve Ticaret A.Ş.(*)	22,240,456	3.37	--	--
T.C. Ziraat Bankası AŞ	16,430,944	2.49	16,430,944	2.49
Diğer(**)	7,102,927	1.07	7,122,753	1.08
T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı	--	--	22,240,456	3.37
Paid in capital	660,000,000	100.00	660,000,000	100.00

(*) As of 11 March 2016, the Company has decided to transfer total amount of 3.37% shares with TL 22,240,456 nominal value owned by T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı which is one of the shareholders of the Company to Ankara Doğal Elektrik Üretim ve Ticaret A.Ş. and to record this transfer to the share ledger with the Board Decision numbered 1239 and dated 11 March 2016.

(**) The Company has decided to transfer total amount of 0,003004% Millî Reasürans T.A.Ş. shares with TL 19,826 nominal value owned by Fatma Ayşe Feyzioğlu Karakaş, Mevhibe Derya Feyzioğlu and Ali Zihni Feyzioğlu who are shareholders of the Company to Millî Reasürans T.A.Ş. Mensupları Yardımlaşma Sandığı Vakfı with the Board Decision numbered 1242 and dated 10 June 2016.

As at 31 December 2016, the issued share capital of the Group is TL 660,000,000 (31 December 2015: TL 660,000,000) and the share capital of the Group consists of 66,000,000,000 (31 December 2015: 66,000,000,000 shares) issued shares with TL 0,01 nominal value each. There are no privileges over the shares of the Group.

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

As a result of the Extraordinary General Assembly Meeting of the Company held on 27 June 2016, acquisition of total amount of the founding stocks by Millî Reasürans T.A.Ş. with the cost amounting to TL 27,166,000 has been determined in the Expert Review Report approved by the Istanbul 6th Court of Peace is unanimously decided. Abolition and extinguishment of founding stocks acquired by the Company and absorbing acquisition cost from extraordinary reserves is decided in the Extraordinary General Meeting of the Company held on 30 November 2016.

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

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

Equity method consolidation

As at 31 December 2016 and 2015, 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 2016	31 December 2015
Legal reserves at the beginning of the period	80,567,006	77,369,316
Transfer from profit	9,665,520	3,197,690
Legal reserves at the end of the period	90,232,526	80,567,006

As at 31 December 2016 and 31 December 2015, "Other Reserves and Retained Earnings" includes extraordinary reserves, sales profits to be capitalized and self-used buildings revaluation differences.

As at 31 December 2016 and 2015, "Other Reserves and Retained Earnings" are detailed as below:

	31 December 2016	31 December 2015
Other profit reserves	25,353,668	25,495,279
Extraordinary reserves	81,426,632	34,827,040
Other capital reserves	140,297,232	137,177,892
Sales profits to be capitalized	23,723,323	--
Other earnings and losses	(1,971,995)	(1,277,015)
Subsidiary capital correction	(71,060,049)	(71,060,049)
Total	197,768,811	125,163,147

Other capital reserves

According to TAS 16 – "Property Plant and Equipment", property, plant and equipment are initially recorded at cost and can be subsequently measured at their fair values. The Company has started to show based on the revaluation model by measuring over fair value as of the third quarter of 2015 by making changes in the use of the property which is measuring the cost model in the financial statements before.

In accordance with tax legislation, 75% of profits from sales of participation shares and 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 at 31 December 2016, tax exempt gain from participation shares and real estate sale in 2010 amounting to TL 8,081,516, in 2011 amounting to TL 80,025, in 2013 amounting to TL 647,763, and in 2014 amounting to TL 920,272 is classified as other capital reserves. Also in 2015 amounting TL 2,541,500 reclassified to other capital reserves as a gain on sale of fixed assets and equity.

15 Equity (continued)

Extraordinary reserves

The movement of extraordinary reserves is as follows:

	31 December 2016	31 December 2015
Extraordinary reserves at the beginning of the period	34,827,040	12,047,517
Transfer from profit	73,765,592	22,779,523
Acquisition of the founding stocks (*)	(27,166,000)	--
Extraordinary reserves at the end of the period	81,426,632	34,827,040

(*) As a result of the Extraordinary General Assembly Meeting of the Company held on 27 June 2016, acquisition of total amount of the founding stocks by Millî Reasürans T.A.Ş. with the cost amounting to TL 27,166,000 determined in the Expert Review Report approved by the Istanbul 6th Court of Peace is unanimously decided. Abolition and extinguishment of founding stocks acquired by the Company and absorbing acquisition cost from extraordinary reserves is decided in the Extraordinary General Meeting of the Company held on 30 November 2016.

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 2016, the earthquake provision provided in accordance with this circular is TL 25,353,668 (31 December 2015: TL 25,495,279).

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 2016, TL (1,971,995) (31 December 2015: TL (1,277,015)) of actuarial gains and losses, which are presented in profit or loss is presented under "other profit reserves".

15 Equity (continued)

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 2016, the Company categorized the TL 25,179,857 profit on sale from the sale of the properties realized on 10 April 2015 under the company's equity as "Profit for the period that is extraneous from the distribution" and as "sales profits to be capitalized" and "other capital reserves" under the equity for the current period.

Statutory reserves

After the allocation of first legal reserves and first dividend to shareholders, reserve for natural disasters and catastrophe might be allocated, if deemed necessary, based on the suggestion of the Board of Directors and decision of the General Assembly. As at 31 December 2016, total funds allocated is amounting TL 10,220,997 (31 December 2015: TL 6,759,148) and funds amounting TL 3,461,849 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 2016, foreign currency translation reserve amounting to TL 26,027,092 loss (31 December 2015: TL 19,573,401 loss) stems from Singapore Branch whose functional currency is US Dollars.

Valuation of financial assets

As at 31 December 2016 and 2015, 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 2016	31 December 2015
Fair value reserves at the beginning of the period	28,234,178	49,409,155
Change in the fair value during the period (Note 4.2)	2,183,107	(16,455,829)
Resulted from equity accounted associate (Note 4.2)	(1,310,905)	(2,137,909)
Net gains transferred to the statement of income (Note 4.2)	2,251,759	(2,581,239)
Fair value reserves at the end of the period	31,358,139	28,234,178

16 Other reserves and equity component of DPF

As at 31 December 2016 and 2015, other reserves are explained in detail in Note 15 – Equity above.

As at 31 December 2016 and 2015, 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 2016 and 2015, technical reserves of the Group' are as follows:

	31 December 2016	31 December 2015
Reserve for unearned premiums, gross	2,560,196,809	2,194,659,969
Reserve for unearned premiums, ceded (Note 10)	(349,788,450)	(293,410,931)
Reserve for unearned premiums, SSI share	(75,059,218)	(54,975,564)
Reserves for unearned premiums, net	2,135,349,141	1,846,273,474
Provision for outstanding claims, gross	3,449,911,836	2,667,392,666
Provision for outstanding claims, ceded (Note 10)	(444,284,536)	(438,178,953)
Provision for outstanding claims, net	3,005,627,300	2,229,213,713
Provision for unexpired risk	16,602,906	45,093,496
Provision for unexpired risk, ceded	(3,714,709)	(12,411,240)
Provision for outstanding claims, net	12,888,197	32,682,256
Equalization provision, net ^(*)	154,637,733	104,977,919
Other technical provisions, net	154,637,733	104,977,919
Life mathematical provisions	165,157	491,937
Total technical provisions, net	5,308,667,528	4,213,639,299
Short-term	5,154,029,795	4,108,661,380
Medium and long-term	154,637,733	104,977,919
Total technical provisions, net	5,308,667,528	4,213,639,299

(*) Net losses (after reinsurance resulted from earthquakes occurred in 2016 amounting to TL 4,475,777 are decreased from prior periods' equalization provision based on regulation (2015: TL 21,443,124).

As at 31 December 2016 and 2015, movements of the insurance liabilities and related reinsurance assets are presented below:

	31 December 2016			
	Gross	Ceded	SSI Share	Net
Reserve for unearned premiums at the beginning of the period	2,194,659,969	(293,410,931)	(54,975,564)	1,846,273,474
Premiums written during the period	5,323,560,933	(876,702,403)	(150,794,005)	4,296,064,525
Premiums earned during the period	(4,958,024,093)	820,324,884	130,710,351	(4,006,988,858)
Reserve for unearned premiums at the end of the period	2,560,196,809	(349,788,450)	(75,059,218)	2,135,349,141

17 Insurance liabilities and reinsurance assets (continued)

Reserve for unearned premiums	31 December 2015			Net
	Gross	Ceded	SSI Share	
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

Provision for outstanding claims	31 December 2016			Net
	Gross	Ceded		
Provision for outstanding claims at the beginning of the period	2,667,392,666	(438,178,953)		2,229,213,713
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	3,519,950,210	(317,132,948)		3,202,817,262
Claims paid during the period	(2,737,431,040)	311,027,365		(2,426,403,675)
Provision for outstanding claims at the end of the period	3,449,911,836	(444,284,536)		3,005,627,300

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

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 2016		
	Should be placed(**)	Placed(*)	Carrying amount
<i>Non-life:</i>			
Bank deposits (Note 14)	--	398,452,370	399,688,896
Financial assets(*) (Note 11)	--	15,169,173	15,172,182
Total	359,073,153	413,621,543	414,861,078

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 2015		Carrying amount
	Should be placed(**)	Placed(*)	
<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

(*) "As at 31 December 2016 and 31 December 2015, 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 2016 (31 December 2015) will be through the calculated amounts as of 30 June 2016 (30 June 2015), 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 2016, short-term prepaid expenses amounting to TL 399,249,100 (31 December 2015: TL 366,089,853) consist of deferred acquisition cost; deferred commission expenses amounting to TL 369,762,099 (31 December 2015: TL 340,538,326) and other prepaid expenses amounting to TL 29,487,001 (31 December 2015: TL 25,551,527). Long-term prepaid expenses amounting TL 6,211,364 (31 December 2015: TL 5,221,880) are composed of other prepaid expenses.

	31 December 2016	31 December 2015
Deferred commission expenses at the beginning of the period	340,538,326	289,357,775
Commissions accrued during the period (Note 32)	882,941,642	775,132,091
Commissions expensed during the period	(853,717,869)	(723,951,540)
Deferred commission expenses at the end of the period	369,762,099	340,538,326

Individual pension funds

None.

18 Investment contract liabilities

None.

19 Trade and other payables and deferred income

	31 December 2016	31 December 2015
Financial payables	134,413,473	297,347,979
Payables from main operations	466,995,593	373,784,676
Other payables	85,550,857	62,710,887
Short/long term deferred income and expense accruals	104,670,372	75,998,614
Taxes and other liabilities and similar obligations	40,980,017	38,761,168
Due to related parties (Note 45)	171,856	158,568
Total	832,782,168	848,761,893
Short-term liabilities	832,782,168	848,718,561
Long-term liabilities	--	43,332
Total	832,782,168	848,761,893

As at 31 December 2016, other payables amounting to TL 85,550,857 (31 December 2015: TL 62,710,887) consist of treatment cost payables to SSI amounting to TL 32,037,945 (31 December 2015: TL 27,017,129), payables to Tarsim and DASK and outsourced benefits and services amounting to TL 46,076,135 (31 December 2015: TL 32,516,197) and deposits and guarantees received amounting to TL 7,436,777 (31 December 2015: TL 3,177,561).

Short/long term deferred income and expense accruals are comprised of deferred commission income amounting to TL 46,650,934 (31 December 2015: TL 39,714,319) (Note 10). Expense accruals and deferred income details are presented below:

	31 December 2016	31 December 2015
Personnel premium provision	14,896,731	10,356,235
Security fund provision	15,111,473	9,759,024
Provision for tax assessment (Note 47)	3,381,653	3,084,516
Agency remuneration provision	11,375,000	9,125,000
Sliding scale commission provision (Note 10)	7,963,322	2,237,886
Deferred rent income	172,202	218,280
Other accruals	5,119,057	1,503,354
Deferred income and expense accruals	58,019,438	36,284,295

Payables arising from main operations of the Group as at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Payables to reinsurance companies (Note 10)	276,408,549	221,834,755
Payables to agencies, brokers and intermediaries	41,204,606	37,795,326
Cash deposited by insurance and reinsurance companies	6,570,424	5,496,957
Total payables arising from insurance operations	324,183,579	265,127,038
Payables arising from other operating activities	142,812,014	108,657,638
Payables arising from main operations	466,995,593	373,784,676

Corporate tax liabilities and prepaid taxes are disclosed below:

	31 December 2016	31 December 2015
Corporate tax liabilities	(26,875,657)	(1,769,959)
Taxes paid during the period	49,805,663	35,460,918
Corporate tax assets, net	22,930,006	33,690,959

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 134,413,473 as of 31 December 2016 (31 December 2015: TL 297,347,979).

Maturity	31 December 2016	Maturity	31 December 2015
17 January 2017	40,153,847	11 January 2016	50,132,106
25 January 2017	94,259,626	22 January 2016	64,243,464
--	--	29 January 2016	56,212,595
--	--	10 February 2016	40,081,482
--	--	10 February 2016	86,678,332
Balance sheet value	134,413,473		297,347,979

21 Deferred taxes

As at 31 December 2016 and 2015, deferred tax assets and liabilities are attributable to the following:

	31 December 2016	31 December 2015
	Deferred tax assets / (liabilities)	Deferred tax assets / (liabilities)
Equalization provision	20,212,691	12,355,520
Other provisions	8,802,603	5,104,091
Provision for the pension fund deficits	5,937,022	5,671,788
Provisions for employee termination benefits	5,793,388	4,781,636
Provision for recourse	3,137,117	2,030,898
Reserve for unexpired risks	2,577,639	6,536,451
Discount of receivables and payables	500,832	(47,969)
Time deposits	52,495	--
Carried forward tax losses (Note 2.18)	--	10,039,500
Other	(607,570)	(1,171,079)
Income accruals	(928,093)	(2,157,068)
Subrogation receivables from third parties	(3,356,747)	(3,147,915)
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(3,368,617)	(2,663,491)
Valuation differences in financial assets	(3,485,938)	(1,619,615)
Real estate valuation differences	(25,039,108)	(21,763,788)
Deferred tax assets, net	10,227,714	13,948,959

As at 31 December 2016, the Group does not have deductible tax losses. As of 31 December 2015, the Group has deductible tax losses presented below with maturities and amounts in detail:

	31 December 2016	31 December 2015
31 December 2016	--	50,197,498
Total	--	50,197,498

Movement of deferred tax assets as at 31 December 2016 and 2015 are given below:

	31 December 2016	31 December 2015
Opening balance at 1 January	13,948,959	31,926,180
Recognized in profit or loss	(886,872)	(14,290,010)
Recognized in equity	(2,834,373)	(3,687,211)
Closing balance at 31 December	10,227,714	13,948,959

22 Retirement benefit obligations

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

As per the provisional article No: 23 of the Banking Law No: 5411, pension funds of the banks which were established within the framework of Social Security Institution Law, should be transferred to the Social Security Institution within three years after the publication of the prevailing Banking Law enacted on 1 November 2005. However, the said article of the Banking Law has been vetoed by the President on 2 November 2005 and the execution of the article was ceased based on the Supreme Court’s decision numbered E.2005/39, K.2007/33 and dated 22 March 2007 effective from 31 March 2007. Supreme Court asserted possible losses on acquired rights of employees of pension fund as reason for cancellation decision.

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

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

Lastly, first paragraph of temporary 20th article of 5510 numbered Law, article 51 of the law regarding changing of several laws and delegated legislations and the law of occupational health and safety which are published in 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 Intuition, these people' uncovered social rights and payments is paid, even if it is written in the foundation's obligation which they are belong to, by funds and fund affiliate's employer institutions.

The benefits stated in the settlement deeds of pension fund but not subject to transfer will continue to be covered by the pension funds.

The technical financial position of the Milli Reasürans Pension Fund is audited by the registered actuary in accordance with the Article 21 of the Insurance Law and Actuary Act. As per the calculations based on the above mentioned assumptions, actuarial and technical deficit amounting to TL 29,685,112 (31 December 2015: TL 28,358,939) 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 2016 and 2015, technical deficit from pension funds comprised the following:

	31 December 2016	31 December 2015
Net present value of total liabilities other than health	(105,825,425)	(92,355,113)
Net present value of insurance premiums	23,100,988	17,661,596
Net present value of total liabilities other than health	(82,724,437)	(74,693,517)
Net present value of health liabilities	(12,841,513)	(11,172,968)
Net present value of health premiums	12,625,747	9,681,587
Net present value of health liabilities	(215,766)	(1,491,381)
Pension fund assets	53,255,091	47,825,959
Amount of actuarial and technical deficit	(29,685,112)	(28,358,939)

Plan assets are comprised of the following items:

	31 December 2016	31 December 2015
Cash and cash equivalents	45,069,448	40,973,136
Associates	7,376,761	6,759,312
Other	808,882	93,511
Total plan assets	53,255,091	47,825,959

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 2016 and 2015, the provisions for other risks are disclosed as follows:

	31 December 2016	31 December 2015
Provision for pension fund deficits (Note 22)	29,685,112	28,358,939
Provision for employee termination benefits	24,566,143	21,894,700
Provision for unused vacation	1,561,950	1,492,709
Total provision for other risks	55,813,205	51,746,348

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

	31 December 2016	31 December 2015
Provision at the beginning of the period	21,894,700	18,432,669
Interest cost (Note 47)	2,109,207	1,716,920
Service cost (Note 47)	1,649,185	1,490,763
Payments during the period (Note 47)	(2,263,874)	(1,518,282)
Actuarial differences	1,176,925	1,772,630
Provision at the end of the period	24,566,143	21,894,700

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 2016		31 December 2015	
	Life	Non-Life	Life	Non-Life
Claims paid, net off reinsurers' share	(8,006,413)	(2,418,397,262)	(6,111,970)	(2,320,746,150)
Changes in provision for outstanding claims, net off reinsurers' share	(2,448,530)	(773,965,057)	(463,503)	(481,387,789)
Changes in reserve for unearned premium, net off reinsurers' share	(575,291)	(288,500,376)	(392,924)	(316,963,162)
Change in equalization provision	(583,585)	(49,076,229)	(199,272)	(21,724,626)
Change in life mathematical provisions, net off reinsurers' share	71,202	255,578	131,983	(255,578)
Changes in reserve for unexpired risks, net off reinsurers' share	--	19,794,059	--	47,773,640
Total	(11,542,617)	(3,509,889,287)	(7,035,686)	(3,093,303,665)

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 2016 and 2015, the operating expenses are disclosed as follows:

	31 December 2016		31 December 2015	
	Life	Non-life	Life	Non-life
Commission expenses (Note 17)	8,852,371	844,865,498	8,950,911	715,000,629
Commissions to the intermediaries accrued during the period (Note 17)	8,813,177	874,128,465	8,863,918	766,268,173
Changes in deferred commission expenses (Note 17)	39,194	(29,262,967)	86,993	(51,267,544)
Employee benefit expenses (Note 33)	858,881	176,373,533	799,808	149,845,678
Foreign exchange losses	247,495	20,401,109	241,415	22,737,610
Administration expenses	224,534	107,570,106	217,634	93,375,196
Commission income from reinsurers (Note 10)	(16,469)	(112,984,568)	(76,340)	(103,257,890)
Commission income from reinsurers accrued during the period (Note 10)	(13,586)	(119,924,066)	(35,951)	(108,272,487)
Change in deferred commission income (Note 10)	(2,883)	6,939,498	(40,389)	5,014,597
Advertising and marketing expenses	--	12,046,504	--	19,727,757
Outsourced benefits and services	20,324	17,967,360	19,512	10,659,058
Other	32,550	(16,817,843)	29,513	(83,445)
Total	10,219,686	1,049,421,699	10,182,453	908,004,593

33 Employee benefit expenses

For the years ended 31 December 2016 and 2015, employee benefit expenses are disclosed as follows:

	31 December 2016		31 December 2015	
	Life	Non-life	Life	Non-life
Wages and salaries	623,887	130,973,390	563,471	110,159,569
Employer's share in social security premiums	148,064	29,932,723	137,113	25,016,078
Pension fund benefits	86,930	3,798,699	99,224	5,038,314
Other	--	11,668,721	--	9,631,717
Total (Note 32)	858,881	176,373,533	799,808	149,845,678

34 Financial costs

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

35 Income tax expense

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

	31 December 2016	31 December 2015
Corporate tax expense:		
Corporate tax provision	(26,875,657)	(1,769,959)
Deferred taxes:		
Origination and reversal of temporary differences	(886,872)	(14,290,010)
Total income tax expense/(income)	(27,762,529)	(16,059,969)

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 2016 and 2015 is as follows:

	31 December 2016		31 December 2015	
		Tax rate (%)		Tax rate (%)
Profit before taxes	252,601,340		204,292,879	
Taxes on income per statutory tax rate	50,520,268	20.00	40,858,576	20.00
Tax exempt income	(26,462,474)	(10.48)	(28,846,454)	(14.12)
Non-deductible expenses	3,704,735	1.47	4,047,847	1.98
Total tax expense recognized in consolidated profit or loss	27,762,529	10.99	16,059,969	7.86

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 2016	31 December 2015
Net profit for the period	181.244.361	156.222.767
Weighted average number of shares	66.000.000.000	66.000.000.000
Earnings per share (TL)	0,00275	0,00237

38 Dividends per share

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

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

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

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

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

As a result of the General Assembly Meeting of the Company held on 25 March 2016, the Company has decided to distribute subsidiary sale exemption amounting to TL 23,723,323 to sales profits to be added to the capital, TL 12,694,585 to accumulated losses as deducting from net profit for the year of 2015 amounting to TL 130,243,407 and after deducting legal reserves from remained amount, it has been decided to distribute TL 42,807,730 as cash dividend and TL 2,406,624 as personnel dividend and the remaining TL 42,698,436 as extraordinary reserves and the profit is distributed in the period. Paid dividend amount is reflected to financial statements as liability on the period that is declared by the Company.

38 Dividends per share (continued)

As a result of the Extraordinary General Assembly Meeting of the Company held on 27 June 2016, acquisition of total amount of the founding stocks by Millî Reasürans T.A.Ş. with the cost amounting to TL 27,166,000 determined in the Expert Review Report approved by the Istanbul 6th Court of Peace is unanimously decided. Abolition and extinguishment of founding stocks acquired by the Company and absorbing acquisition cost from extraordinary reserves is decided in the Extraordinary General Meeting of the Company held on 30 November 2016.

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 2016, total amount of the claims that the Group face is TL 1,189,434,000 in gross (31 December 2015: TL 925,745,000). The Group provided provision for outstanding claims in the consolidated financial statements by considering collateral amounts.

As at 31 December 2016, ongoing law suits prosecuted by the Company's subsidiary Insurance Company against the third parties amounting TL 324,644,000 (31 December 2015: TL 233,643,000).

"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 Anadolu Sigorta 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 Anadolu Sigorta'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 3,381,653 (31 December 2015: TL 3,084,516) related with this process. Furthermore, Anadolu Sigorta does not have any amounts that was recognized as accrued income as the prospect will get back the amount paid pursuant to the tax inspection in line with the above description in the current period (31 December 2015: TL 4,229,629).

As a result of investigation conducted by the Ministry of Finance Tax Audit Board, tax penalty which is amount of TL 2,1 million (actual tax), and TL 3,1 million tax penalty is announced by reason to tax salvage operations not subject to the banking and insurance transactions. The amount of TL 10 million tax, TL 15 million tax penalty has been modified for the period of 2010, 2011, and 2012 in 6 February 2015. Anadolu Sigorta has utilized the means put forward in the "Law Regarding Some Claims" which was published in the official gazette on August 19th 2016 with the number 6736. According to this, Anadolu Sigorta has paid TL 6.990.560 on 29 November 2016 and as a result the assessment has ended.

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

43 Commitments

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

	31 December 2016	31 December 2015
Less than one year	11,866,768	4,220,673
Between one to five years	16,138,148	2,816,249
More than 5 years	3,390,161	--
Total of minimum rent payments	31,395,077	7,036,922

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 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Investment funds founded by İş Portföy Yönetimi A.Ş. (Note 11)	419,297,743	243,023,139
Equity shares of the related parties (Note 11)	60,025,295	56,058,636
Bond issued by İş GYO (Note 11)	15,543,150	14,749,064
Investment funds founded by İşbank AG (Note 11)	11,880,374	11,206,804
Bond issued by Türkiye Sınai Kalkınma Bankası (Note 11)	7,050,254	5,843,739
Bonds issued by İş Finansal Kiralama A.Ş. (Note 11)	--	8,203,256
Investment funds founded by İş Yatırım Menkul Değerler A.Ş. (Note 11)	--	19,977,422
Bond issued by İş Faktoring (Note 11)	--	5,522,064
Financial assets	513,796,816	364,584,124
Türkiye İş Bankası A.Ş.	1,167,824,872	1,624,387,985
Other	1,132	430
Banks	1,167,826,004	1,624,388,415
Türkiye İş Bankası A.Ş.	125,983,624	106,339,774
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	6,182,414	5,621,566
Axa Sigorta A.Ş.	3,934,701	4,273,009
Anadolu Hayat Emeklilik A.Ş.	1,474,059	873,250
Ziraat Sigorta A.Ş.	1,238,110	81,886
İstanbul Umum Sigorta A.Ş.	107,627	109,963
Ziraat Hayat ve Emeklilik A.Ş.	51,250	47,220
Ergo Sigorta A.Ş.	18,246	18,246
Groupama Sigorta A.Ş.	--	167,561
Trakya Cam Sanayii A.Ş.	--	47,472
Receivables from main operations	138,990,031	117,579,947
Türkiye İş Bankası A.Ş.	7,016,739	9,603,965
Ergo Sigorta A.Ş.	2,468,712	5,304,570
Güven Sigorta T.A.Ş.	1,266,357	1,360,722
Allianz Sigorta A.Ş.	1,193,374	874,590
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	399,796	349,731
Groupama Sigorta A.Ş.	222,070	55,043
Axa Sigorta A.Ş.	35,723	50,953
İstanbul Umum Sigorta A.Ş.	30,112	40,403
Anadolu Hayat ve Emeklilik A.Ş.	2	--
Payables from main operations	12,632,885	17,639,977
Due to personnel	91,826	92,190
Due to shareholders	66,287	53,738
Due to other related parties	13,743	12,640
Due to related parties	171,856	158,568

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 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Türkiye İş Bankası A.Ş.	502,036,843	410,699,700
Axa Sigorta A.Ş.	36,740,520	48,212,402
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	20,429,253	17,600,899
Ziraat Sigorta A.Ş.	15,282,714	12,178,834
Groupama Sigorta A.Ş.	4,528,283	11,167,164
Anadolu Hayat Emeklilik A.Ş.	3,911,743	3,663,916
Ergo Sigorta A.Ş.	3,793,595	14,189,023
Allianz Sigorta A.Ş.	684,257	933,867
Ziraat Hayat ve Emeklilik A.Ş.	205,000	390,235
Groupama Sigorta A.Ş. (Güven Sigorta T.A.Ş.)	21,639	315
AvivaSa Emeklilik A.Ş.	--	--
İş Finansal Kiralama A.Ş.	--	--
TSKB	--	--
Premium received	587,633,847	519,036,355
Groupama Sigorta A.Ş.	28	3,800
İstanbul Umum Sigorta A.Ş.	(3)	1
Allianz Sigorta A.Ş.	(29)	(34)
Axa Sigorta A.Ş.	(72)	2,172
Groupama Sigorta A.Ş. (Güven Sigorta T.A.Ş.)	(80)	767
Ergo Sigorta A.Ş.	(1,227)	12,902
Premiums ceded	(1,383)	19,608
Allianz Sigorta A.Ş.	(3)	1
Groupama Sigorta A.Ş.	(1,285)	7,659
Axa Sigorta A.Ş.	(3,021)	3,037
Ergo Sigorta A.Ş.	(3,567)	5,134
Groupama Sigorta A.Ş. (Güven Sigorta T.A.Ş.)	(7,032)	1,389
Commissions received	(14,908)	17,220
Türkiye İş Bankası A.Ş.	59,382,880	54,279,283
Axa Sigorta A.Ş.	6,778,440	7,953,361
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	4,027,166	3,520,602
Ziraat Sigorta A.Ş.	3,562,905	2,861,183
Ergo Sigorta A.Ş.	1,345,451	2,975,744
Groupama Sigorta A.Ş.	908,651	1,323,906
Anadolu Hayat Emeklilik A.Ş.	122,120	223,783
Allianz Sigorta A.Ş.	96,741	146,237
Groupama Sigorta A.Ş. (Güven Sigorta T.A.Ş.)	(5)	(62,182)
Commissions given	76,224,349	73,221,917

45 Related party transactions (continued)

	31 December 2016	31 December 2015
Axa Sigorta A.Ş.	14,516,386	41,100,417
Ergo Sigorta A.Ş.	13,725,776	13,250,572
Allianz Sigorta A.Ş.	4,875,749	4,209,033
Ziraat Sigorta A.Ş.	3,811,044	5,780,262
Groupama Sigorta A.Ş.	3,573,133	19,670,681
Groupama Sigorta A.Ş. (Güven Sigorta T.A.Ş.)	2,496,742	2,361,285
Anadolu Hayat Emeklilik A.Ş.	307,788	167,542
Ziraat Hayat ve Emeklilik A.Ş.	217,078	749,298
Claims paid	43,523,696	87,289,090
Groupama Sigorta A.Ş. (Güven Sigorta T,A,Ş)	38,868	95,107
Axa Sigorta A.Ş.	33,560	196,702
İstanbul Umum Sigorta A.Ş.	15,706	21,018
Allianz Sigorta A.Ş.	13,919	16,536
Ergo Sigorta A.Ş.	(11,781)	121,500
Groupama Sigorta A.Ş.	(18,898)	269,451
Reinsurance's share of claims paid	71,374	720,314
Ergo Sigorta A.Ş.	1,398,446	421,667
Axa Sigorta A.Ş.	625,977	690,593
Anadolu Hayat Emeklilik A.Ş.	179,649	180,761
Allianz Sigorta A.Ş.	99,536	148,657
Ziraat Sigorta A.Ş.	67,728	49,556
Groupama Sigorta A.Ş.	22,475	273,437
Other income	2,393,811	1,764,671
İş Merkezleri Yönetim ve İşletim A.Ş. – office service costs	4,176,042	3,212,713
Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı		
Vakfi-rent expense	2,997,956	2,790,764
Ergo Sigorta A.Ş.	1,467,669	358,197
İş Portföy Yönetimi – management commission	965,206	690,905
Groupama Sigorta A.Ş. (Güven Sigorta T.A.Ş)	457,001	264,090
Axa Sigorta A.Ş.	117,026	1,139,001
Allianz Sigorta A.Ş.	113,938	115,889
Yatırım Finansman Menkul Değerler A.Ş. – management commission	51,884	--
Ziraat Sigorta A.Ş.	9,925	13,525
Groupama Sigorta A.Ş.	7,017	125,132
Anadolu Hayat ve Emeklilik A.Ş.	178	1,918
Ziraat Hayat ve Emeklilik A.Ş.	--	506
Other expenses	10,363,842	8,712,640

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 2016 and 2015, details of discount and provision expenses are as follows:

	31 December 2016	31 December 2015
Provision expense for doubtful receivables (Note 4.2) ^(*)	(40,724,191)	(39,905,763)
Provision for pension fund deficits (Note 23)	(1,326,173)	(28,214)
Provision expense for employee termination benefits (Note 23)	(1,494,518)	(1,689,401)
Provision expenses for unused vacation (Note 23)	(69,241)	(59,556)
Provision expenses for tax assessments (Note 42)	(297,137)	2,546,902
Other provision expenses (Note 4.2) ^(*)	(588,126)	13,570,187
Terminated provision income/ (expense)	2,352,227	--
Impairment loss on financial assets	(6,855,240)	--
Provision expenses	(49,002,399)	(25,565,845)

^(*) Provision expense stems from foreign exchange translation effect on doubtful receivables from main operations amounting to TL 40,734,191 (31 December 2015: TL 39,905,763) and income from other doubtful receivables amounting to TL 10,000 (Note 4.2).

	31 December 2016	31 December 2015
Rediscount income / (expense) from main operations receivables	21,048,926	18,196,109
Rediscount income / (expense) from main operations payables	(20,006,224)	(17,196,437)
Total of rediscounts	1,042,702	999,672