Aksigorta Anonim Şirketi

Financial statements together with independent auditors' report for the year ended December 31, 2016

Aksigorta Anonim Şirketi

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Aksigorta Anonim Şirketi
Independent auditors' report as of December 31, 2016

To the Board of Directors of Aksigorta Anonim Şirketi,

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Aksigorta A.Ş. ("the Company"), which comprise the statement of financial position as at December 31, 2016 and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Aksigorta A.Ş. as at December 31, 2016 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Turkey and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Estimates used in calculation of insurance liabilities and Liability Adequacy Test

As explained in Note 2.17 and 15, the Company has significant gross insurance liabilities of TL 2.045 million (TL 1.211 million – net) representing 73% of the Company's total equity and liabilities. For the estimation of the ultimate liability which is amounting to gross TL 1.046 million arising from claims accounted under insurance contracts, the Company uses actuarial methods. The choice of selected methods and development factors for each accident year of each class of business depends on the best estimate of the Company. This is an area that involves significant judgement based on actuarial techniques over uncertain future outcomes.

The Company's IFRS liability adequacy test is a key test performed in order to ensure that insurance contract liabilities, net of deferred acquisition cost, are adequate in the context of expected future cash outflows. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off Deferred Acquisition Costs (DAC) and by subsequently establishing a provision for losses arising from liability adequacy tests.

We engaged our actuarial specialists to assist us in performing the audit procedures in this area, which included among others:

- Consideration of the appropriateness of assumptions used in the calculation of the calculating Incurred But Not Reported IBNR.
- Consideration of the appropriateness of assumptions for reserve projection calculations of Liability Adequacy Test (LAT).

We assessed the Company's validation of certain methods and development factors considered higher risk by the Company as a result of complexity and/or magnitude. For the assumption setting process, we assessed the experience analyses performed by the Company. Our assessments also included challenging, as necessary, specified economic and actuarial assumptions considering management's rationale for the actuarial judgements applied along with comparison to applicable industry experiences. We considered the appropriateness of actuarial judgements used in the actuarial methods, which may vary depending on the each class of business, and also the compliance of the methods with the applicable accounting standards. Furthermore we performed audit procedures regarding to completeness of input data used in calculation of the insurance contracts liabilities accurately. We tested the validity of management's liability adequacy testing which is a key test performed to check that the liabilities are adequate as compared to the expected future contractual obligations. We also assessed the adequacy of the disclosures regarding these liabilities in the financial statements to determine they were in accordance with IFRS.

Deferred Tax Assets

The Company has recorded net deferred tax assets in the financial statements resulting from temporary differences and losses carried forward as disclosed in note 17 of the financial statements. The Company recognizes these deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered. The probability of recovery is impacted by uncertainties regarding the likely timing and level of future taxable profits, together with tax planning strategies and the expiration date of losses.

Our audit procedures included, amongst others, evaluating assumptions and methodologies used by the Company to determine the recoverable amount per tax jurisdiction, involving our tax specialists. Furthermore, we ascertained that information used was derived from the Company's business plans that have been subject to internal reviews.

Tax Investigation related to the Banking and Insurance Transaction Tax

As explained in Note 33, as of June 24, 2014, Tax Inspection Board of T.C. Ministry of Finance has launched a limited tax investigation related to the Banking and Insurance Transaction Tax for the years 2009, 2010, 2011 and 2012 and as a consequence of the tax inspection, tax of TL 1,8 million and tax penalty of TL 2,8 million for the year 2009 , tax of TL 2 million and tax penalty of TL 3 million for the year 2010 , tax of TL 3 million and tax penalty of TL 4,6 million for the year 2011 and tax of TL 4,3 million and tax penalty of TL 6,4 million for the year 2012 and in total tax and tax penalty of TL 27,9 million related to Banking Insurance Transaction Tax were imposed to the Company. The Company has not booked any provision in the financial statements since it believes that its practice is in compliance with the regulations. On January 16, 2015, the Company filed a reconciliation request for the year 2009 and on February 20, 2015 filed a reconciliation request for the years 2010, 2011 and 2012 to the Large Taxpayers Office Commission of Reconciliation.

Our audit procedures included; using our tax and legal specialists to consider the level of provisions required in light of the nature of the Company's exposures and applicable regulations. We assessed relevant historical and recent judgements passed by the court authorities in considering any legal precedent or case law, as well as assessing legal opinions from lawyers. We also considered the adequacy of the Company's disclosures (in Note 33) made in relation to tax provisions and contingencies.

Other information included in The Company's 2016 Annual Report

Management is responsible for the other information. The other information comprises the information included in the annual report. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Management is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Seda Akkuş Tecer, SMMM
Partner

February 13, 2017
Istanbul, Turkey

Statement of financial position
as at December 31, 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Assets	Note	Audited December 31, 2016	Audited December 31, 2015
Total current assets		**2.720.121.494**	**2.246.962.125**
Cash and cash equivalents	6	451.153.119	413.271.914
Securities pledged under repurchase agreements	6, 29	30.045.425	138.031.848
Financial assets			
Debt securities:			
- Available for sale assets at company's risk	7	863.687.512	678.079.769
- Available for sale assets at insurees' risk	7	2.530.185	7.753.279
Premium receivables	8	395.918.459	345.182.203
Due from reinsurers	8	24.180.701	38.922.110
Reinsurance share of insurance liabilities	9	833.986.834	531.352.109
Deferred acquisition costs	10	74.244.366	64.793.992
Other assets	11	44.374.893	29.574.901
Total non-current assets		**89.245.109**	**107.779.565**
Tangible assets	12	28.001.832	26.539.317
Investment properties	13	80.126	80.126
Intangible assets	14	41.176.250	33.994.538
Financial assets			
Equity securities:			
- Available for sale	7	220.889	8.182.140
Deferred income tax assets	17	19.558.809	38.734.260
Other assets	11	207.203	249.184
Total assets		**2.809.366.603**	**2.354.741.690**

Liabilities	Note	Audited December 31, 2016	Audited December 31, 2015
Total current liabilities		**2.375.893.942**	**1.997.717.311**
Insurance liabilities	15	2.044.598.155	1.613.364.220
Payables to reinsurers	18	202.020.282	175.054.091
Obligations under repurchase agreements	29	30.031.438	137.458.200
Provisions for other liabilities and charges	16	36.839.062	20.687.893
Trade and other payables	18	62.405.005	51.152.907
Total non-current liabilities		**6.335.367**	**6.474.170**
Provision for retirement benefit obligation	19	6.335.367	6.474.170
Total equity		**427.137.294**	**350.550.209**
Shareholders' equity	20	306.000.000	306.000.000
Legal and other reserves	20	178.468.101	178.468.101
Actuarial loss arising from employee benefit	20	(3.472.406)	(3.744.443)
Hedging reserve	20	16.816.074	9.794.452
Available-for-sale investments fund	20	(7.203.045)	(5.945.992)
Retained earnings/(accumulated deficit)	20	(63.471.430)	(134.021.909)
Total equity and liabilities		**2.809.366.603**	**2.354.741.690**

The accompanying notes form an integral part of these financial statements.

Aksigorta A.Ş.

Income Statement
for the year ended December 31, 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Income Statement	Note	Audited January 1 – December 31, 2016	Audited January 1 – December 31, 2015
Insurance premium revenue	5, 22	1.731.109.333	1.621.729.491
Insurance premium ceded to reinsurers	5, 22	(704.819.317)	(491.520.104)
Net insurance premium revenue	5, 22	**1.026.290.016**	**1.130.209.387**
Investment income	24	107.429.420	95.029.264
Commission income	25	120.341.279	65.183.749
Other operating income	26	4.624.574	5.881.226
Net income		**1.258.685.289**	**1.296.303.626**
Insurance claims	23	(1.100.481.329)	(1.085.932.004)
Insurance claims recovered from reinsurers	23	431.348.581	184.615.793
Net insurance claims	5, 23	**(669.132.748)**	**(901.316.211)**
Commission expense	25	(314.327.196)	(281.118.459)
Expenses for marketing and administration	27	(143.940.956)	(129.494.108)
Other operating expenses	26	(50.154.984)	(17.703.078)
Insurance claims and expenses		**(1.177.555.884)**	**(1.329.631.856)**
Results of operating activities		**81.129.405**	**(33.328.230)**
Foreign exchange gain / (loss), net	28	7.087.373	14.250.875
Profit before tax		**88.216.778**	**(19.077.355)**
Income tax expense	17	(17.666.299)	925.472
Profit for the period		**70.550.479**	**(18.151.883)**
Earnings per share	21	**0,0023**	(0,0006)

The accompanying notes form an integral part of these financial statements.

Statement of comprehensive income
for the year ended December 31, 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Statement of comprehensive income	Note	Audited January 1 – December 31, 2016	Audited January 1 – December 31, 2015
Profit for the period		**70.550.479**	**(18.151.883)**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Change in available-for-sale financial assets fund, net off deferred tax	20	(1.257.053)	(5.107.875)
Cash flow hedging, net off deferred tax	20	7.021.622	8.456.398
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**5.764.569**	**3.348.523**
Other comprehensive income not being reclassified to profit or loss in subsequent periods:			
Actuarial loss, net off deferred tax	20	272.037	(2.784.353)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**272.037**	**(2.784.353)**
Other comprehensive income, net of tax		**6.036.606**	**564.170**
Total comprehensive income for the year, net of tax		**76.587.085**	**(17.587.713)**

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity
for the year ended December 31, 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

December 31, 2015									**Audited**
	Note	**Share capital**	**Available-for-sale investment funds**	**Revaluation fund**	**Legal reserves**	**Actuarial loss arising from employee benefit**	**Cash flow hedging**	**Retained earnings**	**Total**
Balances at December 31, 2014	20	**306.000.000**	**(838.117)**	**-**	**171.820.419**	**(960.089)**	**1.338.054**	**(85.262.544)**	**392.097.723**
Profit for the year		-	-	-	-	-	-	(18.151.883)	(18.151.883)
Transfer		-	-	-	6.647.682	-	-	(6.647.682)	-
Other comprehensive income		-	(5.107.875)	-	-	(2.784.353)	8.456.398	-	564.170
Total comprehensive income	**20**	**-**	**(5.107.875)**	**-**	**6.647.682**	**(2.784.353)**	**8.456.398**	**(24.799.565)**	**(17.587.713)**
Dividend payment		-	-	-	-	-	-	(23.959.800)	(23.959.800)
Balance at December 31, 2015		**306.000.000**	**(5.945.991)**	**-**	**178.468.101**	**(3.744.443)**	**9.794.452**	**(134.021.909)**	**350.550.209**

December 31, 2016									**Audited**
	Note	**Share capital**	**Available-for-sale investment funds**	**Revaluation fund**	**Legal reserves**	**Actuarial loss arising from employee benefit**	**Cash flow hedging**	**Retained earnings**	**Total**
Balance at December 31, 2015	**20**	**306.000.000**	**(5.945.992)**	**-**	**178.468.101**	**(3.744.443)**	**9.794.452**	**(134.021.909)**	**350.550.209**
		-	-	-	-	-	-		
Profit for the year		-	-	-	-	-	-	70.550.479	70.550.479
Transfer		-	-	-	-	-	-	-	-
Other comprehensive income		-	(1.257.053)	-	-	272.037	7.021.622	-	6.036.606
Total comprehensive income	**20**	**306.000.000**	**(1.257.053)**	**-**	**-**	**272.037**	**7.021.622**	**70.550.479**	**76.587.085**
Dividend payment	20	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at December 31, 2016	**20**	**306.000.000**	**(7.203.045)**	**-**	**178.468.101**	**(3.472.406)**	**16.816.074**	**(63.471.430)**	**427.137.294**

Statement of cash flows
for the year ended December 31, 2016
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

Cash Flow Statement	Note	Audited January 1 – December 31, 2016	Audited January 1 – December 31, 2015
Cash inflows from insurance operations		1.430.209.408	1.295.514.052
Cash outflows from insurance operations		(1.170.546.113)	(1.258.597.869)
Income tax payment		(11.855.334)	(5.241.964)
Cash inflows/(outflows) from operational expenses		(129.192.074)	141.972.337
Net cash flows from operating activities		**118.615.887**	**173.646.556**
Tangible and intangible asset acquisitions	12, 14	(22.449.275)	(19.923.315)
Financial asset acquisitions	7	(244.906.174)	(653.899.717)
Interest received	24	102.274.955	56.535.347
Other cash inflows/(outflows)		(23.100.292)	201.900.073
Net cash flows from investing activities		**(188.180.786)**	**(415.387.612)**
Dividends paid	20	-	(23.959.800)
Net cash flows from financing operations		**-**	**(23.959.800)**
Net increase/(decrease) in cash and cash equivalents		**(69.564.899)**	**(265.700.856)**
Cash and cash equivalents at the beginning of the period		**550.505.477**	**816.206.333**
Cash and cash equivalents at the end of the period	2.15, 6	**480.940.578**	**550.505.477**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

1. General Information

Aksigorta Anonim Şirketi ("the Company") is a subsidiary of Hacı Ömer Sabancı Holding A.Ş. and Ageas Insurance International N.V. as of December 31, 2016. 38.02% (December 31, 2015: 38.02%) of the Company is issued in Borsa İstanbul ("BİST") (Note 2.16).

Agreement about the sale of %50 of 18.965.880.200 units of Aksigorta A.Ş. shares with TL 189.658.802 nominal value that belong to H.Ö. Sabancı Holding ("Holding") portfolio was signed with Ageas Insurance International N.V. at 18 February 2011. At the date of 29 July 2011, 9.482.940.100 units of Aksigorta A.Ş. shares that correspond to %50 of the Holding' s portfolio have been transferred to Ageas Insurance International N.V. with the sale price (excluding the corrections) of USD 220.029.000. According to the joint administration agreement that signed with Ageas Insurance International N.V. at 18 February 2011, Holding's previous administrative controls over Aksigorta A.Ş. are going to remain equally with Ageas Insurance International N.V.

The Company is a corporation, which was established in accordance with the requirements of Turkish Commercial Code and registered in Turkey as at 25 April 1960. The Company is located at Poligon Cad. Buyaka 2 Sitesi No:8 Kule:1 Kat:0-6 Ümraniye 34771, İstanbul.

The Company's main operations include insurance activities based on non-life insurance branches, including primarily fire, marine, accident, personal accident, engineering, agriculture and health.

Average numbers of employees during the period by category are as follows:

	December 31, 2016	December 31, 2015
Top and middle management	111	117
Other personnel	493	560
Total	**604**	678

Remuneration and fringe benefits provided to top management such as; chairman and members of the board of directors, managing director and assistant managing directors amount to TL 5.218.318 in total for January 1 - December 31, 2016 (January 1 - December 31, 2015: TL 5.914.944).

Financial statements include only one company (Aksigorta A.Ş.) and the Company does not have any subsidiaries or affiliates as of December 31, 2016 (December 31, 2015: None).

The Company's financial statements as of December 31, 2016 are approved and authorized for issuance as of February 13, 2017 by the Board of Directors.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”). They have been prepared in accordance with those IFRS standards and IFRIC interpretations issued by the International Accounting Standards Board (“IASB”) and effective as at the time of preparing these financial statements. They have been prepared under the historical cost convention, as modified by the valuation of available for sale financial assets and financial assets at fair value through profit or loss.

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira (“TL”) in accordance with the Insurance Law numbered 5684 and the regulations issued for insurance and reinsurance companies by the Undersecretariat of Treasury which is also the functional currency of the Company. These financial statements are based on the statutory records, with adjustments and reclassifications, for the purpose of fair presentation in accordance with IFRS.

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise its judgements in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to financial statements are disclosed Note 3.

Comparative information and restatement of prior period financial statements

The Company’s statement of financial position as of December 31, 2016 is presented in comparison with its statement of financial position as of December 31, 2016; statement of comprehensive income, statement of changes in equity and statement of cash flows for the period between January 1 – December 31, 2016 are presented in comparison with its statement of comprehensive income, statement of changes in equity and statement cash flows for the period between January 1 – December 31, 2015.

2.2 Adoption of New and Revised Standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2016 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2016. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2016 are as follows:

IFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

IFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments did not have an impact on the financial position or performance of the Company.

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 and IAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments did not have an impact on the financial position or performance of the Company.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Amendment) – Bearer Plants

IAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in IAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)

IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:
• At cost
• In accordance with IFRS 9,
Or
• Using the equity method defined in IAS 28

IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

Amendments issued to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

IAS 1: Disclosure Initiative (Amendments to IAS 1)

Amendments issued to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. These amendments did not have significant impact on the notes to the consolidated financial statements of the Company.

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

Annual Improvements to IFRSs - 2012-2014 Cycle

IASB issued, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan

- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting – clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

These amendments did not have any impact on the financial position or performance of the Company.

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

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

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

Amendments issued to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. An entity shall apply those amendments prospectively. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

IFRS 15 Revenue from Contracts with Customers

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

Clarifications to IFRS 15 'Revenue from Contracts with Customers' **(Amendment)**

IASB has published final clarifications to IFRS 15 in April 2016. The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called ‘own credit’ issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

IFRS 16 Leases

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

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

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

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

IAS 7 Statement of Cash Flows (Amendments)

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Company/Group first applies those amendments, it is not required to provide comparative information for preceding periods. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:
a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

IFRS 4 Insurance Contracts (Amendments)

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

a. give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and

b. give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 Financial instruments until 2021. The entities that defer the application of IFRS 9 Financial instruments will continue to apply the existing financial instruments Standard—IAS 39.

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

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

The IASB issued amendments to IAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

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

The interpretation is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The interpretation is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

Annual Improvements to IFRSs - 2014-2016 Cycle

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

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

- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after January 1, 2017.

IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

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

2.3 Consolidation

The Company has no subsidiaries or joint ventures within the scope of consolidation in accordance with "IFRS 10– Consolidated Financial Statements" as of December 31, 2016 (December 31, 2015: None).

2.4 Segment reporting

Reporting segments are determined to conform to the reporting made to the Company's chief operating decision maker. The chief operating decision maker is responsible for making decisions about resources to be allocated to the segment and assess its performance. Details related to the segment reporting are disclosed in the Note 5.

2.5 Foreign currency translation

The functional currency of the Company is TL. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated to Turkish Lira at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of significant accounting policies (continued)

2.5 Foreign currency translation (continued)

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

Foreign exchange differences arising from the translation of non monetary financial assets and liabilities are considered as part of the fair value changes and those differences are accounted for in the accounts in which the fair value changes are accounted for.

Foreign currency assets and liabilities are converted by using period end exchange rates of Central Bank of the Republic of Turkey's bid rates. For the conversion of liabilities the exchange rate stated at the contract is used.

The Central Bank of the Republic of Turkey exchange rates used in the conversion is as follows:

	December 31, 2016		December 31, 2015	
	US Dollar / TL	**EUR / TL**	US Dollar / TL	Euro / TL
Bid Rates	**3,5192**	**3,7099**	2,9076	3,1776
Ask Rates	**3,5308**	**3,7222**	2,9128	2,1833

2.6 Tangible assets

All property and equipment are carried at cost less accumulated depreciation. Since lands have infinite life, they are not depreciated. Depreciation is calculated using the straight-line method over the estimated useful life of the tangible assets. For assets that are not ready for use or sale, such assets are depreciated, on the same basis used for other fixed assets, when they are ready to use.

Estimated useful life, residual value, and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

If there are indicators of impairment on tangible assets, a review is made in order to determine possible impairment and as a result of the review, if an asset's carrying amount is greater than its estimated recoverable amount, the asset's carrying amount is written down immediately to its recoverable amount by accounting for a provision for impairment. Gains and losses on disposals of property and equipment are included in other operational income and expenses accounts.

Assets acquired under finance lease are depreciated as the same basis as tangible assets or, where shorter, the term of the relevant lease.

Gain or loss arising on the disposal or retirement of an item of tangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized to profit or loss.

Depreciation periods for tangible assets are presented in the table below:

	Useful Life
Buildings	40 - 50 years
Vehicles	5 years
Fixtures	10 years
Leasehold Improvements	5 - 10 years

2. Summary of significant accounting policies (continued)

2.7 Investment properties

The buildings and lands of the Company held for the purpose of receiving rent or an increase in value or both instead of being used in the operations of the Company or being sold within the normal business course are classified as investment properties. The investment properties are carried at acquisition cost by deducting the accumulated depreciation. Investment properties are amortised by the straight-line method over their estimated useful lives. If there are indicators of impairment on investment properties, a review is made in order to determine possible impairment and as a result of this review, if the property’s carrying amount is greater than its estimated recoverable amount, the property’s carrying amount is written down immediately to its recoverable amount by accounting for an impairment provision. The recoverable amount is the higher of the future cash inflows from the existing use of the investment property and the fair value of the property after cost of sale. The Company does not have an impairment booking for its investment properties as of December 31, 2016.

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. 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.

Transfers are made to or from investment property only, when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy applied to “Tangible Assets” up to the date of change in use. Real estates held under finance lease are classified as investment properties. The depreciation period of investment properties is 50 years. Lands is not depreciated.

2.8 Intangible assets

Intangible assets acquired

Intangible assets acquired are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. Estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred from the date of acquisition to the date to bring the specific software in use. These costs are amortized over their estimated useful lives (1 to 10 years).

Costs associated with developing or maintaining computer software programmes are recognized as expense as 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.

Useful life:

	2016	2015
Rights	5 years	5 years

2. Summary of significant accounting policies (continued)

2.9 Financial assets

The Company classifies and accounts for its financial assets as, “Available-for-sale financial assets” and “Loans and receivables (Premium receivables)”. Premium receivables are the receivables arising from insurance agreements and they are classified as financial assets in financial statements.

Regular purchases and sales of financial assets are recognised on the “settlement date”. The classification of these financial assets depends on the purpose for which they were acquired and the Company’s management determines the classification of its financial assets at initial recognition.

Loans and receivables (Premium receivables):

Loans and receivables are financial assets which are generated by providing money or service to the debtor. Loans and receivables are recognised initially at fair value and subsequently measured at cost. Fees and other charges paid related to assets obtained as guarantee for the above mentioned receivables are not deemed as transaction costs and they are recognised as expense in the income statement.

The Company accounts for a provision for its receivables based on evaluations and estimations of the management. The mentioned provision is deducted from “Premium receivables” on the statement of financial position. The Company sets its estimations in accordance with the risk policies and the principle of prudence by considering the structure of current receivable portfolio, financial structure of policyholders and intermediaries, non-financial data and economical conditions.

Available-for-sale financial assets

Investments other than “financial assets at fair value through profit or loss”, and “loans and receivables” are described as available-for-sale financial assets.

Available-for-sale financial assets are subsequently measured at fair value after their recognition. It is considered that the fair value cannot be reliably measured if the price that provides a basis for fair value is not set in active market conditions and “amortised cost value” that is calculated using the effective interest method is used as fair value. Equity securities classified as available-for-sale are carried at fair values if they have quoted market prices in active markets and/or if their fair value can be reliably measured. The equity securities that do not have a quoted market price in an active market, and if their fair value cannot be reliably measured are carried at cost less the provision for impairment.

“Unrealised gains and losses” arising from the change in the fair value of available-for-sale financial assets is accounted for under “Valuation of Financial Assets” account in the shareholders’ equity and not reflected in the income statement until the financial asset is sold, disposed or derecognised. The unrealised gains and losses arising from the change in the fair value is removed from shareholders’ equity and recognised in the income statement when the financial assets mature or are derecognised. The Company assesses at each statement of financial position date whether there is objective evidence that an available-for-sale financial asset is impaired. In the case of equity investments classified as available-for-sale financial assets, such as, a significant or prolonged decline in the fair value of the security below its cost is considered as impairment. If any objective evidence for impairment exists for available-for-sale financial assets, the difference between the acquisition cost and current fair value is deducted from shareholders’ equity and recognised in the income statement. The impairment losses on available-for-sale equity instruments previously recognised in the profit or loss cannot be reversed through profit or loss.

2.11 Reclassification of financial assets

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

2. Summary of significant accounting policies (continued)

2.12 Impairment of Assets

The details about the impairment of assets are explained in the notes in which the accounting policies of the relevant assets are explained.

2.13 Related party

Parties are considered related to the Company if;

(a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

In the financial statements and related notes dated December 31, 2016 and 2015, the Company management, groups associated to H.Ö. Sabancı Holding and Ageas Insurance International N.V. are defined as related parties.

2.14 Offsetting Financial Instruments

Financial assets and liabilities are offset only when there is a legally enforceable right to offset the recognised amounts, there is an intention to settle on a net basis, or when the acquisition of the asset and the settlement the liability take place simultaneously.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of significant accounting policies (continued)

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments, which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value (Note 6).

Cash and cash equivalents included in the statements of cash flows are as follows:

	December 31, 2016	December 31, 2015
Banks	270.379.281	374.800.368
Credit card receivables	210.819.263	176.503.394
Less: Interest accrual	(257.966)	(798.285)
Total cash and cash equivalents	**480.940.578**	**550.505.477**

2.16 Share capital

As of December 31, 2016, the Company's nominal capital is TL 306.000.000 (December 31, 2015: TL 306.000.000). Share capital is represented by 30.600.000.000 of equity shares having a nominal amount of TL 0,01 each. The share capital structure of the Company is as follows:

	December 31, 2016		December 31, 2015	
Name of shareholders	**Share**	**Share amount**	Share	Share amount
H. Ömer Sabancı Holding A.Ş.	36,00	110.160.000	36,00	110.160.000
Ageas Insurance International NV	36,00	110.160.000	36,00	110.160.000
Publicly quoted shares	28,00	85.680.000	28,00	85.680.000
Total	**100,00**	**306.000.000**	100,00	306.000.000

Agreement about the sale of %50 of 18.965.880.200 units of Aksigorta A.Ş. shares with TL 189.658.802 nominal value that belong to H.Ö. Sabancı Holding ("Holding") portfolio was signed with Ageas Insurance International N.V. at February 18, 2011. At the date of July 29, 2011, 9.482.940.100 units of Aksigorta A.Ş. shares that correspond to %50 of the Holding's portfolio have been transferred to Ageas Insurance International N.V. with the sale price (excluding the corrections) of USD 220.029.000.

The Company has accepted the registered capital system set out in accordance with the provisions of Law No: 2499 and applied the system as of June 15, 2000 upon the permission no: 67/1039 granted by the Capital Markets Board.

As of December 31, 2016, the Company's registered share capital ceiling is TL 500.000.000 (December 31, 2015: TL 500.000.000).

Other information about Company's share capital is explained in Note 20.

2. Summary of significant accounting policies (continued)

2.17 Insurance and investment contracts

Insurance contracts are contracts under which, in exchange for a premium, the insurer assumes the obligation to compensate a loss caused by the materialization of the danger (risk) having the consequence of harming the interest, measurable by money, of the concerned person or make payment or to fulfill other performances linked to the lifetime of one or several persons or upon the occurrence of some events in the course of their life.

The insurer can take out reinsurance, under conditions as it thinks appropriate, in respect of the interest it had covered.

Insurance contracts are accounted when the insurance risk is transferred, and classified as an insurance contract as of the maturity date and/or amortization of the all contractual rights and liabilities.

The main contracts produced by the Company are mainly in non-life branches such as motor own damage, motor third party liability, fire, marine, accident, engineering, health and agriculture insurance agreements.

The fire insurance agreements are classified as industrial and individual. The policyholder is insured for the physical losses and claims due to the risks such as fire, earthquake, bursting, flood. The policyholder is insured for losses caused by the complete or partial interruption of the operations as a result of an event covered by the insurance contract with loss of profit coverage. Casualty insurance contracts (Liability, Personal Accident and Motor) have two main purposes. These contracts protect the insured against the risk of damage of assets and against the risk of causing harm to third parties.

Marine insurance contracts contain insurance of transportation (vessels, or vehicles on land or air) and water vehicles (the payment for the claims occurred in sea, river and island vehicles). Engineering insurance contracts are subdivided into two groups. The contracts covering permanently installed risks for an indefinite period, and the contracts covering temporary, non-recurring risks. The first group consists of insurance protection against sudden and unforeseen damages or losses of the machines, mechanical equipment, plants and electronic equipments. The second group provides installation and construction insurance of which coverage is naturally limited with the guarantee period of installation and construction. Liability insurance contracts provide claims due to the air crafts, water crafts and land vehicles liability. Furthermore, the Company has major production of the animal life and publicly supported agriculture insurances which are included in general loss insurance contracts. Health insurance contracts are the contracts that pay benefits an insured who becomes ill or injured, provided that documentation is offered to confirm the illness or injury.

Unearned Premium Reserve

Unearned premium reserve is calculated on a daily basis for all policies in force as of statement of financial position date for unearned portions of premiums written, except for marine premiums issued before 14 June 2007. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12:00 noon and end at 12:00 noon again. Unearned premium reserve and the reinsurers' share of the unearned premium reserve for policies, are calculated and recorded as the deferred portion of the accrued premiums related to the policies in force and ceded premiums to reinsurers without deducting commissions or any other deduction, on a daily and gross basis. For cargo insurance policies with unspecified termination date, unearned premium reserve is accounted for as the 50% of premiums written in the last three months.

2. Summary of significant accounting policies (continued)

Deferred Commission Expense and Income

Unearned portion of commissions paid to agencies for the written premiums and commissions received from reinsurers for the ceded premiums are recorded as in deferred acquisition costs on the statement of financial position, and as expenses for the acquisition of insurance contracts on a net basis in the income statement.

Liability Adequacy Test

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, from the assets backingsuch liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Long-term insurance contracts with fixed terms are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities. Any DAC written off as a result of this test cannot subsequently be reinstated. At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future cash flows are used. The adequacy of the unearned premium liability is assessed by considering the portion of the estimated value of claims and expenses, likely to arise after the end of the reporting period from existing contracts, that exceeds the provision for unearned premiums after deduction of any acquisition costs. Any deficiency is immediately charged to profit or loss. The assessment, whether a deficiency exists is made at the Company level since all insurance products are regarded as being managed together and there are no constraints on the ability to use assets held in relation to each line of business to meet any of the associated liabilities. For the purpose of calculating the additional provision, the Company does not take into account the investment return expected to be earned by investments held. The Company accounts additional reserves for the branches that the combined loss ratio calculated is higher than 100%.

Outstanding claims provision

Claims are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include settlement costs and arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to the Company. Outstanding claims are estimated using the input of assessments for individual cases reported and statistical analyses. The expected ultimate cost of claims is also affected by external factors such as court decisions.

Claims are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted.

For the estimation of the ultimate liability arising from claims made under insurance contracts, the Company uses Bornhuetter Ferguson (“BF”), Chain-Ladder and Frequency and Severity methods. The method for MTPL is based on frequency and severity method, for the rest of the branches are selected by applying weighted average incurred ultimate results of Chain-Ladder method and incurred or average of paid and incurred ultimate results of Bornhuetter Ferguson method are used for the estimation of ultimate liabilities. It involves the analysis of historical claim development factors based on historical pattern and also loss ratio is considered in BF method.

2. Summary of significant accounting policies (continued)

2.17 Insurance and investment contracts (continued)

Outstanding claims provision (continued)

The appropriate development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claim cost for each accident year. The choice of selected factors for each accident year of each class of business depends on the best estimate of the Company. Considering the uncertainty about the amount and timing of claims, the Company made the estimation of claims development considering starting from the year of 2003 and a tail factor is used for some branches for future developments. The Company performs the ultimate liability estimation for large claims separately which are determined as large claims by using certain statistical methods since these claims have different claim development patterns. Additionally, the ultimate liability calculations are performed on gross basis and the net amounts are determined according to historical ceding rates on each accident quarter or applicable reinsurance treaties are applied to ultimate losses for each branch. A provision is calculated and accounted for unallocated loss adjustment expenses ("ULAE") refer to general overhead expenses associated with the claims-handling process, and particularly the costs of investigating, handling, paying, and resolving claims. The estimation for ULAE is calculated using the rate of historical expenses to total claim amounts. The methods which were selected by the Company for each branch, the results of related calculations as of December 31, 2016 and 2015, the methods to calculate net of reinsurance results and the limits which are used for the big claims eliminations are disclosed in Note 15.

Reinsurance agreements

Reinsurance agreements are the agreements enforced by the Company and the reinsurer, in exchange for a certain compensation, to cede the premiums and losses which may occur in relation to one or more insurance policies produced by the Company.

The Company has excess of loss, surplus and proportional quota-share agreements in accordance with the branches in which it operates. Within the framework of excess of loss agreements, the ceded premiums are accounted for on accrual basis over the relevant period. The revenues and liabilities due to premium and claim ceded under other annual reinsurance agreements are also accounted for on the same basis.

The Company has surplus reinsurance agreement in fire, marine, engineering and other accident branches and annual proportional quota-share reinsurance agreement for motor branches. Besides, The Company has excess of loss agreements in fire, marine and engineering branches.

Motor quota-share agreement is based on the transfer of written premiums and paid claims during the period covered by the agreement, and portfolio transfer is performed for premium and outstanding claim reserves by the end of each period. For surplus agreements, which work on a run-off basis, the liability of the reinsurers continue for the underwriting year at the policy period when the claim occurred.

In addition, the Company has facultative reinsurance agreements signed separately for certain risks based on certain policies.

2. Summary of significant accounting policies (Continued)

2.17 Insurance and investment contracts (continued)

Premiums Transferred to Social Security Institution

The collection and settlement of expenses with respect to the medical care related services provided to the injured people due to the traffic accidents have been regulated by Article 98 of Road Traffic Act numbered 2918 altered by Article 59 of “The Law on Restructuring of Some Receivables and Changes in Social Security and General Insurance Law and Other Laws and Law Decrees” (the “Law”) numbered 6111 and dated February 25, 2011. In this context, all the traffic accident related medical care services provided by any public or private health institution will be covered by Social Security Institution (“SSI”) regardless of social security status of the injured. Besides, in accordance with the temporary Article 1 of the Law, all of the expenses with respect to the traffic accident related medical care services provided before enforcement of the Law, will also be covered by SSI.

The liability of the insurance companies with respect to the service costs to be incurred in the context of abovementioned articles has been determined in accordance with the provisions of “The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated 27 August 2011 (“The Regulation”), “The Communiqué on the Principles of the Implementation of the Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated September 15, 2011 and numbered 2011/17 (the “Communiqué numbered 2011/17”) and “The Communiqué on the Accounting of Payments to Social Security Institution (“SSI”) with respect to Treatment Expenses and Introduction of New Account Codes to Insurance Account Chart” dated October 17, 2011 (the “Communiqué numbered 2011/18”), the regulation(the “Communique numbered 2012/3”) making changes in “The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated March 16, 2012 and numbered 2012/3 and the communique about changes related “the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated April 30, 2012 and numbered 2012/6 (the “Communique numbered 2012/6”).Within this framework, the Group is required to cede a certain amount of premiums to be determined in accordance with the Regulation and the Communiqué numbered 2011/17 to SSI in relation to policies issued as of February 25, 2011 the notice numbered 2012/3 and the communiqué numbered 2012/6 in “Compulsory Transportation”, “Compulsory Traffic” and “Compulsory Motor Personal Accident” branches regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law. Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI in January 1 - December 31, 2016 account period as TL 19.398.403 (January 1 – December 31, 2015: TL 6.437.403) and an unearned premium reserve amounting to TL 7.802.076 as of December 31, 2016 (December 31, 2015: TL 8.240.256); classified under “Ceded Premiums”.

However, in the Board of Directors meeting of The Association of the Insurance and Reinsurance Companies of Turkey dated September 22, 2011 and numbered 18, it was decided to appeal Council of State for the “suspense of execution” and “cancellation” of the Regulation and the Communiqué numbered 2011/17; and the cancellation of related provisions of the Law as being contradictory to the Constitution. The legal procedures are in progress as of the date of the preparation of the financial statements.

2.18 Insurance contracts and investment contracts with discretionary participation feature

None (December 31, 2016: None).

2.19 Investment contracts without discretionary participation feature

None (December 31, 2016: None).

2. Summary of significant accounting policies (continued)

2.20 Borrowings

None (December 31, 2016: None).

2.21 Current and deferred income tax

The Company is subject to Turkish corporate taxes. Provision is recognized in the accompanying financial statements for the estimated charge based on the Company’s results for the years and periods. Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized. The effective tax rate used in 2016 and 2015 is 20 %.

In Turkey, advance tax returns are calculated and accrued on a quarterly basis. The advance corporate income tax rate used in 2016 and 2015 is 20 %. Losses are allowed to be carried maximum 5 years in order to deduct from the taxable profit of the following years.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between the dates 1 - 25 April, following the closing of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within 5 years.

Deferred Income Tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are determined using tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.22 Employee benefits

The Company accounts for its liability related to employment termination and vacation benefits according to “Turkish Accounting Standards Regarding Employee Benefits” (“IAS 19”) and classifies in statement of financial position under the account “Provision of Employment Termination Benefits”.

According to the Turkish Labor Law, the Company is required to pay termination benefits to each employee whose jobs are terminated except for the reasons such as resignation, retirement and attitudes determined in Labor Law. The provision for employment termination benefits is calculated over present value of the possible liability in scope with the Labor Law by considering determined actuarial estimates.

2.23 Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. If provision amount is measured by the cash flows estimated to settle the present obligation, its carrying amount will be equal to the present value of such cash flows.

2. Summary of significant accounting policies (continued)

2.23 Provisions (continued)

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Liabilities 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 entity are classified as contingent liabilities and not included in the financial statements (Note 16).

2.24 Revenue recognition

Written premium

Written premiums represent premiums on policies written during the year, net of cancellations. Premium income is recognized in the financial statements on accrual basis by allocating the unearned premium provision over written premiums.

Reinsurance commissions

Commission income received in relation to ceded premiums to reinsurance companies is accrued in the related period and classified in technical part under operating expenses in the income statement. Reinsurance commission income is recognized in the financial statements on an accrual basis by allocating the deferred commission income over commissions received.

Claim recovery and salvage income

The Company recognizes the subrogation and salvage receivables, as limited to the coverage amount of the debtor insurance company, provided that the claim payment has been performed, the acquittance or the statement of payment has been received from the policyholders; and related individuals or insurance companies have been notified. A provision is recorded for those receivables which are not collected from insurance companies after six months and from individuals after four months following the payment of claim.

Dividend income

Dividend income is recognized as an income in the financial statements when the right to receive payment is established.

2.25 Interest income and expense

Interest income and expenses are accounted on an accrual basis in the related period's income statement. Interest income includes income gains from the coupons of the fixed return investment instruments and valuation of discounted government bonds based on internal rate of return method.

2.26 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lesser are classified as financial leases while other leases are classified as operational leases.

2. Summary of significant accounting policies (continued)

2.26 Leases (continued)

Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The liability to lesser is classified as the leasing payables in the statement of financial position. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost except for capitalised portion is charged to the income statement.

2.27 Operational lease

The payment of the operational lease is charged to the income statement on a straight-line basis over the lease period (The incentives received or to be received from the lessor and payments made to intermediaries to acquire the lease contract are also charged to the income statement on a straight-line basis over the lease period). The Company has paid in advance amounting to TL 2.332.210 arising from operational leases for the period January1, 2017 – May 31, 2017, which is accounted in short term assets. As of December 31, 2016, the Company's total contractual cash outflows are TL 46.053.798 (USD 13.086.440) with the monthly maturity between January 1, 2017 to May 5, 2024 (December 31, 2015: TL 40.772.626).

2.28 Dividend distribution

Listed companies distribute dividend in accordance with the Communiqué No. II-19,1 issued by the Capital Market Board (CMB) which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

2.29 Derivative financial instruments

The Company uses foreign currency swap contracts. The Company uses end of period market exchange rates and interest rates to calculate market value of foreign exchange swap contracts. During the period between January 1 – December 31, 2016, total income resulting from short-term swap contracts' market valuation has been accounted under "investment income" in the income statement. As of December 31, 2016 and 2015, the Company has no outstanding derivative financial instruments. During the period between January 1 – December 31, 2016, TL 5.154.465 total income resulting from short-term swap contracts' realization has been booked under the income statement as an income from derivatives (January 1 – December 31, 2015: TL 38.493.917).

2. Summary of significant accounting policies (continued)

2.30 Hedge accounting

All foreign currency payments, collections and investments result in a foreign exchange position. The foreign currency cash flow transaction has faced the risk of exchange rate fluctuations effect the Company's financial position positively or negatively. In order to forecast the transaction made via foreign currencies that have a high possibility of realization and minimize the effect of exchange rate fluctuations on the Company's financial position, hedge accounting has been applied. Changes in the value of the hedge instrument arising from exchange rate changes has been reclassified under equity, changes except for ineffective part of exchange rate which has been reclassified under current period income statement. The gains or losses recognized under equity has been transferred to related profit/ loss accounts when the transaction is completed or the profit for the period is affected by the expected result of the transaction. Effectiveness of hedge transaction has been measured and evaluated in each reporting period.

3. Critical accounting estimates and judgements

Preparation of financial statements requires the use of estimations and assumptions which may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the statement of financial position date and reported amounts of income and expenses during the financial period. Accounting estimates and assumptions are continuously evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Although the estimations and assumptions are based on the best knowledge of the management for existing events and operations, they may differ from the actual results.

- The estimation of the ultimate liability for technical expenses that can be incurred for the existing insurance contracts is the one of the most critical accounting estimates. Estimation of the insurance liabilities, by nature, includes the evaluation of several uncertainties. Accounting policies regarding technical reserves are disclosed in Note 2.17.

- The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for International Accounting Standards (IAS) purposes and its statutory tax financial statements. The accounting policies regarding to deferred tax are disclosed in Note 2.21 and 17.

- The Company accounts for its liability related to employment termination benefits according to "Turkish Accounting Standards Regarding Employee Benefits" ("IAS 19") and classifies in statement of financial position under the account "Provision of Employment Termination Benefits". The accounting policies regarding to employee termination benefits are disclosed in Note 2.22 and 19.

4. Management of insurance and financial risk

Insurance risk

Insurance risk is the probability of risk exposure that is covered under any insurance contracts and the uncertainty of the magnitude of the claims in relation to the risk exposed. Due to the nature of insurance transactions, risks are incidental and hard to anticipate. Maximum risk that the Company bears is limited to the coverage amount specified in the insurance contract.

The Company has adopted central risk assessment policy and this policy is applied in relation to the Company's specified operations and limitations. On principle, in risk assessment, potential claims are measured based on the past experience, similar risk comparisons and risks in relation to production process. Location, geographical area, field of activity and fire and theft measures are also key issues used in the assessment of the insured risk.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

4. Management of insurance and financial risk (continued)

Insurance risk (continued)

The Company's gross insurance gurantees given to insurees are summarized as below:

	December 31, 2016	December 31, 2015
Motor Third Party Liability	3.472.376.461.753	862.114.750.643
Fire	601.059.056.615	526.559.025.553
General Losses	274.658.721.235	265.309.807.601
Other	207.325.281.515	174.215.552.923
Marine	97.024.029.381	81.895.226.185
Health	11.939.385.616	9.288.557.000
Motor Own Damage	42.134.056.334	30.495.506.795
Life	200.000	825.527
Total	**4.706.517.192.449**	**1.949.879.252.227**

(a) Market risk

i. Cash flow and market interest rate risk

The Company is required to manage its interest rate risks due to price fluctuations in its financial instruments arising from changes in interest rates. The Company's sensitivity to interest rate risk is related to the mismatch in maturities of its assets and liabilities. Interest rate risk is managed by offsetting the assets that are affected by the interest rate fluctuations against the liabilities in same nature.

	December 31, 2016	December 31, 2015
Total	Effect on profit and profit reserves	
Market interest rate increase / (decrease)		TL
+%1	(4.344.704)	(2.399.153)
-%1	5.529.428	2.527.760

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

4. Management of insurance and financial risk (continued)

ii. Foreign currency risk

The Company is exposed to foreign exchange risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated assets and liabilities. These risks are monitored by the analysis of exchange rate position. The details of the Company's foreign currency denominated assets and liabilities as of December 31, 2016 and 2015 are disclosed below:

			December 31, 2016
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	7.685.137	3,5192	27.045.534
EUR	1.146.085	3,7099	4.251.861
GBP	109.075	4,3189	471.084
CHF	55.429	3,4454	190.975
Total			**31.959.454**

Prepaid expenses	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	809.823	3,5192	2.849.930
Total			**2.849.930**

Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	24.560.886	3,5192	86.434.670
EUR	4.765.794	3,7099	17.680.619
GBP	61.864	4,3189	267.184
CHF	8.328	3,4454	28.693
Total			**104.411.166**

Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	7.523.940	3,5192	26.478.248
Total			**26.478.248**

Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(17.491.433)	3,5192	(61.555.851)
EUR	(4.457.973)	3,7099	(16.538.634)
Other			(779.160)
Total			**(78.873.645)**

Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(6.581.461)	3,5192	(23.161.478)
Total			**(23.161.478)**

Net Foreign Currency Position	**63.663.675**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

4. Management of insurance and financial risk (continued)

ii. Foreign currency risk (continued)

			December 31, 2015
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	16.500.019	2,9076	47.975.455
EUR	2.810.599	3,1776	8.930.959
GBP	150.514	4,3007	647.316
CHF	46.479	2,9278	136.081
Total			**57.689.811**

Prepaid expenses	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	814.063	2,9076	2.366.969
Total			**2.366.969**

Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	56.700.708	2,9076	164.862.979
EUR	5.557.908	3,1776	17.660.808
GBP	192.329	4,3007	827.149
CHF	26.339	2,9278	77.115
Other	-	-	271
Total			**183.428.322**

Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	23.831.816	2,9076	69.293.388
Total			**69.293.388**

Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(4.166.814)	2,9076	(12.137.096)
Total			**(12.137.096)**

Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(28.279.961)	2,9076	(82.373.870)
EUR	(3.622.986)	3,1776	(11.533.051)
Total			**(95.030.635)**

Net Foreign Currency Position	**205.610.759**

Sensitivity to foreign currency risk

The Company's sensitivity to a 10% increase/decrease in USD and Euro currencies are presented below. Sensitivity analysis only includes foreign currency denominated monetary assets outstanding at the end of period and indicates the effects of 10% changes in exchange rates. Positive value indicates an increase in profit/loss and other equity items.

	December 31, 2016		December 31, 2015	
	USD Effect	**EUR Effect**	USD Effect	EUR Effect
10% increase in currency	5.809.105	539.385	19.015.655	1.507.937
10% decrease in currency	(5.809.105)	(539.385)	(19.015.655)	(1.507.937)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

4. Management of insurance and financial risk (continued)

iii. Price risk

The Company is exposed to price risk due to its investments in fair value price of debt securities. Securities are held for strategical purposes rather than trading purposes. These investments are not actively traded by the Company.

As of the reporting date, if data used in the valuation method is increased/decreased by 10% and all variables remain fixed, since the Company's equity investments are classified as available for sale assets and if they are not disposed of or impaired, net profit/loss would not be affected.

	December 31, 2016	December 31, 2015
Total	**Effect on financial assets available for sale**	
Price increase / (decrease)		TL
+%10	86.390.940	67.830.066
-%10	(86.390.940)	(67.830.066)

(b) Credit Risk

Credit risk is the risk that counterparties may be unable to meet the terms of their agreements. Credit risk is managed by guarantees received and procedures applied for the selection of the counterparties. Limits and guarantees are determined based on the assessment of the respective party's financial ability and trading capacity. The Company is exposed to credit risk in Turkey because it mainly performs its operations in Turkey.

As of December 31, 2016, the Company has presented its receivables from insurance operations, guarantees received for these receivables and provision for doubtful receivables in Note 8. Reinsurance is utilized to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. Company's credit risk management process is primarily evaluated in the stage of determining of reinsurance companies. Reinsurance placements are covered by reinsurers whose credibility is checked and agreements made in this regard are approved by Board of Directors. Total credit risk of the Company as of December 31, 2016 and 2015 are TL 1.767.515.401 and TL 1.621.241.123 respectively.

4. Management of insurance and financial risk (continued)

(b) Credit Risk (continued)

Main reinsurance companies worked with as of December 31, 2016 and 2015 and their latest ratings are as follows:

			2016
Reinsurance Company	**Standard & Poors Rating**	**Reinsurance Company**	**Standard & Poors Rating**
Allianz Risk Transfer	**AA-**	**Korean Re**	**A**
Amlin Re	**A**	**Malaysian Re**	**-**
Arab Re	**-**	**Mapfre Re**	**A**
ARIG	**-**	**Milli Re**	**tr AA**
Asia Capital	**A-**	**Odyssey Re**	**A-**
XLCatlin Re	**A+**	**Scor**	**AA-**
China Re	**A+**	**Sompo Japan**	**A+**
Covea	**A+**	**Toa Re**	**A+**
Everest Re	**A+**	**Trust Re**	**A-**
GIC	**-**	**VIG**	**A+**
Hannover Re	**AA-**	**Coface**	**AA-**
QBE	**A+**		

			2015
Reinsurance Company	Standard & Poors Rating	Reinsurance Company	Standard & Poors Rating
Allianz Risk Transfer	AA-	Korean Re	A
Amlin Re	A	Malaysian Re	-
Arab Re	-	Mapfre Re	A
ARIG	-	Milli Re	tr AA+
Asia Capital	A-	Odyssey Re	A-
Catlin Re	A	Scor	AA-
China Re	A+	Sompo Japan	A+
Covea	A+	Toa Re	A+
Everest Re	A+	Trust Re	A-
GIC	-	VIG	A+
Hannover Re	AA-	Coface	A+
QBE	A+		

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

4. Management of insurance and financial risk (continued)

(c) Liquidity risk

Liquidity risk is the possibility of non-performance of the Company's due liabilities. Events that give rise to funding shortages, such as; market deteriorations and decrease in credit ratings, are the main reasons of liquidity risk. The Company manages its liquidity risk through having adequate cash and cash equivalents in order to fulfill its current and possible liabilities by allocating its funds.

The maturity analysis of financial assets and liabilities as of December 31, 2016 is as follows:

December 31, 2016	Up to 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	141.435.488	291.689.248	-	-	-	18.028.383	451.153.119
Securities pledged under repurchase agreements	-	30.045.425	-	-	-	-	30.045.425
Financial assets available for sale	378.786.360	11.068.599	46.032.680	142.741.726	74.677.041	210.381.106	863.687.512
Investments on policyholders' risk	-	-	-	2.530.185	-	-	2.530.185
Receivables from main operations	115.408.195	152.956.844	127.553.420	-	-	-	395.918.459
Due from reinsurance companies	-	-	24.180.701	-	-	-	24.180.701
Reinsurance share of insurance liabilities	136.430.102	177.811.722	519.745.010	-	-	-	833.986.834
Equity securities	-	-	-	-	-	220.889	220.889
Other assets	-	118.619259	-	-	-	-	118.619259
Assets	**772.060.145**	**782.191.097**	**717.511.811**	**145.271.911**	**74.677.041**	**228.630.378**	**2.720.342.384**
Obligations under repurchase agreements	-	30.031.438	-	-	-	-	30.031.438
Insurance liabilities	297.530.449	495.814.686	1.251.253.020	-	-	-	2.044.598.155
Due to reinsurers	-	-	202.020.282	-	-	-	202.020.282
Trade and other payables	-	-	99.244.067	-	-	-	99.244.067
Liabilities	**297.530.449**	**525.846.124**	**1.552.517.369**	**-**	**-**	**-**	**2.375.893.942**
Liquidity surplus/(deficit)	**474.529.696**	**256.344.974**	**(835.005.559)**	**145.271.911**	**74.677.041**	**228.630.378**	**344.448.442**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

4. Management of insurance and financial risk (continued)

The maturity analysis of financial assets and liabilities as of December 31, 2015 is as follows:

December 31, 2015	Up to 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	273.064.909	134.569.303	-	-	-	5.637.702	413.271.914
Securities pledged under repurchase agreements	-	138.031.848	-	-	-	-	138.031.848
Financial assets available for sale	357.294.790	-	86.957.546	62.864.108	81.628.927	89.334.398	678.079.769
Investments on policyholders' risk	-	-	5.259.858	2.493.421	-	-	7.753.279
Receivables from main operations	104.060.353	80.753.504	160.368.346	-	-	-	345.182.203
Due from reinsurance companies	-	38.922.110	-	-	-	-	38.922.110
Reinsurance share of insurance liabilities	-	531.352.109	-	-	-	-	531.352.109
Equity securities	-	-	-	-	-	8.182.140	8.182.140
Derivative financial assets	-	-	-	-	-	-	-
Other assets		29.574.901	-	-	-	-	29.574.901
Assets	**734.420.052**	**953.203.775**	**252.585.750**	**65.357.529**	**81.628.927**	**103.154.240**	**2.190.350.273**
Derivative financial liabilities	-	-	-	-	-	-	-
Obligations under repurchase agreements	137.458.200	-	-	-	-	-	137.458.200
Insurance liabilities	254.707.543	403.278.354	955.378.323	-	-	-	1.613.364.220
Due to reinsurers	-	-	175.054.091	-	-	-	175.054.091
Trade and other payables	4.990.405	21.683.722	24.478.780	-	-	-	51.152.907
Liabilities	**397.156.148**	**424.962.076**	**1.154.911.194**	**-**	**-**	**-**	**1.977.029.418**
Liquidity surplus/(deficit)	**337.263.904**	**528.241.699**	**(902.325.444)**	**65.357.529**	**81.628.927**	**103.154.240**	**213.320.855**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

4. Management of insurance and financial risk (continued)

Fair value of the financial assets

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm’s length transaction in accordance with market conditions.

The Company determines the estimated fair value of its financial instruments by using the current market information and appropriate valuation methods. Additionally, ability to estimate the market values through assessing the market information requires interpretation and judgment. As a result, the estimations presented herein cannot be an indicator of the amounts obtained by the Company in a current market transaction.

Fair Value Hierarchy

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. Fair value measurements are performed in accordance with the following fair value measurement hierarchy.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

	December 31, 2016	**Level 1**	**Level2**	**Level 3**
Available for sale at company’s risk	863.687.512	863.687.512	-	-
Available for sale at insurees' risk	2.530.185	2.530.185	-	-
Total	**866.217.697**	**866.217.697**	**-**	**-**

	December 31, 2015	Level 1	Level2	Level 3
Available for sale at company’s risk	678.079.769	678.079.769	-	-
Available for sale at insurees' risk	7.753.279	7.753.279	-	-
Total	685.833.048	685.833.048	-	-

(*) Unlisted equity shares amounting to TL 220.889 (December 31, 2015: TL 211.320) has been accounted at its cost value as of December 31, 2016

(**) The Company has written off Merter BV, one of the affiliates, amounting to TL 30.116.652 in its financial statements as of December 31, 2016 (December 31, 2015: TL 22.155.402).

Capital management

The Company’s objective in capital management is to safeguard the Company’s ability to continue as a going concern so that it can continue and to protect shareholder and corporate partners’ benefits while sustaining the most effective capital structure in order to reduce capital costs.

The Company measures its adequacy semi-annually in accordance with the Decree “Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds” published in the Official Gazette No: 26761 on January 19, 2008. As of June 30, 2016, the Company’s required capital is TL 354.059.655 (December 31, 2015: TL 355.355.630). As of June 30, 2016, the Company’s capital is TL 40.044.142 higher than required capital amount. (December 31, 2015: TL 41.895.794).

5. Segment information

Information related to the operational reporting made by the Company to the chief operating decision-maker in the accordance with the "IFRS 8 - Operating Segments" is disclosed in this part.

Numerical limits in "IFRS 8 - Operating Segments" is also considered as the reporting to the chief operating decision-maker in the determination of segments and the premium production and net technical income of the segments are considered while determining a separate operating segment.

The Company has been operating in Turkey. Since the effect of the foreign operations on financial statements is extremely low, geographic segment information is not given.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

5. Segment information (continued)

Segment results for period January 1 - December 31, 2016 is as follows:

January 1 - December 31, 2016	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	**132.552.465**	**18.047.980**	**490.692.954**	**149.602.315**	**68.597.299**	**93.695.291**	**73.101.712**	**-**	**1.026.290.016**
Earned Premiums (Net of Reinsurer Share)	132.552.465	18.047.980	490.692.954	149.602.315	68.597.299	93.695.291	73.101.712	-	1.026.290.016
Premiums (Net of Reinsurer Share)	130.972.517	18.109.172	553.157.400	225.942.222	67.444.707	54.425.230	74.956.826	-	1.125.008.074
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	1.579.948	(61.192)	(62.464.446)	(76.339.907)	1.152.592	39.270.061	(1.855.114)	-	(98.718.058)
TECHNICAL EXPENSES	**(115.471.133)**	**(13.237.980)**	**(532.688.046)**	**(184.612.777)**	**(52.024.032)**	**(103.009.036)**	**(51.547.027)**	**-**	**(1.052.590.031)**
Total Claims (Net of Reinsurer Share)	(55.078.621)	(7.210.539)	(378.035.832)	(142.102.756)	(17.240.511)	(41.351.743)	(28.112.746)	-	(669.132.748)
Claims Paid (Net of Reinsurer Share)	(55.464.171)	(7.324.175)	(360.716.523)	(141.572.955)	(16.377.470)	(64.204.724)	(13.628.762)	-	(659.288.780)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	385.550	113.636	(17.319.309)	(529.801)	(863.041)	22.852.981	(14.483.984)	-	(9.843.968)
Commissions (Net)	(23.243.196)	(2.890.034)	(90.840.548)	(20.036.129)	(21.171.348)	(25.316.623)	(10.488.039)	-	(193.985.917)
Operating Expenses	(30.831.725)	(2.277.221)	(42.735.302)	(15.343.635)	(10.342.753)	(32.948.454)	(9.461.866)	-	(143.940.956)
Other Operating Income / Expenses	(6.317.591)	(860.186)	(21.076.364)	(7.130.257)	(3.269.420)	(3.392.216)	(3.484.376)	-	(45.530.410)
	17.081.332	**4.810.000**	**(41.995.092)**	**(35.010.462)**	**16.573.267**	**(9.313.745)**	**21.554.685**	**-**	**(26.300.015)**
Investment income	-	-	-	-	-	-	-	107.429.420	107.429.420
Foreign exchange income	-	-	-	-	-	-	-	7.087.373	7.087.373
Tax expense	-	-	-	-	-	-	-	(17.666.299)	(17.666.299)
Net Profit / (Loss)	**17.081.332**	**4.810.000**	**(41.995.092)**	**(35.010.462)**	**16.573.267**	**(9.313.745)**	**21.554.685**	**96.850.494**	**70.550.479**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

5. Segment information (continued)

Segment results for period January 1 - December 31, 2015 is as follows:

January 1 - December 31, 2015	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	**127.244.197**	**16.255.735**	**439.661.327**	**171.233.723**	**118.078.926**	**189.768.755**	**67.966.724**	**-**	**1.130.209.387**
Earned Premiums (Net of Reinsurer Share)	127.244.197	16.255.735	439.661.327	171.233.723	118.078.926	189.768.755	67.966.724	-	1.130.209.387
Premiums (Net of Reinsurer Share)	134.179.914	16.569.704	447.629.170	98.397.604	121.173.718	184.112.455	68.996.115	-	1.071.058.680
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(6.935.717)	(313.969)	(7.967.843)	72.836.119	(3.094.792)	5.656.300	(1.029.391)	-	59.150.707
TECHNICAL EXPENSES	**(123.526.403)**	**(9.923.664)**	**(464.009.173)**	**(311.032.596)**	**(94.372.537)**	**(202.321.923)**	**(53.380.585)**	**-**	**(1.258.566.882)**
Total Claims (Net of Reinsurer Share)	(67.226.925)	(5.028.128)	(349.664.238)	(268.334.831)	(40.686.527)	(136.362.774)	(34.012.788)	-	(901.316.211)
Claims Paid (Net of Reinsurer Share)	(61.542.992)	(3.604.065)	(357.774.017)	(188.942.760)	(40.235.300)	(136.527.561)	(17.458.305)	-	(806.085.000)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(5.683.933)	(1.424.063)	8.109.779	(79.392.071)	(451.227)	164.787	(16.554.483)	-	(95.231.211)
Commissions (Net)	(25.223.467)	(2.657.770)	(77.214.162)	(24.287.293)	(41.137.250)	(35.123.686)	(10.291.082)	-	(215.934.710)
Operating Expenses	(29.130.403)	(1.997.505)	(34.349.421)	(16.982.773)	(10.791.742)	(28.165.834)	(8.076.430)	-	(129.494.108)
Other Operating Income / Expenses	(1.945.608)	(240.261)	(2.781.352)	(1.427.699)	(1.757.018)	(2.669.629)	(1.000.285)	-	(11.821.852)
	3.717.794	**6.332.071**	**(24.347.846)**	**(139.798.873)**	**23.706.389**	**(12.553.168)**	**14.586.139**	**-**	**(128.357.494)**
Investment income	-	-	-	-	-	-	-	95.029.264	95.029.264
Foreign exchange income	-	-	-	-	-	-	-	14.250.875	14.250.875
Tax expense	-	-	-	-	-	-	-	925.472	925.472
Net Profit / (Loss)	**3.717.794**	**6.332.071**	**(24.347.846)**	**(139.798.873)**	**23.706.389**	**(12.553.168)**	**14.586.139**	**110.205.611**	**(18.151.883)**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

6. Cash and cash equivalents

The details of cash and cash equivalents of the Company are as follows:

	December 31, 2016	December 31, 2015
Cash at banks	**240.333.856**	236.768.520
-time deposits	222.305.473	231.130.818
-demand deposits	18.028.383	5.637.702
Bank guaranteed credit card receivables with maturity less than 3 months	210.819.263	176.503.394
Total	**451.153.119**	**413.271.914**
Securities pledge under repurchase agreements(*)	30.045.425	138.031.848
Total cash and cash equivalents	**481.198.544**	**551.303.762**

(*) The Company has reflected TL 30.045.425 of time deposits as securities pledged under repurchase agreements in the financial statements as of December 31, 2016 (2015: 138.031.848).

Cash and cash equivalents that are included in the statements of cash flows for the periods January 1 - December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Total cash and cash equivalents	481.198.544	551.303.762
Interest accrual on cash at banks (-)	(257.966)	(798.285)
Cash and cash equivalents per statement of cash flow	**480.940.578**	550.505.477

Restrictions on cash and cash equivalents in favor of Undersecretariat of Treasury have been disclosed in Note 30.

The maturities of the Company’s time deposits as of December 31, 2016 are less than six months. (December 31, 2015: Less than six months).

Weighted average interest rates of time deposits (in %):

	December 31, 2016	December 31, 2015
TL	4,50 – 13,95	8,25 – 13,95
USD	0,10 – 3,40	0,010 – 3,25
EUR	0,10 – 1,85	0,010 – 2,00

As at December 31, 2016 and 2015 detail of cash and cash equivalents per currency are as follows:

	December 31, 2016	December 31, 2015
Foreign currency denominated		
- demand deposits	6.239.219	3.201.804
- time deposits	25.792.958	54.488.007
Turkish Lira		
- demand deposits	11.789.164	2.435.898
- time deposits	226.557.940	314.674.659
- bank guaranteed credit card receivables with maturity less than 3 months	210.819.263	176.503.394
Total cash and cash equivalents	**481.198.544**	551.303.762

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

7. Financial assets

Available for sale debt securities:

	December 31, 2016		
	Cost Value	**Fair Value**	**Book Value**
Government bonds	414.615.001	409.346.640	409.346.640
Private bonds	157.224.003	159.914.268	159.914.268
Investment Funds	189.073.620	210.381.106	210.381.106
Eurobonds	88.642.117	84.045.498	84.045.498
Total	**849.554.741**	**863.687.512**	**863.687.512**

	December 31, 2015		
	Cost Value	Fair Value	Book Value
Government bonds	427.963.378	422.249.213	422.249.213
Private bonds	97.302.245	99.327.442	99.327.442
Investment funds	80.311.808	89.334.398	89.334.398
Eurobonds	69.293.388	67.168.716	67.168.716
Total	674.870.819	678.079.769	678.079.769

Financial assets at insurees' risk:

	December 31, 2016		
	Cost Value	**Fair Value**	**Book Value**
Government bonds	2.530.185	2.530.185	2.530.185
Total	**2.530.185**	**2.530.185**	**2.530.185**

	December 31, 2015		
	Cost Value	Fair Value	Book Value
Government bonds	7.540.028	7.753.279	7.753.279
Total	7.540.028	7.753.279	7.753.279

Equity shares under available-for-sale investments:

As of December 31, 2016, the Company has an investment in Merter BV with a 25% participation rate (December 31, 2015: 25%). Merter BV is a real estate company which has an investment in a shopping mall and office building with 50% participation rate. The Company has a final participation rate of 12,5% in the real estates. Since the Company does not have any influence in the financial and operating policy decisions of the investee, this investment is classified as available for sale financial asset and carried at its fair value. The Company has booked impairment provision for Merter BV amounting to TL 30.116.653 in its financial statements as of December 31, 2016 in accordance with the appraisal report obtained from an independent appraisal firm (December 31, 2015: TL 22.155.402).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

7. Financial assets (continued)

List of the investments and fair values is as below:

	December 31, 2016		
	Cost Value	**Fair Value**	**Book Value**
Equity investments			
Merter BV (*)	30.116.653	-	-
Tarsim	220.889	-	220.889
Total	**30.337.542**	**-**	**220.889**

	December 31, 2015		
	Cost Value	Fair Value	Book Value
Equity investments			
Merter BV (*)	30.116.653	-	7.961.251
Tarsim	220.889	-	220.889
Total	30.337.542	-	8.182.140

(*) The Company has booked the impairment provision for Merter BV, one of the affiliates, amounting to TL 30.116.653 in its financial statements as of December 31, 2016 (December 31, 2015: TL 22.155.402)

The foreign currency analysis of financial assets is as follows:

As at December 31, 2016, the Company has Eurobonds with the carrying value of USD 23.881.989 (Note 4, Foreign currency risk) (December 31, 2015: USD 23.831.816).

The maturity analysis of financial assets is as follows:

As at December 31, 2016 and 2015, the remaining contractual maturities of financial assets are as follows:

						December 31, 2016
	No stated maturity	**Up to 3 months**	**3 months to 1 year**	**1-5 years**	**More than 5 years**	**Total**
Private sector bonds	-	28.451.286	41.088.587	124.766.510	49.653.383	243.959.766
Government bonds	-	361.403.673	4.944.093	20.505.401	25.023.658	411.876.825
Equity shares	220.889	-	-	-	-	220.889
Investment funds	210.381.106	-	-	-	-	210.381.106
Total	**210.601.995**	**389.854.959**	**46.032.680**	**145.271.911**	**74.677.041**	**866.438.586**

						December 31, 2015
	No stated maturity	Up to 3 months	3 months to 1 year	1-5 years	More than 5 years	Total
Private sector bonds	-	219.836.576	86.957.546	62.864.108	81.628.941	451.287.171
Government bonds	-	137.458.200	5.259.858	2.493.421	-	145.211.479
Equity shares	8.182.140	-	-	-	-	8.182.140
Investment funds	89.334.398	-	-	-	-	89.334.398
Total	**97.516.538**	**357.294.776**	**92.217.404**	**65.357.529**	**81.628.941**	**694.015.188**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

7. Financial assets (continued)

Movement of financial assets:

As at December 31, 2016 and 2015, the movements of financial assets are as follows:

					2016
	Available for sale financial assets	**Equity shares**	**Investment funds**	**Life portfolio**	**Total**
Opening balance, January 1	588.745.370	8.182.140	89.334.398	7.753.280	694.015.188
Purchases (+)	123.269.747	-	121.636.427	-	244.906.174
Sales (-)	(81.945.206)	-	(15.105.491)	(5.373.114)	(102.423.811)
Gain / (loss)	23.236.495	(7.961.251)	14.515.772	150.019	29.941.035
Closing balance, December 31	**653.306.406**	**220.889**	**210.381.106**	**2.530.185**	**866.438.586**

					2015
	Available for sale financial assets	Equity shares	Investment funds	Life portfolio	Total
Opening balance, January 1	199.138.807	8.172.570	72.353.462	7.295.995	286.960.834
Purchases (+)	613.446.732	9.570	35.289.672	5.153.743	653.899.717
Sales (-)	(231.574.430)	-	(28.010.573)	(4.937.500)	(264.522.503)
Gain / (loss)	7.734.261	-	9.701.837	241.042	17.677.140
Closing balance, December 31	588.745.370	8.182.140	89.334.398	7.753.280	694.015.188

8. Premium receivables and due from reinsurers

As at December 31, 2016 and 2015 premium receivables and due from reinsurers are as follows:

	December 31, 2016	December 31, 2015
Receivables from intermediaries	389.713.953	335.688.866
Receivables from reinsurance companies	24.180.701	38.922.110
Due from insurance operations	**413.894.654**	374.610.976
Other receivables	136.835	71.183
Receivables from reinsurance and insurance companies	**414.031.489**	374.682.159
Doubtful receivables from main operations – gross	24.852.985	32.524.008
Receivables from main operations - gross	**438.884.474**	407.206.167
Provision for receivables from insurance operations	(1.906.000)	(1.906.000)
Provision for doubtful receivables from main operations	(16.879.314)	(21.195.854)
Total provision amount for doubtful receivables	**(18.785.314)**	(23.101.854)
Total premium receivables and due from reinsurers	**420.099.160**	384.104.313

	December 31, 2016	December 31, 2015
Receivables from intermediaries	395.918.459	337.227.879
Receivables from reinsurance companies	24.180.701	38.922.110
Total insurance receivables	**420.099.160**	376.149.989

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

8. Premium receivables and due from reinsurers (continued)

The aging of premium receivables is as follows:

	December 31, 2016	December 31, 2015
Overdue	30.467.587	34.319.181
Up to 3 months	122.291.173	106.791.524
3 to 6 months	235.650.513	226.211.017
6 months to 1 year	30.353.440	25.706.581
Over 1 year	20.121.761	14.177.864
Receivables from insurance operations – gross	**438.884.474**	407.206.167
Provision for receivables from insurance operations (-)	(1.906.000)	(1.906.000)
Provisions for receivables from main operations (-)	(16.879.314)	(21.195.854)
Total provision amount for doubtful receivables	**(18.785.314)**	(23.101.854)
Total premium receivables and due from reinsurers	**420.099.160**	384.104.313

The movement of provision for doubtful receivables from insurance operations is as follows

	2016	2015
Opening balance - January 1	(1.906.000)	(2.135.458)
Net change for the period	-	229.458
Closing balance, December 31	**(1.906.000)**	(1.906.000)

The movement of provision for doubtful receivables from main operations is as follows

	2016	2015
Opening balance - January 1	(21.195.854)	(25.266.142)
Net change for the period	4.316.540	4.070.288
Closing balance, December 31	**(16.879.314)**	(21.195.854)

The aging of the overdue but not impaired receivables from policyholders and agencies are as follows:

	December 31, 2016	December 31, 2015
0 - 3 months	1.088.533	(876.857)
Over 3 months	4.526.069	2.672.030
Total	**5.614.602**	1.795.173

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

8. Premium receivables and due from reinsurers (continued)

As at December 31, 2016 and 2015, the details of guarantees and collaterals obtained are as follows:

	December 31, 2016		December 31, 2015	
Types of guarantee	**Receivables**	**Doubtful receivables**	Receivables	Doubtful receivables
Letters of Guarantee	36.580.915	5.000	35.962.761	5.000
Real Estate Pledges	60.440.861	3.702.202	61.180.530	4.407.397
Government Bonds and Equity Shares	162.616	-	113.178	-
Other	466.859	-	451.859	-
Total	**97.651.251**	**3.707.202**	97.708.328	4.412.397

9. Reinsurance share of insurance liabilities

As at December 31, 2016 and 2015 reinsurance share of insurance liabilities are as follows:

	December 31, 2016	December 31, 2015
Reinsurers' share of outstanding claims	446.542.113	211.078.524
Reinsurers' share of unearned premiums	385.729.269	320.273.585
Bonus and rebates provision	1.715.452	-
Total reinsurance share of insurance liabilities	**833.986.834**	531.352.109

10. Deferred acquisition costs

As at December 31, 2016 and 2015 movements of deferred acquisition costs are as follows:

	2016	2015
Deferred acquisition costs, gross January 1	64.793.992	74.495.970
Change	9.450.374	(9.701.978)
Deferred acquisition costs, gross December 31	**74.244.366**	64.793.992

11. Other assets

As at December 31, 2016 and 2015 short term other assets are as follows:

	December 31, 2016	December 31, 2015
Claim recovery receivables, net	21.232.371	13.832.029
Receivable from Agricultural Insurance Pool	2.964.383	2.446.238
Receivable from Turkish Natural Catastrophe Insurance Pool	3.413.737	1.459.834
Prepaid expenses	2.685.039	2.539.182
Prepaid taxes and funds	11.855.334	5.241.964
Other	2.224.029	4.055.654
Total short term other assets	**44.374.893**	29.574.901

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

11. Other assets (continued)

	December 31, 2016	December 31, 2015
Claim recovery receivables (Note 15)	26.122.486	21.786.353
Provision for claim recovery (-)	(4.890.115)	(7.954.324)
Claim recovery receivables under legal follow-up	62.237.426	38.864.823
Provision for net claim recovery receivables under legal follow-up (-)	(62.237.426)	(38.864.823)
Claim recovery receivables, net	**21.232.371**	13.832.029

As at December 31, 2016 and 2015 long term other assets are as follows:

	December 31, 2016	December 31, 2015
Prepaid expenses	207.203	249.184
Total long term other assets	**207.203**	249.184

12. Tangible assets

As of December 31, 2016 and 2015 tangible assets movement and its accumulated depreciation is as follows:

Costs:	**January 1, 2016**	**Additions**	**Disposals**	**Transfers**	**December 31, 2016**
Property for operational use	1.598.569	-	-	-	1.598.569
Furniture and fixtures and leased tangible assets	16.861.760	5.391.601	(84.990)	-	22.168.371
Other tangible assets (including leasehold improvements)	20.034.606	312.667	(15.919)	-	20.331.354
Advances for tangible assets	7.376	-	(7.376)	-	-
Total	**38.502.311**	**5.704.268**	**(108.285)**	**-**	**44.098.294**

Accumulated depreciation: (-)	**January 1, 2016**	**Additions**	**Disposals**	**Transfers**	**December 31, 2016**
Property for operational use	(473.056)	(32.066)	-	-	(505.122)
Furniture and fixtures and leased tangible assets	(8.077.954)	(2.056.911)	70.681	-	(10.064.184)
Other tangible assets	(3.411.984)	(2.131.092)	15.920	-	(5.527.156)
Total	**(11.962.994)**	**(4.220.069)**	**86.601**	**-**	**(16.096.462)**
Net book value	**26.539.317**	**1.484.199**	**(21.684)**	**-**	**28.001.832**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

12. Tangible assets (continued)

Costs:	January 1, 2015	Additions	Disposals	Transfers	December 31, 2015
Property for operational use	2.465.348	-	(866.779)	-	1.598.569
Furniture and fixtures and leased tangible assets	14.827.725	4.567.253	(2.533.218)	-	16.861.760
Other tangible assets (including leasehold improvements)	18.312.709	1.555.519	-	166.378	20.034.606
Advances for tangible assets	28.504	145.250	-	(166.378)	7.376
Total	**35.634.286**	**6.268.022**	**(3.399.997)**	**-**	**38.502.311**

Accumulated depreciation: (-)	January 1, 2015	Additions	Disposals	Transfers	December 31, 2015
Property for operational use	(210.055)	(263.001)	-	-	(473.056)
Furniture and fixtures and leased tangible assets	(6.463.068)	(1.614.886)	-	-	(8.077.954)
Other tangible assets	(4.084.092)	(1.590.213)	2.262.321	-	(3.411.984)
Total	**(10.757.216)**	**(3.468.099)**	**2.262.321**	**-**	**(11.962.994)**
Net book value	**24.877.070**	**2.799.923**	**(1.137.676)**	**-**	**26.539.317**

The Company has not accounted for any impairment provision for tangible fixed assets in the current period.

Total depreciation expense for the current year is TL 4.220.069 (January 1 – December 31, 2015: TL 3.468.099).

13. Investment properties

As of December 31, 2016 and 2015 investment properties’ movement and its accumulated depreciation is as follows:

Costs:	January 1, 2016	Additions	Disposals	Transfers	December 31, 2016
Land	80.126	-	-	-	80.126
Total	**80.126**	**-**	**-**	**-**	**80.126**

Accumulated depreciation: (-)	January 1, 2016	Additions	Disposals		December 31, 2016
Land	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**
Net book value	**80.126**	**-**	**-**	**-**	**80.126**

Costs:	January 1, 2015	Additions	Disposals	Transfers	December 31, 2015
Buildings	504.545	-	(460.997)	(43.548)	-
Land	36.578	-	-	43.548	80.126
Total	**541.123**	**-**	**(460.997)**	**-**	**80.126**

Accumulated depreciation: (-)	January 1, 2015	Additions	Disposals		December 31, 2015
Buildings	(48.572)	(86.569)	135.140	-	-
Total	**(48.572)**	**(86.569)**	**135.140**	**-**	**-**
Net book value	**492.551**	**(86.569)**	**(325.856)**	**-**	**80.126**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

14. Intangible assets

Costs:	January 1, 2016	Additions	Disposals	Transfers	December 31, 2016
Rights	52.085.155	15.918.090	-	1.822.719	69.825.964
Advances given for intangible assets	2.666.428	826.917	(93.279)	(1.822.719)	1.577.347
Total	**54.751.583**	**16.745.007**	**(93.279)**	**-**	**71.403.311**

Accumulated depreciation: (-)	January 1, 2016	Additions	Disposals	Transfers	December 31, 2016
Rights	(20.757.045)	(9.470.016)	-	-	(30.227.061)
Total	**(20.757.045)**	**(9.470.016)**	**-**	**-**	**(30.227.061)**
Net book value	**33.994.538**	**7.274.991**	**(93.279)**	**-**	**41.176.250**

Costs:	January 1, 2015	Additions	Disposals	Transfers	December 31, 2015
Rights	28.879.266	12.970.819	-	10.235.070	52.085.155
Advances given for intangible assets	12.217.023	684.474	-	(10.235.070)	2.666.427
Total	**41.096.289**	**13.655.293**	**-**	**-**	**54.751.582**

Accumulated depreciation: (-)	January 1, 2015	Additions	Disposals	Transfers	December 31, 2015
Rights	(15.246.082)	(5.510.962)	-	-	(20.757.044)
Total	(15.246.082)	(5.510.962)	-	-	(20.757.044)
Net book value	**25.850.207**	**8.144.331**	**-**	**-**	**33.994.538**

The Company has not recognized any impairment loss for intangible assets in the current period as of December 31, 2016 (December 31, 2015: None).

The Company has no goodwill in the financial statements (December 31, 2015: None).

Amortisation expense for the current year is TL 9.470.016 (January 1 – December 31, 2015: TL 5.510.962).

15. Insurance liabilities

Insurance liabilities as at December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Gross insurance liabilities		
Reserve for unearned premiums	995.397.648	830.940.922
Outstanding claims provision	1.045.955.010	779.312.803
Life actuarial mathematical reserves	1.373.929	1.708.732
Life profit share provision	152.659	201.763
Bonus and rebates provision	1.718.909	1.200.000
Total	**2.044.598.155**	1.613.364.220
Reinsurance share of insurance liabilities		
Reinsurers' share of unearned premiums	446.542.113	211.078.524
Claims provision, ceded	385.729.269	320.273.585
Bonus and rebates provision	1.715.452	-
Total	**833.986.834**	531.352.109
Net insurance liabilities		
Reserve for unearned premiums	599.412.897	568.234.279
Outstanding claims provision	609.668.379	510.667.337
Life actuarial mathematical reserves	1.373.929	1.708.732
Life profit share provision	152.659	201.763
Bonus and rebates provision	3.457	1.200.000
	1.210.611.321	1.082.012.111

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

15. Insurance liabilities (continued)

Movements in insurance liabilities and reinsurance assets

Claims:

			2016
	Gross	**Reinsurers' share**	**Net**
Opening balance, January 1	779.312.803	211.078.524	568.234.279
Net change	266.642.207	235.463.589	31.178.618
Closing balance - December 31	**1.045.955.010**	**446.542.113**	**599.412.897**

			2015
	Gross	**Reinsurers' share**	**Net**
Opening balance, January 1	632.934.393	160.771.711	472.162.682
Net change	146.378.410	50.306.813	96.071.597
Closing balance - December 31	**779.312.803**	**211.078.524**	**568.234.279**

Claims paid and change in outstanding claims for the year ended December 31, 2016 and 2015 are as follows:

	January 1- December 31, 2016	January 1- December 31, 2015
Cash paid for claims settled during the year	(659.288.780)	(806.085.000)
Change in insurance claims	(9.843.968)	(95.231.211)
Claims paid and change in insurance claims	**(669.132.748)**	(901.316.211)

Unearned premium reserve:

			2016
	Gross	**Reinsurers' share**	**Net**
Opening balance - January 1	**830.940.922**	**320.273.585**	**510.667.337**
Net change	164.456.726	65.455.684	99.001.042
Closing balance - December 31	**995.397.648**	**385.729.269**	**609.668.379**

			2015
	Gross	Reinsurers' share	Net
Opening balance - January 1	830.480.271	264.328.607	566.151.664
Net change	460.651	55.944.978	(55.484.327)
Closing balance - December 31	830.940.922	320.273.585	510.667.337

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

15. Insurance liabilities (continued)

Life mathematical provisions:

	2016		2015	
	Number of Policies	**Mathematical Reserves**	Number of Policies	Mathematical Reserves
Opening balance, January 1	385	1.910.495	402	1.972.202
Participants in the current period	-	-	-	61.706
Leavings in the current period	(135)	(383.907)	(17)	(123.413)
Closing balance, December 31	**250**	**1.526.588**	385	1.910.495

Mathematical reserves amounting to TL 1.373.929 (December 31, 2015: TL 1.708.732) and reserves for the policies with financial assets at insurees' risk amounting to TL 152.659 (December 31, 2015: TL 201.763) and cancelled policies together with their mathematical reserves are included in the table above.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

15. Insurance liabilities (continued)

Subrogation income:

The amounts of the net salvage and subrogation income which are collected and the accrued income amounts from salvage and subrogation receivables with respect to the claims paid by the Company are as follow:

	December 31, 2016			December 31, 2015		
Claim recovery accruals	**Gross**	**Reinsurers' share**	**Net (*)**	Gross	Reinsurers' share	Net
Motor Own Damage	24.613.450	(518)	24.612.932	20.184.291	(1)	20.184.290
MTPL	294.885	-	294.885	645.215	-	645.215
Fire	497.505	(60.457)	437.048	1.224.744	(333.151)	891.593
General Liability	-	-	-	-	-	-
Water Crafts	42.297	(29.608)	12.689	-	-	-
Marine	1.060.031	(315.160)	744.871	14.289	(5.000)	9.289
Accident	17.343	-	17.343	-	-	-
General Losses	6.340	(3.621)	2.719	274.088	(218.122)	55.966
Total	**26.531.851**	**(409.365)**	**26.122.486**	22.342.627	(556.274)	21.786.353

	December 31, 2016			December 31, 2015		
Claim recovery collections	**Gross**	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
Motor Own Damage	145.845.053	(11.197)	145.833.856	141.734.336	(2.299)	141.732.037
MTPL	2.519.146	(467)	2.518.678	2.893.230	(408)	2.892.822
Marine	1.593.204	(574.269)	1.018.934	1.873.579	(826.784)	1.046.795
Fire	2.855.634	(913.833)	1.941.802	2.215.587	(555.127)	1.660.460
General Liability	27.130	(11.323)	15.806	111.735	(13.889)	97.846
Water Crafts	3.775	(2.265)	1.510	68.425	(51.827)	16.598
General Losses	282.667	(201.109)	81.558	635.993	(596.089)	-
Accident	-	-	-	-	-	-
Infidelity	2.524	(1.262)	1.262	19.641	(11.266)	8.375
Financial Losses	-	-	-	618	(585)	33
Legal Protection	-	-	-	8.682	-	8.682
Total	**153.129.132**	**(1.715.725)**	**151.413.407**	149.561.826	(2.058.274)	147.463.648

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

15. Insurance liabilities (continued)

Claims development tables

The Company prepares the claim development table in accordance with the Regulation on Technical Reserves. As at December 31, 2016 and 2015, claim development table of the Company is as follows:

Accident year	2009 and earlier	2010	2011	2012	2013	2014	2015	2016	Total
Claims realized in the accident period	**2.466.967.356**	**555.694.384**	**634.051.538**	**693.452.028**	**624.090.406**	**760.056.595**	**771.642.343**	**847.986.517**	**7.353.941.166**
1 year later	**657.504.321**	**103.944.373**	**112.189.455**	**131.738.806**	**127.264.137**	**199.718.204**	**158.715.410**		**1.491.074.705**
2 years later	**141.519.810**	**25.098.825**	**27.281.155**	**51.536.314**	**59.767.897**	**117.345.789**			**422.549.790**
3 years later	**132.687.274**	**17.795.019**	**26.033.526**	**49.196.175**	**50.115.945**				**275.827.938**
4 years later	**107.166.974**	**20.054.559**	**27.002.496**	**45.649.066**					**199.873.094**
5 years later	**94.796.045**	**23.496.088**	**26.651.745**						**144.943.878**
6 years later	**88.573.599**	**21.942.048**							**110.515.646**
7 years later	**94.538.115**								**94.538.115**
8 years later	**73.073.840**								**73.073.840**
9 years later	**48.824.387**								**48.824.387**
10 years later	**30.426.796**								**30.426.796**
11 year later	**27.082.279**								**27.082.279**
12 year later	**8.681.992**								**8.681.992**
13 year later	**3.255.902**								**3.255.902**
Total incurred gross provision for outstanding claims as at December 31, 2016	**3.975.098.690**	**768.025.295**	**853.209.914**	**971.572.389**	**861.238.384**	**1.077.120.587**	**930.357.753**	**847.986.517**	**10.284.609.530**

Accident year	2008 and earlier	2009	2010	2011	2012	2013	2014	2015	Total
Claims realized in the accident period	2.016.628.005	587.261.466	555.724.387	634.089.345	693.482.447	624.244.693	760.604.060	771.795.501	6.643.829.903
1 year later	2.072.653.637	588.982.961	556.225.773	616.521.467	691.024.206	639.142.155	810.446.392		5.974.996.592
2 years later	2.088.295.636	590.144.912	558.614.550	623.554.717	713.362.851	672.251.728			5.246.224.394
3 years later	2.112.323.058	595.632.471	564.373.541	636.266.791	739.042.200				4.647.638.060
4 years later	2.131.981.345	602.587.065	575.497.362	652.664.788					3.962.730.561
5 years later	2.144.419.808	613.038.048	589.803.856						3.347.261.712
6 years later	2.157.171.442	628.990.982							2.786.162.424
7 years later	2.178.142.524								2.178.142.524
8 years later	1.623.311.749								1.623.311.749
9 years later	1.164.461.131								1.164.461.131
10 years later	729.791.758								729.791.758
11 year later	424.531.119								424.531.119
12 year later	189.898.832								189.898.832
Total incurred gross provision for outstanding claims as at December 31, 2015	**21.033.610.045**	**4.206.637.905**	**3.400.239.468**	**3.163.097.108**	**2.836.911.704**	**1.935.638.577**	**1.571.050.452**	**771.795.501**	**38.918.980.758**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

15. Insurance liabilities (continued)

Additional reserves in accordance with ultimate liability calculations:

	December 31, 2016			December 31, 2015		
	Applied Method	**Gross Additional Provision**	**Net Additional Provision**	Applied Method	Gross Additional Provision	Net Additional Provision
Line of Businesses						
Motor Third Party Liability	FS	**205.882.912**	**205.882.912**	FS	221.239.848	221.239.848
Fire	BF	**7.076.603**	**293.902**	BF	3.175.589	(237.888)
Health	SCL	**333.420**	**(79.491)**	SCL	196.012	196.012
General Loss	BF	**7.701.380**	**381.713**	BF	4.050.094	(40.352)
Marine	BF	**1.516.064**	**496.330**	BF	(186.537)	(19.554)
Motor Own Damage	BF	**(10.502.218)**	**(10.502.218)**	BF	(12.400.314)	(12.400.314)
Other	SCL	**69.578.980**	**32.722.050**	SCL	58.198.019	27.697.577
Total		**281.587.141**	**229.195.198**		274.272.711	236.435.329

The Company actuary determined the threshold values regarding the peak claims considered as significant claims using the plot analysis. With this method the files, exceeds the determined limits considered as significant claims. The claim process of these files is different from other files. For these files, additional provision calculations were performed and added to the provisions. As of December 31, 2016 and 2015, large claim limits are as follows;

	2016		2015	
Line of Businesses	**Ultimate Loss**	**Large Claim Level**	Ultimate Loss	Large Claim Level
Fire	**BF**	**999.999**	BF	999.999
General Loss	**BF**	**999.999**	BF	999.999
Marine	**BF**	**499.999**	BF	499.999
Personal Accident	**BF**	**299.999**	BF	299.999
Motor Vehicle Facultative Third Party Liability	**FS**	**149.999**	FS	149.999
Financial Losses	**SCL**	**50.000**	SCL	50.000
General Third Party Liability	**SCL**	**200.000**	SCL	200.000

In branches where significant claim determination is performed, additional provision calculations were performed for these files added to the Outstanding Claims Provisions. Additional gross amounts, as the LoBs are as follows.

Line of Businesses	**Gross Additional Amount**	**Net IBNR**
Facultative Public Liability	1.412.848	1.412.848
General Liability	8.683.996	2.580.450
General Losses	7.116.536	74.961
Fire and Natural Disaster	9.611.632	1.934.857
Accident	65.395	12.719
Financial Losses	670.260	74.538

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

16. Provisions for other liabilities and charges

The details of provisions that are classified under provisions for expense accruals in statement of financial position are as follows:

	December 31, 2016	December 31, 2015
Commission provision	12.708.520	6.279.049
Performance premium provision	7.460.556	4.378.053
Security fund provision	2.041.410	683.871
Unused vacation provision	904.395	1.070.851
Expense accruals	7.847.428	4.259.461
Portfolio management fee	1.932.960	2.305.763
Legal disputes provision	1.772.953	817.000
BITT provision	1.165.126	-
Other	1.005.714	893.845
Total	**36.839.062**	20.687.893

Commitments and contingent liabilities which are not recognised as liabilities are disclosed in Note 32 and 33.

The movement of the commission provisions are as follows:

	2016	2015
Opening balance, January 1	6.279.049	9.312.517
Charge during the year, net	6.429.471	(3.033.468)
Closing balance, December 31	**12.708.520**	6.279.049

The movement of the performance premium provision are as follows:

	2016	2015
Opening balance, January 1	4.378.053	2.286.276
Charge during year, net	3.082.503	2.091.777
Closing balance, December 31	**7.460.556**	4.378.053

The movement of the security fund provision are as follows:

	2016	2015
Opening balance, January 1	683.871	2.005.064
Charge during year, net	1.357.539	(1.321.193)
Closing balance, December 31	**2.041.410**	683.871

The movement of the unused vacation provision are as follows:

	2016	2015
Opening balance, January 1	1.070.851	1.360.307
Charge during year, net	(166.456)	(289.456)
Closing balance, December 31	**904.395**	1.070.851

The movement of the expense accruals are as follows:

	2016	2015
Opening balance, January 1	4.259.461	1.065.946
Charge during year, net	3.587.967	3.193.515
Closing balance, December 31	**7.847.428**	4.259.461

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

17. Taxes

Income tax

As at December 31, 2016 and 2015 prepaid income taxes are netted off with the current income tax payable as stated below:

	December 31, 2016	December 31, 2015
Income taxes payable	**-**	-
Prepaid income taxes	(11.855.334)	(5.241.964)
Tax payable/(asset)	**(11.855.334)**	(5.241.964)

Deferred tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for International Accounting Standards (IAS) purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IAS.

Tax rate is applied as 20% for the calculation of deferred tax asset and liabilities. The details of deferred tax are presented in the following statements

	Cumulative temporary differences		**Deferred tax assets / (liabilities)**	
	December 31, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
Claim reserves	-	33.534.071	-	6.706.814
Unexpired risks reserve	20.593.494	20.276.938	4.118.699	4.055.388
Provision for cancellation of reinsurance agreements	-	282.984	-	56.597
Claim handling	8.745.293	8.483.733	1.749.059	1.696.747
Employment termination benefit	1.994.859	1.793.616	398.972	358.723
Doubtful receivable provisions	1.906.000	1.906.000	381.200	381.200
Unused vacation provision	904.395	1.070.851	180.879	214.170
Impairment on financial assets	30.116.653	22.155.400	6.023.331	4.431.080
Bonus provision	7.460.556	4.378.053	1.492.111	875.611
Tax loss	65.153.557	142.627.640	13.030.711	28.525.528
Other	8.933.591	4.095.377	1.786.718	819.075
Total deferred income tax assets	**145.808.398**	240.604.663	**29.161.680**	48.120.933
Equalization reserve	54.229.508	43.992.251	10.845.902	8.798.450
Useful life of tangible and intangible assets	6.504.665	2.811.097	1.300.933	562.219
Investment fund	624.497	-	124.899	
Total deferred tax liabilities	**61.358.670**	46.803.348	**12.271.734**	9.360.669
Deferred tax assets (liabilities) accounted under equity due to increase value of available for sale financial assets	9.003.806	7.432.490	1.800.761	1.486.498
Hedge reserve	-	(12.243.066)	-	(2.448.613)
Actuarial loss	4.340.508	4.680.554	868.102	936.111
Deferred tax assets, net	**97.794.042**	193.671.293	**19.558.809**	38.734.260

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

17. Taxes (continued)

Movement of deferred tax assets for the year ended December 31, 2016 and 2015 are as follows:

	2016	2015
Opening balance, January 1,	38.734.260	37.981.558
Charged to income statement	(17.666.299)	925.472
Charged to equity	(1.509.152)	(172.770)
Closing balance, December 31	**19.558.809**	38.734.260

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are determined using tax rates and tax legislation that has been enacted at the statement of financial position date and is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Income tax expenses for the year ended December 31, 2016 and 2015 are as follows:

	January 1 - December 31, 2016	January 1 - December 31, 2015
Income tax expense recognized in profit or loss:		
- Current tax charge	-	-
- Deferred tax (charge)/benefit	(17.666.299)	925.472
Income tax expense	**(17.666.299)**	925.472

The total provision for taxes on income is different than the amount computed by applying the statutory tax rate to income before provision for taxes as shown in the following reconciliation:

	2016	2015
Profit/(Loss) before taxes	88.216.778	(19.077.355)
Tax rate	20%	20%
Taxes on income/expense per statutory tax rate	(17.643.356)	3.815.471
Effect of Additions	(14.319.396)	(5.671.199)
Effect of Allowances	14.296.453	2.781.200
Income tax expense	**(17.666.299)**	925.472

As of December 31, 2016, the portion which is calculated over the statutory financial tax losses is amounting to TL 13.030.711 (December 31, 2015: TL 28.525.528). The Company management is in the opinion that the Company is able to make sufficient taxable income based on the business plans and projections therefore the Company foresees no indicator of any concern regarding its recoverability of deferred tax assets. The maturity of the tax losses are below:

	2016	2015
Will be expired in 2020	**65.153.557**	142.627.640

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

18. Trade and other payables

	December 31, 2016	December 31, 2015
Payables to reinsurers	202.020.282	175.054.091
Payables due to main operations	**202.020.282**	175.054.091
Payables to SSI regarding medical expenses	4.268.447	6.356.378
Taxes payable	17.872.576	13.182.320
Payables to Turkish Catastrophe Insurance Pool	21.395.892	14.540.068
Payables to contracted institutions	6.010.520	11.767.312
Payables to suppliers	10.538.496	3.938.121
Other	2.319.074	1.368.708
Total other short term payables	**62.405.005**	51.152.907
Total trade and other payables, deferred income	**264.425.287**	226.206.998

Movement of SSI regarding medical expenses is as follows:

	2016
Opening balance, January 1,	6.356.378
Premiums ceded to SSI (*)	19.398.403
Premium payments to SSI in the current period	(21.486.334)
Closing, December 31	**4.268.447**

	2015
Opening balance, January 1,	10.522.958
Premiums ceded to SSI (*)	6.437.403
Premium payments to SSI in the current period	(10.603.983)
Closing, December 31	6.356.378

(*) As disclosed in Note 2.17, in certain branches, regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law, the Company is required to cede a certain amount of premiums written within the period of January 1 – December 31, 2012 to SSI to be determined in accordance with the Communiqué numbered 2011/17 and 2012/6 numbered Sector Notice. Based on the aforementioned regulations, the Company has recorded the amount of the premiums to be ceded to SSI as TL 19.398.403 as of January 1 – December 31, 2016 (January 1 – December 31, 2015: TL 6.437.403) and calculated an reinsurance share of unearned premium reserve amounting to TL 7.802.076 as of December 31, 2016 (December 31, 2015: TL 8.240.256). The amount of ceded premiums to SSI is classified under the account “Payables to SSI regarding treatment expenses - short term” and the payments made till December 31, 2013 are excluded from that account.

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

19. Provision for retirement benefit obligation

	December 31, 2016	December 31, 2015
Provision for employment termination benefits	6.335.367	6.474.170
Total	**6.335.367**	6.474.170

Under the terms of Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are entitled to retirement pay provisions subsequent to the completion of their retirement period by gaining a right to receive retirement payments in accordance with the amended Article 60 of the applicable Social Insurance Law No: 506 and the related Decrees No: 2422 and 4447 issued on 6 March 1981 and August 25, 1999, respectively. Some transitional provisions related to pre-retirement service term was excluded from the law since the related law was amended as of May 23, 2002.

Employee termination benefits provisions are legally not a subject of funding. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at December 31, 2016 and December 31, 2015, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. As of December 31, 2016, the provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 8,53% (December 31, 2015: %8,81) and a discount rate of 10,91% (December 31, 2015: 10,71%), resulting in a real interest rate of 2% (December 31, 2015: 2%). The anticipated rate of forfeitures is considered and estimated rate of the Company’s retirement pay is also taken into account.

However, during this estimation, the employee termination benefits mentioned in subparagraph 5 of paragraph 1 of article 14 of the Labor Law numbered 1475 to be made in accordance with other conditions excluding the ages stipulated in clauses (a) and (b) of subparagraph A of paragraph one of article 60 of the Law numbered 506 or due to termination of employees on their own will after having completed the insurance period required for retirement pension (15 years) and the number of premium payment days (3600 days) have been excluded from the payments to be incurred by the Company.

The effect of estimation changes in the calculation of employee termination benefits is amounting to TL 4.340.507 and has been accounted to actuarial loss arising from employee benefit under equity.

As the maximum liability is updated semi-annually, the maximum amount of TL 4.426,16 effective from January 1, 2016 has been taken into consideration in calculation of provision from employment termination benefits (As of January 1, 2015, the ceiling on severance pay is TL 4.092,53 per month).

Movement of employee termination benefits provisions are presented in the statement below:

	2016	2015
Opening balance. January 1	6.474.170	2.813.302
Charge for the period	1.569.790	1.743.217
Actuarial gain/loss	(340.047)	3.480.442
Retirement payments	(1.368.546)	(1.562.791)
Closing balance, December 31	**6.335.367**	6.474.170

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

20. Equity

As of December 31, 2016, the Company’s total amount of nominal shares is 30.600.000.000 (December 31, 2015: 30.600.000.000) which has all been paid. The face value of the Company’s common stocks is TL 0,01 each and the total nominal amount is TL 306.000.000 (December 31, 2015: TL 306.000.000).

Movement of common stocks at opening balance and closing balance is as follows:

	January 1, 2016		Issued Capital		Amortized		December 31, 2016	
	Unit	**Nominal TL**	**Unit**	**Nominal TL**	**Unit**	**Nominal TL**	**Unit**	**Nominal TL**
Paid	30.600.000.000	306.000.000	-	-	-	-	30.600.000.000	306.000.000
Total	**30.600.000.000**	**306.000.000**	-	-	-	-	30.600.000.000	306.000.000

	January 1, 2015		Issued Capital		Amortized		December 31, 2015	
	Unit	**Nominal TL**	**Unit**	**Nominal TL**	**Unit**	**Nominal TL**	**Unit**	**Nominal TL**
Paid	30.600.000.000	306.000.000	-	-	-	-	30.600.000.000	306.000.000
Total	**30.600.000.000**	**306.000.000**	-	-	-	-	30.600.000.000	306.000.000

Legal and other reserves

Details of the legal and other reserves are explained below:

	2016	2015
Opening balance, January 1	178.468.101	171.820.419
Transfers from retained earnings	-	6.647.682
Closing balance, December 31	**178.468.101**	178.468.101

Retained earnings as per the statutory financial statements, other than legal reserve requirements as referred below, are available for distribution. The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code. The Turkish Commercial Code stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company’s paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the Turkish Commercial Code, the legal reserves can only be used to offset losses unless they exceed 50% of paid-in share capital and are not available for any other usage.

Actuarial gain / (loss)

In accordance with changes regarding “IAS 19 – Employee Benefits” effective as of January 1, 2013, actuarial loss amounting to TL 4.340.507 (net off deferred tax: TL 3.472.406) resulting from retirement pay liability calculation has been accounted to extraordinary reserves under equity.

Movement of actuarial loss arising from employee benefit is as follows:

	2016	2015
Opening balance. January 1	4.680.554	1.200.112
Change for the period	(340.047)	3.480.442
Closing balance, December 31, gross	**4.340.507**	4.680.554

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

20. Equity (continued)

Available for sale investments fund

The unrealized gains and losses that result from the changes in the fair values of available for sale financial assets are directly recognized in the shareholders’ equity as “Available for sale investments fund”.

Movement of available for sale investments fund is below:

	2016	2015
Opening balance, January 1	(5.945.992)	(838.117)
Increase/decrease in value recognized under the shareholders’ equity in the current period	(1.257.053)	(5.107.875)
Closing balance, December 31, net off deferred tax	**(7.203.045)**	(5.945.992)

Hedge accounting

The Company recognizes the changes in value of hedging instrument by the foreign currency differences under equity. As of December 31, 2016, TL 21.020.093 (net off tax: TL 16.816.074) is recognized under equity resulting from hedge accounting (December 31, 2015: TL 12.243.066, net: TL 9.794.452).

December 31, 2016

Amount of deposit	**Currency**	**Exchange rate at the beginning**	**Exchange rate at the end**	**Exchange difference**
16.358.049	USD	2,2342	3,5191	(21.020.093)

December 31, 2015

Amount of deposit	Currency	Exchange rate at the beginning	Exchange rate at the end	Exchange difference
18.180.971	USD	2,2342	2,9076	(12.243.065)

Type risk and principle of the cash flow hedge

The Company aims to prevent the future foreign exchange risk resulting from the operational leases by hedging with the Eurobond amounting to USD 23.881.989.

Dividends per share:

Pursuant to the decision taken in the Company’s Ordinary General Meeting held on March 24, 2016. The Company did not distribute dividend due to the loss in 2015 financials (December 31, 2015: TL 23.959.800).

21. Earnings per share

Shareholder of the company's earnings per share calculation is as follows:

	December 31, 2015	December 31, 2015
Profit for the year	70.550.479	(18.151.883)
Weighted average number of shares with nominal value of TL 0.01 nominal value per share	30.600.000.000	30.600.000.000
Earnings per share	**0,0023**	(0,0006)

As of December 31, 2016 capital of the Company consists of 30.600.000.000 shares with nominal value of TL 0,0023 (December 31, 2015: 30.600.000.000 shares with nominal value of TL 0,0006).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

22. Net insurance premium income

The distribution of premium income is as follows:

	January 1– December 31 2016			January 1– December 31, 2015		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' Share	Net
Written premium	1.895.566.059	(770.557.985)	1.125.008.074	1.622.186.154	(551.127.474)	1.071.058.680
Change in unearned premium reserve	(164.456.726)	65.738.668	(98.718.058)	(456.663)	59.607.370	59.150.707
Total premium revenue	**1.731.109.333**	**(704.819.317)**	**1.026.290.016**	1.621.729.491	(491.520.104)	1.130.209.387
Fire	442.890.185	(311.917.668)	130.972.517	435.694.166	(301.514.252)	134.179.914
Marine	31.415.675	(13.306.503)	18.109.172	30.170.793	(13.601.089)	16.569.704
Motor Own Damage	590.851.704	(37.694.304)	553.157.400	475.884.548	(28.255.378)	447.629.170
Motor Third Party Liability	246.021.394	(20.079.172)	225.942.222	104.985.408	(6.587.804)	98.397.604
Other	184.492.337	(109.542.993)	74.949.344	149.096.874	(80.113.082)	68.983.792
General Losses	181.321.188	(113.876.481)	67.444.707	229.268.801	(108.095.083)	121.173.718
Health	218.566.094	(164.140.864)	54.425.230	197.070.276	(12.957.821)	184.112.455
Life	7.482	-	7.482	15.288	(2.965)	12.323
Total written premium	**1.895.566.059**	**(770.557.985)**	**1.125.008.074**	1.622.186.154	(551.127.474)	1.071.058.680

23. Insurance claims and claims recovered from reinsurers

	December 31, 2016		
	Gross	**Reinsurers' Share**	**Net**
Paid Claims	862.459.294	(203.170.514)	659.288.780
Change in outstanding claims	237.887.033	(226.462.826)	11.424.207
Change in mathematical reserves	(383.907)	211	(383.696)
Bonus and rebates provision	518.909	(1.715.452)	(1.196.543)
Total	**1.100.481.329**	**(431.348.581)**	**669.132.748**

	December 31, 2015		
	Gross	Reinsurers' Share	Net
Paid Claims	934.954.155	(128.869.155)	806.085.000
Change in outstanding claims(*)	149.839.556	(53.761.222)	96.078.334
Change in mathematical reserves	(61.707)	(211)	(61.918)
Bonus and rebates provision	1.200.000		1.200.000
Clean-cut transfers (*)	-	(1.985.205)	(1.985.205)
Total	1.085.932.004	(184.615.793)	901.316.211

(*) The Company owned clean cut agreement in motor own damage branch, according to the agreement the premium and claim disposals for 2015 had taken part on December 31, 2015. According to the same agreements the portfolio additions had been made within the year 2015, the effect of portfolio additions TL 1.985.205 in 2015 netted – off from outstanding claims

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

24. Investment income

Investment income for the year ended December 31, 2016 and 2015 are as follows:

	January 1– December 31, 2016	January 1– December 31, 2015
Cash and cash equivalents interest income	73.882.785	33.762.652
Available for sale interest income	28.392.170	22.772.695
Investment Income from derivatives	5.154.465	38.493.917
Total	**107.429.420**	95.029.264

25. Commission income and expenses

Commission income and expenses for the year ended December 31, 2016 and 2015 are as follows:

	January 1– December 31, 2016	January 1– December 31, 2015
Commissions income	120.341.279	65.183.749
Commissions expense	(314.327.196)	(281.118.459)
Total	**(193.985.917)**	(215.934.710)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

26. Other operating income and expenses

Other operating income for the year ended December 31, 2016 and 2015 are as follows:

	January 1 – December 31, 2016	January 1 – December 31, 2015
Income from contracted institutions services	3.377.042	3.709.268
State supported agriculture insurances commissions	499.332	622.352
Other	748.200	1.549.606
Total	**4.624.574**	5.881.226

Other operating expenses for the year ended December 31, 2016 and 2015 are as follows:

	January 1 – December 31, 2016	January 1 – December 31, 2015
Provision for doubtful receivables	(13.509.666)	(6.667.344)
Retirement pay provision	(1.569.790)	(1.743.217)
Portfolio management fee	(1.932.960)	(2.305.763)
Unused vacation provision	(154.261)	(17.319)
Disallowable expenses (*)	(15.421.994)	(397.418)
Bank expenses	(2.815.607)	(2.545.455)
Security fund expenses	(2.041.410)	(683.871)
Other (**)	(12.709.296)	(3.342.691)
Total	**(50.154.984)**	(17.703.078)

(*) For the period between January 1, December 31, 2016, disallowable expenses has consisted of tax penalty payments which is amounting to TL14.080.984, that the Company has made regarding to tax investigation that was related to the spin off transaction which was subject to tax investigation in 2010, by taking advantage of tax amnesty within scope of law numbered 6736 Regarding Restructuring of Some Tax Receivable.

(**) For the period between January 1, December 31, 2016, other expenses has consisted of impairment expense amounting to TL 7.961.251 that the Company has written off Merter BV in its financials statements.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. Expenses for marketing and administration

Marketing and administration expenses for the year ended December 31, 2016 and 2015 are as follows:

	January 1 - December 31, 2016	January 1 - December 31, 2015
Personnel expenses	(67.181.463)	(69.289.260)
Assistance expenses	(16.804.034)	(6.667.169)
Information technology expenses	(13.109.821)	(12.165.744)
Depreciation expenses	(13.690.085)	(9.065.630)
Rent expenses	(8.546.734)	(7.329.158)
Social relief expenses	(3.688.606)	(3.964.145)
Transportation expenses	(4.126.314)	(3.803.664)
Meeting and training expenses	(3.696.162)	(2.927.626)
Advertisement expenses	(3.018.736)	(2.629.865)
Repair and maintenance	(2.500.167)	(2.719.832)
Communication expenses	(1.331.651)	(2.514.385)
Outsourcing service expenses	(2.160.787)	(1.498.160)
Other	(4.086.396)	(4.919.470)
Total	**(143.940.956)**	(129.494.108)

Personnel expenses for the year ended December 31, 2016 and 2015 are as follows:

	January 1 – December 31, 2016	January 1 – December 31, 2015
Salary and bonus payments	(63.359.803)	(63.723.794)
Insurance payments	(897.306)	(851.536)
Other payments	(2.924.354)	(4.713.930)
Total	**(67.181.463)**	(69.289.260)

28. Foreign exchange gain / (loss), net

Foreign exchange gain / (loss), net for the year ended December 31, 2016 and 2015 are as follows:

	January 1 – December 31, 2016	January 1 – December 31, 2015
Foreign exchange gains (+)	77.269.832	138.098.133
Foreign exchange gains (-)	(70.182.459)	(123.847.258)
Total	**7.087.373**	14.250.875

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

29. Repurchase agreements

Securities pledged under repurchase agreements:

The details of reverse repo receivables in the balance sheet as of December 31, 2016 are as follows:

	December 31, 2016			
	Cost	**Interest rate**	**Maturity**	**Book value**
Time Deposits	25.000.000	11,45%	28.12.2016 - 30.01.2017	25.031.370
Time Deposits	5.000.000	11,40%	23.12.2016 - 17.03.2017	5.014.055
Bond	361.275.000	6,50%	30.12.2016 – 01.01.2017	361.403.673
	391.275.000			**391.449.098**

	December 31, 2015			
	Cost	**Interest rate**	**Maturity**	**Book value**
Time Deposits	137.000.000	13,39%	08.01.2015-12.02.2016	138.031.848
	137.000.000			**138.031.848**

Obligations under repurchase agreements:

Financial liabilities comprised of liabilities from reverse repo agreements The details of funds received from reverse repo agreements accounted for under short-term financial liabilities in the balance sheet as of December 31, 2016 are as follows:

	December 31, 2016			
	Cost	**Interest rate**	**Maturity**	**Book value**
Government Bond	10.000.000	10,90%	29.12.2016 - 04.01.2017	10.008.959
Government Bond	15.000.000	10,90%	29.12.2016 - 04.01.2017	15.013.438
Government Bond	5.000.000	11,00%	26.12.2016 - 02.01.2017	5.009.041
	30.000.000			**30.031.438**

	December 31, 2015			
	Cost	**Interest rate**	**Maturity**	**Book value**
Government bond	15.000.000	11,75%	19.01.2016	15.077.260
Government bond	32.000.000	10,70%	19.01.2016	32.159.474
Government bond	33.000.000	11,50%	08.01.2016	33.093.575
Government bond	14.000.000	11,75%	22.01.2016	14.040.562
Government bond	18.500.000	10,75%	12.02.2016	18.516.346
Government bond	24.500.000	11,75%	25.01.2016	24.570.983
	137.000.000			**137.458.200**

30. Blocked securities and bank deposits

Under Insurance Law, insurance companies are obliged to deposit investments within two months in a blocked account with a state bank in favour of Undersecretariat of Treasury. Accordingly the following guarantees have been issued to the Turkish Treasury based on the financial results:

	December 31, 2016	December 31, 2015
Blocked bank deposits	148.863.664	148.476.703
Blocked securities	4.824.827	7.486.870
Total	**153.688.491**	155.963.573

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

31. Related parties

The details of transactions between the Company and other related parties are disclosed below:

Due from /to related parties:

	December 31, 2016	December 31, 2015
Shareholders	19.958	(107.314)
Shareholder's subsidiaries	12.456.988	16.478.636
Total	12.476.946	16.371.322

Banks

	December 31, 2016	December 31, 2014
Shareholder's subsidiaries	574.281.361	67.670.586
Total	**574.281.361**	67.670.586

Marketable securities

	December 31, 2016	December 31, 2014
Shareholder's subsidiaries	15.294.313	28.794.288
Total	**15.294.313**	28.794.288

Investment funds:

	December 31, 2016	December 31, 2014
Shareholder's subsidiaries	158.252.836	89.334.398
Total	**158.252.836**	89.334.398

Written premium:

	January 1 – December 31, 2016	January 1 – December 31, 2014
Shareholders	2.637.764	2.426.901
Shareholder's subsidiaries	150.567.543	128.206.697
Total	**153.205.307**	130.633.598

Claims paid

	January 1 – December 31, 2016	January 1 – December 31, 2014
Shareholders	969	829.939
Shareholder's subsidiaries	9.548.521	29.316.090
Total	**9.549.490**	30.146.029

Investment income

	January 1 – December 31, 2016	January 1 – December 31, 2014
Shareholder's subsidiaries	43.782.837	32.279.194
Total	**43.782.837**	32.279.194

No guarantees have been taken for the receivables from related parties.

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

32. Commitments

Provision for lawsuit

Provision for lawsuit against the Company is classified under insurance liabilities and premium receivables.

As at December 31, 2016 and 2015, details of the provision for lawsuit against to the Company are as follows:

	December 31, 2016	December 31, 2015
Outstanding claims under litigation	304.205.081	243.934.118
Subrogation receivable litigations, gross	78.684.489	54.140.919
Trade receivable litigations and executions	3.347.861	12.238.146
Total lawsuit provision	**386.237.431**	310.313.183

Operational leases

Future minimum rentals payable under operational leases as at December 31, 2016 and 2015 are as follows

		December 31, 2016
	USD	**Total**
Up to 1 year	1.628.559	**5.731.225**
1 – 8 years	11.457.881	**40.322.573**
Total operational lease rental payable	**13.086.440**	**46.053.798**

		December 31, 2015
	USD	Total
Up to 1 year	611.611	1.778.320
1 – 8 years	14.022.777	40.772.626
Total operational lease rental payable	14.634.388	42.550.946

33. Contingencies

As at December 31, 2016 and 2015, total insurance risk accepted by the Company under normal courses of the insurance business is detailed in Note 4.

As of June 24, 2014, Tax Inspection Board of T.C. Ministry of Finance has launched a limited tax investigation related to the Banking and Insurance Transaction Tax for the years 2009, 2010, 2011 and 2012 and as a consequence of the tax inspection, tax of TL 1,8 million and tax penalty of TL 2,8 million for the year 2009 , tax of TL 2 million and tax penalty of TL 3 million for the year 2010 , tax of TL 3 million and tax penalty of TL 4,6 million for the year 2011 and tax of TL 4,3 million and tax penalty of TL 6,4 million for the year 2012 and in total tax and tax penalty of 27,9 million related to Banking Insurance Transaction Tax were imposed to the Company. The Company has not booked any provision in the financial statements since it believes that its practice is in compliance with the regulations. On January 16, 2015, the Company filed a reconciliation request for the year 2009 and on February 20, 2015 filed a reconciliation request for the years 2010, 2011 and 2012 to the Large Taxpayers Office Commission of Reconciliation.

34. Subsequent events

None.