

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

**Millî Reasürans Türk Anonim Şirketi**

31 December 2016  
Unconsolidated 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 77 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 unconsolidated balance sheet of Milli Reasürans Türk Anonim Şirketi ("the Company") as at 31 December 2016 and the related unconsolidated statement of income, changes in equity and unconsolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### *Management's Responsibility for the Financial Statements*

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

#### *Independent Auditors' Responsibility*

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



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

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

#### *Opinion*

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of 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 unconsolidated financial statements are not intended to present the financial position and results of operations of the Company in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

Milli Reasürans T.A.Ş.

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**MİLLÎ REASÜRANS TÜRK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR**  
**ENDED 31 DECEMBER 2016**

We confirm that the unconsolidated 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**  
**Unconsolidated 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			
I- Current Assets	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
<b>A- Cash and Cash Equivalents</b>	<b>14</b>	<b>1,125,225,034</b>	<b>991,998,486</b>
1- Cash	14	17,446	34,971
2- Cheques Received	14	1,950,000	--
3- Banks	14	1,123,257,588	991,963,515
4- Cheques Given and Payment Orders		--	--
5- Bank Guaranteed Credit Card Receivables With Maturity Less Than Three Months		--	--
6- Other Cash and Cash Equivalents		--	--
<b>B- Financial Assets and Financial Investments with Risks on Policyholders</b>	<b>11</b>	<b>379,491,869</b>	<b>477,908,745</b>
1- Available-for-Sale Financial Assets	11	386,347,109	477,908,745
2- Held to Maturity Investments		--	--
3- Financial Assets Held for Trading		--	--
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	(6,855,240)	--
<b>C- Receivables from Main Operations</b>	<b>12</b>	<b>162,954,919</b>	<b>181,305,786</b>
1- Receivables from Insurance Operations		--	--
2- Provision for Receivables from Insurance Operations		--	--
3- Receivables from Reinsurance Operations	12	112,405,704	117,776,513
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited to Insurance & Reinsurance Companies	12	50,549,215	63,529,273
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	6,275	12,133
10- Provision for Doubtful Receivables from Main Operations	4,2,12	(6,275)	(12,133)
<b>D- Due from Related Parties</b>		<b>--</b>	<b>--</b>
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		--	--
<b>E- Other Receivables</b>	<b>12</b>	<b>1,663,239</b>	<b>605,367</b>
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given	4,2,12	248,885	210,429
4- Other Miscellaneous Receivables	4,2,12	1,414,354	394,938
5- Rediscount on Other Miscellaneous Receivables		--	--
6- Other Doubtful Receivables	12	53,177	63,177
7- Provision for Other Doubtful Receivables	4,2,12	(53,177)	(63,177)
<b>F- Prepaid Expenses and Income Accruals</b>		<b>100,306,186</b>	<b>111,793,456</b>
1- Deferred Acquisition Costs	17	92,601,447	100,548,550
2- Accrued Interest and Rent Income		--	--
3- Income Accruals	4,2	7,029,475	10,785,341
4- Other Prepaid Expenses		675,264	459,565
<b>G- Other Current Assets</b>		<b>10,962,956</b>	<b>11,835,658</b>
1- Stocks to be Used in the Following Months		46,641	41,277
2- Prepaid Taxes and Funds	12	10,488,911	11,292,292
3- Deferred Tax Assets		--	--
4- Job Advances	12	--	2,042
5- Advances Given to Personnel		--	--
6- Inventory Count Differences		--	--
7- Other Miscellaneous Current Assets		427,404	500,047
8- Provision for Other Current Assets		--	--
<b>I- Total Current Assets</b>		<b>1,780,604,203</b>	<b>1,775,447,498</b>

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

**Millî Reasürans Türk Anonim Şirketi**  
**Unconsolidated 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
<b>A- Receivables from Main Operations</b>		--	--
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>B- Due from Related Parties</b>		--	--
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		--	--
<b>C- Other Receivables</b>		--	--
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given		--	--
4- Other Miscellaneous Receivables		--	--
5- Rediscount on Other Miscellaneous Receivables		--	--
6- Other Doubtful Receivables		--	--
7- Provision for Other Doubtful Receivables		--	--
<b>D- Financial Assets</b>	9	551,268,910	445,245,371
1- Investments in Equity Shares		--	--
2- Investments in Associates		--	--
3- Capital Commitments to Associates		--	--
4- Investments in Subsidiaries	9	551,268,910	445,245,371
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		--	--
<b>E- Tangible Assets</b>	6	476,051,637	419,380,392
1- Investment Properties	6,7	326,090,000	270,568,050
2- Impairment for Investment Properties		--	--
3- Owner Occupied Property	6	147,915,000	147,116,950
4- Machinery and Equipments		--	--
5- Furniture and Fixtures	6	5,578,940	4,955,519
6- Motor Vehicles	6	1,113,102	1,239,468
7- Other Tangible Assets (Including Leasehold Improvements)		--	--
8- Tangible Assets Acquired Through Finance Leases		--	--
9- Accumulated Depreciation	6	(4,645,405)	(4,499,595)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		--	--
<b>F- Intangible Assets</b>	8	14,469,433	7,587,984
1- Rights	8	5,405,787	4,448,929
2- Goodwill		--	--
3- Pre-operating Expenses		--	--
4- Research and Development Costs		--	--
5- Other Intangible Assets		--	--
6- Accumulated Amortization	8	(3,319,811)	(2,399,309)
7- Advances Paid for Intangible Assets	8	12,383,457	5,538,364
<b>G- Prepaid Expenses and Income Accruals</b>		85,479	122,987
1- Deferred Acquisition Costs		--	--
2- Income Accruals		--	--
3- Other Prepaid Expenses		85,479	122,987
<b>H- Other Non-Current Assets</b>		--	--
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		--	--
6- Other Miscellaneous Non-Current Assets		--	--
7- Amortization on Other Non-Current Assets		--	--
8- Provision for Other Non-Current Assets		--	--
<b>II- Total Non-Current Assets</b>		1,041,875,459	872,336,734
<b>TOTAL ASSETS</b>		2,822,479,662	2,647,784,232

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

**Millî Reasürans Türk Anonim Şirketi**  
**Unconsolidated 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*

<b>LIABILITIES</b>			
	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
<b>III- Short-Term Liabilities</b>			
<b>A- Financial Liabilities</b>			
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		--	86,678,332
<b>B- Payables Arising from Main Operations</b>	<b>19</b>	<b>36,432,984</b>	<b>44,146,054</b>
1- Payables Arising from Insurance Operations		--	--
2- Payables Arising from Reinsurance Operations		35,487,143	43,014,872
3- Cash Deposited by Insurance and Reinsurance Companies		945,841	1,131,182
4- Payables Arising from Pension Operations		--	--
5- Payables Arising from Other Operations		--	--
6- Discount on Payables from Other Operations		--	--
<b>C-Due to Related Parties</b>	<b>19</b>	<b>80,030</b>	<b>66,378</b>
1- Due to Shareholders	45	66,287	53,738
2- Due to Associates		--	--
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		--	--
6- Due to Other Related Parties	45	13,743	12,640
<b>D- Other Payables</b>	<b>19</b>	<b>2,941,103</b>	<b>2,229,087</b>
1- Deposits and Guarantees Received		1,950,000	--
2- Payables to Social Security Institution Related to Treatment Expenses		--	--
3- Other Miscellaneous Payables	19,4.2	991,103	2,229,087
4- Discount on Other Miscellaneous Payables		--	--
<b>E-Insurance Technical Provisions</b>	<b>17</b>	<b>1,341,749,642</b>	<b>1,265,406,202</b>
1- Reserve for Unearned Premiums - Net	17	371,110,571	396,032,867
2- Reserve for Unexpired Risks- Net	17	11,121,932	27,889,285
3- Life Mathematical Provisions - Net	17	165,157	491,937
4- Provision for Outstanding Claims - Net	17	959,351,982	840,992,113
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net		--	--
<b>F- Provisions for Taxes and Other Similar Obligations</b>	<b>19</b>	<b>1,453,431</b>	<b>1,673,213</b>
1- Taxes and Funds Payable		1,321,251	1,528,221
2- Social Security Premiums Payable		132,180	144,992
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		--	--
4- Other Taxes and Similar Payables		--	--
5- Corporate Tax Payable	35	3,558,844	--
6- Prepaid Taxes and Other Liabilities Regarding Current Year Income	35	(3,558,844)	--
7- Provisions for Other Taxes and Similar Liabilities		--	--
<b>G- Provisions for Other Risks</b>		--	--
1- Provision for Employee Termination Benefits		--	--
2- Provision for Pension Fund Deficits		--	--
3- Provisions for Costs		--	--
<b>H- Deferred Income and Expense Accruals</b>	<b>19</b>	<b>4,778,313</b>	<b>3,518,287</b>
1- Deferred Commission Income	10,19	449,504	362,614
2- Expense Accruals	19	4,165,628	2,989,356
3- Other Deferred Income	19	163,181	166,317
<b>I- Other Short Term Liabilities</b>		--	--
1- Deferred Tax Liabilities		--	--
2- Inventory Count Differences		--	--
3- Other Various Short Term Liabilities		--	--
<b>III – Total Short Term Liabilities</b>		<b>1,387,435,503</b>	<b>1,403,717,553</b>

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



**Millî Reasürans Türk Anonim Şirketi**  
**Unconsolidated 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*

<b>LIABILITIES</b>			
	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
<b>IV- Long-Term Liabilities</b>			
<b>A- Financial Liabilities</b>			
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>B- Payables Arising from Operating Activities</b>			
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		--	--
<b>C- Due to Related Parties</b>			
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		--	--
<b>D- Other Payables</b>			
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		--	--
<b>E-Insurance Technical Provisions</b>	<b>17</b>	<b>45,209,926</b>	<b>23,432,191</b>
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	45,209,926	23,432,191
<b>F-Other Liabilities and Relevant Accruals</b>			
1- Other Liabilities		--	--
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		--	--
3- Other Liabilities and Expense Accruals		--	--
<b>G- Provisions for Other Risks</b>	<b>23</b>	<b>36,887,730</b>	<b>35,008,709</b>
1- Provisions for Employment Termination Benefits	23	7,202,618	6,649,770
2- Provisions for Pension Fund Deficits	22,23	29,685,112	28,358,939
<b>H-Deferred Income and Expense Accruals</b>			
1- Deferred Commission Income		--	--
2- Expense Accruals		--	--
3- Other Deferred Income	19	--	43,333
<b>I- Other Long Term Liabilities</b>	<b>21</b>	<b>17,039,884</b>	<b>1,683,513</b>
1- Deferred Tax Liabilities	21	17,039,884	1,683,513
2- Other Long Term Liabilities		--	--
<b>IV - Total Long Term Liabilities</b>		<b>99,137,540</b>	<b>60,167,746</b>

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

**Millî Reasürans Türk Anonim Şirketi**  
**Unconsolidated 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*

<b>EQUITY</b>			
<b>V- Equity</b>	<b>Note</b>	<b>Audited Current Period 31 December 2016</b>	<b>Audited Prior Period 31 December 2015</b>
<b>A- Paid in Capital</b>		<b>660,000,000</b>	<b>660,000,000</b>
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>B- Capital Reserves</b>	<b>15</b>	<b>121,258,386</b>	<b>102,768,415</b>
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	123,562,155	122,341,816
<b>C- Profit Reserves</b>		<b>259,066,470</b>	<b>139,649,789</b>
1- Legal Reserves	15	55,535,403	49,622,694
2- Statutory Reserves	15	--	--
3- Extraordinary Reserves	15	15,545,335	12,899
4- Special Funds		--	--
5- Revaluation of Financial Assets	11,15	189,009,992	90,674,929
6- Other Profit Reserves	15	(1,024,260)	(660,733)
<b>D- Retained Earnings</b>		<b>166,338,531</b>	<b>163,931,907</b>
1- Retained Earnings		166,338,531	163,931,907
<b>E- Accumulated Losses</b>		<b>--</b>	<b>(12,694,585)</b>
1- Accumulated Losses		--	(12,694,585)
<b>F-Net Profit/(Loss) for the Year</b>	<b>15</b>	<b>129,243,232</b>	<b>130,243,407</b>
1- Net Profit for the Year		129,243,232	106,520,084
2- Net Loss for the Year		--	--
3- Net Profit for the Period not Subject to Distribution	15	--	23,723,323
<b>V- Total Equity</b>		<b>1,335,906,619</b>	<b>1,183,898,933</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,822,479,662</b>	<b>2,647,784,232</b>

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

**Millî Reasürans Türk Anonim Şirketi**  
**Unconsolidated Statement of Income**  
**For the Year Ended 31 December 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
<b>I-TECHNICAL SECTION</b>			
<b>A- Non-Life Technical Income</b>		<b>1,052,100,689</b>	<b>1,006,724,212</b>
1- Earned Premiums (Net of Reinsurer Share)		855,212,905	840,267,533
1.1- Written Premiums (Net of Reinsurer Share)	17	812,947,965	862,688,148
1.1.1- Written Premiums, gross	17	910,755,876	977,001,532
1.1.2- Written Premiums, ceded	10, 17	(97,807,911)	(114,313,384)
1.1.3- Written Premiums, SSI share		--	--
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17, 29	25,497,587	(35,680,159)
1.2.1- Reserve for Unearned Premiums, gross	17	27,459,609	(37,430,378)
1.2.2- Reserve for Unearned Premiums, ceded	10,17	(1,962,022)	1,750,219
1.2.3- Reserve for Unearned Premiums, SSI share		--	--
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		16,767,353	13,259,544
1.3.1- Reserve for Unexpired Risks, gross		16,864,912	14,148,426
1.3.2- Reserve for Unexpired Risks, ceded		(97,559)	(888,882)
2- Investment Income - Transferred from Non-Technical Section		148,513,629	100,911,676
3- Other Technical Income (Net of Reinsurer Share)		48,374,155	65,545,003
3.1- Other Technical Income, gross		48,374,453	65,545,003
3.2- Other Technical Income, ceded		(298)	--
4- Accrued Salvage and Subrogation Income		--	--
<b>B- Non-Life Technical Expense</b>		<b>(984,310,890)</b>	<b>(1,040,786,258)</b>
1- Incurred Losses (Net of Reinsurer Share)		(662,110,757)	(740,930,585)
1.1- Claims Paid (Net of Reinsurer Share)	17, 29	(546,199,418)	(640,661,376)
1.1.1- Claims Paid, gross	17	(563,756,303)	(657,489,735)
1.1.2- Claims Paid, ceded	10, 17	17,556,885	16,828,359
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17, 29	(115,911,339)	(100,269,209)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(132,937,317)	(108,990,658)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10, 17	17,025,978	8,721,449
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
2.1- Provision for Bonus and Discounts, gross		--	--
2.2- Provision for Bonus and Discounts, ceded		--	--
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	(21,194,150)	(728,774)
4- Operating Expenses	32	(301,261,561)	(298,871,321)
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		--	--
6.1- Other Technical Expense, gross		--	--
6.2- Other Technical Expense, ceded		--	--
<b>C- Net Technical Income-Non-Life (A – B)</b>		<b>67,789,799</b>	<b>(34,062,046)</b>
<b>D- Life Technical Income</b>		<b>19,687,077</b>	<b>19,541,877</b>
1- Earned 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 unconsolidated financial statements.

**Millî Reasürans Türk Anonim Şirketi**  
**Unconsolidated 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
<b>I-TECHNICAL SECTION</b>			
<b>E- Life Technical Expense</b>		<b>(21,187,012)</b>	<b>(16,825,215)</b>
1- Incurred Losses (Net of Reinsurer Share)		(10,454,943)	(6,575,473)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(8,006,413)	(6,111,970)
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	29	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		--	--
<b>F- Net Technical Income- Life (D – E)</b>		<b>(1,499,935)</b>	<b>2,716,662</b>
<b>G- Pension Business Technical Income</b>		<b>--</b>	<b>--</b>
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		--	--
<b>H- Pension Business Technical Expense</b>		<b>--</b>	<b>--</b>
1- Fund Management Expense		--	--
2- Decrease in Value of Capital Allowances Given as Advance		--	--
3- Operating Expenses		--	--
4- Other Technical Expenses		--	--
<b>I- Net Technical Income - Pension Business (G – H)</b>		<b>--</b>	<b>--</b>

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

**Millî Reasürans Türk Anonim Şirketi**  
**Unconsolidated Statement of Income**  
**For the Year Ended 31 December 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
<b>II-NON-TECHNICAL SECTION</b>			
<b>C- Net Technical Income – Non-Life (A-B)</b>		67,789,799	(34,062,046)
<b>F- Net Technical Income – Life (D-E)</b>		(1,499,935)	2,716,662
<b>I - Net Technical Income – Pension Business (G-H)</b>		--	--
<b>J- Total Net Technical Income (C+F+I)</b>		66,289,864	(31,345,384)
<b>K- Investment Income</b>		261,178,363	292,239,946
1- Income from Financial Assets	4.2	115,793,940	105,821,748
2- Income from Disposal of Financial Assets	4.2	21,471,729	46,261,965
3- Valuation of Financial Assets	4.2	3,530,869	(1,047,109)
4- Foreign Exchange Gains	4.2	50,478,175	39,769,808
5- Income from Associates		--	--
6- Income from Subsidiaries and Joint Ventures	4.2	3,251	12,039,179
7- Income from Property, Plant and Equipment	7	69,788,799	89,172,855
8- Income from Derivative Transactions	4.2	--	66,500
9- Other Investments		111,600	155,000
10- Income Transferred from Life Section		--	--
<b>L- Investment Expense</b>		(175,258,106)	(121,243,981)
1- Investment Management Expenses (inc. interest)	4.2	(3,874,438)	(2,121,010)
2- Diminution in Value of Investments		--	--
3- Loss from Disposal of Financial Assets	4.2	(1,964,332)	(1,410,932)
4- Investment Income Transferred to Non-Life Technical Section		(148,513,629)	(100,911,677)
5- Loss from Derivative Transactions		--	--
6- Foreign Exchange Losses	4.2	(11,234,726)	(6,826,180)
7- Depreciation and Amortization Expenses	6,8	(1,716,887)	(1,543,485)
8- Other Investment Expenses		(7,954,094)	(8,430,697)
<b>M- Income and Expenses From Other and Extraordinary Operations</b>		(19,408,045)	(9,407,174)
1- Provisions	47	(10,907,174)	(19,376)
2- Rediscounts	47	550,110	(458,919)
3- Specified Insurance Accounts		--	--
4- Monetary Gains and Losses		--	--
5- Deferred Taxation (Deferred Tax Assets)		--	--
6- Deferred Taxation (Deferred Tax Liabilities)	21,35	(9,677,726)	(9,045,756)
7- Other Income		683,078	1,927,908
8- Other Expenses and Losses		(56,333)	(1,811,031)
9- Prior Year's Income		--	--
10- Prior Year's Expenses and Losses		--	--
<b>N- Net Profit for the Year</b>		129,243,232	130,243,407
1- Profit for the Year		132,802,076	130,243,407
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(3,558,844)	--
3- Net Profit for the Year		129,243,232	130,243,407
4- Monetary Gains and Losses		--	--

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

**Millî Reasürans Türk Anonim Şirketi**  
**Unconsolidated 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
<b>A. Cash flows from operating activities</b>			
1. Cash provided from insurance activities		--	--
2. Cash provided from reinsurance activities		970,287,758	1,088,213,091
3. Cash provided from private pension business		--	--
4. Cash used in insurance activities		--	--
5. Cash used in reinsurance activities		(934,187,508)	(1,101,409,824)
6. Cash used in private pension business		--	--
<b>7. Cash provided from operating activities</b>		<b>36,100,250</b>	<b>(13,196,733)</b>
8. Interest paid		--	--
9. Income taxes paid		(10,488,911)	--
10. Other cash inflows		19,986,988	5,956,258
11. Other cash outflows		(20,601,323)	(6,134,078)
<b>12. Net cash provided from operating activities</b>		<b>24,997,004</b>	<b>(13,374,553)</b>
<b>B. Cash flows from investing activities</b>		--	
1. Proceeds from disposal of tangible assets		333,274	155,000
2. Acquisition of tangible assets	6, 8	(8,550,950)	(7,997,656)
3. Acquisition of financial assets	11	(441,427,489)	(555,614,361)
4. Proceeds from disposal of financial assets	11	558,559,879	601,245,811
5. Interests received		364,053,046	100,917,317
6. Dividends received		2,240,297	14,692,935
7. Other cash inflows		63,367,652	48,870,269
8. Other cash outflows		(27,497,837)	(302,288,624)
<b>9. Net cash provided by / (used in) investing activities</b>		<b>511,077,872</b>	<b>(100,019,309)</b>
<b>C. Cash flows from financing activities</b>		--	--
1. Equity shares issued		--	--
2. Cash provided from loans and borrowings		--	--
3. Finance lease payments		--	--
4. Dividends paid		(45,197,943)	--
5. Other cash inflows		--	86,678,332
6. Other cash outflows		(110,233,780)	--
<b>7. Net cash provided by financing activities</b>		<b>(155,431,723)</b>	<b>86,678,332</b>
<b>D. Effect of exchange rate fluctuations on cash and cash equivalents</b>		<b>1,761</b>	<b>(451)</b>
<b>E. Net increase /(decrease) in cash and cash equivalents</b>		<b>380,644,914</b>	<b>(26,715,981)</b>
F. Cash and cash equivalents at the beginning of the year	14	633,417,846	660,133,827
<b>G. Cash and cash equivalents at the end of the year</b>	<b>14</b>	<b>1,014,062,760</b>	<b>633,417,846</b>

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

**Millî Reasürans Türk Anonim Şirketi**  
**Unconsolidated Statement of Changes in Equity**  
**For the Year Ended 31 December 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
<b>I - Balance at the end of the previous year – 31 December 2014</b>		660,000,000	--	68,254,045	--	(11,907,682)	49,622,694	--	(272,679)	30,425,902	120,811,420	916,933,700
A- Capital increase		--	--	--	--	--	--	--	--	--	--	--
1- In cash		--	--	--	--	--	--	--	--	--	--	--
2- From reserves		--	--	--	--	--	--	--	--	--	--	--
B- Purchase of own shares		--	--	--	--	--	--	--	--	--	--	--
C- Gains or losses that are not included in the statement of income		--	--	--	--	--	--	--	--	--	--	--
D- Change in the value of financial assets	15	--	--	22,420,884	--	--	--	--	121,966,661	--	--	121,966,661
E- Currency translation adjustments		--	--	--	--	(7,665,719)	--	--	--	--	--	(7,665,719)
F- Other gains or losses		--	--	--	--	--	--	--	--	--	--	--
G- Inflation adjustment differences		--	--	--	--	--	--	--	--	--	--	--
H- Net profit for the year		--	--	--	--	--	--	--	--	130,243,407	--	130,243,407
I - Other reserves and transfers from retained earnings	38	--	--	--	--	--	--	--	--	(30,425,902)	30,425,902	--
J- Dividends paid		--	--	--	--	--	--	--	--	--	--	--
<b>II - Balance at the end of the year – 31 December 2015</b>	15	660,000,000	--	90,674,929	--	(19,573,401)	49,622,694	--	121,693,982	130,243,407	151,237,322	1,183,898,933
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
<b>I - Balance at the end of the previous year – 31 December 2015</b>		660,000,000	--	90,674,929	--	(19,573,401)	49,622,694	--	121,693,982	130,243,407	151,237,322	1,183,898,933
A- Capital increase		--	--	--	--	--	--	--	--	--	--	--
1- In cash		--	--	--	--	--	--	--	--	--	--	--
2- From reserves		--	--	--	--	--	--	--	--	--	--	--
B- Purchase of own shares	15	--	--	--	--	--	--	--	--	--	--	--
C- Gains or losses that are not included in the statement of income		--	--	--	--	--	--	--	--	--	--	--
D- Change in the value of financial assets	15	--	--	98,335,063	--	--	--	--	856,812	--	--	(27,166,000)
E- Currency translation adjustments		--	--	--	--	(6,453,691)	--	--	--	--	--	856,812
F- Other gains or losses		--	--	--	--	--	--	--	--	--	--	--
G- Inflation adjustment differences		--	--	--	--	--	--	--	--	--	--	--
H- Net profit for the year		--	--	--	--	--	--	--	--	129,243,232	--	129,243,232
I - Other reserves and transfers from retained earnings	38	--	--	--	--	--	5,912,709	--	66,421,759	(87,435,677)	15,101,209	--
J- Dividends paid		--	--	--	--	--	--	--	--	(42,807,730)	--	(42,807,730)
<b>II - Balance at the end of the year – 31 December 2016</b>	15	660,000,000	--	189,009,992	--	(26,027,092)	55,535,403	--	161,806,553	129,243,232	166,338,531	1,335,906,619

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

**Millî Reasürans Türk Anonim Şirketi**  
**Unconsolidated Statement of Profit Distribution**  
**For the Year Ended 31 December 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 <sup>(*)</sup>	Audited Prior Period 31 December 2015
<b>I. DISTRIBUTION OF THE PERIOD PROFIT</b>			
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		--	--
<b>A. CURRENT PERIOD PROFIT (1.1 – 1.2)</b>		<b>132,082,070</b>	<b>130,243,407</b>
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>B. NET PROFIT AVAILABLE FOR DISTRIBUTION</b>		<b>125,477,966</b>	<b>89,134,224</b>
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. LEGAL RESERVES (-)		--	(1,221,435)
1.12. STATUTORY RESERVES(-)		--	--
1.13. EXTRAORDINARY RESERVES		--	(42,698,437)
1.14. OTHER RESERVES		--	--
1.15. SPECIAL FUNDS		--	--
<b>II. DISTRIBUTION OF RESERVES</b>			
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 (-)		--	--
<b>III. EARNINGS PER SHARE</b>			
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 (%)		--	--
<b>IV. DIVIDEND PER SHARE</b>			
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.

(\*\*) 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 unconsolidated financial statements



# Millî Reasürans Türk Anonim Şirketi

## Notes to the Unconsolidated 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

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.

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

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

#### 1.3 Business of the Company

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

#### 1.4 Description of the main operations of the Company

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

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

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

## 1 General information (continued)

### 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	5	6
Managers	25	21
Officers	122	120
Contracted personnel	6	7
Other personnel	41	46
<b>Total</b>	<b>199</b>	<b>200</b>

### 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 5,680,833 (31 December 2015: TL 5,362,547).

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

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

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

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

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

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

The accompanying financial statements comprise only the unconsolidated financial information of the Company. As further discussed in note 2.2 - *Consolidation*, the Company has prepared consolidated financial statements as at 31 December 2016 separately.

## 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	: <a href="http://www.millire.com">www.millire.com</a>

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

### 1.10 Subsequent events

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

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

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

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

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

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

#### Additional paragraph for convenience translation to English

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

## **2 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, 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 Summary of significant accounting policies (continued)**

### **2.1 Basis of preparation (continued)**

#### **2.1.3 Current and presentation currency**

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

#### **2.1.4 Rounding scale of the amounts presented in the financial statements**

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

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

The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2004, except for the financial assets held for trading, available-for-sale financial assets, derivative financial instruments, self-used buildings and investment properties recorded in tangible assets and associates which are measured at their fair values unless reliable measures are available.

#### **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 – 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.

## **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)**

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 16<sup>th</sup> 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 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 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 Summary of significant accounting policies (continued)**

### **2.2 Consolidation**

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

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

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

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

### **2.3 Segment reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. As at 31 December 2016, the Company operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

### **2.4 Foreign currency transactions**

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

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

## **2 Summary of significant accounting policies (continued)**

### **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.

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

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

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

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

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

Depreciation rates and estimated useful lives are as follows:

<b>Tangible assets</b>	<b>Estimated useful lives (years)</b>	<b>Depreciation rates (%)</b>
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 Summary of significant accounting policies (continued)**

### **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 Company's intangible assets consist of computer software.

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

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

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

## **2 Summary of significant accounting policies (continued)**

### **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 at fair value through profit or loss, available-for-sale financial assets, held to maturity financial assets, and loans and receivables.

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

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

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

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

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

## 2 Summary of significant accounting policies (continued)

### 2.9 Impairment on assets

#### Impairment on financial assets

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

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

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

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

#### Impairment on tangible and intangible assets

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

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

### 2.10 Derivative financial instruments

As of the reporting date, the Company does not have any derivative financial instruments (31 December 2015: None). Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 – *Financial Instruments: Recognition and measurement*.

Derivative financial instruments are initially recognized at their fair value.

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

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

## 2 Summary of significant accounting policies (continued)

### 2.11 Offsetting of financial assets

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

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

### 2.12 Cash and cash equivalents

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

### 2.13 Capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group by having 76.64% of the outstanding shares of the Company. As at 31 December 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
<b>Paid in capital</b>	<b>660,000,000</b>	<b>100.00</b>	<b>660,000,000</b>	<b>100.00</b>

(\*) 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.

### Sources of the capital increases during the year

None.

## **2 Summary of significant accounting policies (continued)**

### **2.13 Capital (continued)**

#### **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 5<sup>th</sup> 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 6<sup>th</sup> 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.

### **2.14 Insurance and investment contracts - classification**

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

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

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

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

## **2 Summary of significant accounting policies (continued)**

### **2.15 Insurance contracts and investment contracts with discretionary participation feature**

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

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

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

### **2.16 Investment contracts with DPF**

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

### **2.17 Liabilities**

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

### **2.18 Income taxes**

#### **Corporate tax**

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

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

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

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods. As at 31 December 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 25<sup>th</sup> 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.

## **2 Summary of significant accounting policies (continued)**

### **2.18 Income taxes (continued)**

#### **Deferred tax**

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

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

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

#### **Transfer pricing**

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

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

### **2.19 Employee benefits**

#### **Pension and other post-retirement obligations**

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

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

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

## **2 Summary of significant accounting policies (continued)**

### **2.19 Employee benefits (continued)**

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.

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

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

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

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

- a) Technical deficit rate of 9.80% shall be used in the actuarial calculation of the value in cash, and
- b) Gains and losses of the funds stems from benefits covered by the aforementioned Law taken into accounts to calculate present value of the obligations.



## 2 Summary of significant accounting policies (continued)

### 2.19 Employee benefits (continued)

#### Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 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*. After the revision of TAS 19, as the amount of actuarial gain and loss are presented under the other profit reserves, which were previously shown under the income statement. The major actuarial assumptions used in the calculation of the total liability as at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Discount rate	4.25%	3.77%
Expected rate of salary/limit increase	6.00%	5.00%
Estimated employee turnover rate	2.00%	2.00%

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

#### Other benefits

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

## **2 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 Company to settle the liability, the related liability is considered as “contingent” and disclosed in the notes to the financial statements.

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

### **2.21 Revenue recognition**

#### **Written premiums**

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

#### **Claims paid**

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

#### **Commission income and expenses**

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

#### **Interest income and expenses**

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

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

## **2 Summary of significant accounting policies (continued)**

### **2.21 Revenue recognition (continued)**

#### **Trading income/expense**

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

#### **Dividends**

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

### **2.22 Leasing transaction**

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

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

### **2.23 Dividend distribution**

As a result of the General Assembly Meeting of the Company held on 25 March 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.

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

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

## **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.

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

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

### **2.25 Provision for outstanding claims**

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

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

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

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

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

## 2 Summary of significant accounting policies (continued)

### 2.25 Provision for outstanding claims (continued)

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

Branches	31 December 2016	31 December 2015
Fire and Natural Disasters	Standard Chain	Standard Chain
General Damages <sup>(*)</sup>	Standard Chain	Standard Chain
General Responsibility	Standard Chain	Standard Chain
Compulsory Traffic	Standard Chain	Standard Chain
Transportation	Standard Chain	Standard Chain
Water Vehicles	Standard Chain	Standard Chain
Land Vehicles	Standard Chain	Standard Chain
Accident	Standard Chain	Standard Chain
Health	Standard Chain	Standard Chain
Air Vehicles	Standard Chain	Standard Chain
Legal Protection	Standard Chain	Standard Chain
Water Vehicles	Sector Average (Insurance Association of Turkey 09/2016)	Sector Average (Insurance Association of Turkey 09/2015)
Responsibility	Sector Average (Insurance Association of Turkey 09/2016)	Sector Average (Insurance Association of Turkey 09/2015)
Air Vehicles	Sector Average (Insurance Association of Turkey 09/2016)	Sector Average (Insurance Association of Turkey 09/2015)
Responsibility	Sector Average (Insurance Association of Turkey 09/2016)	Sector Average (Insurance Association of Turkey 09/2015)
Indemnity	Sector Average (Insurance Association of Turkey 09/2016)	Sector Average (Insurance Association of Turkey 09/2015)
Financial Losses	Sector Average (Insurance Association of Turkey 09/2016)	Sector Average (Insurance Association of Turkey 09/2015)
Credit	Sector Average (Insurance Association of Turkey 09/2016)	Sector Average (Insurance Association of Turkey 09/2015)
Life	Sector Average (Insurance Association of Turkey 09/2016)	Sector Average (Insurance Association of Turkey 09/2015)

<sup>(\*)</sup> Two separate calculation have been made as agriculture and non agriculture sub branches.

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

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

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

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

## **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 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 arised 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.

### **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.

As at the reporting date, the Company has provided net reserve for unexpired risk amounting to TL 11,121,932 in the accompanying unconsolidated financial statements (31 December 2015: TL 27,889,285).

## **2 Summary of significant accounting policies (continued)**

### **2.28 Equalization provision**

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

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

Equalization provisions are presented under "other technical reserves" within long term liabilities in the accompanying unconsolidated financial statements. As at the reporting date, the Company has recognized equalization provision amounting to TL 45,209,926 (31 December 2015: TL 23,432,191).

As at 31 December 2016, the Company 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 Earning per share**

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

### **2.31 Subsequent events**

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

## **2 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.

#### **IFRS 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 IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to IFRS 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 financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

- Note 4.1* – Management of insurance risk
- Note 4.2* – Financial risk management
- Note 7* – Investment properties
- Note 9* – Investments in subsidiaries
- Note 10* – Reinsurance assets/liabilities
- Note 11* – Financial assets
- Note 12* – Loans and receivables
- Not 17* – Insurance liabilities and reinsurance assets
- Not 17* – Deferred acquisition costs
- Note 21* – Deferred income taxes
- Note 23* – Other liabilities and cost provisions

## **4 Management of insurance and financial risk**

### **4.1 Management of insurance risk**

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

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

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

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

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

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

#### **Sensitivity to insurance risk**

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

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

#### 4 Management of insurance and financial risk (continued)

##### 4.1 Management of insurance risk (continued)

###### Insurance risk concentrations

The Company'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 <sup>(*)</sup>	Reinsurance share of total claims liability	Net total claims liability
Fire and natural disasters	231,230,393	(10,673,453)	220,556,940
General damages	155,785,882	(601,185)	155,184,697
Motor vehicles third party liability (MTPL)	70,358,154	(54,693)	70,303,461
General responsibility	24,894,269	(1,933,948)	22,960,321
Water vehicles	21,435,222	(1,871,925)	19,563,297
Accident	16,426,805	(4,777)	16,422,028
Transportation	16,567,880	(2,051,768)	14,516,112
Health	13,454,786	--	13,454,786
Motor vehicles	12,041,741	(363,747)	11,677,994
Life	8,664,622	(658,208)	8,006,414
Guarantee	671,676	(1,390)	670,286
Financial Losses	603,659	--	603,659
Air crafts	130,125	--	130,125
Credit	91,352	--	91,352
Water vehicles liability	64,364	--	64,364
Legal protection	(5)	--	(5)
<b>Total</b>	<b>572,420,925</b>	<b>(18,215,094)</b>	<b>554,205,831</b>

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

(\*) 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 Company's exposure to each of the below risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

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

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

#### Credit risk

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

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

Doubtful receivables are monitored quarterly.

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

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

Net 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) <sup>(*)</sup>	1,125,207,588	991,963,515
Financial assets and financial investments with risks on policyholders (Note 11) <sup>(**)</sup>	295,264,884	390,407,868
Receivables from main operations (Note 12)	162,954,919	181,305,786
Reinsurer share in provision for outstanding claims (Note 10), (Note 17)	42,666,787	25,358,546
Prepaid taxes and funds (Note 12)	10,488,911	11,292,292
Income accruals	7,029,475	10,785,341
Other receivables (Note 12)	1,663,239	605,367
Other current asset (Note 12)	--	2,042
<b>Total</b>	<b>1,645,275,803</b>	<b>1,611,720,757</b>

(\*) Cash on hands balance amounting to TL 17,446 are not included (31 December 2015: TL 34,971).

(\*\*) Equity shares amounting to TL 84,226,985 are not included (31 December 2015: TL 87,500,877).

#### 4 Management insurance and financial risk (continued)

##### 4.2 Management of financial risk (continued)

###### Credit risk (continued)

31 December 2016 ve 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	104,235,630	--	120,942,345	--
Past due 0-30 days	35,551,714	--	28,609,797	--
Past due 31-60 days	2,525,230	--	7,017,186	--
Past due 61-90 days	1,705,461	--	6,261,012	--
More than 90 days	35,801,494	(16,864,610)	32,708,592	(14,233,146)
<b>Total</b>	<b>179,819,529</b>	<b>(16,864,610)</b>	<b>195,538,932</b>	<b>(14,233,146)</b>

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

	31 December 2016	31 December 2015
Provision for receivables from insurance operations at the beginning of the year	14,233,146	11,705,111
Collections during the period (Note 47)	(2,409)	(1,206)
Foreign currency translation effect (Note 47)	2,633,873	2,529,241
<b>Provision for receivables from insurance operations at the end of the year</b>	<b>16,864,610</b>	<b>14,233,146</b>

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)	--
Impairment losses provided during the period (Note 47)	--	--
<b>Provision for other receivables at the end of the year</b>	<b>53,177</b>	<b>63,177</b>

###### Liquidity risk

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

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

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

#### 4 Management of insurance and financial risk (continued)

##### 4.2 Management of financial risk (continued)

###### Liquidity risk (continued)

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

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

###### Management of the liquidity risk

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

Maturity distribution of monetary assets and liabilities:

31 December 2016	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year
Cash and cash equivalents	1,125,225,034	1,033,684,553	55,925,440	27,840,976	7,774,065	--
Financial assets <sup>(*)</sup>	295,264,884	251,633,971	6,810,150	8,849,104	18,179,143	9,792,516
Receivables from main operations	162,954,919	100,667,420	15,386,367	3,592,463	43,308,669	--
Other receivables and current assets	19,181,625	18,932,740	--	--	248,885	--
<b>Total monetary assets</b>	<b>1,602,626,462</b>	<b>1,404,918,684</b>	<b>78,121,957</b>	<b>40,282,543</b>	<b>69,510,762</b>	<b>9,792,516</b>
Financial liabilities and other liabilities	2,941,103	991,103	--	--	1,950,000	--
Payables arising from main operations	36,432,984	33,813,924	2,619,060	--	--	--
Due to related parties	80,030	80,030	--	--	--	--
Insurance technical provisions <sup>(**)</sup>	959,351,982	--	--	--	--	959,351,982
Provisions for taxes and other similar obligations	1,453,431	1,453,431	--	--	--	--
Provisions for other risks and expense accruals	41,053,358	1,268,897	2,896,731	--	--	36,887,730
<b>Total monetary liabilities</b>	<b>1,041,312,888</b>	<b>37,607,385</b>	<b>5,515,791</b>	<b>--</b>	<b>1,950,000</b>	<b>996,239,712</b>

(\*) Equity shares amounting to TL 84,226,985 are not included.

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



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

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

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

###### Market risk

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

###### Foreign currency risk

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

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

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

31 December 2016	US Dollar	Euro	Other currencies	Total
<b>Assets:</b>				
Cash and cash equivalents	261,358,831	48,906	6,110,365	267,518,102
Receivables from main operations	41,778,437	16,788,756	75,343,961	133,911,154
<b>Total foreign currency assets</b>	<b>303,137,268</b>	<b>16,837,662</b>	<b>81,454,326</b>	<b>401,429,256</b>
<b>Liabilities:</b>				
Payables arising from main operations	(16,174,468)	(1,107,846)	(2,745,979)	(20,028,293)
Insurance technical provisions <sup>(*)</sup>	(131,716,322)	(98,324,735)	(118,623,919)	(348,664,976)
<b>Total foreign currency liabilities</b>	<b>(147,890,790)</b>	<b>(99,432,581)</b>	<b>(121,369,898)</b>	<b>(368,693,269)</b>
<b>Net on-balance sheet position</b>	<b>155,246,478</b>	<b>(82,594,919)</b>	<b>(39,915,572)</b>	<b>32,735,987</b>

#### 4 Management of insurance and financial risk (continued)

##### 4.2 Management of financial risk (continued)

###### Market risk (continued)

###### Foreign currency risk (continued)

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

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

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

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

	At the end of the period		Average	
	US Dollar	Euro	US Dollar	Euro
31 December 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 <sup>(*)</sup>	Profit or loss	Equity <sup>(*)</sup>
US Dollar	15,524,648	15,524,648	10,461,650	10,461,650
Euro	(8,259,492)	(8,259,492)	(6,777,451)	(6,777,451)
Others	(3,991,557)	(3,991,557)	(714,935)	(714,935)
<b>Total, net</b>	<b>3,273,599</b>	<b>3,273,599</b>	<b>2,969,264</b>	<b>2,969,264</b>

<sup>(\*)</sup> Equity effect also includes profit or loss effect of 10% depreciation of TL against related currencies.

#### 4 Management of insurance and financial risk (continued)

##### 4.2 Management of financial risk (continued)

###### Market risk (continued)

###### Exposure to interest rate risk

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

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

	31 December 2016	31 December 2015
<b>Financial assets</b>		
<b>Financial assets with fixed interest rates:</b>	<b>1,127,156,528</b>	<b>1,122,595,981</b>
Cash at banks (Note 14)	1,115,405,612	984,451,410
Available for sale financial assets – Government bonds – TL (Note 11)	8,340,396	133,614,651
Available for sale financial assets – Private sector bonds – TL (Note 11)	3,410,520	4,529,920
<b>Financial assets with variable interest rate:</b>	<b>31,124,758</b>	<b>84,618,013</b>
Available for sale financial assets – Government bonds– TL (Note 11)	7,711,796	8,128,488
Available for sale financial assets – Private sector bonds – TL (Note 11)	23,412,962	76,489,525
<b>Financial Liabilities:</b>		
<b>Financial liabilities with fixed interest rate:</b>	--	<b>86,678,332</b>
Funds from repo transactions (Note 20)	--	86,678,332

###### Interest rate sensitivity of the financial instruments

Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income as at and for 31 December 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.

	Profit or Loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 December 2016</b>				
Available for sale financial assets	--	--	(481,922)	501,590
<b>Total, net</b>	--	--	<b>(481,922)</b>	<b>501,590</b>

	Profit or Loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 December 2015</b>				
Available for sale financial assets	--	--	(2,981,643)	2,981,643
<b>Total, net</b>	--	--	<b>(2,981,643)</b>	<b>2,981,643</b>

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

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

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

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

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

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

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

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

	31 December 2016			Total
	Level 1	Level 2	Level 3	
<b>Financial assets:</b>				
Available for sale financial assets (Note 11) <sup>(*)</sup>	367,898,399	11,089,363	--	378,987,762
Subsidiaries (Note 9) <sup>(**)</sup>	550,176,203	--	--	550,176,203
<b>Total financial assets</b>	<b>918,074,602</b>	<b>11,089,363</b>	<b>--</b>	<b>929,163,965</b>

<sup>(\*)</sup> As at 31 December 2016, securities that are not publicly traded amounting to TL 504,107 have been measured at cost.

<sup>(\*\*)</sup> As at 31 December 2016, subsidiaries that are not publicly traded amounting to TL 1,092,707 have been measured at cost.

**4 Management of insurance and financial risk (continued)**

**4.2 Management of financial risk (continued)**

**Market risk (continued)**

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

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

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

*Equity share price risk*

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

The effect of changes in fair values of the associates and the available-for-sale financial assets on equity that is resulted from the fluctuations on index (all of the other variables are assumed to be fixed) are as follows as at 31 December 2016 and 2015.

	Change in index	31 December 2016	31 December 2015
Market price of equity	10%	63,389,908	53,165,354

**4 Management of insurance and financial risk (continued)**

**4.2 Management of financial risk (continued)**

**Market risk (continued)**

**Gain and losses from financial assets**

<i>Gains and losses recognized in the statement of income, net:</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (Note 15)	1,852,412	3,198,617
Interest income from bank deposits	96,902,888	74,986,352
Interest income from debt securities classified as available-for-sale financial assets	14,973,147	20,457,518
Income from equity shares	8,334,581	10,368,915
Foreign exchange gains	50,478,175	39,769,808
Interest income from debt securities classified as held for trading financial assets	--	360,987
Income from investment funds	17,943,279	9,308,317
Interest income from repos	790,231	724,800
Income from derivative transactions	--	66,500
Income from subsidiaries	3,251	12,039,179
Other	--	31,631,098
<b>Investment income</b>	<b>191,277,964</b>	<b>202,912,091</b>
Loss from derivative transactions	--	--
Foreign exchange losses	(11,234,726)	(6,826,180)
Loss from disposal of financial assets	(1,964,332)	(1,410,932)
Investment management expenses (including interest)	(3,874,438)	(2,121,010)
<b>Investment expenses</b>	<b>(17,073,496)</b>	<b>(10,358,122)</b>
<b>Investment income, net</b>	<b>174,204,468</b>	<b>192,553,969</b>
<i>Gains and losses recognized in the statement of equity, net:</i>	<b>31 December 2016</b>	<b>31 December 2015</b>
Fair value changes in available for sale financial assets (Note 15)	100,187,475	25,619,501
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (Note 15)	(1,852,412)	(3,198,617)
<b>Total</b>	<b>98,335,063</b>	<b>22,420,884</b>

## **4 Management of 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 unconsolidated 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.

## **5 Segment reporting**

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

As at 31 December 2016, the Company operates in life and non-life branches and is not required to present segment reporting since its debt or equity instruments are not traded in a public market.

## 6 Tangible assets

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

	1 January 2016	Additions	Foreign currency translation effect <sup>(*)</sup>	Disposals	Revaluation surplus	31 December 2016
<b>Cost:</b>						
Investment properties (Note 7)	270,568,050	--	--	--	55,521,950	326,090,000
Owner occupied land and buildings	147,116,950	90,773	--	--	707,277	147,915,000
Furniture and fixtures	4,955,519	525,382	135,757	(37,718)	--	5,578,940
Motor vehicles	1,239,468	510,108	110,615	(747,089)	--	1,113,102
	<b>423,879,987</b>	<b>1,126,263</b>	<b>246,372</b>	<b>(784,807)</b>	<b>56,229,227</b>	<b>480,697,042</b>
<b>Accumulated depreciation:</b>						
Self-used buildings	153,823	460,287	--	--	(577,291)	36,819
Furniture and fixtures	3,252,981	604,822	105,968	(36,146)	--	3,927,625
Motor vehicles	1,092,791	108,113	99,848	(619,791)	--	680,961
	<b>4,499,595</b>	<b>1,173,222</b>	<b>205,816</b>	<b>(655,937)</b>	<b>(577,291)</b>	<b>4,645,405</b>
<b>Carrying amounts</b>	<b>419,380,392</b>					<b>476,051,637</b>

(\*) 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	Foreign currency translation effect <sup>(*)</sup>	Disposals	Revaluation surplus	31 December 2015
<b>Cost:</b>						
Investment properties (Note 7)	194,364,045	--	--	--	76,204,005	270,568,050
Owner occupied land and buildings <sup>(**)</sup>	31,962,582	--	--	--	115,154,368	147,116,950
Furniture and fixtures	3,925,734	1,039,060	125,653	(134,928)	--	4,955,519
Motor vehicles	1,312,210	--	106,473	(179,215)	--	1,239,468
	<b>231,564,571</b>	<b>1,039,060</b>	<b>232,126</b>	<b>(314,143)</b>	<b>191,358,373</b>	<b>423,879,987</b>
<b>Accumulated depreciation:</b>						
Self-used buildings	13,195,225	585,090	--	--	(13,626,492)	153,823
Furniture and fixtures	2,602,542	645,960	62,879	(58,400)	--	3,252,981
Motor vehicles	1,050,783	154,041	67,182	(179,215)	--	1,092,791
	<b>16,848,550</b>	<b>1,385,091</b>	<b>130,061</b>	<b>(237,615)</b>	<b>(13,626,492)</b>	<b>4,499,595</b>
<b>Carrying amounts</b>	<b>214,716,021</b>					<b>419,380,392</b>

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

(\*\*) Self-used buildings have been presented with fair values in the financial statements starting from 30 September 2015, previously they were presented with their historical cost.

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



## 6 Tangible assets (continued)

As of 31 December 2016 and 2015, the fair values (excluding VAT) and net carrying values of self-used buildings 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 Building	December 2016	147,915,000	147,878,181	146,963,127
<b>Total</b>		<b>147,915,000</b>	<b>147,878,181</b>	<b>146,963,127</b>

### *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 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 55,521,950 amount of value in 2016 in the context of expertise report prepared by independent professional valuation specialists authorized by Capital Markets Board of Turkey. From investment property, TL 14,266,849 amount of rent income is obtained from investment properties in the current accounting period (31 December 2015: TL 12,968,850)

As at 31 December 2016, inflation adjusted cost and fair value amounts of the Company's investment properties are amounting to TL 326,090,000 (31 December 2015: TL 270,568,050).

Expertise reports regarding these properties is prepared by CMB licensed real estate appraisal companies. There is not any mortgage on related property.

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
Çifteler Land	5,000	5,000	December 2016	5,000
Villa Office Block	42,800,000	39,000,000	December 2016	42,800,000
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
Operating Center Rental Offices	160,085,000	127,883,050	December 2016	160,085,000
<b>Carrying amounts</b>	<b>326,090,000</b>	<b>270,568,050</b>		<b>326,090,000</b>

### *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	Foreign currency translation effects <sup>(*)</sup>	Disposal	31 December 2016
<b>Cost:</b>					
Other intangible assets	4,448,929	579,594	377,264	--	5,405,787
Advances on intangible fixed assets <sup>(**)</sup>	5,538,364	6,845,093	--	--	12,383,457
	<b>9,987,293</b>	<b>7,424,687</b>	<b>377,264</b>	<b>--</b>	<b>17,789,244</b>
<b>Accumulated amortization:</b>					
Other intangible assets	2,399,309	543,665	376,837	--	3,319,811
	<b>2,399,309</b>	<b>543,665</b>	<b>376,837</b>	<b>--</b>	<b>3,319,811</b>
<b>Carrying amounts</b>	<b>7,587,984</b>				<b>14,469,433</b>

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

(\*\*) Given referring to reinsurance computer software.

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

	1 January 2015	Additions	Foreign currency translation effects <sup>(*)</sup>	Disposal	31 December 2015
<b>Cost:</b>					
Other intangible assets	2,666,031	1,420,232	362,666	--	4,448,929
Advances on intangible fixed assets <sup>(**)</sup>	--	5,538,364	--	--	5,538,364
	<b>2,666,031</b>	<b>6,958,596</b>	<b>362,666</b>	<b>--</b>	<b>9,987,293</b>
<b>Accumulated amortization:</b>					
Other intangible assets	1,879,643	158,394	361,272	--	2,399,309
	<b>1,879,643</b>	<b>158,394</b>	<b>361,272</b>	<b>--</b>	<b>2,399,309</b>
<b>Carrying amounts</b>	<b>786,388</b>				<b>7,587,984</b>

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

(\*\*) Given referring to reinsurance computer software.

## 9 Investments in associates

	31 December 2016		31 December 2015	
	Carrying value	Participation rate %	Carrying value	Participation rate %
Anadolu Sigorta	550,176,203	57.31	444,152,664	57.31
Miltaş Turizm İnşaat Ticaret Anonim Şirketi	1,092,707	77.00	1,092,707	77.00
<b>Subsidiaries, net</b>	<b>551,268,910</b>		<b>445,245,371</b>	
<b>Financial asset total</b>	<b>551,268,910</b>		<b>445,245,371</b>	

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the year	Audited	Period
<b>Subsidiaries:</b>						
Miltaş Turizm İnşaat Ticaret AŞ	4,239,546	3,957,638	--	124,231	Not Audited	31 December 2016
Anadolu Sigorta <sup>(*)</sup>	5,720,082,153	969,089,194	70,926,240	102,118,697	Audited	31 December 2016

(\*) Consolidated financial information as at 31 December 2016 of Anadolu Sigorta has been presented.

## 10 Reinsurance assets and liabilities

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

Reinsurance assets	31 December 2016	31 December 2015
Receivables from reinsurance companies (Note 12)	15,773,710	16,292,221
Cash deposited to reinsurance companies	19,134,057	16,987,330
Provision for outstanding claims, ceded (Note 4.2), (Note 17)	42,666,787	25,358,546
Reserve for unearned premiums, ceded (Note 17)	6,276,404	8,311,202
<b>Total</b>	<b>83,850,958</b>	<b>66,949,299</b>

There is no impairment losses recognized for reinsurance assets.

Reinsurance liabilities	31 December 2016	31 December 2015
Deferred commission income (Note 19)	449,504	362,614
<b>Total</b>	<b>449,504</b>	<b>362,614</b>

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

	31 December 2016	31 December 2015
Premiums ceded during the period (Note 17)	(98,893,523)	(115,771,729)
Reserve for unearned premiums, ceded at the beginning of the period (Note 17)	(8,311,202)	(7,038,046)
Reserve for unearned premiums, ceded at the end of the period (Note 17)	6,276,404	8,311,202
<b>Premiums earned, ceded (Note 17)</b>	<b>(100,928,321)</b>	<b>(114,498,573)</b>
Claims paid, ceded during the period (Note 17)	18,215,094	17,208,782
Provision for outstanding claims, ceded at the beginning of the period (Note 17)	(25,358,546)	(16,271,938)
Provision for outstanding claims, ceded at the end of the period (Note 17)	42,666,787	25,358,546
<b>Claims incurred, ceded (Note 17)</b>	<b>35,523,335</b>	<b>26,295,390</b>
Commission income accrued from reinsurers during the period (Note 32)	1,287,307	1,346,191
Deferred commission income at the beginning of the period (Note 19)	362,614	445,382
Deferred commission income at the end of the period (Note 19)	(449,504)	(362,614)
<b>Commission income earned from reinsurers (Note 32)</b>	<b>1,200,417</b>	<b>1,428,959</b>
<b>Changes in provision for outstanding claims, reinsurers' share (Note 17)</b>	<b>(97,559)</b>	<b>(888,882)</b>
<b>Total, net</b>	<b>(64,302,128)</b>	<b>(87,663,106)</b>

## 11 Financial assets

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

	31 December 2016	31 December 2015
Available for sale financial assets	386,347,109	477,908,745
Impairment loss on available for sale financial assets	(6,855,240)	--
<b>Total</b>	<b>379,491,869</b>	<b>477,908,745</b>

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

	31 December 2016			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds – TL	16,500,000	17,752,529	16,052,192	16,052,192
Private sector bonds – TL	32,979,000	32,979,000	33,678,722	33,678,722
Impairment loss on private sector bonds			(6,855,240)	(6,855,240)
	<b>49,479,000</b>	<b>50,731,529</b>	<b>42,875,674</b>	<b>42,875,674</b>
<i>Non-fixed income financial assets:</i>				
Equity shares		59,067,373	84,226,985	84,226,985
Investment funds		249,366,318	252,389,210	252,389,210
		<b>308,433,691</b>	<b>336,616,195</b>	<b>336,616,195</b>
<b>Total available-for-sale financial assets</b>	<b>49,479,000</b>	<b>359,165,220</b>	<b>379,491,869</b>	<b>379,491,869</b>
<b>31 December 2015</b>				
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds – TL	143,796,999	146,059,445	141,743,139	141,743,139
Private sector bonds - TL	79,034,800	78,959,454	81,019,445	81,019,445
	<b>222,831,799</b>	<b>225,018,899</b>	<b>222,762,584</b>	<b>222,762,584</b>
<i>Non-fixed income financial assets:</i>				
Equity shares		57,514,333	87,500,877	87,500,877
Investment funds		165,786,834	167,645,284	167,645,284
		<b>223,301,167</b>	<b>255,146,161</b>	<b>255,146,161</b>
<b>Total available-for-sale financial assets</b>	<b>222,831,799</b>	<b>448,320,066</b>	<b>477,908,745</b>	<b>477,908,745</b>

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 504,107 are not publicly traded (31 December 2015: TL 504,107).

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

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	98,335,063	189,009,992
2015	22,420,884	90,674,929
2014	42,623,127	68,254,045

## 11 Financial assets (continued)

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

	31 December 2016			Carrying value
	Face value	Cost	Fair value	
Available for sale financial assets – Equity shares		55,264,170	81,396,292	81,396,292
Available for sale financial assets – Investment funds		249,366,318	252,389,210	252,389,210
<b>Total</b>		<b>304,630,488</b>	<b>333,785,502</b>	<b>333,785,502</b>

  

	31 December 2015			Carrying value
	Face value	Cost	Fair value	
Available for sale financial assets – Private sector bonds	3,100,000	3,100,000	3,157,102	3,157,102
Available for sale financial assets – Investment funds		49,352,135	80,822,633	80,822,633
Available for sale financial assets – Equity shares		136,291,750	136,556,466	136,556,466
<b>Total</b>		<b>188,743,885</b>	<b>220,536,201</b>	<b>220,536,201</b>

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

	31 December 2016	
	Available-for-sale	Total
<b>Balance at the beginning of the period</b>	<b>477,908,745</b>	<b>477,908,745</b>
Unrealized exchange differences on financial assets	--	--
Acquisitions during the period	441,427,489	441,427,489
Disposals (sale and redemption)	(558,559,879)	(558,559,879)
Change in the fair value of financial assets	9,448,284	9,448,284
Change in amortized cost of the financial assets	3,355,195	3,355,195
Bonus shares acquired	5,912,035	5,912,035
<b>Balance at the end of the period</b>	<b>379,491,869</b>	<b>379,491,869</b>

  

	31 December 2015		
	Trading	Available-for-sale	Total
<b>Balance at the beginning of the period</b>	<b>5,952,187</b>	<b>484,276,534</b>	<b>490,228,721</b>
Unrealized exchange differences on financial assets	--	--	--
Acquisitions during the period	--	555,614,361	555,614,361
Disposals (sale and redemption)	(6,181,114)	(595,064,697)	(601,245,811)
Change in the fair value of financial assets	228,927	33,560,566	33,789,493
Change in amortized cost of the financial assets	--	(5,582,883)	(5,582,883)
Bonus shares acquired	--	5,104,864	5,104,864
<b>Balance at the end of the period</b>	<b>--</b>	<b>477,908,745</b>	<b>477,908,745</b>

## 12 Loans and receivables

	31 December 2016	31 December 2015
Receivables from main operations (Note 4.2)	162,954,919	181,305,786
Prepaid taxes and funds (Note 19)	10,488,911	11,292,292
Other receivables (Note 4.2)	1,663,239	605,367
Other current asset	--	2,042
<b>Total</b>	<b>175,107,069</b>	<b>193,205,487</b>
Short-term receivables	175,107,069	193,205,487
Medium and long-term receivables	--	--
<b>Total</b>	<b>175,107,069</b>	<b>193,205,487</b>

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	48,669,628	52,193,561
Receivables from agencies, brokers and intermediaries	47,962,366	49,290,731
Receivables from reinsurance companies (Note 10)	15,773,710	16,292,221
<b>Total receivables from insurance operations, net</b>	<b>112,405,704</b>	<b>117,776,513</b>
Cash deposited to insurance and reinsurance companies	50,549,215	63,529,273
Doubtful receivables from main operations	16,864,610	14,233,146
Provision for doubtful receivables from main operations	(16,864,610)	(14,233,146)
<b>Receivables from main operations</b>	<b>162,954,919</b>	<b>181,305,786</b>

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	8,100,829	7,322,980
Mortgage notes	--	2,041
Other guarantees received	1,950,000	--
<b>Total</b>	<b>10,050,829</b>	<b>7,325,021</b>

### Provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 16,864,610 for main operations (31 December 2015: TL 14,233,146) and TL 53,177 (31 December 2015: TL 63,177) for other receivables.

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

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

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

### 13 Derivative financial assets

As at 31 December 2016 and 2015, the Company does not have any derivative financial instruments.

### 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	17,446	34,971	34,971	16,329
Bank deposits	1,123,257,588	991,963,515	991,963,515	742,177,130
Cheques received	1,950,000	--	--	--
<b>Cash and cash equivalents in the balance sheet</b>	<b>1,125,225,034</b>	<b>991,998,486</b>	<b>991,998,486</b>	<b>742,193,459</b>
Bank deposits – blocked	(500)	(500)	(500)	(500)
Time deposits with maturities longer than 3 months	(104,733,974)	(356,545,936)	(356,545,936)	(79,404,377)
Interest accruals on bank deposits	(6,427,800)	(2,034,204)	(2,034,204)	(2,654,755)
<b>Cash and cash equivalents presented in the statement of cash flows</b>	<b>1,014,062,760</b>	<b>633,417,846</b>	<b>633,417,846</b>	<b>660,133,827</b>

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

	31 December 2016	31 December 2015
Foreign currency denominated bank deposits		
- time deposits	259,793,631	208,369,605
- demand deposits	7,714,663	7,496,092
Bank deposits in Turkish Lira		
- time deposits	855,611,981	776,081,805
- demand deposits	137,313	16,013
<b>Cash at banks</b>	<b>1,123,257,588</b>	<b>991,963,515</b>

## 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
<b>Paid in capital</b>	<b>660,000,000</b>	<b>100.00</b>	<b>660,000,000</b>	<b>100.00</b>

(\*) 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 Company is TL 660,000,000 (31 December 2015: TL 660,000,000) and the share capital of the Company 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 Company.

The Company has 1,000 registered and bonus founder shares. The only right of Founder Shares is getting dividend. Founder Shares might be purchased back by the Company according to the decision of the General Assembly after the 5<sup>th</sup> 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 6<sup>th</sup> 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 Company itself or by its subsidiaries or associates.

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



## 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
<b>Legal reserves at the beginning of the period</b>	49,622,694	49,622,694
Transfer from profit	5,912,709	--
<b>Legal reserves at the end of the period</b>	<b>55,535,403</b>	<b>49,622,694</b>

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

### Extraordinary reserves

The movement of extraordinary reserves is as follows:

	31 December 2016	31 December 2015
<b>Extraordinary reserves at the beginning of the period</b>	12,899	12,899
Amount for capital increase	42,698,436	--
Acquisition of the founding stocks (*)	(27,166,000)	--
<b>Extraordinary reserves at the end of the period</b>	<b>15,545,335</b>	<b>12,899</b>

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

### Other profit reserves

According to revision on TAS 19, actuarial profit and losses that recognized in income statement in termination indemnity calculation before, is recognized in "Other Profit Reserves" account under equity in current period financial statements. The amount of TL (1,024,260) (31 December 2015: TL (660,733)) regarding actuarial calculation is presented in other profit reserves account, in calculation of termination indemnity as of 31 December 2016.

Movement of other profit reserves is presented below:

	31 December 2016	31 December 2015
<b>Other profit reserves at the beginning of the period</b>	(660,733)	(285,578)
Actuarial gains/losses	(363,527)	(375,155)
<b>Other profit reserves at the end of the period</b>	<b>(1,024,260)</b>	<b>(660,733)</b>

### 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, there are no funds allocated in this manner (31 December 2015: None).

## 15 Equity (continued)

### 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 loss amounting to TL (26,027,092) (31 December 2015: TL (19,573,401) loss) stems from Singapore Branch whose functional currency is US Dollars.

### Other capital reserves

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

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

According to expertise reports, fair value of property for use is calculated as TL 147,915,000 and revaluation differences amounted TL 130,065,426 TL is recognized in ‘Other Capital Reserves’ account under equity amounting to TL 123,562,155 with net tax effect in financial statements as of 31 December 2016 (31 December 2015: 122,341,816).

### Valuation of financial assets

As of 31 December 2016 and 2015 detailed change of fair value of marketable securities, debt securities and subsidiaries classified as available for sale financial assets is as following:

	31 December 2016	31 December 2015
<b>Fair value reserves at the beginning of the period</b>	<b>90,674,929</b>	<b>68,254,045</b>
Change in the fair value during the period (Note 4.2)	105,522,290	25,278,317
Deferred tax effect (Note 4.2)	(5,705,297)	(298,539)
Net gains transferred to the statement of income (Note 4.2)	(1,852,412)	(3,198,617)
Deferred tax effect (Note 4.2)	370,482	639,723
<b>Fair value reserves at the end of the period</b>	<b>189,009,992</b>	<b>90,674,929</b>

### Profit for the period that is extraneous from the distribution

In accordance with tax legislation, 75% of profits from sales of participation shares and real states included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years.

In the direction of sector announcement made by Treasury dated 27 October, 2008 and numbered 2008/41, the Company classified the gain on sale dated 10 April 2015 from the land in real estate amounting to TL 23,723,323 as of 31 December 2015.

## 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 Company 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 financial statements as mentioned in Note 2 – *Summary of significant accounting policies*.

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

	31 December 2016	31 December 2015
Reserve for unearned premiums, gross	377,386,975	404,344,069
Reserve for unearned premiums, ceded (Note 10)	(6,276,404)	(8,311,202)
<b>Reserves for unearned premiums, net</b>	<b>371,110,571</b>	<b>396,032,867</b>
Provision for outstanding claims, gross	1,002,018,769	866,350,659
Provision for outstanding claims, ceded (Note 10)	(42,666,787)	(25,358,546)
<b>Provision for outstanding claims, net</b>	<b>959,351,982</b>	<b>840,992,113</b>
Reserve for unexpired risks, gross	11,303,215	28,168,127
Reserve for unexpired risks, ceded (Note 10)	(181,283)	(278,842)
<b>Reserve for unexpired risks, net</b>	<b>11,121,932</b>	<b>27,889,285</b>
<b>Equalization provision, net</b>	<b>45,209,926</b>	<b>23,432,191</b>
<b>Mathematical provisions</b>	<b>165,157</b>	<b>491,937</b>
<b>Total technical provisions, net</b>	<b>1,386,959,568</b>	<b>1,288,838,393</b>
Short-term	1,341,749,642	1,265,406,202
Medium and long-term	45,209,926	23,432,191
<b>Total technical provisions, net</b>	<b>1,386,959,568</b>	<b>1,288,838,393</b>

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

Reserve for unearned premiums	31 December 2016		
	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the period	404,344,069	(8,311,202)	396,032,867
Premiums written during the period	929,965,931	(98,893,523)	831,072,408
Premiums earned during the period	(956,923,025)	100,928,321	(855,994,704)
<b>Reserve for unearned premiums at the end of the period</b>	<b>377,386,975</b>	<b>(6,276,404)</b>	<b>371,110,571</b>
Reserve for unearned premiums	31 December 2015		
	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the period	366,997,830	(7,038,046)	359,959,784
Premiums written during the period	996,757,231	(115,771,729)	880,985,502
Premiums earned during the period	(959,410,992)	114,498,573	(844,912,419)
<b>Reserve for unearned premiums at the end of the period</b>	<b>404,344,069</b>	<b>(8,311,202)</b>	<b>396,032,867</b>

**17 Insurance liabilities and reinsurance assets (continued)**

Provision for outstanding claims	31 December 2016		
	Gross	Ceded	Net
Provision for outstanding claims at the beginning of the period	866,350,659	(25,358,546)	840,992,113
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	708,089,035	(35,523,335)	672,565,700
Claims paid during the period	(572,420,925)	18,215,094	(554,205,831)
<b>Provision for outstanding claims at the end of the period</b>	<b>1,002,018,769</b>	<b>(42,666,787)</b>	<b>959,351,982</b>

  

Provision for outstanding claims	31 December 2015		
	Gross	Ceded	Net
Provision for outstanding claims at the beginning of the period	756,531,339	(16,271,938)	740,259,401
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	773,801,448	(26,295,390)	747,506,058
Claims paid during the period	(663,982,128)	17,208,782	(646,773,346)
<b>Provision for outstanding claims at the end of the period</b>	<b>866,350,659</b>	<b>(25,358,546)</b>	<b>840,992,113</b>

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

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

**Total amount of insurance risk on a branch basis**

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

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

None.

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

None.

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

None.

**Pension investment funds established by the Company and their unit prices**

None.

**Number and amount of participation certificates in portfolio and circulation**

None.

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

None.

**Valuation methods used in profit share calculation for saving life contracts with profit sharing**

None.

**17 Insurance liabilities and reinsurance assets (continued)**

**Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups**

None.

**Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from other insurance companies during the year**

None.

**Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio to private pension portfolio during the year**

None.

**Distribution of individual and group participants which were cancelled or transferred to other insurance companies in terms of their numbers and gross and net contributions**

None.

**Profit share distribution rate of life insurances**

None.

**Deferred commission expenses**

The Company capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As at 31 December 2016, short-term deferred expenses amounting to TL 92,601,447 (31 December 2015: TL 100,548,550) totally consist of deferred commission expenses.

As at 31 December 2016 and 2015, the movement of deferred commission expenses is presented below:

	31 December 2016	31 December 2015
Deferred commission expenses at the beginning of the period	100,548,550	92,115,629
Commissions accrued during the period (Note 32)	221,619,306	237,519,964
Commissions expensed during the period (Note 32)	(229,566,409)	(229,087,043)
<b>Deferred commission expenses at the end of the period</b>	<b>92,601,447</b>	<b>100,548,550</b>

**18 Investment contract liabilities**

None.

## 19 Trade and other payables and deferred income

	31 December 2016	31 December 2015
Payables arising from reinsurance operations	36,432,984	44,146,054
Short/long term deferred income and expense accruals	4,778,313	3,561,620
Taxes and other liabilities and similar obligations	1,453,431	1,673,213
Due to related parties (Note 45)	80,030	66,378
Other payables	2,941,103	2,229,087
<b>Total</b>	<b>45,685,861</b>	<b>51,676,352</b>
Short-term liabilities	45,685,861	51,633,019
Long-term liabilities	--	43,333
<b>Total</b>	<b>45,685,861</b>	<b>51,676,352</b>

As at 31 December 2016 and 2015, other payables largely consist of outsourced benefits and services.

Short/long term deferred income and expense accruals include deferred commission income (Note 10) amounting to TL 449,504 (31 December 2015: TL 362,614).

As at 31 December 2016, the amounting of the expense accruals TL 4,165,628 (31 December 2015: TL 2,989,356) are detailed in the table below.

	31 December 2016	31 December 2015
Dividend accrual	2,896,731	1,856,235
Other accruals	1,268,897	1,133,121
<b>Total</b>	<b>4,165,628</b>	<b>2,989,356</b>

Prepaid income and expense accruals are TL 163,181 (31 December 2015: TL 209,650) consist of long-term and short term other deferred income.

Corporate tax liabilities and prepaid taxes are disclosed below:

	31 December 2016	31 December 2015
Taxes paid during the year	14,047,755	11,292,292
Corporate tax liabilities	(3,558,844)	--
<b>Prepaid assets, net (Note 12)</b>	<b>10,488,911</b>	<b>11,292,292</b>

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

None.

## 20 Financial liabilities

The Company does not have any financial liabilities as of 31 December 2016 (31 December 2015: TL 86,678,332 repo).

## 21 Deferred tax

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)
Reserve for unexpired risks	2,224,386	5,577,857
Provision for the pension fund deficits	5,937,022	5,671,788
Deferred tax effect of current period tax losses	--	10,039,500
Equalization provision	3,908,023	253,684
Provisions for employee termination benefits	1,440,524	1,329,954
Valuation differences in financial assets	272,495	815,618
Provision for doubtful receivables	1,369,800	369,862
Time deposits	52,495	--
Personnel bonus accrual	567,768	360,012
Discount of receivables and payables	447,106	8,607
Amortization correction differences	(229,150)	(203,454)
Income accruals	(1,405,895)	(2,157,068)
Valuation differences in subsidiaries	(9,906,893)	(4,872,635)
Real estate valuation differences	(21,717,565)	(18,877,238)
<b>Deferred tax (liabilities)/assets, net</b>	<b>(17,039,884)</b>	<b>(1,683,513)</b>

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

	31 December 2016	31 December 2015
31 December 2016	--	50,197,498
<b>Deductible tax losses</b>	<b>--</b>	<b>50,197,498</b>

Movement of deferred tax assets are given below:

Movement of deferred tax (assets) / liabilities:	31 December 2016	31 December 2015
<b>Opening balance at 1 January</b>	<b>(1,683,513)</b>	<b>14,006,036</b>
Recognised in profit or loss	(9,677,726)	(9,045,756)
Recognised in equity	(5,678,645)	(6,643,793)
<b>Deferred tax (assets) / liabilities:</b>	<b>(17,039,884)</b>	<b>(1,683,513)</b>

## 22 Retirement benefit obligations

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

As per the provisional article No: 23 of the Banking Law No: 5411, pension funds of the banks which were established within the framework of Social Security Institution Law, should be transferred to the Social Security Institution within three years after the publication of the prevailing Banking Law enacted on 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 2007/33 and dated 22 March 2007. The justified decision of Supreme Court is published in Official Gazette dated 15 December 2007 and numbered 26731. 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 4<sup>th</sup> article of this act changed “two years” phrase as “four years” which takes part on second sentence of first clause of 20<sup>th</sup> 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 20<sup>th</sup> 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 20<sup>th</sup> temporary article of the Social Security Laws numbered 5510, the Council of Ministers postpone transfer of the funds until 8 May 2015 with the decision of The Council of Ministers dated 24 February 2014.

Lastly, first paragraph of temporary 20<sup>th</sup> 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 Institution’s turnover date for banks, assurance and reinsurance companies, chamber of commerce and industry, stock markets or pension fund’ partnerships that is constituted by them for union employees along with monthly income endowed people and their rights holder within the scope of 506 numbered law’ provisional 20. Article. As part of this law’ 4. article’ first sub-article’ (a) clause, pension fund partnerships are counted as insured as of the turnover date.”

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

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

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

- a) technical deficit rate of 9.8% shall be used in the actuarial calculation of the value in cash, and
- b) uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by the entities who transfer the funds.



## 22 Retirement benefit obligations (continued)

In accordance with the law; after fund affiliates along with monthly salary and/or revenue endowed people and their rights holder transfer to Social Security Institution, these people' uncovered social rights and payments is paid, even if it is written in the foundation's obligation which they are belong to, by funds and fund affiliate's employer institutions.

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

The technical financial position of the Milli Reasürans Pension Fund is audited by the registered actuary in accordance with the Article 21 of the Insurance Law and Actuary Act. As per the calculations based on the above mentioned assumptions, actuarial and technical deficit amounting to TL 29,685,112 (31 December 2015: TL 28,358,939) is accounted as "Provision for pension fund deficits" in the accompanying unconsolidated financial statements.

An actuarial report has been obtained from registered actuary regarding calculation of the amount to be paid to the Social Security Institution by the Company in accordance with the new law. The CSO 1980 mortality table and 9.8% of technical deficit interest rate are taken into account in the calculation of the said technical deficit. No real increase / decrease is anticipated in salary and health expenses. The health benefits to be paid will be considered by the Group management due to the changes in the Social Security Institution legislation and other regulations. At 31 December 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
<b>Net present value of total liabilities other than health</b>	<b>(82,724,437)</b>	<b>(74,693,517)</b>
Net present value of health liabilities	(12,841,513)	(11,172,968)
Net present value of health premiums	12,625,747	9,681,587
<b>Net present value of health liabilities</b>	<b>(215,766)</b>	<b>(1,491,381)</b>
<b>Pension fund assets</b>	<b>53,255,091</b>	<b>47,825,959</b>
<b>Amount of actuarial and technical deficit</b>	<b>(29,685,112)</b>	<b>(28,358,939)</b>

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
<b>Total plan assets</b>	<b>53,255,091</b>	<b>47,825,959</b>

## 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	7,202,618	6,649,770
<b>Total provision for other risks</b>	<b>36,887,730</b>	<b>35,008,709</b>

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	6,649,770	5,804,554
Interest cost (Note 47)	477,252	428,118
Service cost (Note 47)	426,533	405,492
Payments during the period (Note 47)	(805,346)	(457,337)
Actuarial differences	454,409	468,943
<b>Provision at the end of the period</b>	<b>7,202,618</b>	<b>6,649,770</b>

## 24 Net insurance premium

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

## 25 Fee revenue

None.

## 26 Investment income

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

## 27 Net income accrual on financial assets

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

## 28 Asset held at fair value through profit or loss

Presented in “Note 4.2 – Financial Risk Management”.

## 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)	(546,199,418)	(6,111,970)	(640,661,376)
Changes in provision for outstanding claims, net off reinsurers' share	(2,448,530)	(115,911,339)	(463,503)	(100,269,209)
Changes in reserve for unearned premium, net off reinsurers' share	(575,291)	25,497,587	(392,924)	(35,680,159)
Changes in reserve for unexpired risks, net off reinsurers' share	--	16,767,353	--	13,259,544
Change in equalization provision, net off reinsurers' share	(583,585)	(21,194,150)	(199,272)	(728,774)
Change in life mathematical provisions, net off reinsurers' share	71,202	255,578	131,983	(255,578)
<b>Total</b>	<b>(11,542,617)</b>	<b>(640,784,389)</b>	<b>(7,035,686)</b>	<b>(764,335,554)</b>

## 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	220,714,038	8,950,911	220,136,132
Commissions to the intermediaries accrued during the period (Note 17)	8,813,177	212,806,129	8,863,918	228,656,046
Changes in deferred commission expenses (Note 17)	39,194	7,907,909	86,993	(8,519,914)
Employee benefit expenses (Note 33)	858,881	40,804,890	799,808	36,549,645
Foreign exchange losses	247,495	20,401,109	241,415	22,737,610
Administration expenses	224,534	11,541,357	217,634	10,733,188
Commission income from reinsurers (Note 10)	(16,469)	(1,183,948)	(76,340)	(1,352,619)
Commission income from reinsurers accrued during the period (Note 10)	(13,586)	(1,273,721)	(35,951)	(1,310,240)
Change in deferred commission income (Note 10)	(2,883)	89,773	(40,389)	(42,379)
Outsourced benefits and services	20,324	867,201	19,512	800,332
Other	32,550	8,116,914	29,513	9,267,033
<b>Total</b>	<b>10,219,686</b>	<b>301,261,561</b>	<b>10,182,453</b>	<b>298,871,321</b>

## 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	30,392,580	563,471	25,887,407
Employer's share in social security premiums	148,064	6,613,611	137,113	5,623,924
Pension fund benefits	86,930	3,798,699	99,224	5,038,314
<b>Total (Note 32)</b>	<b>858,881</b>	<b>40,804,890</b>	<b>799,808</b>	<b>36,549,645</b>

### 34 Financial costs

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

### 35 Income tax expense

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

	31 December 2016	31 December 2015
<i>Corporate tax expense:</i>		
Corporate tax provision	(3,558,844)	--
<i>Deferred taxes:</i>		
Origination and reversal of temporary differences	(9,677,726)	(9,045,756)
<b>Total income tax expense / (income)</b>	<b>(13,236,570)</b>	<b>(9,045,756)</b>

A reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company’s effective income tax rate for the year ended 31 December 2016 and 2015 is as follows:

	31 December 2016		31 December 2015	
		Tax rate		Tax rate
Profit before taxes	142,479,802	(%)	139,289,163	(%)
Taxes on income per statutory tax rate	28,495,960	20.00	27,857,833	20.00
Tax exempt income	(18,168,056)	(12.75)	(19,203,837)	(13.78)
Non-deductible expenses	2,908,666	2.04	391,761	0.28
<b>Total tax expense recognized in profit or loss</b>	<b>13,236,570</b>	<b>9.29</b>	<b>9,045,756</b>	<b>6.49</b>

### 36 Net foreign exchange gains

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

### 37 Earnings per share

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

	31 December 2016	31 December 2015
Net profit for the period	129,243,232	130,243,407
Weighted average number of shares	66,000,000,000	66,000,000,000
Earnings per share (TL)	0,00196	0,00197

## 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 2<sup>nd</sup> paragraph of 519<sup>th</sup> 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 520<sup>th</sup> 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 2<sup>nd</sup> paragraph of 519<sup>th</sup> 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 3<sup>rd</sup> paragraph of 519<sup>th</sup> article of Turkish Commercial Law are reserved.

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

As a result of the 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 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.

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 6<sup>th</sup> 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 unconsolidated statement of cash flows.

### **40 Convertible bonds**

None.

### **41 Redeemable preference shares**

None.

### **42 Risks**

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

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

### **43 Commitments**

In the normal course of its operations, the Company provides guarantee to ceding companies in the non-life branch as a reinsurance company and transfers insurance risks through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies.

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

<b>TL commitments</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Within one year	2,047,372	828,666
Between two to five years	170,614	897,722
More than 5 years	--	--
<b>Total of minimum rent payments</b>	<b>2,217,986</b>	<b>1,726,388</b>

### **44 Business combinations**

None.

## 45 Related party transactions

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

The related party balances as of 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Türkiye İş Bankası A.Ş.	746,908,324	709,729,211
Other	1,132	430
<b>Banks</b>	<b>746,909,456</b>	<b>709,729,641</b>
Equity shares of the related parties (Note 11)	81,396,292	80,822,633
Investment funds founded by İş Portföy Yönetimi A.Ş. (Note 11)	252,389,210	116,579,044
Investment funds founded by İş Yatırım Menkul Değerler A.Ş. (Note 11)	--	19,977,422
Bonds issued by İş Finansal Kiralama A.Ş. (Note 11)	--	3,157,102
<b>Financial assets</b>	<b>333,785,502</b>	<b>220,536,201</b>
Axa Sigorta A.Ş.	3,934,701	3,014,702
Anadolu Sigorta	3,014,702	7,565,788
Ziraat Sigorta A.Ş.	1,238,110	81,886
Anadolu Hayat Emeklilik	161,483	286,760
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
<b>Receivables from main operations</b>	<b>8,526,119</b>	<b>12,550,433</b>
Due to shareholders	66,287	53,738
Due to other related parties	13,743	12,640
<b>Due to related parties</b>	<b>80,030</b>	<b>66,378</b>
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
Groupama Sigorta A.Ş.	222,070	55,043
Axa Sigorta A.Ş.	35,723	50,953
İstanbul Umum Sigorta A.Ş.	30,112	--
Anadolu Hayat Emeklilik A.Ş.	2	40,403
<b>Payables from main operations</b>	<b>5,216,350</b>	<b>7,686,281</b>

#### 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 favour 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
Anadolu Sigorta	113,402,718	101,325,349
Axa Sigorta A.Ş.	36,740,520	48,212,402
Ziraat Sigorta A.Ş.	15,282,714	12,178,834
Groupama Sigorta A.Ş.	4,528,283	11,167,164
Ergo Sigorta A.Ş.	3,793,595	14,189,023
Allianz Sigorta A.Ş.	684,257	933,867
Anadolu Hayat Emeklilik A.Ş.	591,584	858,013
Ziraat Hayat ve Emeklilik A.Ş.	205,000	390,235
Güven Sigorta T.A.Ş.	21,639	315
<b>Premiums received</b>	<b>175,250,310</b>	<b>189,255,202</b>
Groupama Sigorta A.Ş.	28	3,800
İstanbul Umum A.Ş.	(3)	1
Allianz Sigorta A.Ş.	(29)	(34)
Axa Sigorta A.Ş.	(72)	2,172
Güven Sigorta T.A.Ş.	(80)	767
Anadolu Sigorta	(1,151)	10,030
Ergo Sigorta A.Ş.	(1,227)	12,902
<b>Premiums ceded</b>	<b>(2,534)</b>	<b>29,638</b>
Allianz Sigorta A.Ş.	(3)	1
Güven Sigorta T.A.Ş.	(1,285)	1,389
Axa Sigorta A.Ş.	(3,021)	3,037
Ergo Sigorta A.Ş.	(3,567)	5,134
Groupama Sigorta A.Ş.	(7,032)	7,659
Anadolu Sigorta	(12,153)	14,392
<b>Commissions received</b>	<b>(27,061)</b>	<b>31,612</b>
Anadolu Sigorta	22,257,301	21,562,258
Axa Sigorta A.Ş.	6,778,440	7,953,361
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
Güven Sigorta T.A.Ş.	(5)	(62,182)
<b>Commissions given</b>	<b>35,071,604</b>	<b>36,984,290</b>



45 Related party transactions (continued)

	31 December 2016	31 December 2015
Anadolu Sigorta	85,058,631	53,073,935
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
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
<b>Claims paid</b>	<b>128,582,327</b>	<b>140,363,025</b>
Güven Sigorta T.A.Ş.	38,868	95,107
Axa Sigorta A.Ş.	33,560	196,702
İstanbul Umum 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
Anadolu Sigorta	(90,154)	469,767
<b>Reinsurance's share of claims paid</b>	<b>(18,780)</b>	<b>1,190,081</b>
Ergo Sigorta A.Ş.	1,398,446	421,667
Axa Sigorta A.Ş.	625,977	690,593
Anadolu Sigorta	563,569	715,473
Allianz Sigorta A.Ş.	99,536	148,657
Ziraat Sigorta A.Ş.	67,728	49,556
Groupama Sigorta A.Ş.	22,475	273,437
Anadolu Hayat Emeklilik A.Ş.	2,532	10,326
<b>Other income</b>	<b>2,780,263</b>	<b>2,309,709</b>
Ergo Sigorta A.Ş.	1,467,669	358,197
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
Anadolu Sigorta	80,186	242,021
Ziraat Sigorta A.Ş.	9,925	13,525
Groupama Sigorta A.Ş.	7,017	125,132
Anadolu Hayat Emeklilik A.Ş.	178	1,918
Ziraat Hayat ve Emeklilik A.Ş.	--	506
<b>Other expenses</b>	<b>2,252,940</b>	<b>2,260,279</b>

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 rediscount and provision expenses are as follows:**

<b>Provision expenses</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Provision for pension fund deficits	(1,326,173)	(28,214)
Assessment	--	2,910,801
Diminution in value of financial investments	(6,855,240)	--
Provision expenses for doubtful receivables	(2,631,464)	(2,528,035)
Provision for employee termination benefits (Note 23)	(98,439)	(376,273)
Other	4,142	2,345
<b>Provisions</b>	<b>(10,907,174)</b>	<b>(19,376)</b>

  

	<b>31 December 2016</b>	<b>31 December 2015</b>
Rediscount income / (expense) from reinsurance receivables	2,561	(3,584)
Rediscount income / (expense) from reinsurance payables	547,549	(455,335)
<b>Total of rediscounts</b>	<b>550,110</b>	<b>(458,919)</b>