ANADOLU SİGORTA

You Never Lose

Wherever you touch life...

Annual Report 2016

General Information

Anadolu Anonim Türk Sigorta Şirketi
2016 Annual Report

Corporate Title
Anadolu Anonim Türk Sigorta Şirketi

Website
www.anadolusigorta.com.tr

Anadolu Sigorta Trade Registration No
4593/557

Directory

Head Office
Rüzgarlıbahçe Mah. Kavak Sok. No: 31
Kavacık 34805 İstanbul
Tel: +90 850 744 0 744
Fax: +90 850 744 0 745
E-mail: bilgi@anadolusigorta.com.tr

İstanbul Regional Branch
Beytem Plaza Büyükdere Cad. 20/B
Şişli 34394 İstanbul
Tel: +90 850 744 0 744
Fax: +90 850 744 0 753
E-mail: bolge11@anadolusigorta.com.tr

Kadıköy Regional Branch
K2 Plaza Sarıkanarya Sok. No: 14
Kozyatağı 34742 İstanbul
Tel: +90 850 744 0 744
Fax: +90 850 744 0 754
E-mail: bolge12@anadolusigorta.com.tr

Mediterranean Regional Branch
Konyaaltı Cad. No: 78
Muratpaşa 07050 Antalya
Tel: +90 850 744 0 744
Fax: +90 850 744 0 752
E-mail: bolge08@anadolusigorta.com.tr

Western Anatolia Regional Branch
Atatürk Cad. No: 92
Anadolu Sigorta Binası 2
Pasaport Konak 35210 İzmir
Tel: +90 850 744 0 744
Fax: +90 850 744 0 747
E-mail: bolge03@anadolusigorta.com.tr

Middle Black Sea Regional Branch
Kılıçdede Mah. Ülkem Sok. No: 8-A/7
İlkadım 55060 Samsun
Tel: +90 850 744 0 744
Fax: +90 850 744 0 750
E-mail: bolge06@anadolusigorta.com.tr

Southern Anatolia Regional Branch
Reşatbey Mah. 62029. Sok. No: 16/A
Seyhan 01120 Adana
Tel: +90 850 744 0 744
Fax: +90 850 744 0 746
E-mail: bolge02@anadolusigorta.com.tr

Central Anatolia Regional Branch
Cinnah Cad. Farabi Sok. No: 43
Kavaklıdere 06690 Ankara
Tel: +90 850 744 0 744
Fax: +90 850 744 0 749
E-mail: bolge05@anadolusigorta.com.tr

Black Sea Regional Branch
Karşıyaka Mah. 4 Nolu Sok. No: 479
Ortahisar 61040 Trabzon
Tel: +90 850 744 0 744
Fax: +90 850 744 0 751
E-mail: bolge07@anadolusigorta.com.tr

Marmara Regional Branch
Odunluk Mah. Akademi Cad.
Zeno İş Merkezi A Blok No: 10/5
Nilüfer 16110 Bursa
Tel: +90 850 744 0 744
Fax: +90 850 744 0 748
E-mail: bolge04@anadolusigorta.com.tr

Turkish Republic of Northern Cyprus Branch
Memduh Asaf Sok. 8
Köşklüçiftlik Lefkoşa / TRNC
Tel: +90 92 227 95 95
Fax: +90 392 227 95 96
E-mail: bolge50@anadolusigorta.com.tr

Gaziantep Sales Office
İncilipınar Mah. Gazi Muhtar Paşa Bulvarı
36017 Sok. Kepkepzade Park iş Merkezi
C Blok No:6/10
Şehitkamil Gaziantep
Fax: +90 850 744 0 755
E-mail: antepsatis@anadolusigorta.com.tr

Previous years' annual reports of Anadolu Sigorta

Contents

1 General Information
3 Corporate Profile
3 Our Vision, Our Mission, Our Corporate Values
4 Milestones from the History of Anadolu Sigorta
6 Message from the Chairman
10 Message from the CEO
14 The Organization, Capital and Shareholder Structure of the Company
14 Organization Chart
15 Capital and Shareholder Structure
15 Disclosures on Preferred Shares
16 Governing Body, Executives and the Number of Employees
16 Board of Directors
19 Declarations of Independence by Independent Members of the Board of Directors
20 Executive Committee
22 Heads of Units Under the Internal Systems
22 Average Number of Employees by Categories During the Reporting Period
23 Financial Affairs and Actuarial Unit Managers
23 Financial Rights Provided to the Members of the Governing Body and Executives
25 Research and Development Activities of the Company
25 Research and Development Pertaining to New Services and Business Activities
26 Company Activities and Major Developments in Activities
26 2016-2017 Primary Goals, Policies
26 Information on the Company's Investments
27 Internal Control System and Internal Audit Activities
27 An Assessment of 2016 by the Board of Inspectors
28 Internal Control System and an Assessment by the Governing Body
29 Information on Associates
29 Repurchased Own Shares by the Company
29 Disclosures Concerning Special Audit and Public Audit
29 Lawsuits Filed Against the Company and Potential Results
29 Disclosure of Administrative or Judicial Sanctions Against the Company and/or Board of Directors Members
29 Assessment of Prior Period Targets and General Assembly Decisions
29 Expenses Incurred in Relation to Donations and Grants and Social Responsibility Projects
31 Commitment to Social Responsibility
33 The Company's Transactions with the Risk Group
34 Financial Status
34 Summary Report by the Board of Directors
36 Financial Information and Indicators
39 2016 Economic Overview
44 Overview of the World and Turkish Insurance Industries and Future Outlook
48 Developments and Changes in Legislation
52 An Assessment of Anadolu Sigorta in 2016
62 Assessment of the Company Capital and Comments
63 Profit Distribution Policy
64 Risks and an Assessment by the Governing Body
64 Risk Management Policies Adhered to by Types of Risks
66 Activities of the Committee of Early Determination of Risk
67 Other Matters and Financial Statements
67 Independent Auditor's Report Related to Annual Report
68 An Assessment of the Board Directors by the Corporate Governance Committee
70 Disclosure Policy
72 Corporate Governance Principles Compliance Report
81 Committees Operating Within Anadolu Sigorta and an Assessment by the Board of Directors
84 An Assessment of the Operation of the Independent Audit Firm in 2016 Activity Period via the Audit Committee
85 Human Resources Practices at Anadolu Sigorta
86 Agenda of the Annual General Assembly Meeting
87 Dividend Distribution Proposal
88 2016 Profit Distribution Table
89 2016 Annual Report Compliance Statement
90 Detailed Income Statement
93 31 December 2016 Unconsolidated Financial Statements Together with Independent Auditors' Report Thereon
174 Information on Consolidated Subsidiaries
175 31 December 2016 Consolidated Financial Statements Together with Independent Auditors' Report Thereon
254 An Assessment of Financial Standing, Profitability and Solvency
255 Information on Financial Structure
256 Summary Financial Information for the Last 5 Years Including the Reporting Period
256 Information for Investors

Our customer focus...

With solutions and services catering to diverse needs and delivering strong value propositions, we stand by our policyholders at all times.

Corporate Profile, Our Vision, Our Mission, Our Corporate Values

Engaged in all non-life branches, i.e. fire, marine, accident, engineering, agriculture, legal protection, personal accident, illness/health and credit, Anadolu Sigorta will keep contributing to the advancement of the insurance business in Turkey, guided by its mission and vision.

Corporate Profile

In 2016, Anadolu Sigorta expanded its total premium production by 24.2% year-on-year to TL 4,484 million and controlled a 12.7% share of the overall market among non life companies.

Anadolu Sigorta pursues its operations via nine regional branches across the nation and one branch in the Turkish Republic of Northern Cyprus. The number of employees on the company's payroll averaged 1,163 in 2016.

Anadolu Sigorta registered its highest premium production in the motor vehicle liability with TL 1,581 million, followed by the motor vehicles branch with TL 899 million in 2016. Trailing these two branches, in order, were fire and natural disasters with TL 756 million, illness/health with TL 406 million, general losses with TL 319 million and general liability with TL 141 million.

Turkey's first national insurance company and the pioneer in the sector, Anadolu Sigorta will keep contributing to the advancement of the insurance business in Turkey in the light of its mission and vision, and further build on its solid position in the industry on the back of its powerful digital insurance initiative.

Our Vision

- To make Anadolu Sigorta the insurance brand preferred by everyone who needs insurance.
- To achieve a strength that makes it a reference point in the worldwide insurance industry as well.

Our Mission

- In keeping with the deeply-rooted, pioneering, honest, and solid corporate values of Anadolu Sigorta to:
- Lead the sector,
- Help create a broad public awareness of insurance in Turkey,
- Implement a customer-focused approach to service,
- Increase our financial strength to international standards,
- Enhance the value of our company.

Our Corporate Values

A Company Entrenched In History

- It was founded in accordance with the instructions given by Mustafa Kemal Atatürk.
- It is Turkey's first national insurance company.
- It has a powerful corporate structure built on its knowledge of insurance accumulated through the years.

Pioneership

- Pioneer in creating product;
- Pioneer in service;
- Pioneer in technology;
- With its self-renewing ability preserves its pioneering position;
- It plays a pioneering role in social responsibility.

Integrity

- It has ethical merits;
- It fulfills its promises definitely;
- It inheres in transparency as principle;
- It never abandons human values.

Powerful Structure

- It has a stable financial power;
- It has an extended and efficient service network;
- It has a sophisticated and high qualified human source;
- It gains power from the synergy created by İşbank.

Milestones from the History of Anadolu Sigorta

Founded in 1925 as Turkey's first national insurance company, Anadolu Sigorta has been pursuing operations, aware of its role as the pioneer of the Turkish insurance industry for 91 years.

1925

Anadolu Sigorta was founded on April 1st at the initiative of Atatürk and under the leadership of İşbank, Turkey's first national bank.

1961

The first data processing system was set up.

1975

Being the leader of national insurance since the onset of the Turkish Republic, Anadolu Sigorta celebrated its 50th anniversary.

1983

"Blue Insurance" policies marking the introduction of comprehensive insurance system in Turkey and offering 17 types of cover were put on sale for the first time.

1984

Highly acclaimed by the public and the sector, "Insurance of the Future", the most comprehensive life policy ever offered in Turkey until then, was introduced.

1986

Representing a new branch in the Turkish insurance business, "Electronic Equipment Insurance" was first started by Anadolu Sigorta.

1987

Activities commenced in the agricultural insurance branch.

1991

The life branch was transferred to Anadolu Hayat Sigorta, a newly-formed life insurer as required by law.

1993

Extending administrative and technical assistance to Günay Anadolu Sigorta, founded and started to operate in Azerbaijan, Anadolu Sigorta became the first Turkish insurance company to set up an international operation.

1996

Policies in legal protection insurance branch, another first in our country, were written.

1997

Aiming to make the most of the possibilities offered by IT, a "Recon Project" was launched. Services were made more efficient and productive with the inclusion of all services and agencies in the data processing network with online and real-time systems.

1999

In order to provide the fastest and most comprehensive service to its policyholders in the aftermath of the disastrous earthquake of 17 August, the company worked round the clock to provide uninterrupted service.

2001

After providing service for over five decades, the company was relocated from its building in Karaköy to İş Towers, where it would be together with İşbank subsidiaries.

2002

A brand-new era began with the "Maximum Service in Insurance" concept. The company introduced the service philosophy under one title that it has possessed since its foundation, and once again became the author of a first in the sector.

2004

Voted as "the most satisfactory insurance company with its products and services", Anadolu Sigorta received the Active Academy Private Customer Satisfaction Award in Insurance. The company expanded its service range by taking over the health branch from Anadolu Hayat Emeklilik, which the company was required by law to give up. Anadolu Sigorta was awarded its ISO 9001: 2000 Quality Management System certification, an endorsement proving that the company's quality management system complies with international standards.

2006

The company maintained its sectoral leadership in premium production for the fifth consecutive year and realized a premium production in excess of TL 1 billion, undersigning yet another historic result in the history of the Turkish insurance industry.

2007

The sector's unrelenting champion in premium production for the last six years, Anadolu Sigorta became the first insurance company in Turkey to exceed the USD 1 billion threshold in total premium production.

2008

Anadolu Sigorta launched the C2C (Closer to Customer) change program whereby all business processes are reviewed and revised. While the company increased its profitability through sustainable growth strategy, it also received Active Academy Private Customer Satisfaction Award in Insurance for the fifth consecutive time.

2010

The company celebrated its 85th anniversary.

Planned within the frame of the C2C change program, the first set of changes was put into life.

The company launched its new social responsibility project, "Bir Usta Bin Usta" (From One Master to One Thousand), thus contributing to revitalize vanishing professions in Anatolia.

2012

The company received four International award with its social responsibility project, and its 2011 Annual Report

2013

Anadolu Sigorta relocated to is new head office in Kavacık-İstanbul.

2015

While celebrating its 90th anniversary, the company launched its revamped website.

2016

Total premium production hit TL 4.5 billion.

Message from the Chairman

We are delivering on our claim to heighten our digitization level by making utmost use of the facilities technology has to offer.

Caner Çimenbiçer
Chairman of the Board of Directors

Besides being one of the biggest players in the industry in terms of total assets and shareholders' equity, Anadolu Sigorta maintains its strong position with respect to reinsurance quality and capacity, as well.

In 2016, we witnessed different breaking points in the global economy and the political arena.

In 2016 when global economy was striving to rebalance, the heightened tension in the Middle East entailed inherent geopolitical risks, while the Brexit decision caused a significant shock, and concerns over the future of the European Union were aggravated. Also the election of Trump, a champion of protective and interventionist economy policies, as the US president in a period of lingering financial crisis with ongoing effects was perceived as the harbinger of a new global climate, and deepened the uncertainty. This process brought along excessive appreciation of the US dollar, giving rise to unsettling affects particularly on developing economies.

The US Federal Reserve's (the Fed) 0.25 points hike in its policy rate in its last meeting held in December 2016, coupled with the announcement that the Fed might implement three rate hikes in 2017 instead of two depending on the possible positive developments in the US economy further accelerated the value gain of the US currency against the other world currencies, while leading to higher long-term interest rates and losses in fixed-income markets.

Leaving its low values behind to get to USD 50 in the third quarter of 2017 and to even hit USD 55 at the end of the year, the Brent oil price is anticipated to sustain its uptrend particularly due to the OPEC's November decision to cut production.

In brief, in 2016, there were a higher number of indicators of the US economy gaining strength, US and Japan supported moderate growth through expansionary fiscal policies and kept increasing worldwide liquidity, and uncertainties regarding global monetary policies and volatile financial markets negatively impacted the financial asset pricing and risk premium indicators in developing countries.

Global economy is anticipated to register a higher growth in 2017 than it did in 2016, with the contribution of recuperated oil and commodity prices. However, there are a number of factors signaling that 2017 will not be an easy year either. These signs include the haze surrounding the policies to be pursued by the new US president and particularly his attitude in relationships with the EU, ongoing possible effects of Brexit and doubts hovering over the future of the Eurozone which is unable to pass the growth threshold due to failure to break the low inflation/weak demand cycle, and the weaknesses of the Chinese economy.

We left behind a year that was extraordinary for Turkey in multiple aspects.

The coup d'état attempt of July 15th not only acted as a determining factor for the second half of 2016, but has practically become a turning point for our country.

As Anadolu Sigorta, we deplore this nefarious incident which was overcome with the Turkish people's strong will to protect the democracy, and regard it as a disgrace in the history of our democracy.

On the other hand, located right in the heart of the chaos dominating our border neighbors, and asserting a dogged presence within and across national borders in the fight against terrorism, Turkey's macroeconomic balances were negatively affected by all these occurrences.

Thanks to the improving economic structure in Turkey, the insurance industry grows at an increasing pace every year and the ratio of premium production to GDP rises.

Message from the Chairman

Despite losing momentum, growth trend continued in our economy. Sustaining its domestic consumption-driven growth in the first two quarters of 2016, the Turkish economy shrank by 1.8% on an annual basis in the third quarter of the year. Public investments, which kept going up in the third quarter despite declined domestic demand, employment increase and private sector investments, were noted as the factor that curbed shrinkage. As a result economic growth in the first three quarters stood at 2.2%.

On the other hand, the countermeasure packages quickly introduced by the economy administration in an effort to eliminate the slowdown in the market were received as a crucial step in terms of limiting the negative tendency. It is anticipated that growth was reversed to positive values in the last quarter owing to somewhat recovered private consumption thanks to measures aimed at encouraging private outlays and to public outlays that partially balanced weakened private demand.

A key element of the economy agenda, the current deficit reversed its earlier course and picked up in the second half of the year. While dwindled tourism revenues, in particular, bore their negative impact, the effect of exports on current deficit lessened owing to the failure of the EU countries to get on growth track and the depreciation of Euro against the US dollar. Nevertheless, restarted tourist inflow and increased exports owing to mended relationships with Russia represent significant developments in terms of current deficit.

Despite increased global volatility and various shocks experienced in 2016, Turkey was able to resist hardships thanks to her strong economic foundations and healthy structure of her financial system. We are fully confident that the national economy will continue on stable growth path also in the period ahead, following the expected mitigation of geopolitical risks, accelerated growth of tourism and exports volumes, and reconstitution of production and demand balance.

We always stand by our policyholders with our understanding summed up as "never lose".

Proving its understanding summed up as "never lose" by standing by its policyholders in support of them under any circumstance, Anadolu Sigorta displayed the same approach also in the aftermath of the coup d'état attempt of 2016 and immediately took necessary action in relation to insurance losses sustained during the incidents.

We are aware of the duty that falls upon us to take our industry further.

Thanks to the improving economic structure in Turkey, the insurance industry grows at an increasing pace every year and the ratio of premium production to GDP rises. Standing as an attractive market with the young composition of the population and low insurance ownership ratio, our country has captured a stable performance on the back of her dynamics.

Despite increased global volatility and various shocks experienced in 2016, Turkey was able to resist hardships thanks to her strong economic foundations and healthy structure of her financial system.

One of our fundamental goals that we focus on is to maintain the highest quality of service rendered to our policyholders, working together with our business partners offering service all over Turkey under the Anadolu Sigorta roof.

Bearing witness to the insurance history in Turkey, Anadolu Sigorta fully makes use of its know-how and experience to fulfill its pioneering duty that it has undertaken to add momentum to growth by capitalizing on the potential the industry offers, and by raising increased awareness of insurance. Committed to grow together with the industry, our Company will continue to carry out its activities duly.

Quality service is a part of our corporate culture.

The corporate structure of Anadolu Sigorta has been built to ensure customer satisfaction.

One of our fundamental goals that we focus on is to maintain the highest quality of service rendered to our policyholders, working together with our business partners offering service all over Turkey under the Anadolu Sigorta roof.

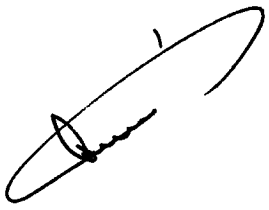
We are delivering on our claim to heighten our digitization level by making utmost use of the facilities technology has to offer. We have taken significant distance in furnishing the customer experience expected of Anadolu Sigorta in this respect in our customer contact, sales and after-sales channels. All the while, we are making plans to go even further in this department.

We are providing uninterrupted, reliable, good service to our policyholders across the country through our service network made up of İşbank branches and our agencies. We will remain true to our motto of being the assurance of all of Turkey's assets in the future, as we are now.

Maintaining its strong position with respect to reinsurance quality and capacity as well as being one of the biggest players in the industry in terms of total assets and shareholders' equity, Anadolu Sigorta blends this strength with its superior human resource and delivery channels, and moves forward confidently.

We extend our thanks to our policyholders, business partners, all our employees and shareholders for joining us in our faith in the future.

Sincerely,



Caner Çimenbiçer
Chairman of the Board of Directors

The corporate structure of Anadolu Sigorta has been built to ensure customer satisfaction.

Message from the CEO

In 2016, Anadolu Sigorta ranked second in the sector with a total premium production of TL 4.5 billion and 12.7% market share. The rise in our premium production in the same period was a significant 24.2%.

İlhami Koç
CEO

Despite difficult economic conditions and declined growth rate, our industry secured a strong expansion in 2016 on the back of its dynamics supported by the young composition of the population and increased awareness of insurance.

Our industry sustained its growth even amid the tough macroeconomic conditions of 2016.

Our country ended 2016 to a backdrop of tough macroeconomic developments. Specifically, certain political events in our region, most inevitably, had their economic repercussions. Still, our country sustained her economic growth in spite of the negative developments experienced.

Despite these difficult economic conditions and declined growth rate, our industry secured a strong expansion in 2016 on the back of its dynamics supported by the young composition of the population and increased awareness of insurance.

Based on year-end 2016 data published by the Insurance Association of Turkey (IAT), total premium production of the overall insurance industry reached TL 40.5 billion; TL 35.4 billion premium production that corresponds to 87.6% of the total production figure was generated on non-life branches. The rise in total non-life premium production was a high 30% on a year-to-year basis.

This increase was driven mainly by motor TPL insurance. Regarded as the engine of the industry in 2016, motor TPL and motor own damage segments saw a premium production growth of 79% and 11.2% on a nominal basis, respectively. While the market share of motor own damage insurance decreased by more than three points to 17.4%, that of motor TPL insurance shot up to 35%, translating into a rise of approximately nine points.

For many years, motor TPL has been the most problematic branch in terms of profitability, and negatively affected the industry's technical profit/loss balance. Despite the high rise secured last year, profitability is still elusive in this branch. Data for the first nine months of 2016 show a loss of TL 211 million for the entire industry in the motor TPL branch. Yet, a comparison on the basis of half-year reveals that the loss figure was reduced by more than half over the course of three months, which exhibits a relatively positive trend. Among the contributors to this outcome were the arrangements introduced in April for compulsory motor TPL insurance and the recently altered methods of setting aside provisions. We believe that the improvement trend continued in the last quarter of the year, as well.

On the other hand, we observe that the high depreciation of TL last year reflected negatively on our industry. This downside was felt most heavily in the auto insurance branch given the fact that the prices of imported vehicles and spare parts are linked to foreign currency.

Merging profitability and premium production along the same axis, we are successfully implementing our sustainable business model.

In 2016, Anadolu Sigorta ranked second in the sector with a total premium production of TL 4.5 billion and 12.7% market share. The rise in our premium production in the same period was a significant 24.2%.

In terms of premium production by branches, motor vehicle liability ranked first with TL 1.5 billion that translated into a 52% rise. Our company generated the second highest premium production figure in the motor vehicles branch with TL 899.4 million, which brought 14.6% market share. Fire and natural disasters and illness/health branches came in third and fourth places with respective premium productions of TL 756 million and TL 405,7 million.

We ended 2016 in leadership position in motor vehicles, accident, watercraft, marine, fire and natural disasters, and general liability branches.

Total unconsolidated assets of Anadolu Sigorta went up by 22% to TL 5,974 million

Anadolu Sigorta ended 2016 in leadership position in motor vehicles, accident, watercraft, marine, fire and natural disasters, and general liability branches.

Message from the CEO

in the twelve months to end-2016, while shareholders' equity maintained its strong level with TL 1,223 million. The real hike was achieved in balance sheet profit. Our net profit, which was TL 63.8 million in 2015, shot up by 37.7% to reach TL 87.9 million at year-end 2016. On the basis of our consolidated balance sheet, the figure is calculated as TL 102.1 million with a rise of 36.2%.

The results we have posted also reflected on our stock price on Borsa İstanbul. While the overall rise in BIST 100 index was 8.9%, the market capitalization of our company was up 21.4% and reached TL 965 million. Hence, we delivered our investors 12.5% higher return compared to the overall stock exchange.

Our benchmark of success is our ability to satisfy our policyholders' needs.

Our company is active in all non-life insurance branches. Being the deepest-rooted and pioneering insurance company in Turkey, we are also introducing new products in line with the market demands and needs, in addition to our existing product range.

Our customer satisfaction philosophy is to realize our "never lose" principle in all our implementations, and thus, respond to insurance-related demands in the fastest and in the most accurate manner, while making our policyholders feel special for having chosen Anadolu Sigorta.

To this end, we have launched new products also during 2016:

- "Anadolu Complementary Health Insurance" designed for individuals covered under the Social Security Institution system but do not have a private health insurance, which will allow them to benefit from the healthcare services offered at private hospitals at advantageous terms,
- "Smiling Package Personal Accident Insurance", which now provides assistance services in various health-related topics including dental, eye care, dietitian and psychological consultancy in addition to personal injury suffered due to unexpected external shocks, and which also provides cover for risks that may arise from terror,
- "Foreign National Health Insurance", which offers health insurance solution for foreign nationals who have applied for residence permit,
- "Total Loss Motor Own Damage" or "Plaza Motor Own Damage" products developed to respond to diverse needs and expectations for motor own damage insurance.

Enriching our product range with new products will remain among our priorities also in the years ahead.

Digital transformation is in progress

While advancements in technology transform the regular customer profile into a different one that simultaneously uses different channels, researches digitally, and buys the desired product from a desired seller upon comparing prices, the Internet gains growing importance also in the insurance industry as a significant channel of access and sales.

Addressing digitization in a versatile manner on the axes of products, channels and business models, Anadolu Sigorta has long been offering a large number of diverse services via online and mobile channels to its policyholders, ranging from claims file tracking to premium payments and assistance services.

Leading innovation in the insurance business with ongoing investments in technology, and standing out in the sector by successfully capturing the customer profile described above, our company put into life yet another significant application.

We take pride in the fact that "Bir Usta, Bin Usta" (One Master, Thousand Masters) has become one of the most widely-known and most admired social responsibility projects in Turkey in the seven years that passed since the launch of the project.

Since its incorporation, Anadolu Sigorta has preserved its identity as the leading company in the insurance industry and made optimum use of its experience and know-how in a bid to help flourish the industry and the national economy.

Our new application "My Policy is Ready" enables users to issue their motor own damage and motor TPL policies on all digital media in the fastest manner by entering minimum amount of information.

On the other hand, we deem achieving maximum efficiency in the use of the customer database infrastructure in business processes as an important part of the digital transformation strategy. Within this context, we have initiated a new project intended to ensure healthy and efficient management of claims processes, and to preclude abuse of auto claims files and organized claims irregularities. Taking place among the first examples of its kind in the industry, this project is being co-executed with FRISS, Europe's leading software company in this area. Once the project is finalized, customer claims will be automatically decided after undergoing a systemic evaluation screening, and our policyholders will experience the privilege of receiving high quality claims service in the fastest manner.

We have left behind seven years in our project "Bir Usta Bin Usta" (One Master, Thousand Masters).

While it is easy to launch responsibility initiatives, it is difficult to ensure their continuity. With the seventh series of programs given in 2016, 35 different courses have been offered in 35 cities in total under our "Bir Usta, Bin Usta" (One Master, Thousand Masters) initiative, training nearly 700 prospective masters in these programs. Course participants graduated after receiving their course completion certificates approved by the Ministry of National Education, which are equivalent to qualified instructor certificates. While our courses serve to prevent the vanishing of local crafts on one hand, they also create employment opportunities for young people on the other. We take pride in the fact that "Bir Usta, Bin Usta" (One Master, Thousand Masters) has become one of the most widely-known and most admired social responsibility projects in Turkey in the seven years that passed since the launch of the project.

We continue to grow with our country...

Since its incorporation, Anadolu Sigorta has preserved its identity as the leading company in the insurance industry and made optimum use of its experience and know-how in a bid to help flourish the industry and the national economy. Besides this vast knowledge, our company has always set an example with its corporate structure and values. I am honored to have taken over the CEO post of this select company, and I bear the ambition and the thrill to take the steps that will constantly drive our industry and our company further.

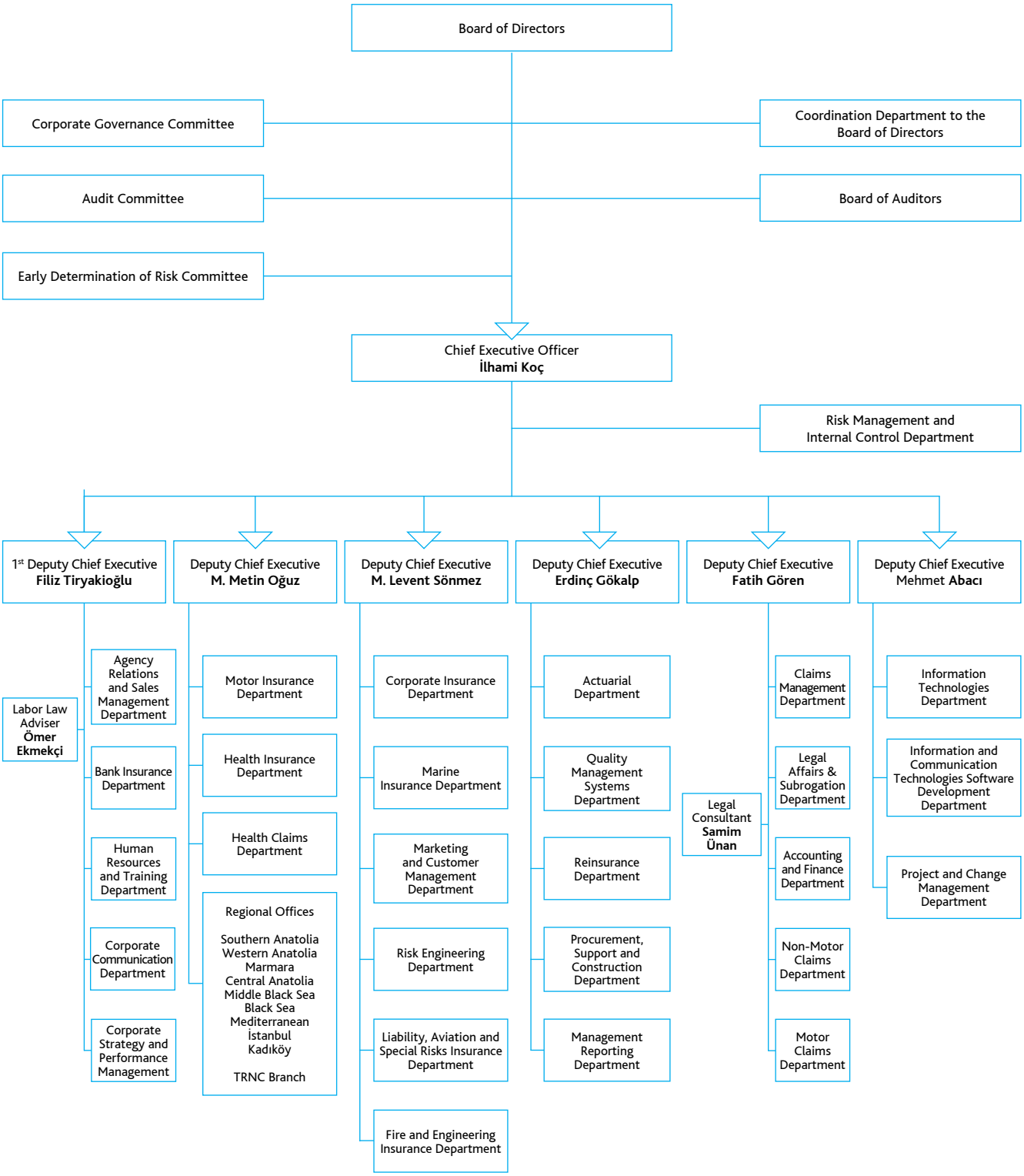
Our primary goal as Anadolu Sigorta is to render sustainable growth continuous converging profitability and premium production, and to be able to maximize the benefits we deliver to all our social stakeholders in general and to our investors, employees and customers, in particular, while achieving this goal.

I am confident that together we will sign our name under even bigger achievements as we move ahead to attain these targets and I thank our employees who are the most important assets of our Company, to İşbank for their continued support, to our policyholders who helped grow Anadolu Sigorta with their trust, to the bank branches and agencies all over the country for their strong cooperation, and to all other stakeholders.

İlhami Koç
CEO

Our primary goal as Anadolu Sigorta is to render sustainable growth continuous converging profitability and premium production.

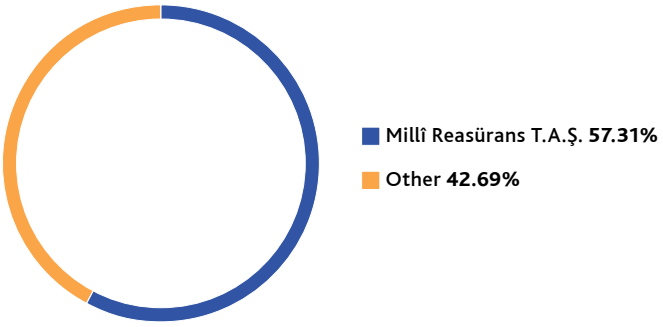
Organization Chart



Capital and Shareholder Structure

48% of the shares of Anadolu Sigorta, a subsidiary of İşbank, are quoted on Borsa İstanbul (BIST) Star Market.

Shareholder Structure (%)



Disclosures on Preferred Shares

No more preferred shares remained following the amendment to the Articles of Incorporation registered by the company on 11 April 2013.

Capital Increases and Their Sources

There were no capital increases in 2016.

Changes in the Articles of Association during 2016

No changes were made to the company's articles of association during 2016.

Ratings

Credit Rating Notes		
Fitch Ratings	Rating	Outlook
IFS	BBB-	stable
National IFS	AA+	stable
Corporate Governance Rating		
SAHA Kurumsal Derecelendirme Hizmetleri A.Ş.	Rating	
Corporate Governance Rating Note	9.30	

Board of Directors

Caner Çimenbiçer
Chairman

Hakan Aran
Deputy Chairman

İlhami Koç
CEO and Director

Kubilay Aykol
Director

Salih Karadurmuş
Director

Hafız Ekrem Kürkçü
Director

Ayşen Aygül
Board of Directors Reporter

Kemal Emre Sayar
Director

Prof. Savaş Taşkent
Director (Independent)

Cengiz Tezel
Director

Assoc. Prof. Atakan Yalçın
Director (Independent)

Hasan Hulki Yalçın
Director

Information on Board of Directors Meetings:

During 2016, Board of Directors of Anadolu Sigorta met 12 times and held its 1213rd meeting at the end of the year.

In eight of these meetings, a total of 13 members were absent due to their justified excuses.

Topics discussed in the meetings generally consist of the reports by the Board of Directors Committees and by the Board of Inspectors, executive reports, proposals laid down for approval, informative memos, and working study reports that deal with the bank insurance activities.

The meeting documents are distributed to the members approximately five days in advance of the meeting date.

Board of Directors

Caner Çimenbiçer
Chairman
Born in 1952, Bursa , Caner Çimenbiçer graduated from the Business Administration department of the Faculty of Administrative Sciences at Middle East Technical University in 1973. He started his professional career at Koç-Burroughs the same year. He joined İşbank in 1974 as an assistant inspector trainee on the Board of Inspectors. After holding various positions in the Bank, he was appointed as Senior Executive Vice President in 1998, and elected as Board of Directors member from 2005 to 2008 and the Chairman of the Board from 2008 to 2011. Appointed as the Chairman and Managing Director of Anadolu Sigorta on 1 April 2011, Çimenbiçer was afterwards elected as the Chairman, on 25 March 2014. Caner Çimenbiçer served in various companies in the past ten years. Mr. Çimenbiçer was the Chairman of the Board at İzmir Demir Çelik Sanayi A.Ş. (1999-2005), Petrol Ofisi A.Ş. (2000-2005) and Petrol Ofisi Alternatif Yakıtlar Toptan Satış A.Ş. (2005). He was Deputy Chairman at Erk Petrol Yatırımları A.Ş. (2003-2005), and Petrol Ofisi Gaz İletim A.Ş. (2005), Board member at Avea İletişim Hizmetleri A.Ş. (2003-2005) and Chairman of the Board at Milli Reasürans T.A.Ş. (2008-2009). Mr. Çimenbiçer was elected the Chairman and Executive Board Director at Anadolu Sigorta on 1 April 2014, and then the Chairman on 25 March 2014.

Hakan Aran
Deputy Chairman
Born in 1968, Antakya, Hakan Aran graduated from the Middle East Technical University, Department of Computer Engineering in 1990. He started his career at İşbank as a Software Specialist Trainee the same year, where he was appointed as an Assistant Manager in 1999, and promoted to Group Manager position in 2002. He became Software Development Manager in 2005 and was finally appointed as Deputy CEO in July 2008. Having completed his MBA on scholarship from Başkent University, Institute of Social Sciences in 2002, Hakan Aran has a master's dissertation titled "Process Management and a Model on Information Technologies Supporting Customer-Centric Approach to Banking". Hakan Aran is currently Chairman of Boards at SoftTech A.Ş., İş Net A.Ş. and Erişim Müşteri Hizmetleri A.Ş. Mr. Aran was elected a Board Director at Anadolu Sigorta on 29 Mart 2010, and then the Deputy Chairman on 25 March 2014.

İlhami Koç
CEO and Director
Born in 1963, Mr. İlhami Koç graduated from Ankara University, Department of International Relations in 1986 and started his career at İşbank as Assistant Auditor. In 1994, he was appointed as the Vice President in the Securities Department of İşbank. Following the foundation of Is Investment, he was appointed as the Head of Capital Markets and Portfolio Management in 1997. In 2001, İlhami Koç moved to Is Private Equity as the CEO. In 2002, he became the CEO of Is Investment. Mr. Koç was promoted as the Deputy Chief Executive of İşbank in 2013. In 2014, he was elected as the Chairman of the TCMA and became a Board Member at Borsa Istanbul. As of 14 November 2016, he was appointed to Anadolu Sigorta as CEO.

Kubilay Aykol
Director
Born in 1974, Bolu. Kubilay Aykol graduated from Middle East Technical University (Faculty of Economics and Administrative Sciences) department of Business Administration. He began his career in 1997 at Türkiye İş Bankası, as assistant inspector at Bank's Board Member of Inspectors. He was appointed Merter branch as branch manager position. He become an assistant manager in Retail Banking Marketing Department in 2007. He promoted to group manager position in the Retail Banking Marketing, unit of Micro Individual Segment. Mr. Aykol was elected an Auditor at Anadolu Sigorta on 29 March 2010, and then a Board Director on 27 March 2013.

Salih Karadurmuş
Director
Born in 1958 in Erzin, Salih Karadurmuş graduated from Ankara Academy of Economic and Commercial Sciences and joined İşbank in 1983 as a clerk, where he later served in various branches and departments. He became Commercial Banking Sales Department Manager in 2013 and was appointed as SME and Business Banking Sales Department Manager, a position he still holds. A financial analyst and a cambist, Salih Karadurmuş previously served as a member on the boards of directors of İş Merkezleri Yönetim ve İşletim A.Ş., İş Faktoring A.Ş., Antgıda Gıda Tar. Tur. En.ve Dem. Çelik San. ve Tic. A.Ş., Camiş Elektrik Üretim A.Ş. and Milli Reasürans T.A.Ş.. He holds the member's seat on the Board of Directors of Anadou Sigorta since 24 March 2016.

Hafız Ekrem Kürkçü
Director
1966, İstanbul. Ekrem Kürkçü graduated from Uludağ University / Education Faculty. He started his career as officer at Is Bank Harbiye Branch. He was promoted to Section Head and Sub Manager between 1995-2005 at Beyoğlu Branch, Assistant Manager between 2005-2008 at Central Operations Division. He was promoted to Unit Manager the same year. Effective from September 2008 he became Division Manager at Foreign Trade and Commercial Loans Operations Division. Mr. Kürkçü was elected a Board Director at Anadolu Sigorta on 24 March 2015.

Kemal Emre Sayar
Director
1976, Ankara. A graduate of TED Ankara College and Industrial Engineering Department of the Middle East Technical University, Kemal Emre Sayar completed the graduate programs on Information Technologies in Management(MS) at Sabancı University, and on Economics and Finance(MA) at Boğaziçi University. He started his career in 1999 as an assistant internal auditor for Türkiye İş Bankası A.Ş. Following his service at Change Management and Strategy & Corporate Performance Management departments, he was appointed to Subsidiaries Department, where he still works as Unit Manager. Mr. Sayar was elected a Board Director at Anadolu Sigorta on 26 November 2015. He is also a Board Director at Milli Re and Anadolu Hayat Emeklilik.

Prof. Savaş Taşkent
Director (Independent)
Born in İstanbul, 1943, Prof. Savaş Taşkent graduated from Faculty of Law at İstanbul University. He started his academic career in 1971 as an assistant in the Department of Law of the Faculty of Basic Sciences at İstanbul Technical University. He received his Ph.D. degree from the Faculty of Law of İstanbul University and became assistant professor at İstanbul Technical University, Faculty of Management and associate professor in the Department of Labour and Social Security Law and professor in 1990 in the same faculty. He also served as Deputy Dean and Vice Rector in the same university. In 1982 and in 1987, he undertook research studies abroad (at the Universities of Erlangen and Heidelberg). Writing many articles and books on the subject of labor law, he made translations from German law into Turkish. Prof. Taşkent served also as the Head of Major Discipline of Law at the Faculty of Business Administration of İstanbul Technical University. He superannuated on 12 January 2010 and then continued to lecture "Labor Law" and "Enterprise Law". He was appointed to Counselor position to Rector, regarding law affairs as of November 2013. Between 1 April - 19 September he served as the Dean of the Gedik University Economic, Administrative and Social Sciences Faculty. Prof. Taşkent currently works freelance at the Taşkent Law and Consultancy company. Apart from these, Prof. Taşkent served as a Counselor to the Minister at the Ministry of Labor and Social Security between the years 1991-2000 and he attended the ILO Conference held in Geneva as the Counselor to the Government during the years 1991-2003. He was elected to İşbank's Board in 2005, 2008 and 2011 respectively. He was also appointed as a member of the Audit Committee in March, 2008, the TRNC Internal Systems Committee in June, 2009, and the Corporate Governance Committee in February, 2013 at İşbank. Taşkent left his position at İşbank as of March 2014. Prof. Taşkent was elected a Board Director at Anadolu Sigorta on 16 April 2014.

Cengiz Tezel
Director
1962, Antalya. Cengiz Tezel has graduated from Freie Universität of Berlin, Germany and has a diploma in Business Administration. His professional career has started at İşbank in 1986, as a team member at Berlin Branch. He has become Money Market Dealer and International Bond dealer at Head Office Ankara in 1991, Assistant Manager responsible for Treasury at Isbank GmbH Head Office Frankfurt/Main in 1995, Assistant Manager at Isbank GmbH Frankfurt/Main Branch in 1998, Assistant Manager, responsible for Investment Banking, Investment Funds & Public Relations at Isbank GmbH Head Office Frankfurt/Main in 2006, Assistant Manager responsible for Retail Banking at Balmumcu Branch in 2007, Assistant Manager responsible for Retail Banking at Galata Branch in 2008, Branch Manager at Arapcamii Branch in 2008 and Branch Manager at İşbank Multinationals Branch (Corporate Branch) in 2012. He currently holds this position. Mr. Tezel was elected a Board Director at Anadolu Sigorta on 24 March 2015.

Assoc. Prof. Atakan Yalçın
Director (Independent)
Born in 1971, İstanbul, Associate Professor Atakan Yalçın is on the faculty of School of Economics and Administrative Sciences at Özyeğin University. He previously was on the faculty of Koç University and has held visiting positions at Brandeis University and Boston College. Dr. Yalçın received an MBA degree from Cox School of Business at Southern Methodist University in 1996, and a Ph.D. degree in finance from Carroll School of Management at Boston College in 2002. Dr. Yalçın has taught courses in Investment Management, Derivatives Securities and Financial Management. His research interest is in empirical asset pricing and empirical aspects of financial economics. His work has been published in such journals as the Journal of Empirical Finance, Journal of Banking and Finance, Journal of Financial Research, Quarterly Review of Economics and Finance, and the Journal of Marketing. Dr. Yalçın is a member of the American Finance Association, Western Finance Association, Financial Management Association and the CFA Institute. Assoc. Prof. Yalçın was elected a Board Director at Anadolu Sigorta on 27 March 2013.

Hasan Hulki Yalçın
Director
Born in 1964, Ankara, Hasan Hulki Yalçın holds a degree in Economics from the Middle East Technical University and a Master's Degree in International Banking and Finance from the University of Birmingham (UK). After serving in various positions and capacities with İşbank for fourteen years, he joined Milli Re in 2003 and subsequently took part in a number of professional training programs abroad. He has been appointed to Milli Re as a member of Board of Directors and General Manager on 16 January 2009. Hasan Hulki Yalçın is also serving as a member of Board of Directors in the Association of the Insurance Association of Turkey. Mr. Yalçın was elected a Board Director at Anadolu Sigorta on 24 March 2011.

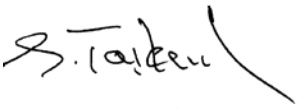
Declarations of Independence by Independent Members of the Board of Directors

25 February 2016

To: Anadolu Anonim Türk Sigorta Şirketi
Corporate Governance Committee

I hereby declare that I satisfy the criteria of independence pursuant to applicable legislation within the framework of the criteria covered in the Communiqué on the Determination and Implementation of Corporate Governance Principles, and submit my candidacy as an independent member of the Board of Directors of Anadolu Anonim Türk Sigorta Şirketi.

Yours sincerely,



Prof. Savaş Taşkent

25 February 2016

To: Anadolu Anonim Türk Sigorta Şirketi
Corporate Governance Committee

I hereby declare that I satisfy the criteria of independence pursuant to applicable legislation within the framework of the criteria covered in the Communiqué on the Determination and Implementation of Corporate Governance Principles, and submit my candidacy as an independent member of the Board of Directors of Anadolu Anonim Türk Sigorta Şirketi.

Yours sincerely,

Assoc. Prof. Atakan Yalçın

Executive Committee

İlhami Koç
CEO

Filiz Tiryakioğlu
1st Deputy Chief Executive

Mehmet Metin Oğuz
Deputy Chief Executive

M. Levent Sönmez
Deputy Chief Executive

Erdinç Gökalp
Deputy Chief Executive

Fatih Gören
Deputy Chief Executive

Mehmet Abacı
Deputy Chief Executive

İlhami Koç
CEO
Born in 1963, Mr. İlhami Koç graduated from Ankara University, Department of International Relations in 1986 and started his career at İşbank as Assistant Auditor. In 1994, he was appointed as the Vice President in the Securities Department of İşbank. Following the foundation of Is Investment, he was appointed as the Head of Capital Markets and Portfolio Management in 1997. In 2001, İlhami Koç moved to Is Private Equity as the CEO. In 2002, he became the CEO of Is Investment. Mr. Koç was promoted as the Deputy Chief Executive of İşbank in 2013. In 2014, he was elected as the Chairman of the TCMA and became a Board Member at Borsa İstanbul. As of 14 November 2016, he was appointed to Anadolu Sigorta as CEO.

Filiz Tiryakioğlu
1st Deputy Chief Executive
Agency Relations and Sales Management Department
Bank Insurance Department
Human Resources and Training Department
Corporate Communication Department
Corporate Strategy and Performance Management
Born on 26 June 1967 in İstanbul, Filiz Tiryakioğlu graduated from Anadolu University, Faculty of Business Administration, Department of Business Administration. She started her career at Anadolu Sigorta as a Clerk at the Fire Department on 16 September 1985. She rose to Assistant Superintendent at the same department on 1 January 1990. She was appointed to the Claims Department on 1 February 1993 as Superintendent, then rose to Chief Superintendent on 1 May 1996, and Assistant Manager on 1 March 1998 at the same department. She became a Manager at the Training Department on 1 June 2000 and was then appointed as the Human Resources and Training Manager on 1 August 2004. She was appointed as Deputy Chief Executive Officer on 1 February 2008 and 1st Deputy Chief Executive on 25 December 2013.

Mehmet Metin Oğuz
Deputy Chief Executive
Regional Offices
TRNC Branch
Motor Insurance Department
Health Insurance Department
Health Claims Department
Born on 4 April 1959 in Çanakkale, M. Metin Oğuz graduated from Middle East Technical University, Faculty of Arts and Sciences, Department of Physics and Mathematics, and holds a master's degree from Marmara University Institute of Banking and Insurance, Department of Insurance. M. Metin Oğuz began his career at Anadolu Sigorta as a Clerk in the Accident Department on 16 October 1985 and subsequently rose to Assistant Superintendent on 1 February 1989, Superintendent on 1 February 1992, Chief Superintendent on 1 February 1995, Assistant Manager on 1 May 1997, Manager on 1 March 1998, and Motor Insurance Manager on 1 June 2002. Having served in the last position until 31 July 2004, M. Metin Oğuz became a Deputy Chief Executive Officer on 1 August 2004.

M. Levent Sönmez
Deputy Chief Executive
Marketing and Customer Management Department
Corporate Insurance Department
Marine Insurance Department
Risk Engineering Department
Liability Aviation and Special Risks Insurance Department
Fire and Engineering Insurance Department
Born on 22 June 1962 in Ankara, M. Levent Sönmez graduated from İstanbul Technical University, Faculty of Maritime Studies, Department of Marine Engineering in 1985, got his master's degree in "Contemporary Management Techniques" from Marmara University & Maine University and completed the "SITC (Swiss Re) Marine Insurance" program. Having participated in various training programs in Turkey and abroad, M. Levent Sönmez also holds "Chartered Insurance Institute / London Dip. CII" degree. He started his career at Anadolu Sigorta as a Specialist at the Marine Department on 1 May 1991 and continued working with same title till 30 April 1996. He subsequently rose to Specialist position on 1 March 1994, Chief Superintendent position on 1 May 1996, Assistant Manager on 1 October 1997, and Manager on 1 May 1999. M. Levent Sönmez has become Bakırköy Regional Manager on 1 June 2002 and Kadıköy Regional Manager on 1 August 2004. He has been appointed as Deputy Chief Executive Officer on 1 February 2008.

Erdinç Gökalp
Deputy Chief Executive
Actuarial Department
Quality Management Systems Department
Reinsurance Department
Procurement and Construction Department
Management Reporting Department
Born on 26 July 1967 in Ankara, Erdinç Gökalp graduated from Kuleli Military High School and Turkish Military Academy, Department of Business Administration. He then got his master's degree in insurance from Marmara University, Institute of Banking and Insurance. During his employment with Anadolu Sigorta, he earned the Atatürk scholarship granted by TSB (Insurance Association of Turkey) and pursued his studies abroad. Having started his career at Anadolu Sigorta as Specialist at the Marketing Department on 1 May 1991, Erdinç Gökalp was appointed to the Reinsurance Department on 23 September 1991, rose to senior specialist position and continued working till 30 April 1996 with the same title. He promoted to Chief Superintendent position on 1 May 1996 and to Assistant Manager position on 1 October 1997, he was appointed to the Marketing Department. Erdinç Gökalp was appointed to the Accident Department on 26 December 1997 with the same title. He rose to the position of Manager and was assigned to the Reinsurance Department on 1 July 2001. Erdinç Gökalp has been appointed as Deputy Chief Executive Officer on 1 February 2008.

Fatih Gören
Deputy Chief Executive
Claims Management Department
Legal Affairs & Subrogation Department
Accounting and Finance Department
Motor Claims Department
Non-Motor Claims Department
Born on 11 November 1969 in Ankara, Fatih Gören graduated from Ankara University, Faculty of Political Sciences, Department of International Relations. He worked as a Specialist at Retail Banking and Agricultural Loans Departments at Ziraat Bank between 1991 and 1994. Having joined Anadolu Sigorta as an Assistant Inspector on the Board of Inspectors on 1 November 1994, Fatih Gören rose to Senior Inspector on 1 November 1997 and grade 3 Inspector on 1 November 1998. He was appointed as Assistant Manager to the Accounting and Finance Department on 1 June 2000, where he was promoted to Manager position on 1 August 2004. Fatih Gören has been appointed as Deputy Chief Executive Officer on 1 February 2008.

Mehmet Abacı
Deputy Chief Executive
Information Technologies Department
Information and Communication Technologies Software Development Department
Project and Change Management Department
Born in 1967 in Ankara. Mehmet Abacı, graduated from the Department of Metallurgical and Materials Engineering, Faculty of Engineering at Middle East Technical University in 1991. Starting his professional career at İşbank IT Department, as a Software Specialist the same year, Mehmet Abacı, was appointed as Assistant Manager in 1999, and Unit Manager in 2004. He was promoted as Deputy Chief Executive Officer at SoftTech in 2008, and became Solution Development Manager and Project & Change Manager at İşbank in 2010 and in 2011 respectively. Mehmet Abacı was appointed as Deputy Chief Executive Officer of SoftTech for a second term, on 1 January 2011. As of June 2012, he took office at Anadolu Sigorta as Deputy Chief Executive Officer.

Heads of Units Under the Internal Systems

Dr. İbrahim Erdem Esenkaya
Chairman of the Board of Inspectors
Born in 1969 in İstanbul. İbrahim Erdem Esenkaya graduated from İstanbul University, Faculty of Political Sciences, Department of Public Administration. He then completed a master's degree without dissertation in the graduate program for the Management of Financial Institutions at İstanbul University, Faculty of Business Administration, Institute of Business Administration. He earned his master's degree in Business Management and Organization, and his doctorate degree in Accounting and Auditing from the Institute of Social Sciences at the same university. He continues his academic career as assistant professor at İstanbul Esenyurt University. He started his career at Anadolu Sigorta as an Assistant Inspector at the Board of Inspectors on 1 May 1995 and continued till 31 May 2001. He was appointed to the Accounting and Finance Department on 1 June 2001 as an Assistant Manager and to Internal Audit Department on 1 January 2005 as a Manager. İbrahim Erdem Esenkaya has been appointed as the Chairman of the Board of Inspectors on 1 June 2007.

Ömer Altun
Risk Management and Internal Control Manager
Born in 1970 in Malatya. Ömer Altun graduated from Hacettepe University, Faculty of Science, Department of Statistics. He began his career at Anadolu Sigorta as a Clerk at the Accounting and Finance Department on 1 May 1997, where he subsequently rose to Specialist position on 1 February 1998 and continued working with same title till 30 November 2005 and then he rose to Assistant Manager position on 1 December 2005. On 1 February 2008, Ömer Altun has been appointed as a Manager to the Risk Management and Actuarial Department, which was renamed to Risk Management and Internal Control Department within the scope of the restructuring of internal systems organization.

Average Number of Employees by Categories During the Reporting Period

Senior level managers	7
Managers	38
Consultants	3
Middle level managers	163
Specialists/Officers/Other employees	952
Total	**1,163**

Financial Affairs and Actuarial Unit Managers

Murat Tetik
Accounting and Financial Affairs Manager
Born in 1968 in Eskişehir, Murat Tetik graduated from İstanbul University, Business Administration Department (English) and started his career in our company on 1 May 1997 as an Assistant Inspector on the Board of Inspectors. He was promoted to Senior Assistant Inspector on 1 May 2000, to Class III Inspector on 1 June 2001, to Class II Inspector on 1 June 2003, and to Vice Chairman of the Board of Inspectors on 1 August 2004. He was appointed as an Assistant Manager to the Accounting and Financial Affairs Department on 1 January 2005, where he rose to the position of Manager on 1 February 2008. He is a member in the Insurance Association of Turkey Financial Accounting Inspection and Research Committee.

Taylan Matkap
Appointed Actuary/Manager
Born in 1978 in Antakya, Taylan Matkap graduated from Ankara University, Department of Statistics and completed his master's degree in the Department of Actuarial Science and Finance at Boston University. He is currently pursuing his doctorate studies at İstanbul University, Department of Labor Economics and Industrial Relations. He started his career at Anadolu Sigorta on 1 December 2008 in appointed actuary/manager position at the Actuarial Consultancy Unit, and he has been transferred to the Actuarial Department with the same title on 28 February 2011. During 2008-2016, in tandem with his post as the Secretary General of the Actuarial Society of Turkey, Taylan Matkap was responsible for improving the relations with the Actuarial Association of Europe (AAE) and the International Actuarial Association (IAA) on behalf of the Society.

Financial Rights Provided to the Members of the Governing Body and Executives

Financial Rights

In the fiscal year ended on 31 December 2016, TL 6,499,105 in total has been provided in remunerations and similar benefits to the governing body and senior executives such as the Chief Executive Officer and Deputy Chief Executive Officers. Further details are presented in the relevant section of financial notes.

Other Means

The expenses incurred for the members of the company's governing body and senior executives under other means such as business related entertainment and travels amounted to TL 252 thousand.

Our distinctive approach...

With our innovative approach, swift, uninterrupted and diversified service capabilities, we make a difference and carry our pioneering initiatives into the future.

Research and Development Pertaining to New Services and Business Activities

Targeting to further reinforce its strong foothold in the industry with its digital insurance initiative, Anadolu Sigorta continues with new product, service and insurance applications development.

Within the scope of paperless insurance initiative, proposal, policy, addendum, renewal and informative forms issued by any channel are signed electronically. In addition, several documents in different paper sizes provided in attachment to the policy, such as General Conditions booklets, were made into a booklet, and are now being electronically sent as an email attachment, or delivered to customers in CD or USB format.

Furthermore, double-sided printing is implemented for policies. Upon review of the letters sent to customers, some have been discontinued; each page thus saved serves to help protect our forests and reduces environmental pollution, water and energy consumption during the paper production process.

132 suggestions were received from the employees through the suggestion system that supports quality, constant improvement and innovation at our company. These suggestions were evaluated, steps were taken in relation to those deemed feasible, proposers were rewarded and feedbacks were given to all proposers regarding their suggestions.

Business Continuity Plans of a guiding nature had been drawn up under the Business Continuity Management System for ensuring resumption of our company's core activities following a general or company-specific disaster, persistance of the service delivery needed by our customers as soon as possible, and preservation of the company's reputation. These Plans have been revised in line with the changes in company practices and technology. With the objectives of controlling the practicability of these plans, being prepared in case of an incident, and identifying our deficiencies, if any, so as to undertake improvement and development efforts, two Business Continuity desktop drills based on two different scenarios were conducted in January and October.

As part of the company telephone switchboard restructuring project, IVR announcements were reformulated to route the incoming calls to related units quickly and efficiently, and prerecorded operator audio was revamped with a professional approach.

A new initiative has been introduced named Customer Interaction Platform (CIP), which will allow following-up and handling demands and complaints conveyed to the company through a number of different channels from a single point of contact.

Possible improvements and enhancements for the regional organization have been considered; accordingly, it has been concluded that higher efficiency in sales management would be achieved through small sales points closer to our agencies and customers, which are concentrated in sales only and which are naturally mobile. Hence, Gaziantep Sales Office began operations under the Southern Anatolia Regional Branch.

Organizational structuring of the head office has been reviewed in light of sectoral developments, changes in practices and business conduct, and new requirements, and reorganization has been undertaken where deemed necessary.

Breaking new ground in the sector, the company website began offering 24/7 live health consultancy through video chat for use by our health policyholders.

Motor TPL Insurance, Combo Motor Own Damage Insurance and International Travel Insurance policies can now be issued by our digital channels with the "My Policy is Ready" application. Also, International Travel Insurance policies can be issued using "Sigortam Cepte", our mobile application, which is another first in the industry.

Corporate/commercial Internet branch has been set up and produces marine certificates.

"Welcome Agency Page" has been introduced, which will allow our agencies to easily handle their day-to-day transactions and formalities. Using this application, agencies are able to generate motor own damage and motor TPL quotations and to make the sale simultaneously, just by entering the T.R. identification number and plate number data. In addition, the application gives access to renewal tracking, customer record creation/update, and publications, as well as enabling notification entry and relevant steps for other transactions without having to re-enter the password.

In an effort to increase diversity of our products and cater to demands for comprehensive assurance needs, "Smiling Package Personal Accident Insurance" and "Personal Complementary Health Insurance" products have been developed. Under the Communiqué on Tariff and Instructions Regarding Compulsory Personal Accident Insurance for Mine Workers, Compulsory Personal Accident Insurance for Mine Workers has been introduced.

"Auto Claims Fraud Project" served to increase the ratio of identified abuse files in auto branches and to create the necessary infrastructure for reducing total claims paid.

Under the "Price Optimization Project" activities were carried out to give a more efficient structure to the process of commercial pricing of our Motor Own Damage Insurance products.

2016-2017 Primary Goals, Policies

It is among the primary goals of Anadolu Sigorta to maintain an emphatic social interaction and to touch the human in order to manage the customer experience and all sales channels in the most efficient manner.

Being Turkey's deepest-rooted and most experienced insurance company, our mission is spelled out as helping create a broad public awareness of insurance in our country, leading the sector, and enhancing the value of our company. Our vision is defined as making Anadolu Sigorta the insurance brand preferred by everyone who needs insurance.

While leveraging our company and creating a strong and successful performance are considered as our historical duty, securing a successful performance that is also reflected on the financial results in order to survive in the fiercely competitive environment of the insurance sector has been adopted as an inevitable necessity in order to maintain our solid financial strength and to keep contributing to the national economy.

In keeping with this requirement, maintaining our market share firmly while achieving sustainable technical profitability and targeting leadership in each branch we engage in have been embraced as our fundamental principles that make up our core policy.

Our growth and profitability targets will be backed by various customer value propositions including practical and fast service delivery, accessibility, understanding needs to come up with the best fitting solutions, and earning trust by ensuring value for money.

Our brand reputation and our company's robust perception in the sector will remain as our key values we are committed to preserve. Our primary objectives include maintaining solid social relationships and touching the people in order to optimize management of customer experience and all our sales channels.

We will strictly exercise utmost sensitivity in risk selection and correct pricing to efficiently manage insurance underwriting risk; while working to simplify processes in order to increase the speed and productivity of our operations, targets will be tracked carefully, employing performance and budget management methods.

Training our employees, building on their knowledge and skills will remain among our priorities to secure a highly motivated, professionally competent human resource that uses technology actively.

The insurance industry is expected to be the scene to higher use of digital tools and digital business models. Accordingly, investments will continue to be made into digital technologies and business models that will facilitate the tasks of all our business partners and increase active and proactive contact with all our customers before and after sales. Other areas of investment will include services that will respond to our policyholders' expectations. Improving customer experience through making use of digital means and increasing productivity through efficient use of technology gain the foreground among the critical factors that will sharpen our competitive edge.

In the period ahead, compulsory insurance introduced by the government and insurance receiving government support are anticipated to keep driving the industry. Although the arrangements introduced by the regulatory authority in compulsory traffic insurance, the most commonly known product in the industry which is also responsible for a substantial portion of premium production, will likely somewhat cutback the premiums that have adopted an uptrend in the previous years, it is an absolute necessity for the industry to generate sustainable and reasonable technical profit in order for it to maintain solid reserves in this branch that has been basically set up for the public interest. Efforts for achieving increased awareness of insurance and the diversity of insurance products offered by the industry are the other important points that should be highlighted with respect to maintaining a robust financial structure and support to be lent to economic activities. Attaining increased insurance ownership ratio and in turn, higher penetration rate will be enabled by the work of well-educated, well-equipped sales channel representatives. Therefore, we will continue to do our share for securing certain service standards and for guaranteeing the implementation of ethical principles in the industry, and we will proactively monitor the performances of all our sales and service channels closely.

Information on the Company's Investments

The company's outlays in 2016 amounted to USD 9.97 million for projects carried out for revising basic insurance implementations, enhancing operational efficiency within the scope of the company's information and communication technology investments. These projects are detailed under the heading "Research and Development Activities of the Company".

An Assessment of 2016 by the Board of Inspectors

Pursuant to the Regulation on the Internal Systems of Insurance and Reinsurance and Pension Companies, the internal audit activity at our company is carried out by the Board of Inspectors reporting to our company's Board of Directors. The Board of Directors reviewed and acquainted itself with the 2016 Activity Report of the Board of Inspectors.

In 2016, 27 headquarters units, 9 regional branches and 1 branch adding up to 37 units in total were audited and the resulting determinations and assessments were reported.

Initiated in order to monitor the extent at which the audited units fulfill the requirements of the reports resulting from the audits conducted, follow-up audits continued to be carried out in 2016. A total of 31 follow-up audits were conducted during 2016, 13 of which resulted from 2015 audits.

Auditing of agencies persisted pursuant to the Regulation on the Internal Systems of Insurance and Reinsurance and Pension Companies during 2016, and 648 agencies were audited, and the results were reported.

On the other hand, based on Articles 16/1 and 17/2 of the Regulation on the Internal Systems of Insurance and Reinsurance and Pension Companies, audits were conducted at all of the agencies that remain after eliminating those that were dissolved during the reporting period from the 2,529 agencies that were listed in the audit programs approved by the Board of Directors and planned to be audited in the 2014-2016 period.

In line with the experiences derived from agency audits, agencies were continued to be assessed through scoring based on the financial data for the past three years, within the frame of efforts to further expand and strengthen the central auditing of agencies and to create early warning systems that correctly identify and reveal the risk elements in advance.

In 2016, 30 studies were completed: 11 investigations, 13 examinations and 6 other studies.

As of year-end 2016, the Board of Inspectors was staffed by 19 board members consisting of inspectors and assistant inspectors. With the aim to support professional development of the Board members and to expand their professional knowledge, their participation in various seminars, meetings and training programs in Turkey and abroad have been facilitated. In this frame, efforts were carried on also in 2016 so that the members of the Board of Inspectors obtain nationally and internationally recognized professional certificates.

Developments are carefully monitored to ensure that the audits conducted and the reports subsequently issued take account of the "International Standards for Internal Audit", are risk-focused, provide assurance for risk management and contribute added value to our company and necessary revisions and changes are made accordingly.

The Board of Inspectors will keep carrying out the activities within the context of the internal audit program prepared, as well as other activities outside of this scope, based on the fundamental approach for maximizing the benefits expected from internal auditing.

Internal Control System and an Assessment by the Governing Body

Pursuant to the provisions of the "Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies" enforced upon its publication in the Official Gazette issue 26913 dated 21 June 2008, the Risk Management and Internal Control Department was set up in a structure so as to be conducted and administered directly by the CEO, and vested in the powers and responsibilities that will allow the Department to assess the risk exposure and internal control environment in an independent/impartial and effective fashion. The Board Director responsible for Internal Systems is also responsible toward the Board of Directors for the formation of the Department and ensuring, monitoring and coordinating its operability, adequacy and effectiveness.

The duties, powers and responsibilities of the individuals charged with the operation and activities of the Internal Control system, and for conducting the activities are defined in the relevant Operating Guidelines released. The internal control system is set up as a separate mechanism independent from the internal audit system, based on applicable legislation and numerous references available in national and international literature.

Centralized internal control activities do not eliminate or modify, in part or in whole, the relevant operational and supervisory responsibilities of the employees who are in charge of conducting and/or managing these activities. The Board of Inspectors separately oversees the effectiveness and adequacy of the internal control system.

Within the scope of establishing an effective internal control system that is aligned with the nature, complexity and risk structure of the company's operations; duly and efficiently managing, mitigating and controlling the risks involved in the company's operations; and employing a risk-focused approach to the conduct and management of review, control, monitoring, assessment and reporting activities concerning the activities of the company's units, all of the company's key processes were schematized, and risk-control matrixes detailing the control points were prepared, thus completing the system documentation.

A Contingency Action and Funding Plan has been designed, which specifies the actions to be taken in the event of a liquidity crisis sustained by the company due to negative market movements beyond its control, unexpected macroeconomic events, catastrophic or big-ticket claims payments and other reasons.

With the aim to prevent the company's exposure to various perils of differing scales (machinery breakdown, human errors, theft, fire, explosion, state of war, sabotage, natural disasters, terrorist acts, power outages, etc.) and the losses resulting therefrom, the Business Continuity Management System has been set up to recover as quickly as possible from the interruption caused by such perils and to enable resumption of key activities. Within the scope of the Business Continuity Management System, Headquarters Emergency Response Plan, IT Continuity Plan, Business Continuity Management System Guidelines, Business Continuity Plan and Incident Management Plan were drawn up and published on the Electronic Document Management System. The operability of the said plans is tested at certain intervals.

It was targeted to secure alignment with COBIT (Control Objectives for Information and Related Technology) in the execution of information systems processes and functions, and the relevant project launched was finalized as at year-end 2012. The following headings were addressed under the COBIT Alignment Project for Information Technology Governance and Information Technology Processes:

- Devising the Information Technology (IT) Governance Model
- Creating the Governance Processes
- Formulating the IT Service Development Processes
- Developing the IT Service Delivery and Operation Processes
- Creating the IT Support Processes
- IT Audit Management.

Accordingly, the Information Systems Management Committee was set up, which will report directly to the Executive Board and will be responsible for IT strategy and steering activities. The Information Systems Management Committee was established with the purpose of managing information systems in alignment with the company's strategic goals, establishing the policies, procedures and processes for ensuring information security, and efficiently managing the risks arising from the use of information systems. Basically the Committee defines, assesses and reports on the risks arising from the use of information systems; creates the guidelines for the management of these risks, establishes and monitors relevant controls.

It has been considered that the internal control policies and procedures introduced and the internal control activities carried out are aligned with the company's nature, the complexity of its operations and risk structure, and possesses the minimum elements of an efficient internal control system.

Information on Associates

The de facto scope of Anadolu Hayat Emeklilik A.Ş. covers engaging in individual or group private pension activities; setting up pension funds in this framework; creating fund bylaws for the funds to be set up; executing pension contracts, annuity contracts, portfolio management contracts, custody agreements with the custodian for safekeeping of fund assets; and offering individual or group life or whole life insurance policies and accident policies in connection therewith, as well as all sorts of life policies, and carrying out reinsurance operations in relation thereto.

The company has 20% stakeholding in Anadolu Hayat Emeklilik A.Ş.

31 December 2016	Book Value (TL)	Shareholding (%)
Anadolu Hayat Emeklilik A.Ş.	427,420,000	20.0%

Repurchased Own Shares by the Company

None.

Disclosures Concerning Special Audit and Public Audit

The company undergoes independent audits conducted by the independent audit firm, Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (KPMG) on its semi-annual financial statements at six-month intervals and on its annual financial statements annually, as well as consolidation audits performed by İşbank at the end of first and third quarters of the year. Due to being an associate of the Bank, the company is also subject to the annual information systems audits banks conduct at their consolidated entities.

Lawsuits Filed Against the Company and Potential Results

Lawsuits brought against the company and their possible results are presented under the heading "42 - Risks" in the notes to the financial statements.

Disclosure of Administrative or Judicial Sanctions Against the Company and/or Board of Directors Members

During 2016, there were no penalties and/or sanctions of material nature imposed against the company and/or Board of Directors members on account of acts in violation of the legislation.

Assessment of Prior Period Targets and General Assembly Decisions

All decisions adopted in the Annual General Assembly meeting held on 24 March 2016 have been carried out.

Our company acts on the principle of providing quality service and it has preserved its leading position in terms of market share in line with its targets by furthering innovation and customer-orientation concepts.

Expenses Incurred in Relation to Donations and Grants and Social Responsibility Projects

Our company acts in awareness of its social responsibility and spent TL 724 thousand during the reporting period. The activities carried out within the frame of social responsibility are detailed under the heading "Commitment to Social Responsibility".

Our contribution to a safe future...

With the future-oriented products offered, we play a part in our individual customers' building a solid and safe future.

Commitment to Social Responsibility

The objective of the project "Bir Usta Bin Usta" (One Master, Thousand Masters) is to focus the public attention on vanishing crafts and local values, to revive these crafts, and to be instrumental in letting professional craftsmen and artisans pass on their experiences to the future.

Aspiring to crown its 85th anniversary with an extensive project in 2010, Anadolu Sigorta designed a social responsibility project aligned with the corporate strategy and the expectations of the target audiences. The project was named "Bir Usta Bin Usta" (One Master, Thousand Masters), perfectly corresponding to its scope and content.

The objective of the project "Bir Usta Bin Usta" (One Master, Thousand Masters) is to focus the public attention on vanishing crafts and local values, to revive these crafts, and to be instrumental in letting professional craftsmen and artisans pass on their experiences to the future.

The project is conducted under the technical advisory of the Ministry of Culture, Research and Training Directorate. During the course of the project, the Ministry of Culture proposes cities and city-specific crafts that are about to vanish, identifies the NGOs, and guides Provincial Directorates of Culture.

Under the project, five cities and callings are selected from among those proposed by the Ministry of Culture every year, and 15 to 20 trainees receive training for each vocation. The company aims to extend support to 50 vocations and a total of 1,000 masters-to-be over the course of 10 years.

The project "Bir Usta Bin Usta" made its debut with a press conference held on 10 June 2010. The project's scope for its initial year covered five provisions and five crafts which were Karagöz (Turkish shadow play) Figuration of Bursa, Meerschaum Carving of Eskişehir, Edirnekâri Art (traditional painting and varnishing of wood or leather) of Edirne, Kutnu (traditional silk-based cloth) Weaving of Gaziantep, and Kazaziye (traditional jewelry made with threads of gold or silver) of Trabzon. Starting with these five provinces, participants began receiving basic training about the relevant craft in courses organized by civil society organizations designated by the Ministry of Culture.

In 2011 that marked the second year of the initiative, the scope of the project was defined as Kargı Cloth Weaving of Çorum, Silk Weaving of Hatay, Stone Working of Mardin, Bone Combs of Sivas and Savatlı Silver Work of Van.

Under the project, İZ TV, a national documentary channel, is producing the documentary films of the crafts addressed by the project, as well as a photographic album of the courses.

In 2011, Anadolu Sigorta carried out a special initiative with İşbank concerning microloans. In this context, İşbank offers microloans designed with special terms to "Bir Usta Bin Usta" trainees. Accordingly, "Bir Usta, Bin Usta" (One Master, Thousand Masters) trainees, who have acquired the necessary technical know-how during the training, are able to utilize the loan entailing special conditions designed by İşbank, by presenting the participation certificates given at the end of the training. In this way, Anadolu Sigorta lends support

Commitment to Social Responsibility

In 2016 that marked the seventh year of the project "Bir Usta Bin Usta", Wood Carving course was offered in Adana, Hot Glass-making in İstanbul, Felt-Making in Konya, Kamancheh Making in Trabzon and Weaving in Poyralı Village in Kırklareli.

not only to vocational training, but also to efforts aimed at helping the crafts survive.

In addition, a commercial film was also developed in 2011 to help publicize the project, which represented a significant step towards conveying the initiative to broad audiences.

Within the frame of the project Bir Usta Bin Usta, third year courses were organized in Mother of Pearl Inlaying in Ankara, Rug and Carpetbag Weaving in Kars, Glassblowing in Muğla, Earthenware Pottery in Nevşehir and Woodblock Printing (on cotton or silk) in Tokat in 2012, while the fourth year courses included Wood Carving in Kahramanmaraş, Traditional Carpet Weaving of Gördes in Manisa, Needlepoint Art of Namrun in Mersin, Basketry in Rize and Hand Weaving of Karacakılavuz in Tekirdağ in 2013.

In 2014 that marked the fifth year of the project, courses were held in Tile Working in Çanakkale, Oltu Stone Working in Erzurum, Art of Leather-Made Accessories in Isparta, Art of Felt-Made Accessories in İzmir, and Amber Working in Şanlıurfa.

In the sixth year, courses were organized for Local Damal Doll Making in Ardahan, Traditional Accordion Boot Making in Aydın, Traditional Silver Threading in Bartın, Puppet Making in İstanbul, and Wooden Walking Cane Making of Devrek in Zonguldak.

The courses offered under the project "Bir Usta Bin Usta" in 2016 included Wood Carving in Adana, Hot Glass-making in İstanbul, Felt-Making in Konya, Kamancheh Making in Trabzon, and Weaving in Poyralı Village in Kırklareli.

Under the project, informative trips are being organized for media members since 2010. Media trips to selected provinces covered the courses offered in Edirne in 2010, Mardin in 2011, Nevşehir in 2012, Rize in 2013, Şanlıurfa in 2014, Bartın in 2015, and Adana in 2016.

Anadolu Sigorta collaborates with TURMEPA (Turkish Marine Environment Protection Association) to prevent marine pollution and to contribute to the combat against pollution. Based on the protocol with TURMEPA, the Association that spends efforts to clean the marine environment in Turkey receives a share from the revenues generated by the insurance coverage sold to any type of vessel. The protocol for this cooperation was signed in 2010.

The Company's Transactions with the Risk Group

Within the framework of the applicable provisions of the Turkish Commercial Code (TCC), our company is a subsidiary of İşbank Group. Pursuant to Article 199 of the TCC, the company's Board of Directors presented the declaration below in the conclusion of the affiliation report issued in relation to its relations with the controlling company or an affiliate thereof:

During 2016 fiscal year, between our company and our principal shareholder Türkiye İş Bankası A.Ş. and/or other 'Group Companies', there is no;

- transfer of receivables, payables or assets,
- legal transaction that may result in an obligation, such as furnishing surety, guarantee or endorsement,
- legal transaction that may result in transfer of profit.

Commercial transactions the company realized with its controlling shareholder and other Group Companies during 2016, which are detailed in the report, fall within the company's field of activity and were carried out on an arm's length basis. In all of the transactions the company realized in 2016 fiscal year with the controlling company and its affiliates, any and all legal acts carried out in favor of the controlling company or its affiliate with guidance from the controlling company, and any and all actions taken or avoided in favor of the controlling company or its affiliates in 2016 have been reviewed according to the conditions and circumstances known to us. We hereby declare that our company did not sustain any such loss on account of any transaction arising according to conditions and circumstances known in relation to 2016 fiscal year.

The company's transactions of a material nature with the related parties during 2016 are presented in Note no. 45 under the notes to the financial statements in the present report.

Summary Report by the Board of Directors

Dear shareholders

Before presenting the 2016 financial statement figures covering the company's 91st year of operation for your approval and comments, we deem it useful to recap the changes and developments in economic life and the insurance sector.

Having started 2016 with the lingering effects of the slowdown carried over from end-2015, global economy failed to capture the expected momentum over the course of three quarters. The low global growth rate was expressed also in the World Economic Outlook released by the IMF in October, and growth estimation for 2016 was revised downwards by 0.1% to 3.1%. While the World Economic Outlook talked about the negative effects of the Brexit decision of 2016 particularly on developed economies, it also underlined that some recovery was observed in emerging and developing economies in the reporting period.

Although 2016 has not been as bright as 2015 for the US economy, growth was attained in this period. Lagging behind 2% in the first two quarters, growth rate gained momentum in the third quarter, and reached 3.5%, surpassing the projections. This recuperation in the third quarter represents a course in alignment with the "slow and stable" growth frequently stated in the Fed's meeting minutes. The US economy is anticipated to register 1.9% growth in the last quarter, and to finish the year with an overall growth rate of 1.6%.

Having to deal with hot topics like low inflation and Brexit in 2016, the European Union attained an annual growth of 1.6% in the third quarter, driven by the domestic demand that accelerated during the year. The World Economic Outlook updated by the IMF in January gave the estimated year-end growth at 1.7%. On the inflation side that makes up another significant problem for the Eurozone, the targeted 2.0% remained elusive and the latest November data showed the inflation rate as 0.6%.

In 2016, the Turkish economy maintained its positive course in spite of the negative effects of the coup d'état attempt in July and contracted tourism revenues on the domestic front, and in spite of the external conjuncture and geopolitical developments on the international front. Having captured respective growth rates of 4.8% and 3.1% in the first and second quarters of the year in connection with the higher domestic demand in these periods, the Turkish economy was unable to sustain its growth streak of 27 quarters in the third quarter when the Turkish Statistical Institute (TurkStat) altered its methodology, and downsized by 2.7%. While the Ministry of Development estimated 2016 growth as 3.2% and projected the growth in 2017 as 4.4% in the medium term program it has published, the IMF gave its forecasts as 3.3% and 3.0% for the same years in its World Economic Outlook.

After ending 2015 at 8.8%, the CPI followed a fluctuating course during the reporting period. The CPI took an upturn in the first months of the year with the effect of the rise in exchange rates and food prices; although it recovered with the positive impact lent by the food and commodity prices in the second quarter, the CPI began rising once again in the third quarter and closed in on 9%. Despite dropping down to 7% in the last quarter of the year with the positive push of the housing prices, followed by food and household goods prices, the CPI closed the year at 8.53% with the rise that gripped almost all groups, thus, surpassing the CBRT's inflation projection of 7.5%.

Growing employment in the labor market that has been going on since 2007 has continued in the first quarter of 2016; however, unemployment rate was driven upwards in the second and third quarters by the economic slowdown, contracted tourism, and increased labor force participation. The unemployment rate had two-digit numbers throughout the year; although it went down to single-digit figures in April and May, it turned upwards in the following months, and was 11.8% according to the figures released in October.

While the world insurance business holds a positive outlook with respect to premium increase, the performance of the insurance industry failed to match the forecasts in terms of profitability. The ongoing low interest environment that dominated the

developed countries in the aftermath of the 2008 financial crisis bore a negative impact on the financial statements of the insurance industry, which mainly invests in bonds. The rate cut by the UK Central Bank in an effort to prevent economic slowdown following the Brexit referendum of June 2016 negatively affected the expected increase in investment income.

It can be suggested that reinsurance costs floated low also in 2016 following suit of recent years. In this vein, total capital available to the worldwide reinsurance market showed 4% increase in the first half of 2016. This rise, however, lagged behind the average rate of increase of 6.2% for the 2010-2015 period. The decelerated capital increase runs in parallel to the slowing trend in the decline of reinsurance prices.

In 2016, USD 50 billion was paid in claims for insured catastrophe losses, which figure is above the average cat-losses of the last 10 years that was USD 45 billion.

Regulatory sanctions and legislation made the highlights of 2016 with respect to the insurance and reinsurance market. Solvency II that entered into force in the EU countries and C ROSS that was enforced in China as of 1 January 2016 have been the noteworthy events of the reporting period for the insurance industry. The key implications of the enforcement of these regulations included heightened minimum capital standards, regulated capital models, reviewed catastrophe risk accumulations, and further expanded review phases of risk management.

Total premium production by the overall sector went up 30.5% year-over-year to TL 40,487 million in 2016. Compulsory motor TPL branch was the greatest contributor to this rapid growth of the industry, which saw a remarkable 79.1% enlargement in its annual premium production. Also striking was the fact that the Motor TPL branch was almost double the motor own damage branch in the said period. According to 2016 data, the real growth rate of the overall industry was 20.2%. In this period, non-life branches got 87.6% share out of the total production with TL 35,448 million, whereas life insurance had 12.4% share with TL 5,039 million. As at end-2016, nominal growth in non-life branches was 30.0%. Forecasted to be a tough year for the national economy due to domestic and international uncertainties, 2017 is anticipated to see the insurance industry attain a two-digit growth figure and to end the year with a growth rate in the order of 10%.

Based on the data for the first nine months of 2016 for the non-life segment, motor vehicle liability branch that represents the largest portion of the industry's market share posted a technical loss of TL 64 million. In the motor TPL segment that makes up a substantial portion of this branch, on the other hand, the loss figure went up to TL 211 million. Motor vehicles (own damage) branch, i.e. the other motor vehicle insurance branch, registered a technical profit of TL 328 million. Following motor own damage, the highest profit generators in the industry were, in order, accident with TL 348 million, general losses with TL 187 million, marine with 122 million, and illness/health with TL 116 million. Technical profit figure for all branches combined was TL 1,009 million. Nonetheless, the effect of the amount of TL 1,491 million needs to be taken into account, which was transferred from financial accounts to the industry's financial statements. At the bottom line, non-life segment booked a profit of TL 830 million gross, and a profit of TL 592 million net after taxes and other liabilities in its financial statements for the first nine months of 2016.

Looking at our company's financial standing and operating results, our assets grew by 22% year-to-year to TL 5,974 million, while premium production went up by 24% in the same period to TL 4,484 million. Our company also preserved its second place in terms of market share in the non-life segment on the back of the premium growth it has achieved during 2016. Motor vehicle liability branch claimed the biggest share of our total premium production with 35%. This was followed, in order, by motor vehicles branch with 20%, fire and natural disasters branch with 17%, and illness/health branch with 9%. The company booked a profit of TL 111.2 million gross, up 70%, and TL 87.8 million net, up 38%, owing to the recovery in the motor TPL branch in the technical division and to the positive effect of the developments in financial markets to financial accounts. Moreover, when deriving the said profit, our company was able to entirely reflect the deferred outstanding claims provisions in the amount of TL 222 million at the start of the year to its financial statement.

In 2017, our Company targets to maintain and further improve its production and profitability performance, remaining strictly adhered to leadership, innovation and customer-focus concepts.

Financial Information and Indicators

Anadolu Sigorta posted a net profit of TL 87.9 million on its 2016 operations, up by 37.7% year-to- year.

Financial Highlights (TL thousand)	2016	2015
Total Premium Production	4,484,060	3,610,674
Total Assets	5,974,173	4,887,545
Claims Paid	2,236,015	1,941,149
Paid-in Capital	500,000	500,000
Shareholders' Equity	1,223,180	1,201,893
Pretax Profit/Loss	111,184	65,576
Net Profit/Loss	87,867	63,806

Capital Adequacy Ratios	2016	2015
Premiums Received/Shareholders' Equity	3.67	3.00
Shareholders' Equity/Total Assets	0.20	0.25
Shareholders' Equity/Technical Provisions	0.31	0.41

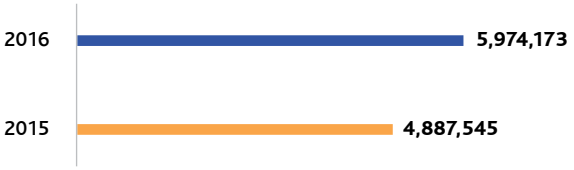
Asset Quality and Liquidity Ratios	2016	2015
Liquid Assets/Total Assets	0.66	0.61
Current Ratio	1.16	1.18
Liquidity Ratio	1.39	1.41
Premium and Reinsurance Receivables/Total Assets	0.17	0.19
Receivables from Agencies/Shareholders' Equity	0.65	0.58

Operational Ratios	2016	2015
Retention Ratio (*)	0.77	0.77
Claims Payment Ratio	0.47	0.51

Profitability Ratios	2016	2015
Loss-Premium Ratio	0.83	0.83
Cost Ratio	0.24	0.24
Combined Ratio (Loss-Premium Ratio+Cost Ratio)	1.07	1.07
Pretax Profit/Premiums Received	0.02	0.02
Financial Profit (Gross) (**)/Premiums Received (*)	0.07	0.07
Technical Profit/Premiums Received	0.04	0.03

(*) Including premiums transferred to the Social Security Institution
(**) In the calculation of the financial profit, investment income that has been transferred from the non-technical division to the technical division was excluded.

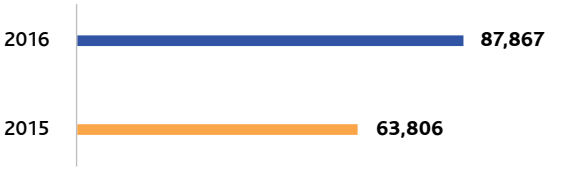
Total Assets (TL thousand)



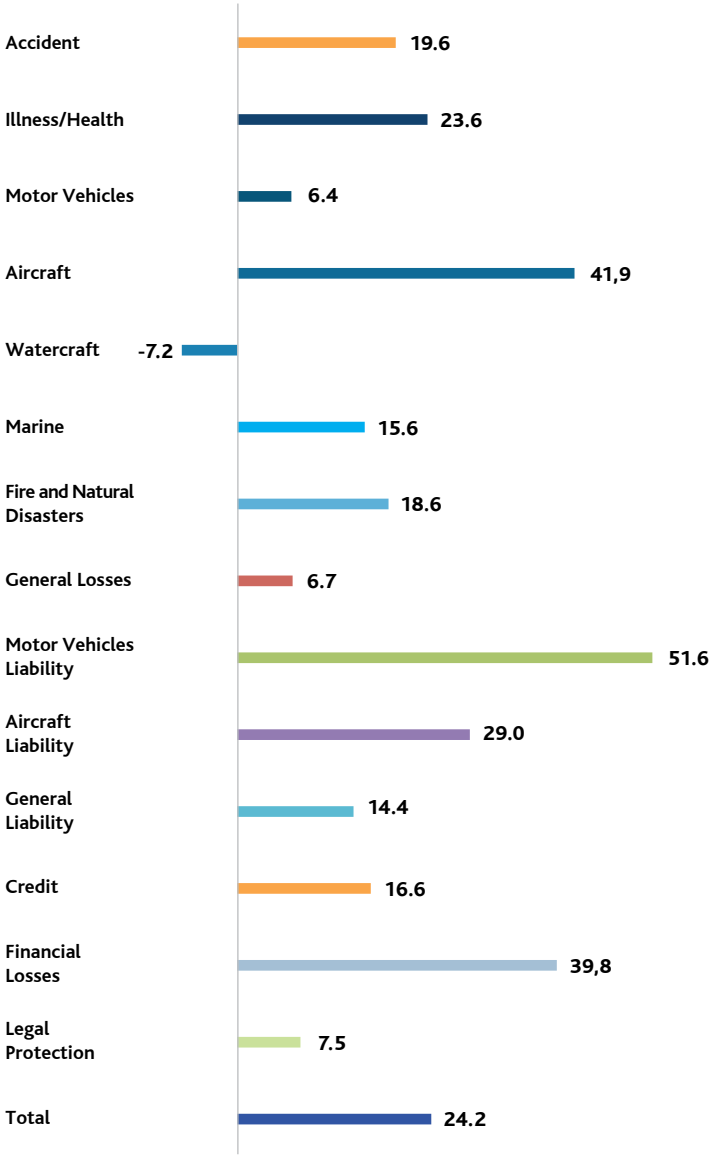
Shareholders' Equity (TL thousand)

Claims Paid (TL thousand)

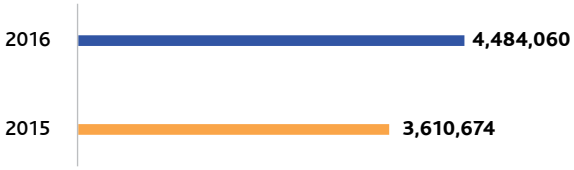
Net Profit/Loss (TL thousand)



Premium Growth Rate (%)



Total Premium Production (TL thousand)



Premium Production (TL thousand)	2016	2015	Change (%)
Accident	132,021	110,400	19.6
Illness/Health	405,694	328,342	23.6
Motor Vehicles	899,455	845,727	6.4
Aircraft	26,322	18,543	42.0
Watercraft	78,783	84,936	- 7.2
Marine	81,973	70,902	15.6
Fire and Natural Disasters	755,997	637,516	18.6
General Losses	318,983	298,821	6.7
Motor Vehicles Liability	1,580,540	1,042,780	51.6
Aircraft Liability	33,702	26,133	29.0
General Liability	140,549	122,875	14.4
Credit	1,554	1,333	16.6
Financial Losses	19,226	13,748	39.8
Legal Protection	9,261	8,617	7.5
Total	**4,484,060**	**3,610,674**	**24.2**

Our sustainable services...

We are the first choice of our hundreds of thousands of customers with our products. We are carving our place in the minds and in the hearts as a leading, high-quality and sustainable service provider.

2016 Economic Overview

Having started 2016 with the lingering effects of the slowdown carried over from the previous year, global economy failed to capture the expected acceleration over the course of three quarters.

Growth (%)	2015	2016 (E)	2017 (P)
Global	**3.2**	**3.1**	**3.4**
Developed Countries	**2.1**	**1.6**	**1.9**
USA	2.6	1.6	2.3
Eurozone	2.0	1.7	1.6
Japan	1.2	0.9	0.8
Developing Countries	**4.1**	**4.1**	**4.5**
China	6.9	6.7	6.5
Brazil	-3.8	-3.5	0.2
Turkey	4.0	3.3	3.0

Source: IMF World Economic Outlook, January 2017
(E): Estimated, (P): Projected

The World Economy

Having started 2016 with the lingering effects of the slowdown carried over from end-2015, global economy failed to capture the expected momentum over the course of three quarters. Indeed, the World Economic Outlook released by the IMF stated that global growth remained below the projections as at the first half of 2016, and global growth estimate was revised downwards by 0.1 points to 3.1% in the update published in October. The report underlined the negative implications of the 2016 Brexit decision and the fact that the negative repercussions of the future environment of uncertainty stemming from this outcome, particularly upon developed economies, would live on. Although observing some recovery in developing countries in 2016, the report stressed that existing risks persisted in other emerging economies and particularly in China. Assuming successful results from the solutions introduced due to declined commodity prices and the resulting long-going stagnation in the economic activity of commodity exporting countries, the same report suggested that both these economies and the global economy would actually capture momentum starting from 2017; in conclusion, the report projected 2017 global growth at 3.4%.

In 2016, growth took an upturn in the US economy. After growing by 0.8% in the first quarter, the US economy gained momentum in the second quarter to expand by 1.4%, and accelerated further in the third quarter to 3.5%. Although the negative impact of net export income that has been going on for the last 5 quarters came to an end, growth failed to match the forecasts in the first quarter due to slim positive effect lent particularly by household consumption outlays. In the second quarter, on the other hand, negative investments kept the growth at 1.4%, below the projections, despite the plummeted consumer outlays. Results for the third quarter show that economy surpassed the anticipations and grew by 3.5%, driven by exports and private investments in this quarter. This recuperation in the third quarter represents a course in alignment with the "slow and stable" growth frequently stated in the Fed's meeting minutes. Based on the published estimated growth data for the last quarter of 2016, the US economy is anticipated to register 1.9% growth in the last quarter, and to finish the year with an overall growth rate of 1.6% for 2016.

In 2016, inflation, a significant indicator that steers the Fed's monetary policy, followed a course that was more aligned with the Fed's estimations, as opposed to 2015. Inflation began escalating as a result of total demand that picked up particularly after the third quarter, and of recuperated oil and energy prices, and was registered as 1.6% annually as at October. In the Federal Open Market Committee (FOMC) meeting held in November, emphasis was placed on the

2016 Economic Overview

In 2016, the Turkish economy maintained its positive course in spite of the impact of shrank tourism revenues and terrorist attacks within the country, and external conjuncture and geopolitical developments outside the country.

improvement observed in inflation as a result of the developments in energy prices, noting, however, that the point reached was below the 2.0% mark, which was the medium-term inflation forecast. According to inflation data released in November and December, energy prices kept pushing inflation up and the annual inflation rate was registered as 2.1% as at year-end 2016. On the unemployment front, which is another determinant of the Fed's interest rate policy that was a global topic once again in 2016, the unemployment figure declared as 5.0% in January dropped to 4.6% in November, its lowest in the past nine years, and ended the year at 4.7%. Consequently, in parallel with these positive developments in inflation and the labor market, the Fed increased its policy rate by 25 basis points each from 0.25-0.250 interval to the 0.50-0.75 interval in its December meeting. In the said meeting, the Fed also increased the projected number of rate hikes for 2017 from two to three.

Having entered 2016 with an agenda that included low inflation, weak demand and Brexit, the European Union showed a moderate growth in the first three quarters of 2016. While the Eurozone growth rate was announced as 0.5% on a quarterly basis and 1.7% on an annual basis, the highest contributors to growth were household outlays and private sector investments, a situation considered as a positive development. Although the UK referendum of June that resulted in a decision to exit the European Union in contradiction to the anticipations aggravated the risks in the area and the pressure on the economy, the Eurozone outgrew the estimates with a quarterly rate of 0.3% and an annual rate of 1.5%. The positive effect of domestic demand that gained momentum in 2016 that continued in the third quarter paved the way for the Eurozone to attain growth rates of 0.3% quarterly and 1.6% annually in the third quarter. The World Economic Outlook updated by the IMF in January gave the estimated year-end growth at 1.7%. On the inflation side that makes up another significant problem for the Eurozone, low oil and commodity prices apparently reflected negatively. Annualized inflation rate remained well below the ECB target of 2.0% in the first 11 months of 2016. The latest November data showed the Eurozone inflation rate as 0.6%.

Having abandoned export-driven growth model in favor of consumption model, the Chinese economy sustained its low growth trend in 2016, which has been going on for many years and negatively influencing the global economy, as well. Having enlarged by 6.7% in line with the estimates as at the end of the first quarter, the Chinese economy grew by 6.7% each in the second and third quarters, with the push of consumer outlays and large-scale public projects in connection with expansionary policies. Although displaying the lowest performance of the past 26 years with 6.8% growth in the last quarter of the year, the Chinese economy expanded in the 6.5-7.0 interval, which was the target of the Chinese government. Implementation of policies aiming at short-term economic leaps by the Chinese government and the debt stock climbing rapidly owing to these policies aggravate the concerns hovering over both the Chinese economy and global economy. After the economic stagnation in 2015, 2016 has marked the onset of recovery in terms of economic growth for Russia. Having shrunk 3.8% in the last quarter of 2015, the Russian economy narrowed down by 1.2% in the first quarter of 2016, a figure lower than the forecast. The effects of recuperated energy prices starting from the second quarter, coupled with the investments that turned towards positive, drove shrinkage to 0.6% in the second quarter and to 0.4% in the third quarter, the lowest of the past seven quarters. Lead estimates for 2016 indicate that the Russian economy will perform better than the anticipated 0.5% and will narrow down by 0.2% on an annual basis. The energy prices that still float low despite this betterment in the Russian economy increase the vulnerability of the economy.

The EUR/USD parity followed a quite fluctuating course throughout 2016. The Fed's announcement following the rate hike of end-2015 stated that medium-term inflation and employment targets would be observed for future hikes. Along this line, the meetings held until November 2016 put emphasis on the moderate recovery of the economy and improvement in key indicators, however, cautious approach persisted for rate hike. The lead indicators that came in the last two months of the year showed positive developments in parallel with the Fed's anticipations, and the policy rate was raised by 25 basis points in the meeting held in mid-December. The number of expected rate hikes that went up from 2 to 3 as a result of the Fed's statements and the expectations regarding the restrictive policies anticipated to be introduced by US president-elect Trump caused the US currency to gain value in view of other currencies. In addition, the environment of uncertainty stemming from the Brexit referendum held in June, as a result of which the UK exited the European Union, coupled with the political ambiguity in Italy, put pressure on Euro, causing it to depreciate against the US dollar. However, loss of value was partially compensated

Medium Term Program 2016-2019 Data

Years	Growth GDP (%)	Inflation Rate (%)
2016	3.2	7.5
2017	4.4	6.5
2018	5.0	5.0
2019	5.0	5.0

owing to the moderate recovery in the EU economies in the period that followed. After starting 2016 at 1.0858, EUR/USD parity closed at 1.0517 as at year-end.

While the growth rate for 2016, during which global economy pursued a volatile course, is estimated to hit the lowest of the past 15 years excluding the global crisis experienced in 2008 and 2009, a more optimistic growth expectation can be mentioned for 2017, which will be driven particularly by recovered oil and commodity prices. Nonetheless, 2017 will obviously not be an easy year either, because of a number of reasons, including the obscurities surrounding the policies to be pursued by the Fed and the new US President, the potential effects of Brexit, and the uncertainties in the Chinese economy.

The Turkish Economy

In 2016, the Turkish economy maintained its positive course in spite of the impact of shrank tourism revenues and terrorist attacks within the country, and external conjuncture and geopolitical developments outside the country. Having grown by 4.8% and 3.1% in the first and second quarters of 2016 owing to the rise in domestic demand, the economy's performance made Turkey the fastest growing economy among developing countries, excluding China and India. Turkish Statistical Institute (TurkStat) revised its GDP calculation method in accordance with the System of National Accounts (SNA-2008) and European System of Accounts (ESA-2010), and began computing the growth figures previously announced based on fixed prices according to chain linked volume index method. This revision brought along changes such as addition of loss premiums in the insurance industry, and development of the workforce input approach in the computation of unrecorded economy.

Actual growth rates according to the new method were raised from the annual 2.1-4.2% interval to 4.8-8.5% interval. As computed with the new method, the Turkish economy narrowed down by 1.8% year-to-year in the third quarter of 2016 in connection with the coup d'état attempt in July, and the contraction in the agricultural, industrial and services sectors, and overall growth for the full year was registered as 2.2%. While the "Medium Term Program 2017-2019" published by the Ministry of Development estimated the annual growth at the end of 2016 at 3.2%, growth figure for 2017 was projected in the order of 4.4%.

In the World Economic Outlook (WEO) published in October, the IMF had a more pessimistic scenario regarding the growth estimates for the Turkish economy than in its previous report, and revised the growth estimate as 3.3% for the first half of 2016, which it had previously forecasted as 3.8%. The report updated Turkey's growth projection for 2017 downwards

2016 Economic Overview

Standing at 8.8% as at end-December 2015, CPI rose at the onset of 2016, a result of exchange rates and food prices, in particular, but adopted a downtrend in the following months with the positive effects of food and commodity prices.

from 3.4% to 3.0%. The reasons cited for the downgrade were the increased uncertainty environment created by the terrorist attacks and coup d'état attempt. In the January update of the WEO, on the other hand, the IMF maintained its growth estimates for Turkey unchanged, and stated that the national economy slowed down parallel to the declined tourism revenues in 2016 and that the Turkish lira has depreciated the most among emerging country currencies.

Standing at 8.8% as at end-December 2015, CPI rose at the onset of 2016, a result of exchange rates and food prices, in particular, but adopted a downtrend in the following months with the positive effects of food and commodity prices. 7.64% as of June, CPI went up to as high as 8.8% in July especially due to the higher food prices and the depreciation of the Turkish lira against developed countries' currencies. In August and September, CPI decreased as a result of continued progressive decrease in food and clothing prices and registered as 8.1% and 7.3%, respectively. However, the high rises of October that came in food and clothing group caused decelerated decline as compared with the previous months. On the other hand, October inflation rate was 7.2% because of the positive effect lent by the housing group. Although inflation dropped to its lowest since May at 7.0% owing to the declined food and household goods prices in November, it was 8.53% at year-end 2016, ending the year above the forecasts. In its World Economic Outlook published in October, the IMF revised the inflation rate in Turkey downwards from 9.8% to 8.4% for 2016, and from 8.8% to 8.2% for 2017.

As a result of the differences that came into being in global monetary policies, the vagueness surrounding the Fed's rate hike, US presidential election, the events in the EU and Brexit during 2016, capital inflow to developing countries among which Turkey takes place lost pace, exchange rates displayed higher volatility, and it has been a difficult year for the CBRT to define an internal policy with the added impact of domestic uncertainties within our country. The betterment in inflation during 2016 gave the CBRT a stronger stance with respect to rate cut and the Committee's meeting minutes included remarks about the inception of simplification steps starting from March. Accordingly, simplification started with the reduction of the marginal funding rate from 10.75% to 10.50% in March; and was pulled down to 8.25% as at September. In the same timeframe, late liquidity lending rate was decreased from 12% to 9.75%. The improvement in inflation and the moderate and stable expansion in growth observed in the said period made the basis of the CBRT's decisions. However, the Committee suspended the simplification process in October, underlining that macroeconomic indicators would lose momentum from the third quarter and exchange rate and other costs might create a negative effect on inflation. In keeping with these statements, the CBRT raised the marginal funding rate, which is the overnight interest rate, by 0.25 points to 8.50% and one-week repo tender rate by 0.50 points to 8.00% in November in the Monetary Policy Committee meeting, and kept the interest rates unchanged in December, citing that the moderate recovery trend continued in economic activity with the contribution of the partial recuperation tendency in the fourth quarter, the positive effect of increased demand in EU countries anticipated to be reflected on exports, and the support of incentives and measures.

Owing to the positive effect lent by energy and oil prices, weak domestic demand, low growth of the Turkish economy and positive foreign trade, Turkey's chronic problem of high current account deficit saw conjunctural improvement to some extent, despite negative factors including the constantly escalating terrorist acts in neighboring countries, economic financing of the resulting migration, highly volatile exchange rates, dwindled tourism revenues, and low trade volume resulting from economic hardships experienced by our major partners in trade led by Russia. Hence, the current deficit, which was USD 40.6 billion at end-September 2015, went down to USD 32.4 billion in September 2016. While current deficit hit its highest since November 2015 with USD 33.8 billion in October due to the negative effect of deteriorated balance of services resulting mostly from decreased tourism revenues and the increased foreign trade deficit, it somewhat declined in November owing to the positive effect of higher exports upon foreign trade deficit, despite the ongoing low course of tourism revenues, and stood at USD 33.7 billion. Although this betterment presents a positive appearance with respect to the fragility of the economy, the slowdown in foreign funds and especially in direct foreign capital inflows and the increase in direct foreign capital investments made in foreign countries suggest that this positive outlook is not a permanent and sustainable one that is rooted in structural improvements.

The deceleration in global trade and depreciated Turkish lira led to decreased foreign trade volume in 2016. In that period, imports were worth USD 198.6 billion, whereas exports amounted to USD 142.6 billion. The ratio of exports to imports went up from 69.4% in 2015 to 71.8% in 2016. EU countries that represent our country's largest export destination increased their share in our total exports to 47.9%, up by 3.5% over its 2015 value. Another factor that reflected negatively on foreign trade balance was the tension between Russia and Turkey, which began at the end of 2015 and constantly worsened during 2016. Hence, total exports, which amounted to USD 3.6 billion in 2015, shrank by 51.7% in 2016 to USD 1.7 billion. There was a low rise in imports figures in 2016, a result of lower energy prices, along with domestic turmoil and reduced domestic demand as a result of volatile exchange rates. Imports of intermediate goods that account for 68% of our total imports figure slimmed down by 6.3%. The Medium Term Program released by the government projected that imports and exports would increase and stand at USD 214 billion and USD 153.3 billion at the end of 2017, respectively.

The rise in employment that has been ongoing since 2007 persisted in the labor market as at the first quarter of 2016; however, economic slowdown, shrank tourism and higher labor force participation drove the unemployment rate up in the second and third quarters. As a result of these negative developments, unemployment rate went up by 1.3 points to 11.8% in October. The Medium Term Program announced by the government stated that the labor force participation rate and employment rate would adopt an upward parallel course in the 2017-2019 period. Accordingly, the MTP estimated that the unemployment rate as at the end of 2016 would be 0.2 points higher than its 2015 value and come to 10.5% in line with the deceleration after the second quarter. The MTP predicted unemployment rates of 10.2%, 10.1% and 9.8% for 2017, 2018 and 2019, respectively.

While the effects of the policies to be implemented in the aftermath of the US presidential election of November are vague, the first signs indicating at the introduction of protective economy policies aggravate the tension in the markets. 2015 conflict with Russia that is on the verge of being resolved and both global and local implications of the decisions anticipated to be taken by the Fed will be telling on defining the course of the Turkish economy in 2017. Having undergone recession in 2015 and 2016, Russia is anticipated to gain momentum in economic growth in 2017. This anticipation was indeed stated in the IMF report, which underlined that a potential recovery in the Russian economy would also significantly contribute to global growth. In addition, tourism revenues and export volumes that dwindled in the aftermath of the Russia-Turkey crisis are expected to recuperate in 2017 upon resolution of the conflict. The volume to be created in the money and capital markets by the funds to be derived with the transition to the Compulsory Private Pension System (PPS) is expected to contribute positively to economy. The response of the foreign capital to the outcome of the constitutional referendum to be carried out in 2017 and in turn, its impact on the economy rise as questions that need to be answered. The vagueness around the economy will be thickened by Turkey's rating downgraded below investment grade by Moody's and Fitch, international rating agencies, citing the high external financing need, increased uncertainty regarding politics and security, and declined growth rates as the reasons for it. On the other hand, it is possible that the Fed's potential rate hikes in 2017 might negatively reflect on the Turkish lira as on other currencies and adversely affect investments. On the side of EU having the largest share in our exports, the uncertainty dominating the area after the Brexit and its potential reflection on the EU and on global economy are regarded as important factors that might influence the performance of the Turkish economy in 2017 on account of foreign trade revenues.

Although the negative events summarized above will live on in 2017, re-embarking upon a high-growth period in 2017 and thereafter looks possible when it is taken into consideration that;

- events specific to 2016 such as the Russian crisis and the coup d'état attempt will not be experienced,
- mended political relations with Russia would result in increased tourism and exports revenues,
- there is a possibility that the negative occurrences in Iraq and Syria that affected our economy quite badly in recent years could be resolved.

Attainment of a growth rate above 4%, as calculated in the Medium Term Program, could reposition our country as a center of attraction for foreign investments.

Overview of the World and Turkish Insurance Industries and Future Outlook

Looking at the total balance sheets of the past 5 years, less than 40 companies were able to post technical profitability out of the world's top 100 insurers.

An Overview of the World Insurance Industry

After announcing it as 2.9% in January, the World Bank lowered the 2016 global economic growth rate estimate to 2.4% by mid-year, a move that can be regarded as a sign that the stagnation that followed the financial crisis of 2008 is ongoing. While growth projections for 2017 maintain a mild optimism, Brexit referendum and the unexpected result of the US election clearly add to political ambiguity, which causes a growing gap between optimistic versus pessimistic growth scenarios.

It is claimed that the impact of the global financial crisis that has been ongoing for eight years plays a part in the uncertainty of the political arena. This haziness is also manifested in the migration of people from the Middle East and Africa to the first world countries, and the political tendencies gaining strength in reaction to this wave in the latter. The key reasons for the African migration are cited as declined agricultural production and water scarcity due to climate change, despite which the population keeps increasing rapidly. On the other hand, political trends building up as a result of the migrants issue in the US and Europe are inclined not to consider the fight against climate change as a priority. To this backdrop, economic, human and nature dynamics that add to political obscurity apparently nourish one another.

Another outcome of the recently strengthened political trends includes initiatives seeking to have cross-border trade deals canceled and weakened. The possibility arises that economic growth will also be affected negatively on a global scale, in connection with declined international trade volume.

The forecasts for the future of the insurance industry are positive in spite of ongoing economic stagnation. In the upcoming year, worldwide premium income net of inflation is projected to increase by 3% in real terms. In Western European and North American markets where economic growth is slower and competition is intense, real increase is expected to remain slightly below 2%. Premium growth is anticipated to be 9.5% in Asia, and 5.5% in the Middle East and North Africa regions in 2017.

Although premium growth projections seem positive, the profitability performance of the insurance industry falls below the anticipations. Looking at the total balance sheets of the past 5 years, less than 40 companies were able to post technical profitability out of the world's top 100 insurers. The low interest environment that dominated the developed countries in the aftermath of the 2008 financial crisis bore a negative impact on the financial statements of the insurance industry, which mainly invests in bonds. The rate cut by the UK Central Bank in an effort to prevent economic slowdown following the Brexit referendum of June 2016 negatively affected the increase expectations in investment income.

In the next ten years, the growth in global premium income is forecasted to be slightly above the economic growth values. According to projections, the performance of the insurance industry in developing countries will, in the long term, run in parallel with the performance of the economy, as it did in 2016. In the medium term, it is expected that the economic stagnation in developing countries such as Brazil, Russia and South Africa will be overcome and demand for insurance products will pick up. Expansion of the insurance industry in developed countries, on the other hand, will likely not surpass the average.

The companies engaged in life insurance industry were also faced with negative situations in relation to their financial results due to low interest rates in a number of countries in 2016. In 2017, life insurance premiums are anticipated to exceed the rise in the non-life segment, and to increase around 5% in 2017; the projected rate of increase for 2018, on the other hand, is 4%. In addition, pension products are predicted to sustain their expansion in developing economies, particularly in China.

Following suit of recent years, reinsurance costs floated low also in 2016. However, the reinsurance market was observed to be somewhat more resilient as compared with the past against price reducing factors in the reinsurance renewals of 1 January 2017. Nonetheless, Moody's predicted ongoing downtrend in prices in 2017 and even in 2018, citing the capital surplus in the reinsurance sector as the reason in its forecast of early 2017.

Total capital available to the worldwide reinsurance market showed 4% increase in the first half of 2016. This rise, however, lagged behind the average rate of increase of 6.2% for the 2010-2015 period. The decelerated capital increase runs in parallel to the slowing trend in the decline of reinsurance prices.

Non-Life Insurance Worldwide Premium Production

	Real Growth (%)				
	2018*	2017*	2016	2015	2014
World	3,0	2,2	2,4	3,0	2,7
Developed countries	1,9	1,3	1,7	2,5	1,8
Developing countries	6,7	5,7	5,3	4,9	6,4

* Projected

The reasons behind the relatively low reinsurance prices included decreased demand, as well as capital supply surplus. In recent years, insurers gradually increased efficiency in the use of their own capitals, made use of scale economy through making reinsurance purchases on the basis of group of companies, and mergers and acquisitions continued. All of these combined resulted in declined reinsurance need, which in turn restricted the reinsurance demand also in 2016.

Because of the low interest rate environment, insurance and reinsurance industries remain attractive for the investors, which precludes any capital hardship. The lower cost and higher availability of capital also reduced insurers' need for reinsurance, thus causing reinsurance prices to fall further.

Mergers and acquisitions in insurance and reinsurance circles broke record in 2015, and quadrupled over the previous year's figure. Although having lost pace, this trend continued in 2016. According to S&P Capital IQ data, 419 M&A transactions took place in the first half of 2016, which amounted to USD 9.1 billion in total. Although these figures are significantly below than the 454 agreements worth UD 41.2 billion in the same period of 2015, it is seen that mergers and acquisitions persist. The key motivations that drive insurers to M&A can be stated as lower capital cost amid low interest environment, ability to diversify risks by risk acceptances from different geographies and branches, and the desire to increase competitive strength by decreasing unit costs thanks to growing scale economy.

In 2016, catastrophe losses caused economic losses of USD 175 billion, which is higher than the catastrophe losses that occurred in the preceding three years, and closed in on the 2012 loss amount of USD 180 billion. Although catastrophe losses in 2016 were higher than those in recent years, 2016 emerges as an average year on the basis of long term.

USD 50 billion paid in claims in 2016 for insured catastrophe losses was above the average cat-losses of the last 10 years, which was USD 45 billion.

The catastrophe that caused the highest economic loss in 2016 was the 7.0 Mw Kumamoto earthquake in April in Japan. Out of the total loss of USD 31 billion this earthquake caused, a portion of USD 6 million was insured.

Hurricane Matthew that hit the Caribbean Sea and continental America in October has been one of the most remarkable disasters in the reporting period. Although it was in the lowest category of the Saffir-Simpson scale and its journey only partially passed from the North America continent (the eye of storm substantially remained in parallel to the coastline over the ocean), it caused a high economic loss of USD 10 billion, out of which USD 3.8 billion was insured. This provided an important example exhibiting the susceptibility of the economic accumulation on the ocean coast to the hurricane risk. Meteorologists' warnings that global warming will increase the frequency and severity of not only hurricanes, but also of other disasters such as drought and flood closely concern the insurance industry.

Overview of the World and Turkish Insurance Industries and Future Outlook

Total premium production by the overall sector went up 30.5% year-over-year to TL 40,487 million in 2016.

Regulatory sanctions and legislation made the highlights of 2016 with respect to the insurance and reinsurance market. Solvency II that entered into force in the EU countries and C ROSS that was enforced in China as of 1 January 2016 have been the noteworthy events of the reporting period for the insurance industry. The key implications of the enforcement of these regulations included heightened minimum capital standards, regulated capital models, reviewed catastrophe risk accumulations, and further expanded review phases of risk management. As a result of these arrangements, reinsurance demand is anticipated to see rise. This may create a restrictive impact on the decline in reinsurance prices in the period ahead.

The new capital adequacy regulations introduced in the insurance industry might possibly affect small insurers at a larger extent than big insurance companies, due to the former's relatively weak capitalization and analytical capabilities, and increase their dependence on reinsurance markets.

An Overview of the Turkish Insurance Industry and Future Outlook

Total premium production by the overall sector went up 30.5% year-over-year to TL 40,487 million in 2016. Compulsory motor TPL branch was the greatest contributor to this rapid growth of the industry, which saw a remarkable 79.1% enlargement in its annual premium production. Also striking was the fact that the Motor TPL branch was almost double the motor own damage branch in the said period. According to 2016 data, the real growth rate of the overall industry was 20.2%. In this period, non-life branches got 87.6% share out of the total production with TL 35,448 million, whereas life insurance had 12.4% share with TL 5,043 million. As at end-2016, nominal growth in non-life branches was 30.0%. Despite entailing a number of unknowns, 2017 is anticipated to see the insurance industry grow around 10%.

Based on the data for the first nine months of 2016 for the non-life segment, motor vehicle liability branch that represents the largest portion of the industry's market share posted a technical loss of TL 64 million. In the motor TPL segment that makes up a substantial portion of this branch, on the other hand, the loss figure went up to TL 211 million. Following motor own damage, the highest profit generators in the industry were, in order, accident with TL 348 million, general losses with TL 187 million, marine with TL 122 million and illness/health with TL 122 million. Technical profit figure for all branches combined was TL 1,009 million. Nonetheless, the effect of the amount of TL 1,491 million needs to be taken into account, which was transferred from financial accounts to the industry's financial statements. At the bottom line, non-life segment booked a profit of TL 830 million gross, and a profit of TL 592 million net with the effect of taxes and other liabilities in its financial statements for the first nine months of 2016.

During 2016, two material regulatory changes were made which may have potential implications with respect to financial statements. The Circular no. 2016/22 on Discounting the Net Cash Flows Stemming from the Provision for Outstanding Claims published by the Undersecretariat of Treasury allows discounting net cash flows that will result from the provision for outstanding claims that insurers calculate and set aside in accordance with the insurance legislation.

The Circular no. 2016/37 on the Provision for Unexpired Risks published by the Undersecretariat of Treasury allows the provision for unexpired risks to be calculated according to the method described in the circular in the motor vehicles (own damage), compulsory motor TPL (separately for compulsory traffic and optional TPL sub-segments), and general liability branches, since it has been noted that the calculation method specified in the Regulation gives results that are not aligned with actuarial principles, and that the calculations based on accounting year produces significant differences between periods.

	2016		2015		
Branch	Premium Production (TL)	Production Share%	Premium Production (TL)	Production Share%	Change (%)
Accident	1,431,582,588	4.04	1,196,577,633	4.39	19.64
Illness/Health	4,226,078,010	11.92	3,436,530,446	12.60	22.98
Motor Vehicles	6,170,691,462	17.41	5,551,397,549	20.36	11.16
Motor Own Damage	6,170,691,462	17.41	5,551,397,549	20.36	11.16
Rail Vehicles	11,068	0.00	16,835	0.00	-34.26
Aircraft	105,544,386	0.30	75,365,723	0.28	40.04
Watercraft	177,523,623	0.50	176,889,820	0.65	0.36
Marine	549,455,622	1.55	534,078,929	1.96	2.88
Fire and Natural Disasters	4,827,636,262	13.62	4,391,225,608	16.11	9.94
General Losses	3,498,930,670	9.87	2,978,132,377	10.92	17.49
Motor Vehicle Liability	12,931,210,415	36.48	7,486,398,536	27.46	72.73
Motor Vehicle TPL	12,433,651,634	35.08	6,941,671,601	25.46	79.12
Aircraft Liability	128,611,351	0.36	123,098,712	0.45	4.48
Watercraft Liability	22,117,064	0.06	16,758,157	0.06	31.98
General Liability	816,065,370	2.30	758,010,417	2.78	7.66
Credit	171,623,322	0.48	185,239,267	0.68	-7.35
Fidelity	30,392,023	0.09	29,154,217	0.11	4.25
Financial Losses	234,860,838	0.66	226,583,127	0.83	3.65
Legal Protection	123,119,421	0.35	95,863,842	0.35	28.43
Support	2,535,191	0.01	3,165,708	0.01	-19.92
Total Non-Life	**35,447,988,684**	**87.6**	**27,264,486,899**	**87.9**	**30.0**
Total Life	**5,038,808,257**	**12.4**	**3,761,410,730**	**12.1**	**34.0**
Grand Total	**40,486,796,941**	**100.0**	**31,025,897,629**	**100.0**	**30.5**

Source: Insurance Association of Turkey

Developments and Changes in Legislation

Summary information about the key changes in the legislation published during 2016, which concern the company's operations and operating results, are presented below.

Regulations

Regulation on Financial Reporting by Insurance, Reinsurance and Pension Companies (29 May 2016 – 29726)

Publication Date: 29 May 2016

The requirement to have year-end financial statements published in two national newspapers has been abolished.

Circulars

Circular on Premium Refunds in Compulsory Motor TPL Insurance (2016/2)

Publication Date: 12 January 2016

Pursuant to Article 11 of the Regulation on Tariff Implementation Principles in Compulsory Motor TPL Insurance, entitlement to discount available to individuals who have a policy that has been terminated under applicable legislation is required to continue for same type vehicles. Entitlement to discount is discontinued in the case of different types of vehicles and a new policy is issued at the 4th level; if premium rise is made for the operator, the new policy resumes. Circular no. 2016/2 states that policies for which the operator's discount entitlement has not been applied in the framework described and which have been issued at the 4th level in the timeframe from 18 June 2014 until 30 September 2015 will be identified by Insurance Information and Monitoring Center and notified to insurance companies. Insurers are required to issue the appendices to apply the no-claims bonuses earned, and effect premium refunds to policyholders.

Circular on the Implementation of Certain Articles of the Regulation on Insurance Support Services (2016/3)

Publication Date: 15 January 2016

"Article 1 – Purpose and Scope" of the Regulation excludes all kinds of consultancy services. However, paragraph (f) of Article 4 that regulates the topics in which support service outsourcing is permissible also says "medical consultancy services in insurance claims handling". These two provisions are contradictory; hence the circular clarified this point and stated that paragraph (f) will be implemented as a special provision as an exception to the general rule. Furthermore, it has also been clarified that banks, being "agents", remain outside the scope of support services.

Based on the definition that the support services provider in the regulation is an "assistant in performance", Article 2 of the Circular explains that when insurance companies refer the policyholder to an institution, the same falls under the scope of support service. It is understood that in-network institutions and services should be considered within this framework.

It has been clarified that insurance companies should be performing the checks to verify whether support services providers satisfy the requirements.

Other articles introduce provisions regarding notifications to be made to Insurance Monitoring Center.

Circular on Policy Renewals in Residential Areas Where Curfew is Declared (2016/4)

Publication Date: 21 January 2016

The section titled "insurance agreements not renewed on time" in the Regulation on Tariff Implementation Principles in Compulsory Motor TPL Insurance includes the provision that "for each 30-day period the vehicle operator fails to make renewal from the expiration date of the insurance contract, the premium will be calculated with 5% increments, up to 50%, for the following insurance contract".

The Circular no. 2016/4 on Policy Renewals in Residential Areas where Curfew is Declared issued by the Undersecretariat of Treasury, states that surcharge will not be applied to renewals of Compulsory Motor TPL Insurance policies in the event that policy renewal time coincides with the said curfew declaration time, limited to such period of time, for operators domiciled in provinces where curfew is in place.

Circular Amending the Circular no. 2015/11 Dated 6 May 2015 Regarding Risk Examination to be Performed Within the Scope of Compulsory Personal Accident Insurance for Mine Workers (2016/5)

Publication Date: 22 January 2016

Article 9 of the Circular no. 2015/11 has been amended; hence, operators who have requested a policy from the insurance company but have not had a policy issued because of nonpayment of premiums or for another reason must be notified in writing by the respective insurance companies to the Ministry of Energy and Natural Resources and Ministry of Labor and Social Security. In addition, Article 13 of the Circular no. 2015/11 has been modified; accordingly, in the event the policy is terminated before expiration, the insurance customer will be given pro rata premium refund; risk examination fee will also be determined pro rata, and this amount can be set-off from refunded premium.

Circular on Reinsurance Contracts (2016/7)

Publication Date: 22 February 2016

The circular reminded that the terms in effect or the terms of the related reinsurance contracts must be taken into account in the calculation of reinsurer share in technical provisions, along with relevant penal sanctions.

Circular Amending the Circular No. (2015/32) on Repair Shop Reference List (2016/8)

Publication Date: 22 February 2016

The Circular published set forth that in-network service shops subject to evaluation will be removed from the list of in-network service shops in the event that the conditions listed in the Circular materialize. It is underlined that insurance companies will not work with removed service shops as in-network service shops.

Circular on Reports to be Issued Under Article 12 of the Regulation on Information Provision in Insurance Contracts (2016/9)

Publication Date: 25 February 2016

The information requested in Table I and Table II attached to the circular is currently being submitted to the Undersecretariat of Treasury at quarterly intervals; the information in Table III also started to be required as of 1 March 2016. Although Table III requires complaints about insurance intermediaries broken down as finalized in favor of or against the individual, it also requires the names of 5 agencies/brokers that have been subject to complaints the most by branches. Accordingly, the report to be submitted must make this distinction.

Circular Amending the Circular on Outstanding Claims Provision (2016/11)

Publication Date: 29 February 2016

The minimum pass-through rate to be used while descending the amount resulting from the IBNR calculation in the balance sheet has been revised with respect to quarterly periods. Descending 100% of the IBNR amount has been postponed to end-2019.

Circular Amending the Circular on Premium Refunds in Compulsory Motor TPL Insurance (2016/13 - 2016/26)

Publication Date: 25 March 2016

Article 5 of the Circular no. 2016/2 on Premium Refunds in Compulsory Motor TPL Insurance has been amended; accordingly, insurance companies will notify premium refunds to be made to right holders and the results of level corrections to Insurance Information and Monitoring Center (IIC) until 30 June 2016, upon which IIC will forward these results to the Undersecretariat until 15 July 2016.

If the premiums that are required to be refunded under applicable legislation are statute barred, then action will be taken pursuant to the Regulation on Unclaimed Monies by Right Holders under Insurance Policies Governed by the Provisions of Private Law.

Circular Amending the Circular no. 2014/8 on the Implementation of Insurance Agencies Regulations (2016/15)

Publication Date: 13 April 2016

The Circular sets 17 July 2016 as the enforcement date of the requirement for the agency to inform the policyholder, in the event the share an agency holds in an insurance company exceeds 10% or vice versa, as well as of the obligation for legal entity agencies to have one technical personnel registered in the Insurance Agents Roster.

Developments and Changes in Legislation

Circular on Health Insurance to be Obtained for Visa and Residence Permit Applications (2016/16)

Publication Date: 10 May 2016

The Circular sets out the conditions of the health insurance to be obtained for residence permits to be taken under Law no. 6458 on Foreigners and International Protection.

Circular on Cancellation of Credit-Linked Compulsory Earthquake Insurance Policies in case of Withdrawal from the Credit Agreement (2016/17)

Publication Date: 10 May 2016

The Circular sets out the cancellation terms of policies from their inception in Compulsory Earthquake Insurance policies issued in connection with housing finance loans, in the event of withdrawal from the credit contract as of 1 January 2016.

Circular on the Implementation of Regulation on Compulsory Insurance Tracking (2016/18)

Publication Date: 24 May 2016

With the Circular, Compulsory Motor TPL Insurance was included under the scope of the Regulation on Compulsory Insurance Tracking.

Circular on Discounting Cash Flows Arising from Outstanding Claims Provision (2016/22)

Publication Date: 10 June 2016

According to the Circular on Discounting Net Cash Flows Arising from Outstanding Claims Provision, which was published by the Undersecretariat of Treasury on 10 June 2016 and whose effective data was 30 June 2016, insurance companies will be able to discount the net cash flows that will stem from the outstanding claims provision that they have calculated and set aside in accordance with insurance legislation in line with the terms and conditions set out in the Circular.

Circular on Insurance Arbitrators and their Required Professional Experience Pursuant to the Regulation on Arbitration in the Insurance Business (2016/23)

Publication Date: 22 June 2016

According to Article 13(d) of the Regulation on Arbitration in the Insurance Business, having worked for an insurance company does, on its own, not satisfy the experience condition required of insurance arbitrators. Since the experience condition requires expertise in insurance technique, the Circular describes the situations that do not satisfy this experience although having worked in connection with an insurance company. In addition, the Circular sets forth the break time from the insurance business mentioned in Article 13(ç) of the Regulation to be 5 years.

Sector Announcements

Sector Announcement on Unexpired Risk Provision Account (2016/1)

Publication Date: 2 February 2016

The sector announcement stated the need to calculate also the outstanding claims provision within the data set used by the actuary in the current period in the calculation of the unexpired risks provision.

Sector Announcement on Distribution of Profit for the Period Resulting from Deferring IBNR Increases Over the Years (2016/2)

Publication Date: 17 March 2016

The sector announcement no. 2016/2 stated that companies using gradual transition in IBNR calculation should take not the profit descended in their financial statements, but the pass-through rate as 100% when making period-end dividend distribution, and that dividend distribution should be based on this amount. The profit that will result from the use of a pass-through rate must be retained by the company.

Personal Data Protection Law no. 6698

Publication Date: 7 April 2016

The purpose of the law is to protect individuals' basic rights and freedoms in general, and privacy in particular in the processing of personal data, and to set out the principles and procedures to be abided by real and legal persons handling personal data. Within this frame, the law covers some general provisions regarding obtaining express consent, and fulfillment of certain conditions for processing data, terms of processing personal data of a private nature, the obligation to provide information, and appointment of a responsible data representative and so on. The law wording includes provisions of a general/principle nature, and implementation principles and procedures are expected to be set out by subordinate legislation to be published.

Sector Announcement on Calculation of Loss Resulting from Traffic Accidents in Turkey Involving Incoming Foreign Nationals (2016/3)

Publication Date: 19 April 2016

The sector announcement no. 2016/3 sets out that compensation that will result due to permanent disability or death of incoming foreigners will be calculated on the basis of the minimum wage in our country, in the event that no document certifying taxed income can be presented.

Sector Announcement for Non-Commitment of Portfolio by Insurance and Reinsurance Brokers (2016/7)

Publication Date: 10 May 2016

The sector announcement reminded that no production commitment should be given or no targets should be specified by insurance and reinsurance brokers in protocols they make with insurance companies, and announced that revisions should be made by way of additional protocols.

Sector Announcement on Unclaimed Monies by Right Holders under Insurance Policies Governed by the Provisions of Private Law (2016/8)

Publication Date: 16 May 2016

The sector announcement stressed that the announcement/notification and transfer process of receivables that will be statute barred must be completed by the specified dates.

Sector Announcement on the Amendment to Health Insurance General Provisions (2016/12)

Publication Date: 15 June 2016

The announcement determined the terms for making alterations in Health Insurance General Conditions.

Sector Announcement Regarding Compulsory TPL Insurance Within the Scope of Compulsory Insurance Tracking (2016/13)

Publication Date: 23 June 2016

The announcement stated that it is crucial that TPL Insurance premiums are at levels affordable by policyholders, and the pricing difference in quotations submitted or in policies issued to policyholders with the same/comparable risk profiles should be explicable. It also stated that insurance companies should be consistent in the determination of premiums, and that compliance with principles is closely monitored by the Undersecretariat on the basis of proposal and policy data before the IIC.

Sector Announcement on Motor Own Damage Insurance Coverage (2016/15)

Publication Date: 18 July 2016

The announcement introduced the arrangement that claims of citizens that sustained losses in the aftermath of the uprising of July 15th will be fully covered.

Sector Announcement on Residential and Business Place Insurance (2016/18)

Publication Date: 28 July 2016

The announcement introduced the arrangement that claims of citizens that sustained losses in the aftermath of the uprising of July 15th will be fully covered.

Sector Announcement Amending Sector Announcement on Termination of Compulsory Motor TPL Insurance (2016/24)

Publication Date: 31 August 2016

The sector announcement set out the provisions in relation to cancellation of TPL policies at the request of the policyholder.

Sector Announcement Amending the Sector Announcement no. 2016/11 on the Creation of a Quotation Screen in Compulsory Motor TPL Insurance (2016/26-2016/28)

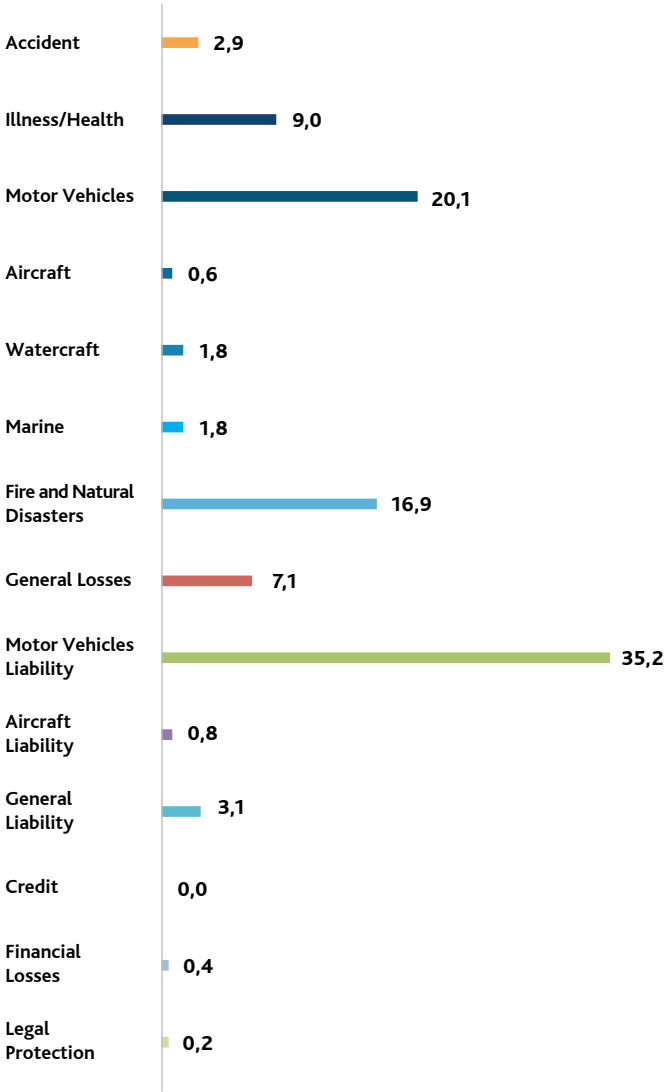
Publication Date: 2 September 2016

The sector announcement no. 2016/26 dated 2 September 2016 required that the system that will allow citizens to get a TPL quotation via the Insurance Information and Monitoring Center (IIC) be set up and the relevant implementation be introduced as of 20 October 2016. The sector announcement no. 2016/28 dated 19 September 2016 issued by the Undersecretariat of Treasury, on the other hand, required that "Renewal Quotation" step be introduced as of 30 September 2016.

An Assessment of Anadolu Sigorta in 2016

Total premium production by Anadolu Sigorta went up 24.2% to TL 4,484 million in 2016. Motor vehicle liability branch commands the highest share within the total portfolio with 35.2%.

Breakdown of Premium Production by Branches (%)



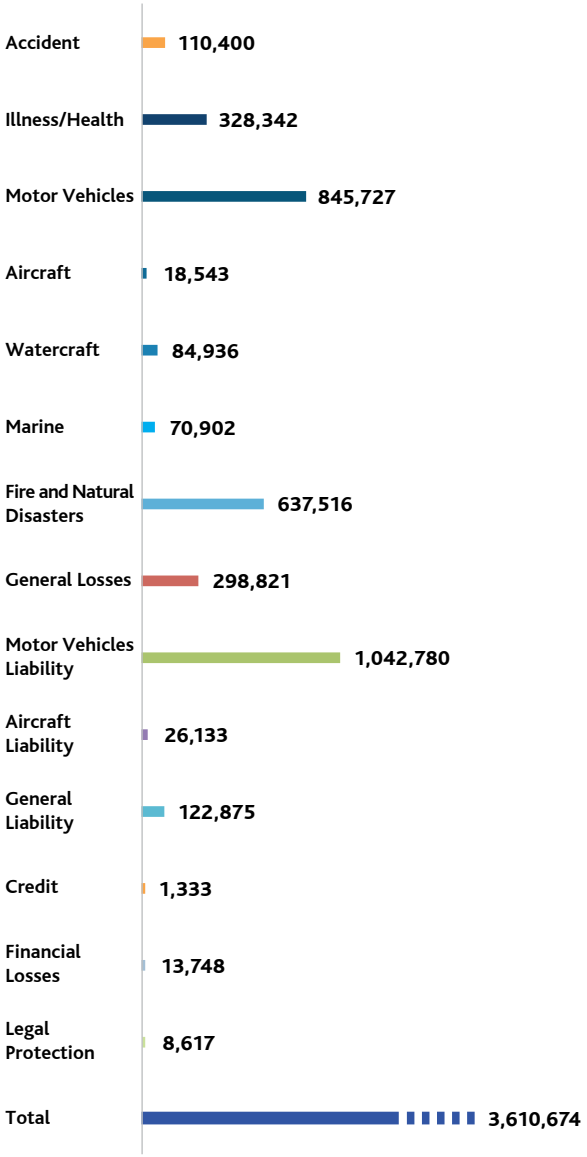
Anadolu Sigorta is an insurer active in non-life branches, which include accident, illness/health, motor vehicles, aircraft, watercraft, marine, fire and natural disasters, general losses, motor vehicle liability, aircraft liability, general liability, credit, financial losses and legal protection.

Premium Production and Technical Results

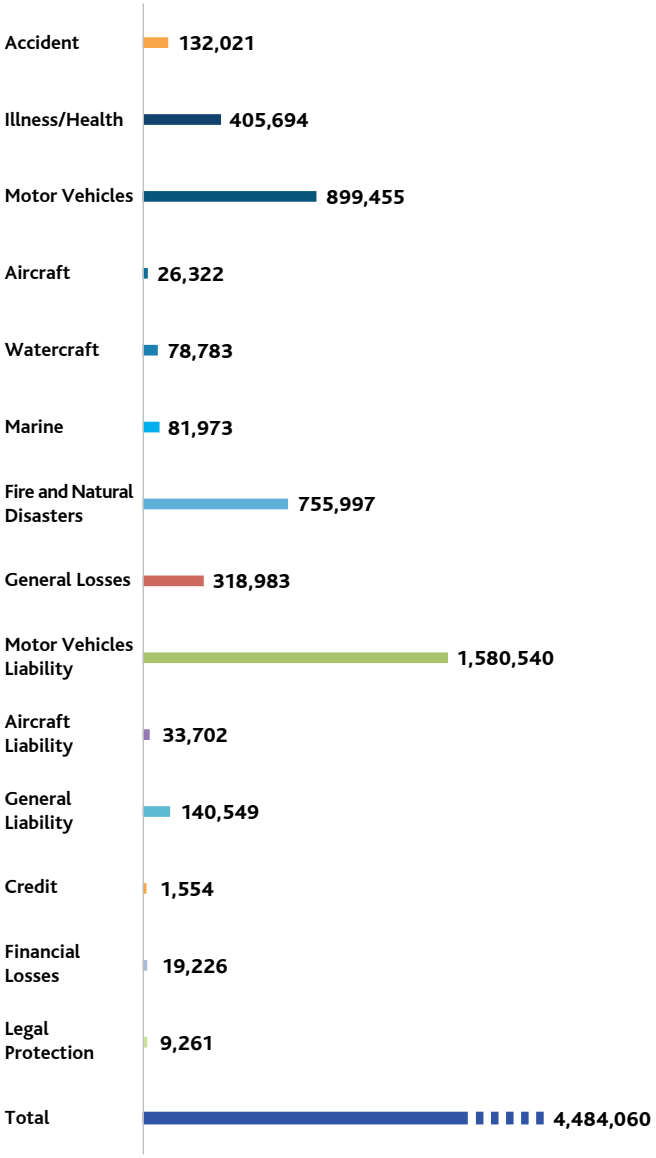
In 2016, direct premium production of Anadolu Sigorta reached TL 4,302 million; including the reinsurance premiums received in the amount of TL 182 million, total premium production came to TL 4,484 million.

With 35.2%, motor vehicle liability branch commands the biggest share of the total portfolio. This is followed by motor vehicle, fire and natural disasters, and illness/health branches.

Premium Production in 2015 (%)



Premium Production in 2016 (%)



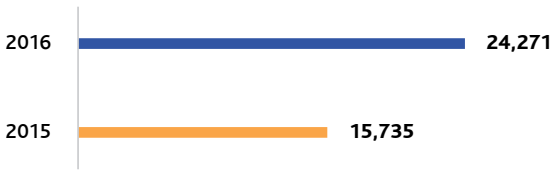
An Assessment of Anadolu Sigorta in 2016

Accident

Premium production in the accident branch was up 19.6% year-on-year and amounted to TL 132,021 thousand in 2016. Claims paid in this branch totaled TL 24,271 thousand. The accident branch booked a technical profit of TL 49,380 thousand in 2016, translating into a year-on rise by 6.7%.

Premium Production (TL thousand)

Claims Paid (TL thousand)



Claims Ratio (%)

Technical Profitability Ratio (%)

Illness/Health

In 2016, premium production on illness/health branch grew 23.6% year-on-year and amounted to TL 405,694 thousand, while claims paid totaled TL 321,545 thousand. After posting a technical loss in 2015, the illness/health branch booked a technical profit of TL 2,294 thousand in the reporting period.

Premium Production (TL thousand)

Claims Paid (TL thousand)

Claims Ratio (%)

Technical Profitability Ratio (%)

Motor Vehicles

Premium production on motor vehicles insurance went up by 6.4% year-on, amounting to TL 899,455 thousand. Claims paid in this branch in the same period went up by 10.9% to TL 614,146 thousand. After posting a technical profit of TL 67,264 thousand in 2015, the branch registered a technical profit of TL 63,461 thousand in 2016.

Premium Production (TL thousand)

Claims Paid (TL thousand)

Claims Ratio (%)

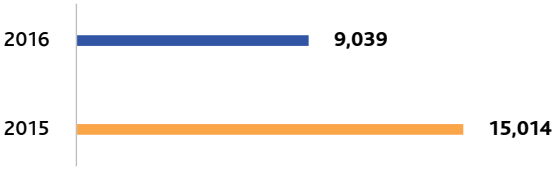
Technical Profitability Ratio (%)

Aircraft

While premium production on aircraft insurance was worth TL 26,322 thousand, claims paid decreased by 39.8% as compared to 2015 and amounted to TL 9,039 thousand. After posting a technical loss in 2015, the aircraft branch booked a technical profit of TL 7,676 thousand in the reporting period.

Premium Production (TL thousand)

Claims Paid (TL thousand)



Claims Ratio (%)

Technical Profitability Ratio (%)

An Assessment of Anadolu Sigorta in 2016

Watercraft

In 2016, watercraft insurance premium production shrank by 7.2% year-on-year and amounted to TL 78,783 thousand. In 2016, watercraft insurance premium production shrank by 7.2% year-on-year and amounted to TL 78,783 thousand. Claims paid in this branch, which was TL 47,361 thousand in 2015, decreased by 23.5% in 2016 to TL 36,240 thousand. After posting a technical profit of TL 11,588 thousand in 2015, the watercraft branch booked a technical profit of TL 10,558 thousand in the reporting period..

Premium Production (TL thousand)

Claims Paid (TL thousand)

Claims Ratio (%)

Technical Profitability Ratio (%)

Marine

During 2016, premium production on marine branch rose by 15.6% to TL 81,973 thousand while claims paid amounted to TL 19,680 thousand. Technical profit was TL 23,974 thousand in 2016.

Premium Production (TL thousand)

Claims Paid (TL thousand)

Claims Ratio (%)

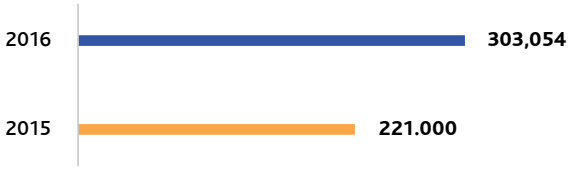
Technical Profitability Ratio (%)

Fire and Natural Disasters

Premium production on fire and natural disasters insurance policies was up 186% in 2016 and reached TL 755,977 thousand while claims paid amounted to TL 303,054 thousand. Technical accounts showed a loss of TL 12,146 thousand in fire and natural disasters branch in 2016.

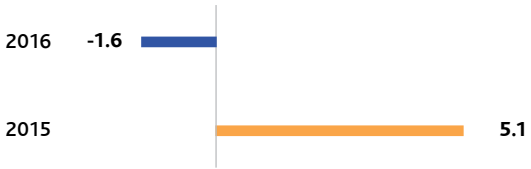
Premium Production (TL thousand)

Claims Paid (TL thousand)



Claims Ratio (%)

Technical Profitability Ratio (%)



General Losses

During 2016, premium production on general losses branch was up by 6.7% to TL 318,983 thousand, while claims paid amounted to TL 199,891 thousand. The branch posted TL 1,147 thousand in technical profit in 2016.

Premium Production (TL thousand)

Claims Paid (TL thousand)

Claims Ratio (%)

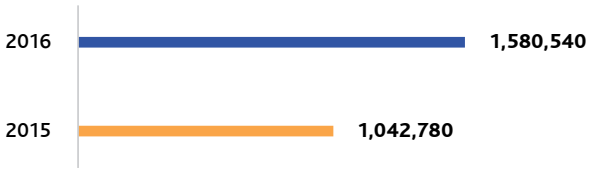
Technical Profitability Ratio (%)

An Assessment of Anadolu Sigorta in 2016

Motor Vehicles Liability

Premium production on motor vehicle liability insurance, which is responsible for the highest share in the company's total premium production, expanded by a remarkable 51.6% in 2016 to TL 1,580,540 thousand, while claims paid amounted to TL 663,669 thousand. After posting a technical loss of TL 127,001 thousand in 2015, the motor vehicle liability branch booked a technical profit of TL 27,569 thousand in the reporting period, in connection with the lower claims paid figure and higher premium production.

Premium Production (TL thousand)



Claims Paid (TL thousand)

Claims Ratio (%)

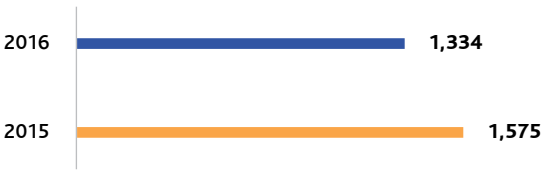
Technical Profitability Ratio (%)

Aircraft Liability

Premium production on aircraft liability branch was TL 33,702 thousand in 2016, up by 29.0%. The technical profit in this branch amounted to TL 2,843 thousand corresponding to a technical profitability of 8.4%.

Premium Production (TL thousand)

Claims Paid (TL thousand)



Claims Ratio (%)

Technical Profitability Ratio (%)

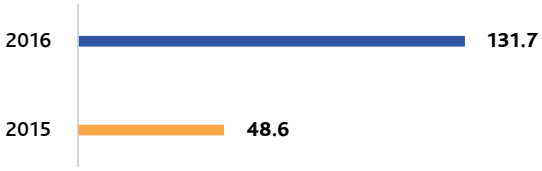
General Liability

During 2016, general liability insurance premium production grew 14.4% and amounted to TL 140,549 thousand. Although claims paid went down by 23.1% year-on to TL 39,256 thousand, the branch closed the year with a technical loss of TL 33,474 thousand.

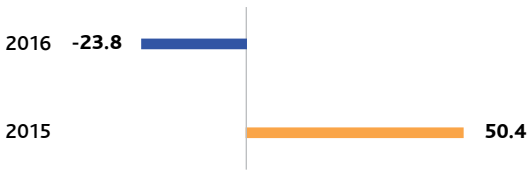
Premium Production (TL thousand)

Claims Paid (TL thousand)

Claims Ratio (%)



Technical Profitability Ratio (%)

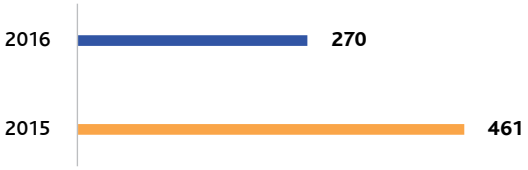


Credit

The credit insurance branch realized a premium production of TL 1,554 thousand in 2016, and booked a technical profitability of 159.3%, translating into a technical profit figure of TL 2,476 thousand on its 2016 operations.

Premium Production (TL thousand)

Claims Paid (TL thousand)



Technical Profitability Ratio (%)

An Assessment of Anadolu Sigorta in 2016

Financial Losses

Premium production on financial losses branch totaled TL 19,226 thousand in 2016 and claims paid were worth TL 4,359 thousand. The financial losses branch posted a technical profit of TL 2,425 thousand at the end of the reporting period.

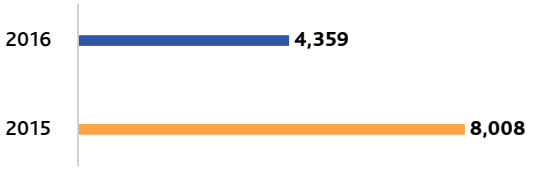
Legal Protection

Premium production in the legal protection branch stood at TL 9,261 thousand in 2016. The branch attained a profitability of 96.4% in 2016 for a technical profit of TL 8,928 thousand.

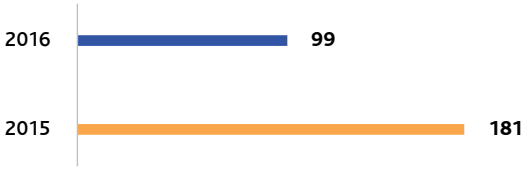
Premium Production (TL thousand)

Premium Production (TL thousand)

Claims Paid (TL thousand)



Claims Paid (TL thousand)



Claims Ratio (%)

Claims Ratio (%)

Technical Profitability Ratio (%)

Technical Profitability Ratio (%)

Total

Anadolu Sigorta's total premium production in 2016 was up 24.2% and reached TL 4,484,06 thousand, while claims paid grew by 15.2% to TL 2,236,015 thousand. As a result of the 1.5-point decline in loss premium ratio, coupled with the income transferred from financial division, the technical profit figure surged by 52.0% to TL 157,564 thousand.

Premium Production (TL thousand)

Claims Paid (TL thousand)

Claims Ratio (%)

Technical Profitability Ratio (%)

Investment Income

Investment income grew by 32.5% to reach TL 487,727 thousand in 2016.

The company, in 2016, derived TL 218,679 thousand as interest income on time deposits, TL 24,830 thousand from the sale of government securities and private sector bonds, and TL 12,062 thousand in dividend income from equities.

A total of TL 11,588 thousand was booked as income on sales of financial investments during the reporting period. TL 771 thousand of this was from the sale of bills and bonds, while TL 5,905 thousand was from the sale of equities, and TL 3,384 thousand was from the sale of mutual funds. The portion of TL 1,528 thousand remaining outside these amounts consists of income generated by the sale of financial assets subject to repo trading.

The "financial investments valuation account", which consists of valuation income derived from all equities, bills and bonds, mutual fund shares, repo trading, and fixed-term deposits, amounted to TL 48,436 thousand.

The company booked currency translation gains in the amount of TL 134,101 thousand in 2016. Income from Anadolu Sigorta's equity participations amounted to TL 24,000 thousand.

Investment Income (TL thousand)	2016	2015	Change (%)
Income from Financial Investments	255,571	183,751	39.1
Revenues from the Sales of Financial Investments	11,588	9,642	20.2
Valuation of Financial Investments	48,436	33,543	44.4
FX Gains	134,101	109,290	22.7
Dividend from Affiliates	24,000	18,000	33.3
Income from Real Estate	9,599	12,678	-24.3
Income from Derivatives	4,432	675	556.6
Other Investments	0	434	-100.0
Total	**487,727**	**368,013**	**32.5**

An Assessment of Anadolu Sigorta in 2016

Investment Expenses

Anadolu Sigorta's investment expenses increased 32.1% to TL 505,094 thousand in 2016. The biggest component of this figure consisted of TL 379,849 thousand in investment income that was transferred to the technical division, which was calculated based on the Undersecretariat of Treasury Circular on the Procedures and Principles of Keys Used in Financial Statements that went into effect on 1 January 2008. Other significant amounts apart from this item within investment expenses included FX losses in the amount of TL 76,942 thousand, and TL 27,016 thousand of depreciation expenses.

Investments Expenses (TL thousand)	2016	2015	Change (%)
Investment Management Expenses (incl. interests)	-756	-939	-19.5
Devaluation of Investments	-1,644	-2,824	-41.8
Loss from the Sales of Financial Investments	-15,270	-9,629	58.6
Investment Expenses Transferred to the Technical Division	-379,849	-276,543	37.4
Loss from Derivative Products	-3,616	-75	4.721.3
FX Losses	-76,942	-61,168	25.8
Depreciation Expenses	-27,016	-31,236	-13.5
Total	**-505,094**	**-382,414**	**32.1**

Revenues, Income, Expenses and Losses from Other Operations

The "revenues, income, expenses and losses from other operations" account stood at TL 29,013 thousand at year-end 2015. A major contributor to this account balance stems from a TL -38,095 thousand charge against the reserves account, while the deferred tax assets account created a income effect of TL 7,161 thousand.

Revenues, Income, Expenses and Losses from Other Operations (TL thousand)	2016	2015	Change (%)
Provisions	-38,095	-25,546	49.1
Rediscounts	493	1,459	-66.2
Deferred Tax Asset Income	7,161	0	
Deferred Tax Liability Expense	0	-6,510	-100.0
Other Revenues and Income	3,179	7,600	-58.2
Other Expenses and Losses	-1,750	-659	165.6
Total	**-29,013**	**-23,656**	**22.6**

Operating Results

Key ratios concerning the company's performance are shown in the chart below along with prior-year results for comparison.

(%)	2016	2015
Technical Profitability Ratio	3.5	2.9
Claims Ratio	80.1	81.6
Return on Equity	7.2	5.3
Return on Assets	1.5	1.3

	2016	2015	Change (%)
Technical Division Balance	157,564	103,634	52.0
Investment Income	487,727	368,013	32.5
Investment Expenses	-505,094	-382,414	32.1
Revenues, Income, Expenses and Losses from Other Operations	-29,013	-23,656	22.6
Total	**111,184**	**65,576**	**69.5**
Income/Loss (Gross)	**111,184**	**65,576**	**69.5**
Tax Provisions	**157,564**	**103,634**	**52.0**
Income/Loss (Net)	**487,727**	**368,013**	**32.5**

It is expected that the growth rate of the insurance industry will somewhat decrease in 2017 depending on the implications of the events that took place in our country during 2016 upon economy, while the goal of Anadolu Sigorta will be to secure increased production in real terms and attain a sustainable profit, by further leveraging the concepts of quality service, leadership, innovation and customer focus. Technical results will be monitored closely, targeting to increase technical profitability through improving loss premium ratios particularly in unprofitable branches. In striving to achieve its strategic goals, the company aims to further increase its brand equity while continuing to offer its services to the policyholders with strict adherence to its quality service concept as it has always done.

Assessment of the Company Capital and Comments

The key considerations that the companies in the insurance sector will face in the years ahead will be the satisfaction of potential capital requirements that might arise in line with growth, and due management of the capital.

When planning for growth and profitability targets, Anadolu Sigorta observes capital needs as well. Attention is paid to ensure that the company capital is at adequate level, taking into consideration the regulatory requirements. Information on capital adequacy is presented in the relevant section of the notes to the financial statements.

Profit Distribution Policy

The Profit Distribution Policy approved at the 2013 Annual General Assembly convened on 25 March 2014

The company's profit distribution principles for shareholders and other people participating in the profit are governed by the applicable requirements of the Turkish Commercial Code, Capital Market legislation and our Articles of Incorporation.

The dividend distribution proposals presented by the Board of Directors for the approval of the General Assembly are prepared in a manner to preserve the delicate balance between the expectations of our shareholders and the company's need to grow, and taking into consideration future expectations regarding the company's operations, capital adequacy targets and the conditions prevailing in capital markets, as well as the profitability of the company.

The profit distribution policy espoused by the Board of Directors is based on the principle of proposing to the General Assembly the distribution of at least 30% of the net distributable profit for the period as bonus shares and/or in cash.

In the event that the net distributable profit for the period calculated based on the legal records remains below 5% of the company's paid-in capital, the Board of Directors may propose to the General Assembly that no dividends be distributed.

Dividend distribution formalities and processes are carried out so as to be completed by no later than the end of the fiscal year in which the General Assembly Meeting is convened.

Pursuant to the company's Articles of Incorporation, our employees are paid dividends up to three times of their salaries, which, in the aggregate, must not be in excess of 3% of the amount remaining after the first dividend is set aside.

The company may distribute advances on dividends in accordance with the principles and procedures set forth in the Capital Market legislation.

There are no preference shares in the company.

No founder's bonus certificates are given, nor are dividends paid to the members of the Board Directors.

Risk Management Policies Adhered to by Types of Risks

The company's risk policies and related implementation procedures include written standards devised and enforced by the Board of Directors and implemented by senior management.

Determined and enforced by the Board of Directors in parallel with international practices on the basis of insurance underwriting risk, credit risk, market risk, operational risk and the risk of use of the company's services for laundering proceeds from crime and for financing terrorism, these are general standards that define the organization and scope of the risk management function, risk measurement procedures, the duties and responsibilities of the company's Risk Management Committee, as well as the procedures for determining risk limits, actions to be taken in possible limit violations, and the compulsory approvals and confirmations that are required to be given in various cases and circumstances.

Besides insurance underwriting, credit, market and operational risks, other risks can result from the reciprocal and successive interaction of these risks. Therefore, an integrated consideration should be adopted for all risk elements stemming from assets and liabilities positions. The company's basic strategy with respect to the distribution of long-term assets and liabilities is to ensure consistency between assets and liabilities at optimum liquidity risk level so as to support the objective of maximizing returns. Accordingly, utmost importance is given to the following points:

- The basic objective of the company's activity in the money and capital markets is to generate maximum possible return at a specified risk level. The priorities in asset investments are, in order of precedence, safe investment, liquidity and return.
- When investing assets, the company takes into account market and liquidity risks, portfolio concentration risk, payables in high amounts such as known or foreseeable advance taxes, corporate taxes, reinsurer payments and claims payments, as well as receivables from insurance activity.
- Through scenario analyses and stress tests, the assets portfolio is exposed to various shocks and tested with respect to interest rates, exchange rates and share certificate prices. These tests are conducted at quarterly intervals at a minimum.
- Utmost attention is paid to maintaining a cash position in foreign currency for potential catastrophic risks equivalent to the lower limit of excess of loss agreements, as well as known liabilities for any given period.

The Board of Directors, taking into account long-term strategies, equity capabilities, returns to be derived and general economic expectations, sets the company's risk tolerance, which is then expressed in terms of risk limits. In line with the procedures set in the Policies and in view of the market conditions in the relevant period, the Risk Management and Internal Control Department reports violations of limits submitted to the CEO and the Board of Directors.

Senior Management is responsible for implementation of Risk Management Policies. For purposes of ensuring compliance with policies, Senior Management means the CEO, Deputy Chief Executive Officers, and relevant Unit Managers and Regional Managers. On the other hand, all authorized employees performing the transactions regarded as a part of risk management processes are individually responsible for the accuracy and reliability of all kinds of data and information they provide in relation to their respective jobs within the process, which form the basis of the making of decisions.

1- Insurance Underwriting Risk Policy

Insurance underwriting risk is defined as a risk that might arise from failure to correctly and effectively implement the insurance technique within the process of turning coverage provision for natural risks which are not known certainly if they will occur and for risks which are known for sure to occur but are unknown time-wise into sustainable commercial earnings. The scope of Insurance Underwriting Risk Policies consists of the conditions and price of the coverage to be provided for the risk; the principles applied in determining which of the coverages provided will be ceded up to what amounts and to whom in the case of risks decided to be transferred; conducting effective monitoring of risk portfolio loss frequency so as to allow formulation of fitting reinsurance strategies at sufficient frequency, and related monitoring and reporting system.

Management of insurance underwriting risk is based on the principle of forming the risk portfolio with risks that represent a low potential to cause loss. In order to avoid poor risk selection and incorrect pricing of insurance policies and to create accurate reinsurance policies, effective monitoring is carried out on loss frequency and loss severity of the risk portfolio. The risk portfolio is separately overseen on the basis of agents, industry, branches, regions, brands, models, tariffs, products, customers and other parameters.

A comprehensive insurance underwriting risk reporting system is used to ensure measurement of loss performance, oversee compliance with applicable legislation and ensure reporting on the effectiveness of insurance underwriting risk controls. The risk of the portfolio is regularly reported by executive departments and the Risk Management and Internal Control Department to the CEO and the Board of Directors.

2- Credit Risk Policy

Credit risk means the possibility of the company's sustaining loss due to failure on the part of policyholders, agents, reinsurers, fronting companies, coinsurers, and other parties to partially or totally fulfill their obligations towards the company. It also indicates to the loss of market capitalization caused by the deterioration in the financial standing of companies with which there are subsidiary or affiliate relationships. The Credit Risk Policy sets out the procedures and responsibilities related to the management, control and monitoring of credit risk, as well as matters in relation to credit risk limits.

Early identification and definition of issues are of the essence for effective management of credit risk. For this purpose early warning signals are determined; these are indicators pointing at cases that will adversely influence the credit risk and lead to a credit risk that is above the company's risk tolerance. For insurance brokers, these are declined collection ratios, reduced production performances, slackened discipline in conforming to company guidelines, and other data from intelligence. For Reinsurance companies and counterparties, these cover all kinds of data and information obtained in relation to negative ratings and developments. It is the duty and responsibility of executive units to obtain data and information in relation to credit risk. All kinds of information obtained are urgently considered within the frame of decision-making, monitoring, reporting and auditing processes.

A credit risk scoring system used, which has the capability to be made use of in the management of credit risk and decision-making, to enable monitoring risk on the basis of counterparties, to take notice of expected and unexpected losses, and to allow for making the decisions based not only on the return derived or anticipated to be derived from the counterparty at any time, but also on the risk underwritten. The risks of counterparties are regularly reported by the Risk Management and Internal Control Department to the CEO and the Board of Directors. The Risk Management and Internal Control Department is also responsible for undertaking daily follow-up of regional, sectoral and market trends that have an actual or possible impact on the company's credit risk, and for reporting the results to the CEO and the Board of Directors.

3- Market Risk Policy

Market Risk means the risk of loss in the value of the company's placements in financial borrowing instruments whose return is linked to interest rate; stock, other investment securities, all FX or FX-indexed assets and liabilities in or off the balance sheet, derivative agreements based on the said instruments, which loss might result from the volatilities in interest rates, stock prices and exchange rates.

The basic and ultimate purpose of the company's activities in money and capital markets is to generate returns. The basis of Market Risk policies is to measure, report and keep under control the risk that the company is exposed to by reason of such activity. The top priority is to ensure that the company's Market Risk exposure is within the limits stipulated by applicable legislation and is compliant with the company's risk appetite. In market risk management, risk appetite is expressed in terms of market risk limits assigned to the executive fund management unit and the contracted asset management companies. Market risk limits are categorized into two groups: limits set employing the value at risk method, and limits determined based on the ratio of each group of investment securities to the total portfolio and shareholders' equity. The Risk Management and Internal Control Department and executive fund management unit closely and constantly monitor limit violations. In case limits are exceeded, the amount at which a limit is exceeded and its reasons are reported to the CEO and the Board of Directors, along with the assessments of the executive body. If limit violations are above the ratios or durations set by the Board of Directors, necessary action is determined by the Board of Directors.

Market risk is calculated employing internationally accepted statistical methods. Since these calculations cover risk prediction for the following days, the accuracy of predictions are compared subsequently with actual values and monitored on a daily basis. On the other hand, the portfolio is tested under different scenarios for determining the effects of occurrences, which pose a low probability in terms of occurrence, but big volume in terms of loss. The assessments, which include the possible mismatches among types and maturities of the company's assets and liabilities, are regularly reported in detail to the CEO and the Board of Directors.

4- Operational Risk Policy

Operational risk is defined as any risk other than absolute insurance underwriting, credit and market risks which might occur in the organization, business continuity, insufficient or inoperative business processes, technology, human resource, underperformance by individuals, administrative mistakes, unfortunate events, misconduct, accident and fraud, systems or external factors, legislation, management and business environment, and which might cause physical or reputational loss to the company.

Limits are introduced for potential operational risks that might arise during the activities based on the "Company Risk Catalogue," which is the basic document used in defining and classifying all risks that may be faced with. The Risk Catalogue is updated in parallel with the changing conditions. "Self-Assessment Methodology" is used in the identification of operational risks. In this method, the risks in relation to activities conducted are exposed with the involvement of the personnel performing the job.

Qualitative and quantitative methods are used jointly in the measurement and evaluation of operational risk. The measurement process uses data obtained from "impact - likelihood analysis", "control culture profile surveys" and internal and external "loss database." When managing operational risk, efforts are spent to develop controls to eliminate or mitigate the possibility of sustaining loss due to risks that the company may be exposed to in relation to its activities. Effectiveness and adequacy of existing or subsequently developed controls, and the implementation of action plans adopted in this regard are evaluated in coordination with the Risk Management and Internal Control Department and the Board of Inspectors. The Risk Management and Internal Control Department monitors all operational risks that the company may be exposed to during the course of its activities, and regularly reports on the same to the CEO and the Board of Directors.

5- Policy for Combating the Legalization (Laundering) of Proceeds from Crime and Financing of Terrorism

This policy is intended to define, rate, monitor, assess and mitigate the risks the company is exposed to with respect to the use of the insurance service offered by the company in laundering proceeds from crime or financing of terrorism. The ultimate goal can be achieved by effectively monitoring and supervising customers and transactions in full compliance with the applicable legislation and regulations.

The overall scope of the policy covers the activities centrally executed for defining, measuring, monitoring, controlling and reporting the risks that the company is exposed to for reasons of the use of the insurance service offered by the company in laundering proceeds from crime or in financing of terrorism, or the company's failure to fully comply with the liabilities imposed by the Law no 5549 on Prevention of Laundering Proceeds from Crime and by related regulations and communiqués.

The basic strategy of the company to achieve the ultimate goal is to carefully plan, conduct and manage risk management activities independently, impartially, purposefully, productively and efficiently, employing a risk-focused approach and in line with applicable legislation and internationally accepted principles and standards. The basic principle in achieving this goal is to employ the most advanced tools and methods that are available and possible to be used. Findings from risk management, monitoring and control activities are regularly reported to the Board of Directors by the Board Director who is delegated by the Board of Directors in respect of this matter.

Activities of the Committee of Early Determination of Risk

Pursuant to the provisions of the Communiqué Serial: IV No: 56 on the Determination and Implementation of Corporate Governance Principles enforced upon its publication in the Official Gazette issue 28158 dated 30 December 2011, it has been decided to set up a Committee of Early Determination of Risk as of 27 February 2012. The committee will be responsible for carrying out all relevant works and efforts for the early determination of risks that might endanger the existence, progress and survival of the company, implementation of measures and remedies against identified risks, and management of the risk.

The committee makes an assessment of the situation in its bimonthly reports submitted to the Board of Directors; the said report is also shared with the statutory auditor.

Risk Management Activities and Risk Assessment

The company's risk exposure is monitored, assessed and controlled individually under the categories of insurance underwriting risk, credit risk, market risk and operational risk. The risk exposure arising out of the use of the company's insurance services for laundering proceeds from crime or for financing terrorism, or out of failure to achieve full compliance with the obligations imposed by the Law no 5549 on Prevention of Laundering Proceeds from Crime and by related regulations and communiqués is addressed independently from other types of risks as per the applicable legislation.

When the company's risk exposure is assessed with respect to the magnitude of potential impact of those risks; the effects of global, national and near geography developments upon the technical and financial performance, the potential earthquake in İstanbul, and low technical profitability gain the foreground.

When the company's risk exposure is assessed with respect to the magnitude of potential impact of those risks, the effects of developments in global and national economy upon the technical and financial performance, the potential earthquake in Istanbul, and low technical profitability come to the fore.

It is well known that macroeconomic risks and financial stability risks mostly result from global developments, as well as national developments, in outward-oriented economies with a broad current deficit such as Turkey. The key factors that fueled macrofinancial risks particularly in recent years have been the sudden changes in risk perceptions in conjunction with the weak global economic outlook and the extremely volatile capital flows.

Volatile commodity and particularly oil prices, geopolitical tensions and political uncertainties arose as new sources of instability. In this respect, the risks and uncertainties against the growth of all developing economies in general are as follows:

- The Fed's decisions regarding the monetary policy and the potential effects thereof on developing economies,
- Sustained fragility in the Eurozone and precarious future of the European Union,
- The effects of the OPEC decision to cut oil supply upon the economies of oil importing and non-importing countries,
- The Brexit outcome in the UK and the global tendency to return to protective state policies upon election of Donald Trump as the US President,
- Geopolitical tensions dominating in various geographies across the world.

Although the Turkish economy has received well-deserved credit for its growth performance in the past, that same performance also brought along the current deficit issue. It is common knowledge that the Turkish economy is unable to attain growth without producing current deficit, and is fragile in the face of interrupted capital inflows due to its inherent imbalances. In a conjuncture of decreased global risk appetite, the financing of growth constitutes a highly critical agenda item for the Turkish economy.

During 2017, the Fed's decisions, geopolitical developments, the course of oil prices, domestic political agenda and the war and armed conflict in Syria might obviously lead to volatile periods in economy. Such a conjuncture might easily pave the way for potentially significant deviations in various economic parameters, including credit rates, loan utilization, housing and car sales, which are interrelated with the production performance of the insurance industry. The prevalent anticipation is that the insurance industry will, in 2017, display a performance that is below the average of many years.

The compensation amounts that might result from earthquakes and other catastrophe risks that exceed the upper limits of various existing agreements are of a nature that might lead the company to suffer losses of a magnitude that cannot be made up for in a typical operating year. Modeling software is used to determine the magnitude of an earthquake in İstanbul and the potential losses that would arise therefrom, and the potential margin of error incorporated in such software is also taken into consideration when determining the final protection level.

On the other hand, scenario analysis are employed to establish some uncertainties that cannot be calculated by modeling programs, such as personal injury, motor own damage claims, tsunami, post-earthquake fire, changes in our protection level due to volatile exchange rates, inflation, high level coverage in conjunction with loss of profit, and a portfolio that expands during the course of the year, whereas a certain safety margin is allowed for some other uncertainties. It is considered that the total amount of protection the company obtains for catastrophe risks is sufficient for a 1000-year earthquake, which is the minimum model according to the Reinsurance Strategy.

Although it is not deemed vital when a potential earthquake in İstanbul is considered individually, a Contingency Action and Funding Plan and a Business Continuity Plan have been formulated for the management of potential market, credit and operational risks that might be triggered simultaneously by such an earthquake and are likely to increase substantially. The operability of these plans is tested at regular intervals.

Low operating profitability is at the top of the risk elements that are critical for the company, which is the case also for all companies in the sector that are engaged in non-life branches. This predicament that results from excessive price competition and prevents accumulation of capital is anticipated to disappear gradually, in parallel with the future depth to be achieved by the Turkish Insurance Industry, which constantly grows other than in periods of crises. Another expectation is that the problem of technical profitability will be mitigated significantly by the contribution to be lent to operational efficiency by company-wide projects conducted within the frame of a comprehensive transformation program.

Convenience Translation into English of the
Independent Auditor's Report Related to Annual Report
Originally Issued in Turkish

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 3
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
İnternet www.kpmg.com.tr

To Anadolu Anonim Türk Sigorta Şirketi General Assembly,

Report on the Audit of Board of Directors' Annual Report Based on Standards on Auditing which is a Component of The Turkish Auditing Standards Published by The Public Oversight Accounting and Auditing Standards Authority ("POA")

We have audited the accompanying annual report of Anadolu Anonim Türk Sigorta Şirketi (the "Company"), for the year ended 31 December 2016.

Board of Directors' Responsibility for the Annual Report

Pursuant to the article 514 of the Turkish Commercial Code numbered 6102 ("TCC") and Communiqué on Individual Retirement Saving and Investment System" ("Communiqué") issued on 7 August 2007 dated and 26606 numbered, management is responsible for the preparation of the annual report fairly and consistent with the financial statements and for such internal control as management determines is necessary to enable the preparation of such annual report.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's annual report based on our audit in accordance with article 397 of the TCC and Communiqué whether the financial information included in the accompanying annual report is consistent with the audited financial statements expressed in the auditor's report of the Company dated 30 January 2017 and provides fair presentation.

Our audit has been conducted in accordance with the Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") published by the POA and the insurance legislation. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information included in the annual report is consistent with the financial statements and provide fair presentation.

An audit also includes performing audit procedures in order to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment.

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

Opinion

In our opinion, the financial information included in the annual report is consistent, in all material respects, with the audited financial statements and provides a fair presentation.

Report on Other Regulatory Requirements

In accordance with the third clause of the article 402 of TCC, no material issue has come to our attention that shall be reported about the Company's ability to continue as a going concern in accordance with TAS 570 "Going Concern".

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

Alper Güvenç
Partner

28 February 2017
İstanbul, Turkey

An Assessment of the Board Directors by the Corporate Governance Committee

Apart from the CEO, the Board of Directors consists of non-executive members.

Chairman of the Board and CEO functions are carried out by different individuals.

Taking into consideration that there are no non-corporate ultimate shareholders with a controlling interest in our company, it is thought that the Board Directors naturally possess the advantage to act independently and therefore, to be impartial in their decisions, upholding the interests of our company and stakeholders above everything else.

The Board of Directors meets regularly and at least monthly as pre-scheduled, and at any time as and when deemed necessary. The Board of Directors met 12 times in 2016. The Board Directors, in principle, attend every meeting.

Care is paid to determine the Board meeting date during the immediately preceding meeting, followed by written invitation. It is intended to set the meeting date so as to allow all Directors to participate, and save for unforeseeable exceptional events, the Board meetings are held with the participation of all Directors.

The Board meeting agenda is determined by the Chairman of the Board of Directors in line with the proposals of the CEO and the Board Directors.

Utmost care is paid to ensure that the information and documents about the topics covered in the Board meeting agenda are made available for the examination of the Directors at least five days in advance, and when such timing cannot be met, efforts are spent to ensure equal flow of information to the Board Directors.

Each Director is entitled to one vote and none has weighted vote or affirmative/ negative vetoing rights.

Pursuant to the Articles of Incorporation, the Board of Directors convenes on the basis of absolute majority and makes decisions with the absolute majority of Directors present in the meeting.

Pursuant to the company's Articles of Incorporation;

The Board of Directors is authorized to pass decisions on any and all acts and transactions that are necessary for the achievement of the company's operating scope, save for those for which the General Assembly is authorized as per the law and the Articles of Incorporation.

Without prejudice to the duties and powers that cannot be delegated as set out in Article 375 of the Turkish Commercial Code and in other articles, the Board of Directors may delegate management, in part of in whole, by way of an internal bylaws in accordance with Article 367 of the Turkish Commercial Code.

The Board of Directors fulfills its responsibilities remaining outside the scope of its basic functions taking into consideration the opinions and recommendations of executive bodies and committees. Such responsibilities include, but are not limited to the following:

- Approving the company's annual budget and business plans,
- Preparing the company's annual reports and finalizing the same to be presented to the General Assembly,
- Ensuring that the General Assemblies are held in compliance with the legislation and the company's Articles of Incorporation,
- Taking necessary action in relation to General Assembly decisions,
- Approving the executives' career plans and rewarding provided to them,
- Determining the company's policies about Shareholders, stakeholders and Public Relations,
- Determining the company's disclosure policy,
- Setting the codes of ethics for the company and its employees,
- Establishing the operating principles of committees; ensuring their efficient and productive functioning,
- Taking necessary action so as to ensure the company's organizational structure responds to current circumstances,
- Examining the activities of former boards of directors.
- The Board of Directors consists of eleven Directors, which number enables efficient organization of the activities of the Board. Two independent Directors serve on the company's Board of Directors.

Although there are no set rules on non-independent Directors' undertaking other duties outside the company, the Directors do not have any other duties apart from their natural duties in the entities they represent and from those in the establishments owned by the entities they represent. Yet, Board Directors devote sufficient amount of time for company affairs, and exercise their powers prudently and within the frame of good faith, possessing all necessary knowledge to ensure full performance of the duty.

Past experiences, and outside positions held, if any, of the independent Board Directors are disclosed in their résumés and presented on our website and in our annual report.

When fulfilling its decision-making function, the Board of Directors acts on the basic consideration of:

- Maximizing the fair value of the company,
- Pursuing the company operations so as to ensure long-term and stable earnings for our Shareholders,
- Maintaining the delicate balance between the Shareholders and the company's need to grow.

In the formation of the Board of Directors, care is given to;

- Ensure that the nominees are present in the meeting at the time of election to the seats on the Board of Directors,
- Inform the Shareholders about the nominees,
- Allow Shareholders to ask questions to the nominees,
- Inform the Shareholders, during the General Assemblies, on other companies on the boards of which Director nominees serve and on the compliance or non-compliance to internal regulations set exclusively on this topic.

Directors just starting to serve on the Board are offered an orientation program covering the following at a minimum:

- Introduction with our executives and visits to the company's units,
- The CVs and performance assessments of our executives,
- Strategic goals, current status and issues of the company,
- Market share, financial structure and performance indicators of the company.

Pursuant to legislation, general managers of insurance companies must have graduated from a four-year university minimum, and have at least ten years experience in any one of insurance, banking, economy, business management, accounting, law, finance, mathematics, statistics or engineering fields. More than half of the Board Directors must have graduated from a four-year university minimum, and have knowledge and experience in at least one of the fields mentioned above.

The Directors possess these qualifications and have;

- Satisfactory knowledge and skills in banking and insurance business,
- The skill to read and analyze financial statements and reports,
- Basic knowledge about the legal regulations governing our company, and about general market circumstances,
- The will and the opportunity to regularly attend the Board meetings for the period of time for which they are elected to serve.

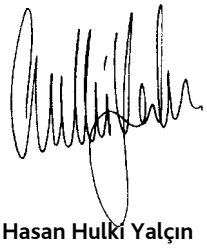
The Board of Directors adopted the necessary measures for preventing undisclosed information and/or trade secrets from being disseminated out of the company.

Fatih Gören

Deputy Chief Executive and Member of the Corporate Governance Committee

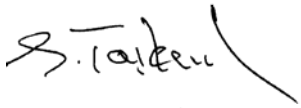
Kemal Emre Sayar

Board Director and Member of the Corporate Governance Committee



Hasan Hulki Yalçın

Board Director and Member of the Corporate Governance Committee



Prof. Savaş Taşkent

Board Director and Head of the Corporate Governance Committee

Disclosure Policy

Disclosure policy of our company, approved by the Board of Directors, is described herein.

Any modification thereto, including the justification will also be disclosed to public after it is approved by the Board of Directors.

General Framework

Anadolu Anonim Türk Sigorta Şirketi fulfills its obligations of public disclosure of financial and other type of information as required mainly by the Law on Insurances and relevant regulations hereunder and Capital Markets Legislation, Turkish Commercial Code and the legislation governing the Istanbul Stock Exchange (BIST), through which our shares were listed and exchanged, in line with the generally accepted accounting principles and corporate governance principles; therefore, it follows a detailed public disclosure policy.

Main purpose of the disclosure policy is to ensure true, complete, convenient, less costly, understandable and fair conveyance of necessary information and disclosures, other than those classified as trade secret, to shareholders, investors, employees, clients, creditors, reinsurers and other concerned parties.

Having an active approach for the adoption and implementation of Corporate Governance Principles, our company attaches utmost care for compliance with the requirements of the relevant legislation and best international practices with respect to public disclosure. Anadolu Anonim Türk Sigorta Şirketi Disclosure Policy has been prepared within the scope of above principles and put into practice after its approval by the Board of Directors.

Anadolu Anonim Türk Sigorta Şirketi uses Public Disclosure Platform (PDP), Central Registry Institution (E-Company), Electronic General Assembly System (EGAS), national/ local newspapers, Turkey's Trade Registry Journal and company's official website for informing the public.

Authorization and Responsibility

The Board of Directors is responsible and authorized for preparation, monitoring, auditing and improvement of public disclosure policy of our company. Directors in charge of financial management and reporting and Investor Relations Department have been appointed for the responsibility of conducting and coordination of disclosure function under the policy. The officials of the mentioned department perform their duties in coordination with the Audit Committee, Corporate Governance Committee and the Board of Directors.

Public Disclosure Operations and Methods and Instruments Used

Public Disclosure operations and methods and instruments used for these operations under the legislation on insurances, Capital Markets Legislation, Turkish Commercial Code and other relevant legislation are described below:

Financial statements and notes and explanations thereof for each quarter, which are Prepared in accordance with the legislation issued by the Undersecretary of Treasury, Directorate General of Insurance and Capital Markets Board and signed with an attestation by the Committee Members in charge of Audit and the Director General or Directors in charge of financial reporting, and external audit reports, issued annually semi-annually are published on our website and reported to the Public Disclosure Platform (PDP) within its legal deadline. Furthermore, our company issues financial statements for each quarter and upload them to the portal managed by the Undersecretary of Treasury and convey most of these statements also to the Turkish Insurers Union (TIU) for informative reasons.

Disclosures for special cases, which must be notified pursuant to the Capital Markets Board (CMB) legislation, are notified to PDP within its legal deadline. Disclosures for special cases are published on the company website of Anadolu Sigorta on the next business day at the latest following the public disclosure and stays on the website for a duration of 5 years.

For the purpose of ensuring the confidentiality during the time until the public disclosure of special cases, persons who have access to insider information are informed about the requirements stemming from the relevant legislation. As for those who may have access to insider information through the service supplied from them, their contracts include a clause of confidentiality. On the other hand, Anadolu Sigorta carefully complies with the legislative requirements imposed by the Law on Insurance No. 5684 and relevant legislation requiring the safekeeping the customers' secrets and not disclosing them to parties other than those who are explicitly authorized by the law. This requirement binds not only the Anadolu Sigorta employees but also the employees of the companies through which the company gets support services.

In accordance with the legislation and the provisions of the Company Charter, announcements and notifications for changes to the Company Charter, General Assembly meetings, capital raise, reporting of year-end financial statements are given on the TTRJ and national newspapers. Documents and information about the General Assembly are delivered to shareholders through Electronic General Assembly System in line with the provisions of the Turkish Commercial Code.

Each year before the General Assembly meeting, annual activity report, in line with the relevant legislation, is presented for the examination of shareholders with a view too include all necessary information and descriptions and is published on our website (Both in Turkish and in English) and reported to PDP. When requested, this report may be obtained in print from our Investor Relations Department.

Regular meetings and briefings are not part of our policy. Instead, where requested or needed to respond to questions raised by the press members, press releases are made on the printed and visual media.

Press statements to printed and visual media may be made by the Chairman of the Board, the Director General or its Deputy or other officials assigned by them. News about our company published on national or international media are followed by a professional media monitoring agency. Therefore, in case of a necessity of a disclosure for special case, which must be notified pursuant to the relevant legislation, necessary briefing is made on the subject gathering the departmental information from concerned departments.

When making a statement to press on news and talks, which are not classified as a special case disclosure by a legislation, type and content of the statement are defined according to certain factors such as the news' feature, size of the target audience of the media, whether the news affect the company reputation. If these news and rumors inherit a matter which requires the company to make a public disclosure, a special case disclosure is then made in line with the provisions of relevant legislation.

International and national investor meetings and road-shows are used to convey information to shareholders and to other concerned parties. These meetings and visits which were organized and managed by Investor Relations Department are sometimes attended by Director General, Directors in charge of financial management and reporting and the personnel of the Investor Relations Department. Where needed, the size of these contact teams may be enlarged. To ensure that all market participants are simultaneously and equally informed, the reports and presentations disclosed during the introductory and information meetings held with investors are published on the company website under the Investor Relations Section.

Investor Relations Department delivers via e-mail necessary information, mainly financial statements, to shareholders, national and international investors and to those companies which releases research reports on our company.

Investor Relations Section of the official website of our company (www.anadolusigorta.com.tr) includes detailed information and data on our company. This section is managed and kept up-to-date by the Investor Relations Department. All questions sent by all stakeholders via e-mail, regular mail, phone, etc. are answered at the shortest delay under the coordination of the Investor Relations Department.

Other Notifications

Notifications other than above are disclosed to public with signature of the officials whose power of signature was indicated in the company's certificate of signature.

Forecasts

In case of disclosure of forecasts for the company, which may affect the investor decisions, the Board of Directors, Director General or other officials assigned by the latter make necessary disclosures via Public Disclosure Platform, activity reports or other means defined by the legislation. In case of a significant difference between the issues disclosed earlier and realizations, a statement may be released according to relevant legislation.

Defining the Persons with Administrative Responsibility

Persons with administrative responsibility are the members of the Board of Directors and those, who are not a member of the Board, yet, have regular access to internal information of our company, directly or indirectly, and who are entitled to take administrative decisions which may affect the future development and commercial ends of our company.

Therefore, in defining the persons with administrative responsibility, the duties of the persons in the Company organization and the nature of the information which may be accessed by these persons are taken into account.

In addition to Members of the Board, Director General and Deputy Director Generals, managers of certain departments, who have access to all information regarding the Company and who are entitled to take administrative decisions on matters such as active-passive structure, profit-loss, cash-flow, strategic targets, (decisions, which may affect these matters at macro level) have also been determined as persons with administrative responsibility.

Official Website of Anadolu Sigorta: www.anadolusigorta.com.tr

Our company's official website is actively used for informing the public and disclosure. The website includes all information and data envisaged by the Corporate Governance Principles and Regulatory Authorities in Turkish and English. This website is always kept updated with due care.

E-Company platform may also be used in communication with shareholders, a platform which was established within Central Registry Institution in accordance with pursuant to the provisions of Turkish Commercial Code on websites, which can be accessed through "Bilgi Toplum Hizmetleri" link. Documents indicated in the relevant legislation can be accessed through this platform.

Corporate Governance Principles Compliance Report

PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Our company firmly believes that Corporate Governance Principles are as critical as financial performance, and that putting these principles into practice bears utmost importance both for the development of national and international capital markets and for the best interests of our company.

Our company implements the principles that are set as compulsory principles by the Corporate Governance Communiqué Serial: II-17.1.

Within this context, the company's Articles of Incorporation do not cover provisions stipulating;

- Stakeholder participation in the company's management,
- Expansion of the scope of minority rights beyond the provisions of applicable legislation.

Hence, minority rights are not represented on the Board of Directors.
Since the company's Articles of Incorporation do not include a provision about making donations, the company does not have a donations policy.

Our company does not have a specific policy for the number of woman members on the Board of Directors.

The principles that are not yet implemented, which are exceptional, have not led to any conflict of interest among the stakeholders to date.

No changes were made to the company's Articles of Incorporation at the Annual General Assembly Meeting convened on 24 March 2016 in accordance with the provisions of the Turkish Commercial Code no. 6102.

The assessment and determinations of the level of compliance achieved by our company to the corporate governance principles, and opinions regarding the scope of the compliance level and ideas on its qualitative improvement are presented below.

PART II - SHAREHOLDERS

2.1 Shareholder Relations Department

An Investor Relations Unit has been set up in the company in 2005. Messrs. Fatih Gören, Murat Tetik, Barış Hüseyin Şafak, Cem Çözer and Serkan Ayvaz have been serving in the Investor Relations Unit.

The head of the unit is Mr. Fatih Gören, Deputy Chief Executive, who also serves as a member of the Corporate Governance Committee.

Contact information for our employees working in this unit is as follows.

Name	Title	Phone No	E-Mail
Mr. Fatih Gören	Deputy Chief Executive	+90 850 744 00 55	fgoren@anadolusigorta.com.tr
Mr. Murat Tetik	Manager	+90 850 744 02 55	mtetik@anadolusigorta.com.tr
Mr. Barış H. Şafak	Supervisor	+90 850 744 02 54	bsafak@anadolusigorta.com.tr
Mr. Cem Çözer	Specialist	+90 850 744 01 64	ccozer@anadolusigorta.com.tr
Mr. Serkan Ayvaz	Assistant Specialist	+90 850 744 03 59	sayvaz@anadolusigorta.com.tr

This unit plays an active part in the protection of shareholding rights and facilitates their exercise, mainly regarding the right to obtain and review information, and establishes the communication between the Board of Directors and shareholders. All of the employees serving in the Investor Relations Department possess the required licenses.

The Investor Relations Department reports its activities to the Board of Directors four times a year, on a quarterly basis.

In essence, the Investor Relations Department works to;

- Ensure maintenance of the records about Shareholders in a healthy, secure and up-to-date manner,
- Respond to the Shareholders' and potential investors' written information requests about the company, apart from those that are not publicly disclosed, are of a confidential and/or commercial secret nature,
- Make available to the shareholders such information and disclosures that may have an effect on the exercise of shareholding rights on the company website in an up-to-date manner
- Ensure that the General Assembly Meetings are convened in accordance with the applicable legislation, the Articles of Incorporation and other internal regulations,
- Prepare the documents the Shareholders could make use of in the General Assembly,
- Ensure that the results of the voting are recorded and the reports thereon are communicated to the Shareholders,
- Observe and monitor the fulfillment of all liabilities arising from the capital market legislation, including all requirements in relation to corporate governance and public disclosure,
- Ensure representation of our company in investor relations meetings organized in Turkey or abroad by international establishments through participation in such events,
- Prepare the presentation materials to be used in meetings.

In 2016, all verbal and written information queries received from researchers and our investors in relation to our company and/or to publicly disclosed financial statement

results were answered. Requests for meetings received during the reporting period from national and international investment companies were accepted and necessary information was provided. During 2016, the company participated in one investor conference and 20 investor meetings, 12 of them being with foreign investment companies. In these meetings, presentations were made on our sector and our company, and the investors' questions were answered.

2.2 Shareholders' Exercise of Their Right to Obtain Information

All information queries of our Shareholders are answered, apart from those that are trade secrets or undisclosed information.

Information requests received from our shareholders are addressed by our employees in the shareholder relations unit, and are prudently responded to in a timely, accurate and complete manner, on condition that trade secrets and confidential information shall be protected.

Information on the topics our Shareholders frequently need and developments that might affect the exercise of their rights are posted in English and Turkish languages on our website accessible at www.anadolusigorta.com.tr.

Pursuant to applicable legislation, minority Shareholders are entitled to request the General Assembly to appoint a special auditor for examining certain events.

In 2016, our Shareholders did not request appointment of a special auditor from the General Assembly of Shareholders.

Our Articles of Incorporation contain no provisions stipulating the request for appointment of a special auditor as an individual right. On the other hand, each shareholder's request to have a special auditor appointed is reserved, provided that such shareholder satisfies the requirements under Article 438 of the TCC.

In view of the fact that the General Assembly of Shareholders must honor the request for the appointment of a special auditor pursuant to the legislation and that such request constitutes one of the exceptions to the principle of adherence to the meeting agenda, it is assessed that the stipulation of the request for the appointment of a special auditor as an individual right in the Articles of Incorporation will be considered in the future depending on the developments, based on the concern that in practice it might lead to problems with respect to maintaining the confidentiality of trade secrets and/or undisclosed information.

It is believed that all information necessary for healthy exercise of Shareholders' rights is made available to our Shareholders on our website, in our annual report and material event disclosures in general, and through individual queries, in particular.

The Shareholders' queries in relation to the legal and commercial relationships between our company and the real persons or legal entities with which our company is directly or indirectly associated in terms of capital, management or auditing are also fulfilled to the extent permitted by the applicable legislation.

All information that might affect the Shareholders' exercise of their rights is made available to the same on our Internet site in an updated manner, with a view to expand their right of obtaining information.

2.3 Information About General Assembly Meetings

In 2016, one General Assembly meeting was convened which was the 2015 Annual General Assembly meeting held on 24 March 2016.

The said meeting was held with the participation of Shareholders representing 72.1% or a portion of TL 360.6 million of our paid-in capital of TL 500 million.

While the company's Board Directors, other relevant individuals, officials and auditors responsible for drawing up the financial statements, an official from the Independent Audit Company auditing the financial statements of the company and some employees participated in the meeting, other stakeholders or media representatives did not attend the meeting.

The announcement on the meeting invitation including the meeting place, date, hour, agenda, and a specimen of a proxy statement was published at least three weeks prior to the meeting date in the Turkish Trade Registry Gazette, Posta and Habertürk daily newspapers, at www.anadolusigorta.com.tr, Central Registry Agency (CRA) and Public Disclosure Platform (in Turkish: KAP).

Care is taken that General Assembly announcements cover:

- The meeting date and hour
- The meeting place,
- Agenda,
- Necessary information about the agenda items,
- Former and current versions of the amended article(s) as approved by the related authorities, if the agenda covers any amendments to the Articles of Incorporation,
- The body making the invitation,
- The reason for postponement of the original meeting and the meeting quorum for the current one, if the General Assembly is summoned to reconvene upon postponement of the original one for any reason,
- In ordinary meeting announcements, the address at which the annual report, financial statements, and other documents related to the General Assembly can be examined.

Financial statements and reports including the annual report; informative documents on the General Assembly meeting agenda items for which there was a need, and other documents underlying the agenda items; the latest version of the Articles of Incorporation and the amendment text, if applicable, and the grounds therefor, shall be made available at the company headquarters and branches for review by our shareholders from the date of the announcement summoning the General Assembly.

Corporate Governance Principles Compliance Report

All information and documents related to the General Assembly meeting are also accessible on the company website at the address www.anadolusigorta.com.tr. The following are also posted on the company website: total number of shares reflecting the company's shareholding structure and voting rights; grounds for the dismissal or substitution of Board Director(s) and information on individuals to be nominated to the seats on the Board of Directors, if the General Assembly meeting agenda contains such dismissal, substitution and/or election; additional items requested to be incorporated in the agenda by shareholders, Capital Markets Board (CMB) and/or other government authorities and agencies that govern the company; the relevant Board of Directors decision, if the agenda covers changes to the Articles of Incorporation and the former and new versions thereof.

During 2016, neither the shareholders possessing management control, nor Board Directors, nor senior executives, nor their spouses or relatives by blood or marriage unto the second degree engaged in any transactions, on their own or other's behalf, that might lead to a conflict of interest with the company and/or its subsidiaries. If such a transaction is planned, then prior approval shall be sought and information shall be provided at the General Assembly meetings.

In the event that transactions, for which the affirmative votes of the majority of independent Board Directors are required and the approval of which has been referred to the general assembly by reason of dissenting votes cast, information shall be provided on the General Assembly decision regarding the actions taken in relation to such transactions. During 2016, there were no transactions that had not been approved by the majority of independent Board Directors.

To facilitate participation in the General Assemblies, utmost attention is paid to fully comply with the points stipulated by the legislation, and it is believed that our shareholders are not faced with any difficulties with regard to participation in General Assemblies. To date, no notifications to the contrary were received from our Shareholders, either.

The shareholders were informed that the company did not make any charitable donations or grants during the reporting period under a specific agenda item at the General Assembly Meeting.

Minutes of the General Assembly meeting are delivered to the shareholders upon conclusion of the meeting, and are made available in Turkish and English languages for electronic access at our website at www.anadolusigorta.com.tr, in order to keep non-participating shareholders informed.

In the preparation of the General Assembly agenda, care is paid to include each proposal under a separate heading, to word the agenda headings clearly and in a manner to avoid different interpretations, and not to insert any agenda items like "others" or "various" as also prohibited by the applicable legislation.

For Shareholders who will have themselves represented in the General Assemblies in proxy, a specimen of a proxy statement is publicized along with the meeting announcements, and is also made available to Shareholders on the electronic medium.

Topics that are communicated by our shareholders to the company's Investor Relations Unit, which they would like to be included in the agenda, are considered by the Board of Directors in the preparation of the agenda.

Pursuant to the applicable legislation and to the Articles of Incorporation, ordinary general assembly must be held within three months following the end of each fiscal year.

In line with our Articles of Incorporation, General Assemblies are held in the place where our company headquarters is located and at a venue that will enable participation by all our Shareholders.

Total number of votes that may be cast during the General Assembly is classified on the basis of Shareholders and provided to the Shareholders at the beginning of the meeting by means of their insertion in the list of attendants.

Questions posed by our Shareholders to the Board of Directors are answered, provided that such questions are essential for exercise of shareholder rights and are not trade secrets.

The General Assembly Chairman chairs the meeting efficiently and in a manner to ensure that Shareholders can exercise their rights.

Care is taken to answer every question raised during the General Assembly by the shareholders during the same meeting. If the question raised is not relevant to the agenda or is too comprehensive to be answered promptly, then the Investor Relations Department provides written answers within no later than 15 days. All questions raised during the General Assembly Meeting and the answers provided thereto are publicly disclosed on the company's website within 30 days following the date of the General Assembly, the latest.

Directors, authorized employees responsible for the preparation of financial statements and auditors, and other relevant people to offer explanations on the agenda topics that are of specialty spend their best efforts to be present in the meeting.

In General Assemblies, each agenda item is voted individually, and for the avoidance of doubt in relation to voting results, the votes are counted and the results are announced to the Shareholders before the General Assembly is concluded.

At the Annual General Assembly held on 24 March 2016, shareholders ratified all of the agenda items below unanimously or by majority of votes:

1. Opening, election of the Presiding Board and authorization of the Presiding Board to sign the minutes of the Annual General Assembly

2. Presentation of and discussion on the Board of Directors' 2015 Activity Report, and presentation of the Independent Audit Report for 2015 fiscal year

3. Review, deliberation and ratification of 2015 financial statements

4. Approval of the membership of the individual elected, as per Article 363 of the Turkish Commercial Code, to the seat vacated on the Board of Directors during the reporting period
5. Individual acquittal of Board Directors
6. Information on dividend distribution policy and approval of profit distribution proposal updated in accordance with the sector announcement issued by the Undersecretariat of Treasury,
7. Information on the company's Disclosure Policy,
8. Election of the Board Directors and determination of their terms of office
9. Authorizing the Board Directors to perform the transactions specified in Articles 395 and 396 of the Turkish Commercial Code
10. Determination of remuneration for the members of the Board of Directors
11. Designation of the independent audit firm
12. Presentation of information on the donations and grants made during the reporting period

No agenda items have been proposed by our shareholders during the meeting.

Minutes of the General Assemblies are accessible in electronic medium in Turkish and English languages at the website at www.anadolusigorta.com.tr or in written form.

2.4 Voting Rights and Minority Rights

The company's capital is divided into 50,000,000,000 shares each with a value of TL 0.01 and entitling their holders to one vote.

There are no cross-shareholding interests between any Shareholder and the company.

The company's Articles of Incorporation do not set the minority rights to be less than one twentieth of the capital.

Minority shares are not represented in our Board of Directors, which is elected under the discretion of the General Assembly.

There are no upper limits with regard to the number of votes that our Shareholders are allowed to cast in the General Assemblies.

No shares are privileged in terms of voting.

Voting right arises at the time the share is acquired and there are no provisions stipulating exercise of the voting right after lapse of a certain period of time after the date of acquisition.

Our Articles of Incorporation contain no provisions preventing non-Shareholders from casting votes in proxy in the capacity of representatives.

Shareholders may exercise their voting rights personally in the General Assemblies or via a third party that may or may not be a Shareholder.

Each real person Shareholder is represented in the General Assemblies by one person only; in the case that legal entity Shareholders are represented by several people, only one may cast votes. The person empowered to vote is named in the certificate of authority.

2.5 Entitlement to Dividends

The important aspects covered in the company's Dividend Distribution Policy are presented below. The said policy is presented in the General Assembly Meeting for the information of shareholders, and published in the company's annual reports and posted on the corporate website.

The company's Articles of Incorporation set forth it as a principle to distribute first dividends out of the distributable profit in the ratio to be set by the General Assembly in accordance with the Capital Markets Board requirements.

Dividend distribution proposals laid down for the approval of the General Assembly by the Board of Directors are formulated so as to preserve the delicate balance between the expectations of our Shareholders and the company's need to grow, and paying due regard to the future expectations for the company's operations, capital adequacy targets and the prevailing conditions in the capital markets, as well as the profitability of the company.

In the event that the Board of Directors proposes against distributing profit to the General Assembly, the reasons therefor and information on the use of retained earnings shall be presented to the shareholders during the General Assembly. The same will also be included in the annual report and posted on the corporate website.

The dividend policy espoused by the Board of Directors is based on the principle of proposing to the General Assembly the distribution of at least 30% of the net distributable period profit as bonus shares or in cash.

No shares are privileged in terms of getting share from the profit.

No founder's bonus certificates are given, nor are dividends paid to the Board Directors.

Pursuant to the Articles of Incorporation, our employees are paid dividends up to three times of their salaries maximum from the amount remaining after the first dividend is set aside.

Care is paid to effect the dividend payments as soon as possible, taking into consideration the time stipulated by the legislation.

No dividends were distributed in 2016.

2.6 Transfer of Shares

The company's Articles of Incorporation contain no provisions restricting the transfer of shareholding interests.

All our Shareholders are treated equally, including minority and foreign Shareholders.

Corporate Governance Principles Compliance Report

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Company Internet Site and Its Content

The company has an Internet site prepared in Turkish and English languages, accessible at the address www.anadolusigorta.com.tr. The company website is actively used in providing information and public disclosure.

The company website features the information and data stipulated by the Corporate Governance Principles and regulatory authorities.

Attention is paid to comments and suggestions received via our website and are taken into consideration at the company. Care is paid to keep the website up-to-date.

The company's letterhead contains the website address.

3.2 Annual Report

The company's annual reports are prepared in sufficient detail to cover the information listed in Corporate Governance Principles.

The annual activity report is prepared by the Board of Directors and incorporates the declaration that financial statements present a true and fair view of the company's financial status and that the company achieved full compliance with the legislation.

PART IV - STAKEHOLDERS

4.1 Keeping Stakeholders Informed

In matters concerning our Shareholders, employees, creditors, customers, suppliers, various NGOs, the Government and potential investors that might consider investing in our company, i.e. the stakeholders, care is taken to provide information in writing and to base the relations with such parties on written contracts as much as possible (through electronic mail, corporate website, Public Disclosure Platform).

In cases where the rights of stakeholders are not regulated by the legislation or contractually, the interests of the stakeholders are protected within the framework of the rules of good faith and to the extent permitted by the company's facilities, observing the company's credibility at the same time. The necessary structure is in place to enable stakeholders to report such transactions of the company that are contradictory to the legislation or are unethical.

4.2 Stakeholder Participation in Management

While the Articles of Incorporation contain no provisions on stakeholder participation in the company's management, the company's internal regulations cover practices to this end.

An employee proposal guideline has been formulated. Proposals that are innovative and aimed at improvement are assessed within the framework of this guideline and put into life across the company.

Stakeholders' opinions and complaints are followed up on by the Audit Committee.

Agencies Meetings, İşbank Branches Meetings and Managers Meetings are held, where the stakeholders, i.e. employees and suppliers, share their opinions.

4.3 Human Resources Policy

The basic principles of the company's human resources policy are stated below.

Job descriptions and distributions, along with the performance criteria are set by the company management and announced to the employees. Hiring activities are based on the principle of giving equal opportunities to people of equal qualities. Criteria for hiring are put into writing on the basis of titles and are followed in practice.

Succession planning is made to identify the new managers to be appointed in cases where it is predicted that changes in a managerial position will cause hitches in the management of the company.

In decisions on training, transfer and promotion, objective data are used and the company's interests are observed as much as possible.

Training plans are formulated aimed at developing our employees' knowledge and skills.

Company employees are members of the Bank and Insurance Employees Union.

Safe working environment and conditions are provided for our employees; work is undertaken to improve these conditions depending on social and technological necessities.

Decisions made in relation to our employees or developments concerning them are shared with the employees.

Measures are adopted to prevent discrimination on the basis of race, religion, language and sex among the employees, to ensure human rights are respected and to protect the employees against internal physical, mental and emotional abuse.

The company does not appoint a representative to carry out the relations with our employees. Yet, there are union representatives who are designated by the Union of Banking and Insurance Workers organized at our company from amongst our headquarters and regional branch employees to handle the relations with employees.

The employee Compensation Policy is posted on the corporate website.

No complaints have been received on account of discrimination among company employees.

4.4 Codes of Ethics and Social Responsibility

Codes of ethics setting out the professional ethics that the company and its employees are required to abide by when performing their activities within the existing laws and regulations is posted on the corporate website.

Attention is paid that the projects offered with cover are in compliance with the applicable environmental safety and public health legislation.

Within the frame of its commitment to social responsibility, our company extends support to education, academic activities, sports organizations, and cultural and artistic events. Through the "One Master, Thousand Masters" social responsibility project launched in 2010 and currently in progress, it is intended to focus the public attention on vanishing vocations and local values, and to help revive them.

PART V - BOARD OF DIRECTORS

5.1 Structure and Formation of the Board of Directors

The company's Board of Directors is composed of eleven members so as to enable our Board Directors to work efficiently and constructively, make decisions swiftly and rationally, and organize the formation and activities of the committees efficiently.

Résumés of our Board Directors are published on the corporate website and in our annual report.

Taking into consideration that there are no non-corporate ultimate Shareholders with a controlling interest in the company, it is thought that the Board Directors all naturally possess the advantage to act independently, and therefore, to be impartial in their decisions, upholding the interests of our company and the stakeholders above everything else.

There are two independent members on the Board of Directors. The independent Board Directors have not served as members for more than six years in the past ten years. Term of office for all Board Directors is one year.

The Corporate Governance Committee, functioning as the Nomination Committee, prepares reports on whether all nominees to serve as independent Board members satisfy the independence criteria, which are then presented to the Board of Directors.

Independent Board Directors fulfill the independence criteria published in the relevant legislation, and their declarations of independence have been duly received and incorporated in the annual report. No instances took place during the reporting period, which would compromise independence. If an instance compromising independence arises, then the independent Board Director shall present such change immediately to the Board of Directors to be disclosed to the public. In such a case, the Board Director who loses his independence shall resign as a matter of principle.

Apart from the CEO, the Board of Directors consists of non-executive members. Chairman of the Board and CEO functions are carried out by different individuals.

Information about our Board Directors is presented below.

Name	Title	Degree	Executive / Non-Executive	Entity Worked	Title Held in the Entity	Professional Experience
Mr. Caner Çimenbiçer	Chairman	Bachelor's Faculty of Administrative Sciences	Non-Executive	-	-	42 years
Mr. Hakan Aran	Deputy Chairman	Bachelor's Faculty of Engineering	Non-Executive	Türkiye İş Bankası A.Ş./In-Group	Deputy Chief Executive Officer	26 years
Mr. İlhami Koç	Member and CEO	Bachelor's Faculty of Political Sciences	Executive	Anadolu AnonimTürk Sigorta Şirketi	CEO	30 years
Mr. Kubilay Aykol	Member	Bachelor's Faculty of Administrative Sciences	Non-Executive	Türkiye İş Bankası A.Ş /In-Group	Section Manager	19 years
Mr. Salih Karadurmuş	Member	Bachelor's Faculty of Administrative Sciences	Non-Executive	Türkiye İş Bankası A.Ş./In-Group	Section Manager	33 years
Mr. Hafız Ekrem Kürkçü	Member	Bachelor's Faculty of Education	Non-Executive	Türkiye İş Bankası A.Ş./In-Group	Section Manager	23 years
Mr. Kemal Emre Sayar	Member	Master's Faculty of Engineering	Non-Executive	Türkiye İş Bankası A.Ş./In-Group	Unit Manager	17 years
Mr. Cengiz Tezel	Member	Master's Business Administration	Non-Executive	Türkiye İş Bankası A.Ş /In-Group	Branch Manager	25 years
Mr. Hasan Hulki Yalçın	Member	Master's Banking & Finance	Non-Executive	Milli Reasürans T.A.Ş. /In-Group	CEO	27 years
Mr. Prof. Savaş Taşkent	Independent Member	Bachelor's Faculty of Economics and Administrative Sciences	Non-Executive	İstanbul Technical University, Faculty of Management /Non-Group	Faculty Member, Department of Finance	45 years
Mr. Assoc. Prof. Atakan Yalçın	Independent Member	Master's Faculty of Engineering	Non-Executive	Özyeğin University/ Non-Group	Faculty of Business, Head of Banking and Finance Department	16 years

Corporate Governance Principles Compliance Report

When fulfilling its decision-making function, the Board of Directors acts on the basic considerations of;

- Maximizing the fair value of the company,
- Execution of company operations so as to ensure long-term and stable earnings for our Shareholders,
- Maintaining the delicate balance between the Shareholders and the company's need to grow.

In the formation of the Board of Directors, care is given to;

- Ensure the attendance of nominees to the meeting during the election to the seats on the Board of Directors,
- Inform the Shareholders about the nominees,
- Allow Shareholders to ask questions to the nominees.
- Our Board of Directors takes care to hold regular monthly meetings.

Approval of the majority of independent Board Directors is sought for the Board of Directors decisions pertaining to all kinds of the company's transactions with related parties of material nature as specified in the Corporate Governance Principles Communiqué, to company transactions of an ongoing nature, to purchases/disposals of a material nature, and to furnishing guarantee, pledge and mortgage in favor of third parties. If majority of the independent Board Directors do not approve the transaction, this is publicly disclosed, providing adequate information on the transaction within the frame of public disclosure requirements. If the transaction in question is a related party transaction or a material purchase/disposal, then it is also laid down for the approval of the General Assembly. The matter is decided in the said General Assembly meetings through voting where the parties to the transaction and their respective related parties may not cast votes, thus involving other shareholders in such decisions at the General Assembly. Meeting quorum shall not be sought for General Assembly meetings that will be held for circumstances specified in this article. Decisions are made with the simple majority of those eligible to cast votes. Board of Directors and General Assembly decisions passed in violation of the principles herein shall be null and void.

There are no administrative or judicial sanctions imposed against the company or the members of the governing body.

There are no woman members on our Board of Directors, nor is there a policy on this matter.

Although there are no set rules on non-independent Directors' undertaking other duties outside the company, the Directors do not have any other duties apart from their natural duties in the entities they work for and from those in the establishments owned by the entities they work for. Yet, Board Directors devote sufficient amount of time for company affairs, and exercise their powers prudently and within the frame of good faith, possessing all necessary knowledge to ensure full performance of the duty.

Past experiences, and outside positions held, if any, of the independent Board Directors are disclosed in their résumés and presented on our website and in our annual report.

5.2 Operating Principles of the Board of Directors

The Board meeting agenda is determined by the Chairman of the Board of Directors in line with the proposals of the CEO and the Board Directors.

The Board of Directors met twelve times in 2016.

Care is paid to determine the meeting date so as to allow all Directors to participate. Save for unforeseeable exceptional events, the Board meetings are held with the participation of all Directors.

Attention is given to set the Board meeting date during the immediately preceding meeting, followed by written invitation.

The existing secretariat responsible for execution of the Board activities, keeping the Directors and auditors informed, and establishing communication with them was transformed into Board of Directors Reporting Unit in 2005.

The Board of Directors decisions passed in 2016 were adopted with the unanimous votes of the members present in those meetings.

The Board of Directors holds its first meeting preferably on the date the same is elected.

During the first meeting, the chairman and the deputy chairman of the board are elected, and decisions are made on the job distribution and establishment of committees.

Board Directors, in principle, attend every meeting.

The Board of Directors takes care to meet regularly and at least monthly as pre-scheduled, and at any time as and when deemed necessary.

Utmost care is paid to ensure that the information and documents about the topics covered in the Board meeting agenda are made available for the examination of the Directors at least five days in advance, and when such timing cannot be met, efforts are spent to ensure equal flow of information to the Board Directors.

Each Director is entitled to one vote and none has weighted vote or affirmative/negative vetoing rights.

The Board of Directors convenes on the basis of majority of its full membership and decisions are passed with the majority of Directors present in the meeting.

The company's Board Directors are insured with an annual coverage of USD 75 million against the risk of loss they may cause to the company due to their fault in the performance of their duties.

5.3 Numbers, Structures and Independence of Committees within the Board of Directors

There is an Audit Committee, a Corporate Governance Committee and a Committee of Early Determination of Risk in our company.

Owing to the structure of the Board of Directors, Corporate Governance Committee also fulfills the functions of Nomination Committee and Remuneration Committee.

There are two non-executive Board Directors in each one of the Committees.

As a matter of principle, Board Directors do not undertake roles in several committees. However, since all members of the Audit Committee and the chairman of the Corporate Governance Committee must be elected from amongst independent Board Directors, our independent Board Directors serve on two different committees.

The Corporate Governance Committee establishes whether the corporate governance principles are implemented in the company, as well as the grounds for non-implementation, if applicable; identifies conflicts of interest, if any, arising from failure to fully comply with these principles, and presents proposals to the Board of Directors for the improvement of relevant practices. The committee also works to create a transparent system regarding identification, assessment, training and rewarding of nominees eligible for the Board of Directors, and to establish related policies and strategies. The Corporate Governance Committee develops proposals regarding the numbers of the members of the Board of Directors and executives. It is also charged with establishing and overseeing the approaches, principles and practices in relation to the performance evaluation, career planning and rewarding of Board Directors and executives. The committee performs the activities specified in the Compensation Policy and coordinates the activities of the Investor Relations Department.

The Audit Committee oversees the operation and efficiency of the company's accounting system, public disclosure of financial information, independent auditing, internal control and internal audit systems. The committee supervises the selection of the independent audit firm, preparation of independent audit contracts and initiation of independent audit process, and every phase of the work carried out by the independent audit firm. The Audit Committee determines the independent audit firm from which the company will procure services and the services to be supplied therefrom, and submits the same for the approval of the Board of Directors.

The Audit Committee assesses the conformity of annual and interim financial statements to be publicly disclosed to the accounting principles pursued by the company, as well as their accuracy and fairness, and reports its written assessments to the Board of Directors, by incorporating the opinions of the company's responsible managers and of the independent audit firm.

In 2016, the Audit Committee met six times, recorded the outcomes of the meetings in minutes and submitted the decisions adopted to the Board of Directors. The said decisions reported that the financial statements were examined, and that they were deemed fit for public disclosure.

The Committee of Early Determination of Risk is responsible for efforts aimed at early detection of risks that might endanger the existence, progress and survival of the company; ensuring adoption of necessary measures in relation to the identified risks, and managing the risks. The committee reviews the risk management systems at least once a year.

Prof. Savaş Taşkent, Mr. Hasan Hulki Yalçın, Kemal Emre Sayar and Mr. Fatih Gören serve on the company's Corporate Governance Committee. The Committee is headed by Prof. Turkay Berksoy.

Prof. Savaş Taşkent functions as the head of the Audit Committee, and Assoc. Prof. Atakan Yalçın as its member.

The Committee of Early Determination of Risk is headed by Assoc. Prof. Atakan Yalçın, where Hakan Aran serves as a member.

All members of the Audit Committee and the heads of other committees are elected from amongst independent Board Directors.

The company's CEO does not serve on any committee.

Structures and operating principles of committees have been put into writing and posted on our company website.

Taking into consideration that there are no non-corporate ultimate Shareholders with a controlling interest in the company, it is thought that the Board Directors all naturally possess the advantage to act independently, and therefore, to be impartial in their decisions.

5.4 Risk Management and Internal Control Mechanism

Set up in 2006 in order to restructure the risk management systems and processes, the Risk Management Department's activities were expanded in scope to cover internal control activities within the frame of the provisions of the "Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies" published in the Official Gazette issue 26913 dated 21 June 2008. Along the same line, the Department was renamed to Risk Management and Internal Control Department.

Corporate Governance Principles Compliance Report

The primary objectives of the Department's activities are as follows:

- Measure, assess and control risks independently from executive units,
- Protect company assets,
- Ensure efficient and effective execution of activities in line with the Law and other applicable legislation, internal policies and guidelines, as well as customary insurance practices,
- Guarantee the reliability, integrity and timely availability of the accounting and financial reporting system.

The basic strategy directed towards the ultimate goal is to carefully plan, conduct and manage risk management and internal control activities independently, impartially, purposefully, effectively and efficiently, employing a risk-focused approach and within the frame of applicable legislation and internationally accepted principles and standards. The basic principle in achieving this goal is to employ the most advanced tools and methods that are available and possible to use.

The activities of the Department are administered directly by the CEO. The Board Director responsible for Internal Systems is also responsible toward the Board of Directors for the formation of the Department and ensuring, monitoring and coordinating its operability, adequacy and effectiveness.

All outcomes obtained by examining the risks independently from executive functions are regularly reported by the Department to the Board Director responsible for Internal Systems, to the CEO and the Board of Directors.

The Board of Directors oversees the efficiency of the risk management and internal control mechanism via the company's Board of Inspectors.

5.5 Strategic Goals of the Company

The company's vision is set as:

"To make our company the insurance brand preferred by everyone who needs insurance, and to achieve a strength that makes it a reference point in the worldwide insurance industry as well."

And its mission as:

"In keeping with the deeply-rooted, pioneering, honest and solid corporate values of Anadolu Sigorta, to lead the sector, to help create a broad public awareness of insurance in Turkey, to implement a customer-focused approach to service, to increase our financial strength to international standards, to enhance the value of our company."

Our company's vision and mission are publicly disclosed on our website accessible at www.anadolusigorta.com.tr.

Our strategic goals are set by our executives with a keen eye on competitive conditions, general economic conjuncture, overall expectations in national and international financial markets, and the company's medium and long-term targets.

Strategies and targets proposed are negotiated comprehensively by the Board of Directors on a broad perspective.

Actualizations in relation to approved strategies and targets are reviewed during Board meetings and monthly within the scope of the assessment of company operations, financial structure and performance level.

In principle, the Board of Directors meets monthly in order to efficiently and continuously fulfills its monitoring and supervision function.

In the meetings, the basic topics of assessment are the company activities, approved annual budget and target realizations, the company's place in the sector, financial structure and performance level, reporting, and compliance of operations to international standards.

5.6 Financial Rights

Aggregate of the salaries and similar benefits provided to the company's Board Directors and senior executives are disclosed in the notes to the financial statements and thereby, incorporated in our annual report. They are also posted on the corporate website and publicly disclosed.

With a view to giving the shareholders the chance to voice their comments, the remuneration principles for the Board Directors are presented as a separate item for the information of shareholders. The remuneration policy developed for the company's managers and employees at any level is put into writing, presented to the General Assembly for information, and is published on the company website.

Stock options or payment plans based on the company's performance are used in the remuneration of our Board Directors, including the independent Board Directors. Nonetheless, it is believed that the remuneration of independent Board Directors is at a level that will not prejudice their independence.

The Board Directors and senior executives have never utilized, directly or indirectly, cash or non-cash loans from the company, nor did the company lent money or gave suretyship or provided any similar guarantee to any Board Director or senior executive.

Committees Operating Within Anadolu Sigorta and an Assessment by the Board of Directors

- In order to ensure that the Board of Directors duly performs its duties and responsibilities, an Audit Committee, Committee of Early Determination of Risk, and Corporate Governance Committee were set up at the company. The Corporate Governance Committee also fulfills the functions of the Nomination Committee and Remuneration Committee.
- The Board of Directors makes all kinds of resources and support available necessary for the performance of their duties by the committees. The committees hold meetings at the frequency deemed necessary for ensuring efficiency of their activities and specified in their respective operating principles, and submit the reports covering information about their activities and meeting outcomes to the Board of Directors.
- The objectives, formations, operating principles and procedures, and activities of our committees are described below.

CORPORATE GOVERNANCE COMMITTEE

Head of Committee: Prof. Savaş Taşkent
Member: Hasan Hulki Yalçın
Member: Kemal Emre Sayar
Member: Fatih Gören

Objective

Overseeing compliance of the company with corporate governance principles, undertaking improvement efforts thereon, and submitting proposals to the Board of Directors.

Formation

The Corporate Governance Committee was set up upon approval by the Board of Directors' decision no. 5508 dated 10 March 2005. The provisions governing the formation, principles and procedures and activities of the committee have been based on the Corporate Governance Communiqué issued by the Capital Markets Board of Turkey (CMB) and put into force with the Board of Directors decision no. 06838 dated 26 June 2014. These provisions are carried out by the Board of Directors.

The committee consists of a minimum of two members to be elected from among directors and the Investor Relations Manager.

The members will elect the head of the committee from among themselves. The head of the committee is elected from among independent directors. Non-director individuals, who have expertise in their respective fields, can be members of the committee.

If the number of committee members elected from among Board Directors is two, then both of them must be non-executive directors; if such number is greater than two, then the majority of the members must be non-executive directors. The CEO may not serve on this committee.

The Investor Relations Managers must be a full-time employee of the company and must be assigned as a member of the Corporate Governance Committee.

A member's term of office on the Corporate Governance Committee is terminated when his/her term of office on the Board of Directors expires or upon a decision to such effect by the Board of Directors.

Operating Procedures and Principles

- The Corporate Governance Committee holds at least four meetings a year, which must take place at least on a quarterly basis.
- Committee meetings are held with the attendance of all its members and decisions are passed with the votes of the majority of members in attendance.
- The committee shall keep a resolution book, in which the decisions, assigned a sequence number, will be entered.
- The committee shall enter the conclusions reached in a meeting in the minutes, and submit the assessments made and decisions passed, along with the grounds therefor, in a written report to the Board of Directors within no later than one month following the relevant committee meeting.
- Committee decisions shall take effect upon approval of the Board of Directors.
- The committee shall forthwith present its determinations, assessments and suggestions in relation to its duties and scope of responsibilities in writing to the Board of Directors.
- The committee may invite the individuals it deems necessary to its meetings and seek their opinions.
- Investor Relations Unit/Department shall determine the meeting agenda of the committee, make the invitations to the meeting, establish communication with committee members, keep the book of resolutions, and handle other secretarial tasks for the committee.
- As the committee fulfills its functions, the Board of Directors shall make all necessary resources and support available.
- The committee may seek independent expert opinion upon approval of the Board of Directors on matters that call for expertise and the committee deems necessary in relation to its activities. The cost of the consultancy service needed by the committee shall be borne by the company.
- Committee members shall observe the principles of independence and impartiality when performing their duties.

Activities

The committee carries out the following activities with respect to corporate governance:

- Establishes whether the corporate governance principles are implemented in the company, as well as the grounds for non-implementation, if applicable; identifies conflicts of interest, if any, arising from failure to fully comply with these principles, and presents proposals to the Board of Directors for the improvement of corporate governance practices;
- Oversees the activities of the company's Investor Relations Department. Within this context, the committee sets and regularly reviews the basic principles for the company's communication with investors;
- Works in cooperation with the Investor Relations Department to present suggested improvements for ensuring efficient communication between the company and investors, and elimination and resolution of potential conflicts to the Board of Directors;
- Reviews the company's Corporate Governance Compliance Report before it is published within the company's Annual Report, and presents its comments to the Board of Directors;
- Makes proposals and assessments regarding the determination or revision of the company's disclosure policy, and presents the same to the Board of Directors. The committee reviews that the Disclosure Policy covers the minimum content as stipulated by the legislation with respect to the company's communication with stakeholders, as well as the scope, quality, consistency and accuracy of documents, presentations and explanations prepared by the company for informative purposes, and oversees that the same

Committees Operating Within Anadolu Sigorta and an Assessment by the Board of Directors

are developed in accordance with the Disclosure Policy;
- Carries out activities to ensure that the corporate governance culture is established within the company, and is espoused by managers and employees working at any level. The committee follows up the developments related to corporate governance in and out of Turkey and examines their possible implications for the company.

The duties of the Nomination and Remuneration Committees shall be fulfilled by the Corporate Governance Committee, until these committees shall have been set up.

The committee's duties and responsibilities with respect to nomination are presented below:

- Works to create a transparent system regarding identification, assessment, training and rewarding of nominees eligible for the Board of Directors and managerial positions with administrative responsibility, and establishes related policies and strategies;
- Regularly evaluates the structure and efficiency of the Board of Directors and presents its suggestions for possible revisions to the Board of Directors;
- The committee is charged with performing the duties set out in the legislation concerning the nomination of independent members to the Board of Directors, which are announced every year by the Board and which are compulsory to be implemented by the group to which the company is affiliated.

The committee's duties and responsibilities with respect to remuneration are presented below:

- Setting and overseeing the principles, criteria and practices applicable for the remuneration of Board directors and executives with administrative responsibility, taking into consideration the company's long-term targets;
- Presenting its suggestions regarding the remuneration to be paid to Board directors and executives with administrative responsibility, which will be determined in view of the extent the remuneration criteria have been achieved;
- Developing suggestions and assessments for the formulation and revision of the company's remuneration policy, which sets out the remuneration principles for the Board directors and executives with administrative responsibility, and presenting its opinions to the Board of Directors.

The Corporate Governance Committee shall fulfill other duties and responsibilities to be assigned to it by the Board of Directors in relation to its field of activity.

AUDIT COMMITTEE

Head of Committee: Prof. Savaş Taşkent
Member: Assoc. Prof. Atakan Yalçın

Objective

Overseeing the operation and efficiency of the company's accounting system, public disclosure of financial information, independent auditing of the company and internal control system.

Formation

The Audit Committee was set up upon approval by the Board of Directors' decision no. 5317 dated 26 June 2003. The provisions governing the principles and procedures and activities of the committee have been based on the Corporate Governance Communiqué issued by the Capital Markets Board of Turkey (CMB) and put into force with the Board of Directors decision no. 06839 dated 26 June 2014. These provisions are carried out by the Board of Directors.

The committee consists of a minimum of two members to be elected from among the Board of Directors members.

The members will elect the head of the committee from among themselves.

All members of the committee are elected from among independent directors.

To the extent possible, at least one member of the Audit Committee should preferably have minimum five years of experience in audit/accounting and finance.

A member's term of office on the Audit Committee is terminated when his/her term of office on the Board of Directors expires or upon a decision to such effect by the Board of Directors.

Operating Procedures and Principles

- The committee holds at least four meetings a year, which must take place at least on a quarterly basis.
- Committee meetings are held with the attendance of all its members and decisions are passed with the votes of the majority of members in attendance.
- The committee shall keep a resolution book, in which the decisions, assigned a sequence number, will be entered.
- The committee shall enter the conclusions reached in a meeting in the minutes, and submit the assessments made and decisions passed, along with the grounds therefor, in a written report to the Board of Directors within no later than one month following the relevant committee meeting.
- Committee decisions shall take effect upon approval of the Board of Directors.
- The committee shall forthwith present its determinations, assessments and suggestions in relation to its duties and scope of responsibilities in writing to the Board of Directors.
- The committee's activities and meeting results shall be described in the annual report. The annual report shall also specify the number of written reports the committee submitted to the Board of Directors during the fiscal year.
- The committee may invite the individuals it deems necessary to its meetings and seek their opinions.
- Board of Inspectors/Audit Department shall determine the meeting agenda of the committee, make the invitations to the meeting, establish communication with committee members, keep the book of resolutions, and handle other secretarial tasks for the committee.
- As the committee fulfills its functions, the Board of Directors shall make all necessary resources and support available.
- The committee may seek independent expert opinion upon approval of the Board of Directors on matters that call for expertise and the committee deems necessary in relation to its activities. The cost of the consultancy service needed by the committee shall be borne by the company.
- Committee members shall observe the principles of independence and impartiality when performing their duties.

Activities

In essence, the Audit Committee;

- Oversees the operation and efficiency of the company's accounting system, public disclosure of financial information, independent auditing, internal control and internal audit systems;
- Supervises the selection of the independent audit firm, preparation of independent audit contracts and

initiation of independent audit process, and every phase of the work carried out by the independent audit firm;
- Determines the independent audit firm from which the company will procure services and the services to be supplied therefrom, and submits the same for the approval of the Board of Directors;
- Establishes the methods and criteria for the handling and resolution of complaints received by the company in relation to the company's accounting, internal control and internal audit systems and its independent audit; and for addressing the company employees' notifications about the company's accounting and independent audit within the frame of confidentiality principle;
- Assesses the conformity of annual and interim financial statements to be publicly disclosed to the accounting principles pursued by the company, as well as their accuracy and fairness, and reports its written assessments to the Board of Directors, by incorporating the opinions of the company's responsible managers and of the independent audit firm.

The Audit Committee shall fulfill other duties and responsibilities to be assigned to it by the Board of Directors in relation to its field of activity.

COMMITTEE OF EARLY DETERMINATION OF RISK

Head of Committee: Assoc. Prof. Atakan Yalçın
Member: Hakan Aran

Objective

Managing the risks that might threaten the existence, progress and survival of the company.

Formation

The Committee of Early Determination of Risk was set up as a result of the discussion of the General Directorate proposal no. 3550 dated 24 February 2012, pursuant to Article 4.5.1 of the Communiqué Serial:IV-56 on Determination and Implementation of Corporate Governance Principles enforced upon its publication in the Official Gazette issue 28158, dated 30 December 2011. The provisions governing the formation, principles and procedures and activities of the committee have been based on Article 378 of the Turkish Commercial Code and the Corporate Governance Communiqué issued by the Capital Markets Board of Turkey (CMB) and put into force with the Board of Directors decision no. 06840 dated 26 June 2014. They are carried out by the Board of Directors.

The committee consists of a minimum of two members to be elected from among the Board directors.

The members shall elect the head of the committee from among themselves. The head of the committee shall be elected from among independent directors. Non-director individuals, who have expertise in their respective fields, can be members of the committee.

If the committee is formed of two members, then both of them must be non-executive directors; if such number is greater than two, then the majority of the members must be non-executive directors. The CEO may not serve on this committee.

A member's term of office on the committee is terminated when his/her term of office on the Board of Directors expires or upon a decision to such effect by the Board of Directors.

Operating Procedures and Principles

- The committee holds at least four meetings a year, which must take place at least on a quarterly basis.
- Committee meetings are held with the attendance of all its members and decisions are passed with the votes of the majority of members in attendance.
- The committee shall keep a resolution book, in which the decisions, assigned a sequence number, will be entered.
- The committee shall enter the conclusions reached in a meeting in the minutes, and submit the assessments made and decisions passed, along with the grounds therefor, in a written report to the Board of Directors within no later than one month following the relevant committee meeting.
- Committee decisions shall take effect upon approval of the Board of Directors.
- The committee shall forthwith present its determinations, assessments and suggestions in relation to its duties and scope of responsibilities in writing to the Board of Directors.
- The committee may invite the individuals it deems necessary to its meetings and seek their opinions.
- Risk Management Unit/Department shall determine the meeting agenda of the committee, make the invitations to the meeting, establish communication with committee members, keep the book of resolutions, and handle other secretarial tasks for the committee.
- As the committee fulfills its functions, the Board of Directors shall make all necessary resources and support available.
- The committee may seek independent expert opinion upon approval of the Board of Directors on matters that call for expertise and the committee deems necessary in relation to its activities. The cost of the consultancy service needed by the committee shall be borne by the company.
- Committee members shall observe the principles of independence and impartiality when performing their duties.

Activities

The Committee of Early Determination of Risk:

- Works to early detect the risks that might endanger the existence, progress and survival of the company, to ensure necessary measures are adopted in relation to the identified risks, and to manage the risk;
- Informs the Board of Directors of its opinions and comments in writing regarding the creation and development of the company's risk management system which will be aimed at minimizing the impact of risks that might affect the shareholders in particular and all stakeholders in general;
- Reviews the company's risk management systems at least on an annual basis;
- Oversees that risk management practices are carried out in accordance with the decisions of the Board of Directors and the committee;
- Reviews the determinations and assessments about risk management that will be incorporated in the company's annual report.

The Committee of Early Determination of Risk fulfills other duties and responsibilities to be assigned to it by the Board of Directors in relation to its field of activity.

An Assessment of the Operation of the Independent Audit Firm in 2016 Activity Period via the Audit Committee

Formation and Independence of the Independent (External) Audit Firm

Periodic financial statements and their footnotes are prepared in a manner to represent the actual financial status and within the framework of existing legislation and insurance business accounting standards. They are subjected to independent auditing and publicly disclosed at time intervals stipulated by the legislation.

The independent audit firm we work with is alternated at certain intervals, and an independent audit firm is selected for a maximum of 7 fiscal years for regular and/or special audit. At least two years are allowed to pass before re-signing a regular and/or special audit contract with the same independent audit firm.

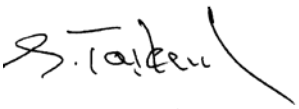
External auditing of our company is conducted in a fully independent manner, and the external auditor performs the relevant tasks adhering strictly to the principles of accuracy, professional integrity and straightforwardness, without being involved in any conflicts of interests that might restrict its independence. The external auditor auditing our company acts independently and also refrains from any activity that might lead third parties to doubt its independence.

No service is obtained, directly or indirectly from the firms we obtain independent audit service, save for the audit service itself, and no fees are paid to these firms, apart from the reasonable audit fee at current market conditions.

The factors that contribute to the independence of the firms we obtain independent audit service from are the existence of our Audit Committee, the efficient accounting and internal audit system in place at the company, and strongly established ethical rules attaching importance to correct public disclosures.

Independent conduct of the external auditing of our company testifies to the accuracy and veracity of our financial statements in the face of the public, and is perceived as guarantee by our Shareholders. The independent opinion of the external auditor further strengthens our company's corporate image in that they enhance the reliability of our financial statements. Having made it a principle to undertake public disclosure and to assure transparency in line with its ethical values, our company earns the trust of its investors by giving importance to independence of the external auditor, and therefore, aims to serve the development of national economy by contributing to accumulation of capital.

Assoc. Prof. Atakan Yalçın
Member of the Audit Committee



Prof. Savaş Taşkent
Head of the Audit Committee

Human Resources Practices at Anadolu Sigorta

Human Resources Policy

Our company is proud to be the first national insurance company in Turkey, established in 1925 at the directives of Mustafa Kemal Atatürk. Ever since its establishment, our company has continuously grown and developed and has been recognized and acknowledged as the grande école of the Turkish insurance industry.

Utmost importance is given to our employees as they are the ones to undertake the biggest duty in carrying out our company's key policies. For this reason, the primary goal of our human resources policies and practices is to identify our company's needs for personnel in line with its objectives and strategies and assist the creation of human resources that are open to change and are focused on continuous success by recruiting high-quality people, motivating them, evaluating their performance, and encouraging interaction and communication among individuals and groups.

Career Development

Various career paths within the frame of job families are available at the company. Employees recruited into any job family and level have the opportunity to advance to senior management positions in the company.

Our company's human resources strategy is defined as "Creating the organizational climate conducive to promoting creativity and innovation directed at ensuring customer satisfaction, and establishing a culture of superior performance supporting employees' development. In keeping with this strategy, employees successfully completing the training and development plans designed for the relative job families can advance to a higher level, if they display the performance and capabilities required for the relevant level in the predetermined time.

When rising to the specialist position, employees take the promotion exam that differs according to the job families and positions, and thus undergo assessment of their qualification for the technical know-how and competence levels required by the related position.

Our employees in specialist position, which is the midpoint for all of our positions, are offered dual career paths, which give the option of advancing as a manager or a specialist in the relevant field. Career paths at this level are shaped and supported within the scope of the company's Development Center Initiative. The initiative that assesses managerial and specialist competencies provides our employees with personalized development plans, while supporting them with various resources, readying them for the next level. A number of training opportunities are provided to our employees at any level who join us and become a member of our team in line with the competencies they need to acquire to further their careers, as well as their existing skills.

Performance Management

Our employees are evaluated twice a year in line with specific performance criteria. The content of such evaluation varies depending on the competence requirements on the basis of job families. On the basis of the results of these performance evaluations, an employee's training needs are identified and a career plan is developed.

Job Guarantee

Our employees enjoy a substantial degree of job guarantee within the framework of unionization composed by the Union and our company.

Compensation Policy

Our employees' salaries are adjusted in accordance with the terms of a collective bargaining agreement that is renewed every two years and with annual or semi-annual raises based on current conditions.

In addition to their salaries, employees receive extensive fringe benefits as well.

Social Benefits

Our company's employees are entitled to a variety of social rights and benefits in keeping with current conditions. The healthcare costs of our employees and their dependant family members are covered by our company under its Healthcare Assistance Regulations. All our personnel are able to fulfill all their healthcare needs free of charge through the company's outsourced healthcare system. Employees are provided with free transportation services to and from work and with lunches as well.

Retirement Benefits

Our employees are covered by two private pension funds that have been set up in accordance with the company's special status. The pensions paid by these funds enable former employees to enjoy a good standard of living during their retirement years.

Training

Competency-based training programs and technical and professional trainings required by our employees' jobs are provided in line with their career progression plans.

Training has special importance at Anadolu Sigorta owing to the fact that our company is an organization that fills managerial positions from within. Therefore, orientation program and professional training provided to new-hires are followed by necessary planning for improving their managerial skills, thereby extending the necessary support to our employees.

Agenda of the Annual General Assembly Meeting

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ
AGENDA OF THE ANNUAL GENERAL ASSEMBLY
DATED 24 MARCH 2017

1. Opening, election of the Presiding Board and authorization of the Presiding Board to sign the minutes of the Annual General Assembly
2. Presentation of and discussion on the Board of Directors' 2016 Activity Report, and presentation of the Independent Audit Report for 2016 fiscal year
3. Review, deliberation and ratification of 2016 financial statements
4. Information on matters falling under principle no. 1.3.6 of the CMB's Corporate Governance Principles,
5. Individual acquittal of Board Directors
6. Information on dividend distribution policy and decision on profit distribution prepared by the Board of Directors
7. Election of the Board Directors and determination of their terms of office
8. Authorizing the Board Directors to perform the transactions specified in Articles 395 and 396 of the Turkish Commercial Code
9. Determination of remuneration for the members of the Board of Directors
10. Designation of the independent audit firm
11. Presentation of information on the donations and grants made during the reporting period

Dividend Distribution Proposal

The dividend distribution proposal prepared within the frame of the company's Dividend Distribution Policy and submitted for the approval of the General Assembly is presented below:
Our company booked a net profit for the current period of TL 87,867,323 on its 2016 operations. The company's legal records show TL 87,852,229 as profit for the period, which remains after deducting the undistributed amount of TL 15,094, which is the sales income on immovables that is decided to be maintained in a special fund account under liabilities to benefit from the exemption provisions granted under Article 5 of the Corporate Tax Law no. 5520 and to be used in capital increases as and when necessary.
In the Capital Markets Board of Turkey (CMB) meeting of 27 January 2010, it has been resolved that companies obliged to draw up consolidated financial statements should compute the net distributable profit taking into account the net profit for the period descending in the consolidated financial statements that will be drawn up and publicly disclosed as per the Communiqué II-14.1 on Principles of Financial Reporting in the Capital Market, provided that the net distributable profit can be covered from the sources reflected in their legal records. After consolidation of Anadolu Hayat Emeklilik A.Ş. and after deducting the undistributed sales income on immovables, a consolidated net profit of TL 102,103,603 arises.

Accordingly, it is proposed as follows:

- TL 4,392,611, which is 5% of the net profit figure that arises according to legal records, be set aside as general legal reserves,
- TL 30,000,000, which is 30.70% of TL 97,710,992 that is the amount remaining according to the CMB, be distributed as first dividend to shareholders
- TL 2,031,330 be set aside as dividend to employees as per the Articles of Incorporation,
- TL 5,142,829 be set aside as statutory reserves as per the Articles of Incorporation,
- TL 703,133, which is calculated as 10% of the portion of the aggregate of all dividends distributed that exceed 5% of the company's paid-in capital, be added to general legal reserves,
- TL 45,582,326 (based on legal records) that remains after the items mentioned above be allocated to extraordinary reserves, and
- sales income on immovables in the amount of TL 15,094 that is not available for distribution be transferred to relevant reserves so as to benefit from the exemption provisions set out in Article 5 of the Corporate Tax Law no. 5520.
- Dividend payout be initiated on 28 March 2017, if profit distribution is approved.

2016 Profit Distribution Table

	ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ 2016 PROFIT DISTRIBUTION PROPOSAL (TL)		
1.	Paid-in/Issued Capital		500,000,000
2.	General Legal Reserves (according to legal records)		37,374,983
If there are privileges for distribution of profits according to the Articles of Incorporation, information on such privileges			None
		Based on CMB	**Based on Legal Records**
3.	Profit for the Period (*)	125,420,416	111,169,042
4.	Taxes Payable (-)	(23,316,813)	(23,316,813)
5.	Net Profit for the Period (=)	102,103,603	87,852,229
6.	Losses in Prior Years (-)	-	-
7.	General Legal Reserves (-)	4,392,611	4,392,611
8.	NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	97,710,992	83,459,618
9.	Donations during the Year (+)	-	
10.	Net Distributable Profit for the Period Including Donations	97,710,992	
11.	First Dividend to Shareholder		
	- Cash	30,000,000	
	- Bonus Shares	-	
	- Total	30,000,000	
12.	Dividends Distributed to Owners of Privileged Shares	-	
13.	Other Dividends Distributed (to Board Members, Employees, etc.)	2,031,330	
14.	Dividends Distributed to Owners of Redeemed Shares	-	
15.	Second Dividend to Shareholders	-	
16.	General Legal Reserves	703,133	
17.	Statutory Reserves	5,142,829	5,142,829
18.	Special Reserves	-	-
19.	EXTRAORDINARY RESERVES	59,833,700	45,582,326
20.	Other Resources to be Distributed - Prior Year Profit - Extraordinary Reserves - Other Distributable Reserves Pursuant to the Law and the Articles of Incorporation		

(*) In the profit for the period ended 31 December 2016, TL 15,094, which arises from 75% of the profit from sales of immovables and which has been set aside to be followed up under the account item "Profit Not Available for Distribution" under shareholders' equity, was not taken into account as per Article 5 of the Corporate Tax Law no. 5520.

DIVIDEND RATIO CHART

GROUP	TOTAL DIVIDENDS DISTRIBUTED		TOTAL DIVIDENDS DISTRIBUTED / NET DISTRIBUTABLE PROFIT FOR THE PERIOD RATIO (%)	DIVIDENDS PER SHARE WITH A NOMINAL VALUE OF TL 1	
	CASH (TL)	BONUS (TL)		AMOUNT (TL)	RATIO (%)
TOTAL	**30,000,000**	**0**	**30.70%**	**0.06**	**6.00%**

2016 Annual Report Compliance Statement

Our company's 2016 Annual Report has been drawn up within the frame of the principles and procedures set forth in the Regulation on the Financial Structures of Insurance, Reinsurance and Pension Companies, which went into force upon its publication in the Official Gazette issue 26606 dated 7 August 2007.

Murat TETİK
Accounting and Financial Affairs Manager

Fatih GÖREN
Deputy Chief Executive Officer

İlhami KOÇ
Chief Executive Officer

Caner ÇİMENBİÇER
Chairman

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Detailed Income Statement

I-TECHNICAL PART	Casualty	Illness-Health	Motor Vehicles	Aircrafts	Watercrafts
Explanation					
A- Non-Life Technical Income	115,790,353	366,022,995	955,780,406	11,112,104	31,548,667
1- Earned Premiums (Net of Reinsurer Share)	96,299,720	344,782,016	885,913,041	11,112,104	29,016,813
1-1. Premiums (Net of Reinsurer Share)	105,732,804	377,422,354	895,629,815	3,950,585	25,487,860
1.2- Change in Unearned Premium Provisions (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	-9,358,218	-32,640,337	-9,716,774	676,306	3,528,953
1.3- Changes in Unexpired Risk Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	-74,866	0	0	0	0
1.4- Changes in Ongoing Risk Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	0	0	0	6,485,213	0
2- Investment Income Transfered from Non-Technical Divisions	19,746,033	21,021,999	61,925,813	0	1,220,000
3- Other Technical Income	2,145	218,979	3,528,594	0	-2,311
4- Accrued Salvage and Subrogation Income	-257,545	0	4,412,959	0	1,314,164
B- Non-Life Technical Expense (-)	-65,960,460	-363,728,664	-892,319,306	-3,433,254	-20,990,832
1- Realized Claims (Net of Reinsurer Share)	-29,034,285	-280,614,505	-617,259,111	-2,345,821	-18,856,739
1.1- Claims Paid (Net of Reinsurer Share)	-20,061,530	-278,052,934	-612,141,869	-4,944,252	-19,902,864
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	-8,972,756	-2,561,571	-5,117,242	2,598,431	1,046,124
2- Changes in Bonus and Discount Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	0	0	0	0	0
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	-1,674,100	0	-5,280,491	0	0
4- Operating Expenses (-)	-31,794,429	-73,163,671	-211,669,248	-1,085,063	-1,778,825
5- Other Technical Expenses	-3,457,646	-9,950,488	-58,110,456	-2,370	-355,268
C- Non Life Technical Profit (A-B)	49,829,893	2,294,330	63,461,101	7,678,851	10,557,835
II- NON TECHNICAL PART					
C- Non Life Technical Profit (A-B)					
J- Total Technical Profit (C)					
K- Investment Income					
1- Income from Financial Investments					
2- Income from Sales of Financial Assets					
3- Revaluation of Financial Assets					
4- Foreign Exchange Gains					
5- Dividend Income from Affiliates					
6- Income form Subsidiaries and Joint Ventures					
7- Real Estate Income					
8- Income from Derivative Instruments					
9- Other Investments					
10- Investment Income transferred from Life Technical Division					
L- Investment Expenses (-)					
1- Investment Management Expenses (including interest) (-)					
2- Valuation Allowance of Investments (-)					
3- Losses On Sales of Investments (-)					
4- Investment Income Transferred to Non - Life Technical Division (-)					
5- Losses from Derivative Instruments (-)					
6- Foreign Exchange Losses (-)					
7- Depreciation Expenses (-)					
8- Other Investment Expenses (-)					
M- Income and Expenses (+/-)					
1- Reserves (Provisions) Account (+/-)					
2- Rediscount Account (+/-)					
3- Mandatory Earthquake Insurance Account (+/-)					
4- Inflation Adjustment Account (+/-)					
5- Deferred Tax Asset Accounts (+/-)					
6- Deferred Tax Liability Expense (+/-)					
7- Other Income and Revenues					
8- Other Expense and Losses (-)					
9- Prior Period Income					
10- Prior Period Losses (-)					
N- Net Profit/(Loss)					
1- Profit/(Loss) Before Tax					
2- Taxes Provisions (-)					
3- Net Profit (Loss) after Tax					
4- Inflation Adjustment Account (+/-)					

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Marine	Fire and Natural Disasters	General Losses	Motor Vehicles Liability	Aircraft Liability	General Liability	Credit	Financial Losses	Legal Protection	Total
55,110,919	318,492,983	143,976,941	1,445,125,750	3,475,318	104,367,299	2,087,909	3,345,814	10,996,405	3,567,233,862
46,600,802	274,182,844	131,675,304	1,227,755,087	3,711,232	90,021,184	-509,819	2,672,790	8,995,084	3,152,228,201
48,395,472	312,094,631	146,025,955	1,419,110,799	4,217,222	96,460,489	152,581	3,387,057	9,261,031	3,447,328,655
-1,794,671	-37,911,788	-14,350,651	-211,514,231	-505,990	-6,439,305	-97,869	-714,267	-265,948	-321,104,790
0	0	0	20,158,520	0	0	0	0	0	20,083,654
0	0	0	0	0	0	-564,531	0	0	5,920,682
7,224,706	39,341,339	13,085,074	198,683,734	866,309	13,936,065	123,743	673,024	2,001,317	379,849,157
-2,052	-37,092	8,942	47,999	4	12,485	1	0	4	3,777,698
1,287,463	5,005,892	-792,378	18,638,929	-1,102,227	397,565	2,473,984	0	0	31,378,806
-31,136,936	-330,639,277	-142,830,064	-1,417,556,507	-632,399	-137,840,842	387,710	-920,392	-2,068,823	-3,409,670,048
-15,992,081	-211,289,305	-106,624,302	-1,124,709,924	42,317	-118,578,565	285,869	-817,220	439,801	-2,525,353,872
-15,321,750	-132,643,690	-91,999,317	-660,042,471	-251,377	-32,663,078	413,896	-306,046	-99,273	-1,868,016,555
-670,332	-78,645,615	-14,624,986	-464,667,454	293,694	-85,915,487	-128,026	-511,174	539,074	-657,337,317
0	0	0	0	0	0	0	0	0	0
0	-18,587,421	-1,997,439	0	0	0	-18,310	-324,318	0	-27,882,079
-14,813,148	-84,373,193	-32,375,104	-269,946,353	-674,618	-18,986,039	120,152	221,828	-2,229,029	-742,546,739
-331,707	-16,389,358	-1,833,219	-22,900,231	-98	-276,239	-2	-682	-279,595	-113,887,358
23,973,983	-12,146,294	1,146,877	27,569,242	2,842,918	-33,473,544	2,475,619	2,425,422	8,927,581	157,563,814
									157,563,814
									157,563,814
									487,727,181
									255,570,956
									11,587,624
									48,436,306
									134,101,122
									24,000,000
									0
									9,599,061
									4,432,112
									0
									0
									-505,094,199
									-756,432
									-1,643,638
									-15,270,224
									-379,849,157
									-3,616,449
									-76,942,491
									-27,015,808
									0
									-29,012,660
									-38,095,225
									492,592
									0
									0
									7,160,762
									0
									3,179,411
									-1,750,199
									0
									0
									87,867,323
									111,184,136
									-23,316,813
									87,867,323
									0

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

31 December 2016 Unconsolidated Financial Statements Together With Independent Auditors' Report Thereon

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Independent Auditor's Report

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 3
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
İnternet www.kpmg.com.tr

To the Board of Directors of Anadolu Anonim Türk Sigorta Şirketi

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal systems relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal system. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of Anadolu Anonim Türk Sigorta Şirketi as at 31 December 2016 and its unconsolidated financial performance and unconsolidated cash flows for the year then ended in accordance with the Insurance Accounting and Reporting Legislation.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Independent Auditor's Report

Other Related Legislation Reports of Independent Auditors

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 30 January 2017.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2016, the Company's bookkeeping activities are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

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

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

Alper Güvenç
Partner
30 January 2017
İstanbul, Turkey

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Unconsolidated Financial Statements
As at and for the Year Ended 31 December 2016

We confirm that the unconsolidated financial statements and related disclosures and footnotes as at 31 December 2016 which were prepared in accordance with the accounting principles and standards in force as per the regulations of T.C. Başbakanlık Hazine Müsteşarlığı are in compliance with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies" and the financial records of our Company.

İstanbul, 30 January 2017

İlhami KOÇ
Member of Board of Directors
Chief Executive Officer

Fatih GÖREN
Executive Vice President of
Finance

Murat TETİK
Accounting
Reporting Manager

Taylan MATKAP
Actuary

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Contents

		Page
BALANCE SHEET		**98-102**
STATEMENT OF INCOME		**103-105**
STATEMENT OF CHANGES IN EQUITY		**106**
STATEMENT OF CASH FLOW		**108**
STATEMENT OF PROFIT DISTRIBUTION		**109**
NOTES TO THE FINANCIAL STATEMENTS		**110-172**
NOTE 1	General Information	110
NOTE 2	Summary of significant accounting policies	111
NOTE 3	Critical accounting estimates and judgments in applying accounting policies	129
NOTE 4	Management of insurance and financial risk	129
NOTE 5	Segment reporting	142
NOTE 6	Tangible assets	145
NOTE 7	Investment properties	146
NOTE 8	Intangible assets	147
NOTE 9	Investments in associates	148
NOTE 10	Reinsurance assets and liabilities	148
NOTE 11	Financial assets	149
NOTE 12	Loans and receivables	153
NOTE 13	Derivative financial instruments	154
NOTE 14	Cash and cash equivalents	155
NOTE 15	Equity	155
NOTE 16	Other reserves and equity component of DPF	157
NOTE 17	Insurance contract liabilities and reinsurance assets	158
NOTE 18	Investment contract liabilities	162
NOTE 19	Trade and other payables and deferred income	162
NOTE 20	Financial liabilities	163
NOTE 21	Deferred tax	164
NOTE 22	Retirement benefit obligations	165
NOTE 23	Other liabilities and provisions	165
NOTE 24	Net insurance premium	166
NOTE 25	Fee revenue	166
NOTE 26	Investment income	166
NOTE 27	Net income accrual on financial assets	166
NOTE 28	Assets held at fair value through profit or loss	166
NOTE 29	Insurance rights and claims	166
NOTE 30	Investment contract benefits	166

		Page
NOTE 31	Other expenses	166
NOTE 32	Operating expenses	167
NOTE 33	Employee benefits expenses	167
NOTE 34	Financial costs	167
NOTE 35	Income tax	167
NOTE 36	Net foreign exchange gains	168
NOTE 37	Earnings per share	168
NOTE 38	Dividends per share	168
NOTE 39	Cash generated from operations	168
NOTE 40	Convertible bonds	168
NOTE 41	Redeemable preference shares	168
NOTE 42	Risks	168
NOTE 43	Commitments	169
NOTE 44	Business combinations	169
NOTE 45	Related party transactions	169
NOTE 46	Events after the reporting date	171
NOTE 47	Others	172

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Unconsolidated Balance Sheet
As At 31 December 2016

(Currency: Turkish Lira (TL))

ASSETS			
I- Current Assets	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
A- Cash and Cash Equivalents	**14**	**3.217.463.827**	**2.304.904.212**
1- Cash	14	35.109	18.864
2- Cheques Received		--	--
3- Banks	14	2.795.907.111	1.937.834.876
4- Cheques Given and Payment Orders	14	(82.544)	(125.585)
5- Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months	14	421.604.151	367.176.057
6- Other Cash and Cash Equivalents		--	--
B- Financial Assets and Financial Investments with Risks on Policyholders	**11**	**748.609.784**	**680.812.513**
1- Available-for-Sale Financial Assets	11	605.652.540	569.121.106
2- Held to Maturity Investments	11	15.172.182	15.555.214
3- Financial Assets Held for Trading	11	127.881.004	96.232.135
4- Loans and Receivables		--	--
5- Provision for Loans and Receivables		--	--
6- Financial Investments with Risks on Saving Life Policyholders		--	--
7- Company's Own Equity Shares		--	--
8- Diminution in Value of Financial Investments	11	(95.942)	(95.942)
C- Receivables from Main Operations	**12**	**1.048.793.865**	**928.282.683**
1- Receivables from Insurance Operations	12	984.855.530	869.275.449
2- Provision for Receivables from Insurance Operations	2.21,12	(8.836.586)	(8.305.178)
3- Receivables from Reinsurance Operations	12	60.170.605	59.472.101
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited to Insurance and Reinsurance Companies	12	12.604.316	7.840.311
6- Loans to the Policyholders		--	--
7- Provision for Loans to the Policyholders		--	--
8- Receivables from Individual Pension Operations		--	--
9- Doubtful Receivables from Main Operations	12	188.860.962	150.758.235
10- Provision for Doubtful Receivables from Main Operations	12	(188.860.962)	(150.758.235)
D- Due from Related Parties		**--**	**--**
1- Due from Shareholders		--	--
2- Due from Associates		--	--
3- Due from Subsidiaries		--	--
4- Due from Joint Ventures		--	--
5- Due from Personnel		--	--
6- Due from Other Related Parties		--	--
7- Rediscount on Receivables from Related Parties		--	--
8- Doubtful Receivables from Related Parties		--	--
9- Provision for Doubtful Receivables from Related Parties		--	--
E- Other Receivables	**12**	**13.790.959**	**10.378.575**
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given		334.577	357.920
4- Other Miscellaneous Receivables		13.456.382	10.020.655
5- Rediscount on Other Miscellaneous Receivables		--	--
6- Other Doubtful Receivables		--	--
7- Provision for Other Doubtful Receivables		--	--
F- Prepaid Expenses and Income Accruals		**320.408.039**	**280.651.377**
1- Prepaid Expenses	17	316.049.141	275.073.222
2- Accrued Interest and Rent Income		--	--
3- Income Accruals	10,12	4.358.898	5.577.825
4- Other Prepaid Expenses		--	330
G- Other Current Assets		**13.587.216**	**23.705.128**
1- Stocks to be Used in the Following Months		960.285	1.049.275
2- Prepaid Taxes and Funds	19	12.441.095	22.398.667
3- Deferred Tax Assets		--	--
4- Job Advances	12	170.946	253.035
5- Advances Given to Personnel	12	14.890	4.151
6- Inventory Count Differences		--	--
7- Other Miscellaneous Current Assets		--	--
8- Provision for Other Current Assets		--	--
I- Total Current Assets		**5.362.653.690**	**4.228.734.488**

(*) See Note 2.1.6 to reorganize.

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Unconsolidated Balance Sheet
As At 31 December 2016

(Currency: Turkish Lira (TL))

ASSETS			
II- Non-Current Assets	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
A- Receivables from Main Operations		--	--
1- Receivables from Insurance Operations		--	--
2- Provision for Receivables from Insurance Operations		--	--
3- Receivables from Reinsurance Operations		--	--
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited for Insurance and Reinsurance Companies		--	--
6- Loans to the Policyholders		--	--
7- Provision for Loans to the Policyholders		--	--
8- Receivables from Individual Pension Business		--	--
9- Doubtful Receivables from Main Operations		--	--
10- Provision for Doubtful Receivables from Main Operations		--	--
B- Due from Related Parties		--	--
1- Due from Shareholders		--	--
2- Due from Associates		--	--
3- Due from Subsidiaries		--	--
4- Due from Joint Ventures		--	--
5- Due from Personnel		--	--
6- Due from Other Related Parties		--	--
7- Rediscount on Receivables from Related Parties		--	--
8- Doubtful Receivables from Related Parties		--	--
9- Provision for Doubtful Receivables from Related Parties		--	--
C- Other Receivables	**12**	**1.749.362**	**2.207.981**
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given		--	--
4- Other Miscellaneous Receivables		2.129.835	2.839.780
5- Rediscount on Other Miscellaneous Receivables		(380.473)	(631.799)
6- Other Doubtful Receivables		--	--
7- Provision for Other Doubtful Receivables		--	--
D- Financial Assets	**9**	**427.420.000**	**495.280.000**
1- Investments in Equity Shares		--	--
2- Investments in Associates	9	427.420.000	495.280.000
3- Capital Commitments to Associates		--	--
4- Investments in Subsidiaries		--	--
5- Capital Commitments to Subsidiaries		--	--
6- Investments in Joint Ventures		--	--
7- Capital Commitments to Joint Ventures		--	--
8- Financial Assets and Financial Investments with Risks on Policyholders		--	--
9- Other Financial Assets		--	--
10- Impairment in Value of Financial Assets		--	--
E- Tangible Assets	**6**	**102.689.754**	**90.862.004**
1- Investment Properties	6,7	62.175.000	54.343.600
2- Impairment for Investment Properties		--	--
3- Owner Occupied Property	6	12.372.253	11.532.400
4- Machinery and Equipment	6	49.033.797	41.909.394
5- Furniture and Fixtures	6	13.717.551	12.253.700
6- Motor Vehicles	6	619.736	619.736
7- Other Tangible Assets (Including Leasehold Improvements)	6	22.982.418	20.322.655
8- Tangible Assets Acquired Through Finance Leases	6	3.868.337	4.166.354
9- Accumulated Depreciation	6	(62.079.338)	(54.285.835)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		--	--
F- Intangible Assets	**8**	**55.336.275**	**52.009.300**
1- Rights		--	--
2- Goodwill	8	16.250.000	16.250.000
3- Pre-operating Expenses		--	--
4- Research and Development Costs		--	--
5- Other Intangible Assets	8	111.110.866	93.201.169
6- Accumulated Amortization	8	(83.756.830)	(66.877.216)
7- Advances Paid for Intangible Assets	8	11.732.239	9.435.347
G- Prepaid Expenses and Income Accruals	**17**	**6.211.364**	**5.221.880**
1- Prepaid Expenses	17	6.211.364	5.221.880
2- Income Accruals		--	--
3- Other Prepaid Expenses and Income Accruals		--	--
H- Other Non-Current Assets	**21**	**18.112.832**	**13.229.325**
1- Effective Foreign Currency Accounts		--	--
2- Foreign Currency Accounts		--	--
3- Stocks to be Used in the Following Years		--	--
4- Prepaid Taxes and Funds		--	--
5- Deferred Tax Assets	21	18.112.832	13.229.325
6- Other Miscellaneous Non-Current Assets		--	--
7- Amortization on Other Non-Current Assets		--	--
8- Provision for Other Non-Current Assets		--	--
II- Total Non-Current Assets		**611.519.587**	**658.810.490**
TOTAL ASSETS		**5.974.173.277**	**4.887.544.978**

(*) See Note 2.1.6 to reorganize.

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Unconsolidated Balance Sheet
As At 31 December 2016

(Currency: Turkish Lira (TL))

LIABILITIES			
III- Short-Term Liabilities	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
A- Financial Liabilities	**20**	**134.413.473**	**210.669.647**
1- Borrowings from Financial Institutions		--	--
2- Finance Lease Liabilities		--	--
3- Deferred Leasing Costs		--	--
4- Current Portion of Long Term Debts		--	--
5- Principal Instalments and Interests on Bonds Issued		--	--
6- Other Financial Assets Issued		--	--
7- Valuation Differences of Other Financial Assets Issued		--	--
8- Other Financial Liabilities	20	134.413.473	210.669.647
B- Payables Arising from Main Operations	**19**	**449.205.545**	**339.189.344**
1- Payables Arising from Insurance Operations	19	300.768.948	226.165.931
2- Payables Arising from Reinsurance Operations		--	--
3- Cash Deposited by Insurance and Reinsurance Companies	10,19	5.624.583	4.365.775
4- Payables Arising from Individual Pension Business		--	--
5- Payables Arising from Other Main Operations	19	142.812.014	108.657.638
6- Discount on Payables from Other Main Operations		--	--
C- Due to Related Parties	**19**	**91.826**	**92.190**
1- Due to Shareholders		--	--
2- Due to Associates		--	--
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		91.826	92.190
6- Due to Other Related Parties		--	--
D- Other Payables	**19**	**82.609.754**	**60.481.800**
1- Deposits and Guarantees Received		5.486.777	3.177.561
2- Medical Treatment Payables to Social Security Institution		32.500.031	27.524.238
3- Other Miscellaneous Payables		45.085.032	30.287.110
4- Discount on Other Miscellaneous Payables		(462.086)	(507.109)
E- Insurance Technical Provisions	**17**	**3.796.758.334**	**2.844.320.564**
1- Reserve for Unearned Premiums - Net	17	1.752.948.944	1.451.927.808
2- Reserve for Unexpired Risks - Net	2.26,17	564.531	6.485.214
3- Mathematical Provisions - Net		--	--
4- Provision for Outstanding Claims - Net	17	2.043.244.859	1.385.907.542
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net		--	--
F- Provisions for Taxes and Other Similar Obligations	**19**	**39.526.586**	**37.087.955**
1- Taxes and Funds Payable		36.548.188	34.487.522
2- Social Security Premiums Payable		2.978.398	2.600.433
3- Overdue, Deferred or By Instalment Taxes and Other Liabilities		--	--
4- Other Taxes and Similar Payables		--	--
5- Corporate Tax Payable	35	23.316.813	1.769.959
6- Prepaid Taxes and Other Liabilities Regarding Current Period Income		(23.316.813)	(1.769.959)
7- Provisions for Other Taxes and Similar Liabilities		--	--
G- Provisions for Other Risks		**--**	**--**
1- Provision for Employee Termination Benefits		--	--
2- Provision for Pension Fund Deficits		--	--
3- Provisions for Costs		--	--
H- Deferred Income and Expense Accruals		**112.331.397**	**87.824.309**
1- Deferred Income	19	58.640.768	54.739.019
2- Expense Accruals	23	53.681.608	33.076.660
3- Other Deferred Income and Expense Accruals		9.021	8.630
I- Other Short-Term Liabilities	**23**	**1.561.950**	**1.492.709**
1- Deferred Tax Liabilities		--	--
2- Inventory Count Differences		--	--
3- Other Various Short-Term Liabilities	23	1.561.950	1.492.709
III - Total Short-Term Liabilities		**4.616.498.865**	**3.581.158.518**

(*) See Note 2.1.6 to reorganize.

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Unconsolidated Balance Sheet
As At 31 December 2016

(Currency: Turkish Lira (TL))

LIABILITIES			
IV- Long-Term Liabilities	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
A- Financial Liabilities		--	--
1- Borrowings from Financial Institutions		--	--
2- Finance Lease Liabilities		--	--
3- Deferred Leasing Costs		--	--
4- Bonds Issued		--	--
5- Other Financial Assets Issued		--	--
6- Valuation Differences of Other Financial Assets Issued		--	--
7- Other Financial Liabilities		--	--
B- Payables Arising from Main Operations		--	--
1- Payables Arising from Insurance Operations		--	--
2- Payables Arising from Reinsurance Operations		--	--
3- Cash Deposited by Insurance and Reinsurance Companies		--	--
4- Payables Arising from Individual Pension Business		--	--
5- Payables Arising from Other Operations		--	--
6- Discount on Payables from Other Operations		--	--
C- Due to Related Parties		--	--
1- Due to Shareholders		--	--
2- Due to Associates		--	--
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		--	--
6- Due to Other Related Parties		--	--
D- Other Payables		--	--
1- Deposits and Guarantees Received		--	--
2- Medical Treatment Payables to Social Security Institution		--	--
3- Other Miscellaneous Payables		--	--
4- Discount on Other Miscellaneous Payables		--	--
E-Insurance Technical Provisions	**17**	**117.130.567**	**89.248.488**
1- Reserve for Unearned Premiums - Net		--	--
2- Reserve for Unexpired Risks - Net		--	--
3- Mathematical Provisions - Net		--	--
4- Provision for Outstanding Claims - Net		--	--
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net	17	117.130.567	89.248.488
F-Other Liabilities and Relevant Accruals		--	--
1- Other Liabilities		--	--
2- Overdue, Deferred or By Instalment Taxes and Other Liabilities		--	--
3- Other Liabilities and Expense Accruals		--	--
G- Provisions for Other Risks	**23**	**17.363.526**	**15.244.930**
1- Provision for Employee Termination Benefits	23	17.363.526	15.244.930
2- Provision for Pension Fund Deficits		--	--
H-Deferred Income and Expense Accruals		--	--
1- Deferred Income		--	--
2- Expense Accruals		--	--
3- Other Deferred Income and Expense Accruals		--	--
I- Other Long-Term Liabilities		--	--
1- Deferred Tax Liabilities		--	--
2- Other Long-Term Liabilities		--	--
IV- Total Long-Term Liabilities		**134.494.093**	**104.493.418**

(*) See Note 2.1.6 to reorganize.

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Unconsolidated Balance Sheet
As At 31 December 2016

(Currency: Turkish Lira (TL))

EQUITY			
V- Equity	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
A- Paid in Capital		**500.000.000**	**500.000.000**
1- (Nominal) Capital	2.13,15	500.000.000	500.000.000
2- Unpaid Capital		--	--
3- Positive Capital Restatement Differences		--	--
4- Negative Capital Restatement Differences		--	--
5- Register in Progress Capital		--	--
B- Capital Reserves	**15**	**29.200.961**	**25.887.403**
1- Share Premiums		--	--
2- Cancellation Profits of Equity Shares		--	--
3- Profit on Asset Sales That Will Be Transferred to Capital		--	--
4- Currency Translation Adjustments		--	--
5- Other Capital Reserves	15	29.200.961	25.887.403
C- Profit Reserves		**574.510.108**	**580.597.470**
1- Legal Reserves	15	37.374.983	34.311.746
2- Statutory Reserves	15	17.547.144	11.726.993
3- Extraordinary Reserves	15	113.109.908	60.728.553
4- Special Funds		--	--
5- Revaluation of Financial Assets	15	363.889.473	430.663.565
6- Other Profit Reserves	15	42.588.600	43.166.613
D- Retained Earnings	**2.1.6**	**31.601.927**	**31.601.927**
1- Retained Earnings	2.1.6	31.601.927	31.601.927
E- Accumulated Losses		**--**	**--**
1- Accumulated Losses		--	--
F-Net Profit/(Loss) for the Period		**87.867.323**	**63.806.242**
1- Net Profit for the Period		87.852.229	61.264.743
2- Net Loss for the Period		--	--
3- Profit not Available for Distribution	15	15.094	2.541.499
V- Total Equity		**1.223.180.319**	**1.201.893.042**
TOTAL EQUITY AND LIABILITIES		**5.974.173.277**	**4.887.544.978**

(*) See Note 2.1.6 to reorganize.

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Unconsolidated Statement of Income
For the Year Ended 31 December 2016

(Currency: Turkish Lira (TL))

I-TECHNICAL SECTION	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
A- Non-Life Technical Income		**3.567.233.863**	**2.860.262.936**
1- Earned Premiums (Net of Reinsurer Share)		3.152.228.202	2.521.354.285
1.1- Written Premiums (Net of Reinsurer Share)	17	3.447.328.655	2.779.757.454
1.1.1- Written Premiums, gross	17	4.484.060.267	3.610.673.887
1.1.2- Written Premiums, ceded	10,17	(885.937.607)	(731.404.966)
1.1.3- Premiums Transferred to Social Security Institutions	17	(150.794.005)	(99.511.467)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(301.021.136)	(292.297.301)
1.2.1- Reserve for Unearned Premiums, gross	17	(379.537.942)	(357.300.300)
1.2.2- Reserve for Unearned Premiums, ceded	17	58.433.152	46.720.226
1.2.3 - Reserve for Unearned Premiums, Social Security Institution Share		20.083.654	18.282.773
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	5.920.683	33.894.132
1.3.1- Reserve for Unexpired Risks, gross		14.511.470	34.155.326
1.3.2- Reserve for Unexpired Risks, ceded		(8.590.787)	(261.194)
2- Investment Income - Transferred from Non-Technical Section		379.849.157	276.542.615
3- Other Technical Income (Net of Reinsurer Share)		3.777.698	5.932.923
3.1- Other Technical Income, gross		3.777.698	5.932.923
3.2- Other Technical Income, ceded		--	--
4- Accrued Salvage and Subrogation Income		31.378.806	56.433.113
B - Non-Life Technical Expense		**(3.409.670.050)**	**(2.756.629.118)**
1- Incurred Losses (Net of Reinsurer Share)	17	(2.525.353.872)	(2.056.750.827)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(1.868.016.555)	(1.685.031.386)
1.1.1- Claims Paid, gross	17	(2.236.015.308)	(1.941.148.764)
1.1.2- Claims Paid, ceded	10,17	367.998.753	256.117.378
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(657.337.317)	(371.719.441)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(651.278.718)	(634.990.652)
1.2.2- Change in Provisions for Outstanding Claims, ceded	17	(6.058.599)	263.271.211
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
2.1- Provision for Bonus and Discounts, gross		--	--
2.2- Provision for Bonus and Discounts, ceded		--	--
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	(27.882.079)	(20.995.851)
4- Operating Expenses	32	(742.546.739)	(605.324.073)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
5.1- Change in Mathematical Provisions, gross		--	--
5.2 - Change in Mathematical Provisions, ceded		--	--
6- Change in Other Technical Provisions (Net of Reinsurer and Less the Amounts Carried Forward)	2.25	(113.887.360)	(73.558.367)
6.1- Change in Other Technical Provisions, gross	2.25	(113.887.360)	(73.558.367)
6.2- Change in Other Technical Provisions, ceded		--	--
C- Net Technical Income-Non-Life (A - B)		**157.563.813**	**103.633.818**
D- Life Technical Income		**--**	**--**
1- Earned Premiums (Net of Reinsurer Share)		--	--
1.1- Written Premiums (Net of Reinsurer Share)		--	--
1.1.1- Written Premiums, gross		--	--
1.1.2- Written Premiums, ceded		--	--
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
1.2.1- Reserve for Unearned Premiums, gross		--	--
1.2.2- Reserve for Unearned Premiums, ceded		--	--
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
1.3.1- Reserve for Unexpired Risks, gross		--	--
1.3.2- Reserve for Unexpired Risks, ceded		--	--
2- Investment Income		--	--
3- Unrealized Gains on Investments		--	--
4- Other Technical Income (Net of Reinsurer Share)		--	--
4.1- Other Technical Income. gross		--	--
4.2- Other Technical Income. ceded		--	--
5- Accrued Salvage Income		--	--

(*) See Note 2.1.6 to reorganize.

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Unconsolidated Statement of Income
For the Year Ended 31 December 2016

(Currency: Turkish Lira (TL))

I-TECHNICAL SECTION	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
E- Life Technical Expense		--	--
1- Incurred Losses (Net of Reinsurer Share)		--	--
1.1- Claims Paid (Net of Reinsurer Share)		--	--
1.1.1- Claims Paid, gross		--	--
1.1.2- Claims Paid, ceded		--	--
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
1.2.1- Change in Provisions for Outstanding Claims, gross		--	--
1.2.2- Change in Provisions for Outstanding Claims, ceded		--	--
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
2.1- Provision for Bonus and Discounts, gross		--	--
2.2- Provision for Bonus and Discounts, ceded		--	--
3- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
3.1- Change in Mathematical Provisions, gross		--	--
3.1.1- Change in Actuarial Mathematical Provisions, gross		--	--
3.1.2- Change in Profit Share Provisions (Provision for Financial Investments with Risks on Saving Life Policyholders), gross		--	--
3.2- Change in Mathematical Provisions, ceded		--	--
3.2.1- Change in Actuarial Mathematical Provisions, ceded		--	--
3.2.2- Change in Profit Share Provisions (Provision for Financial Investments with Risks on Saving Life Policyholders). ceded		--	--
4- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
5- Operating Expenses		--	--
6- Investment Expenses		--	--
7- Unrealized Losses on Investments		--	--
8- Investment Income Transferred to the Non-Life Technical Section		--	--
F- Net Technical Income- Life (D - E)		--	--
G- Pension Business Technical Income		--	--
1- Fund Management Income		--	--
2- Management Fee		--	--
3- Entrance Fee Income		--	--
4- Management Expense Charge in case of Suspension		--	--
5- Income from Private Service Charges		--	--
6- Increase in Value of Capital Allowances Given as Advance		--	--
7- Other Technical Expense		--	--
H- Pension Business Technical Expense		--	--
1- Fund Management Expense		--	--
2- Decrease in Value of Capital Allowances Given as Advance		--	--
3- Operating Expenses		--	--
4- Other Technical Expenses		--	--
I- Net Technical Income - Pension Business (G - H)		--	--

(*) See Note 2.1.6 to reorganize.

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Unconsolidated Statement of Income
For the Year Ended 31 December 2016

(Currency: Turkish Lira (TL))

II-NON-TECHNICAL SECTION	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
C- Net Technical Income - Non-Life (A-B)		**157.563.813**	**103.633.818**
F- Net Technical Income - Life (D-E)		**--**	**--**
I - Net Technical Income - Pension Business (G-H)		**--**	**--**
J- Total Net Technical Income (C+F+I)		**157.563.813**	**103.633.818**
K- Investment Income		**487.727.181**	**368.012.898**
1- Income from Financial Assets	4.2	255.570.956	183.751.030
2- Income from Disposal of Financial Assets	4.2	11.587.624	9.642.262
3- Valuation of Financial Assets	4.2	48.436.306	33.542.592
4- Foreign Exchange Gains	4.2	134.101.122	109.289.546
5- Income from Associates	4.2	24.000.000	18.000.000
6- Income from Subsidiaries and Joint Ventures		--	--
7- Income from Property, Plant and Equipment		9.599.061	12.678.354
8- Income from Derivative Transactions	4.2	4.432.112	674.700
9- Other Investments		--	434.414
10- Income Transferred from Life Section		--	--
L- Investment Expense		**(505.094.199)**	**(382.414.280)**
1- Investment Management Expenses (incl. interest)	4.2	(756.432)	(939.230)
2- Diminution in Value of Investments	4.2	(1.643.638)	(2.824.154)
3- Loss from Disposal of Financial Assets	4.2	(15.270.224)	(9.629.064)
4- Investment Income Transferred to Non-Life Technical Section		(379.849.157)	(276.542.615)
5- Loss from Derivative Transactions	4.2	(3.616.449)	(74.638)
6- Foreign Exchange Losses	4.2	(76.942.491)	(61.168.299)
7- Depreciation and Amortization Expenses	6,8	(27.015.808)	(31.236.280)
8- Other Investment Expenses		--	--
M- Income and Expenses From Other and Extraordinary Operations		**(29.012.659)**	**(23.656.235)**
1- Provisions	47	(38.095.225)	(25.546.469)
2- Rediscounts	47	492.592	1.458.591
3- Specified Insurance Accounts		--	--
4- Monetary Gains and Losses		--	--
5- Deferred Taxation (Deferred Tax Assets)	35	7.160.762	--
6- Deferred Taxation (Deferred Tax Liabilities)	35	--	(6.509.894)
7- Other Income		3.179.411	7.600.350
8- Other Expenses and Losses		(1.750.199)	(658.813)
9- Prior Year's Income		--	--
10- Prior Year's Expenses and Losses		--	--
N- Net Profit for the Period		**87.867.323**	**63.806.242**
1- Profit for the Period		111.184.136	65.576.201
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(23.316.813)	(1.769.959)
3- Net Profit for the Period		87.867.323	63.806.242
4- Monetary Gains and Losses		--	--

(*) See Note 2.1.6 to reorganize.

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Unconsolidated Statement of Changes in Equity For the Year Ended 31 December 2016

(Currency: Turkish Lira (TL))

Audited Prior Period Statement of Changes in Equity - 31 December 2015

	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustments
I - Balance at the end of the previous year - 31 December 2014		**500.000.000**	**--**	**336.666.816**	**--**	**--**
II - Change in Accounting Standards (*)		**--**	**--**	**--**	**--**	**--**
III - Restated balances (I+II) -1 January 2015		**500.000.000**	**--**	**336.666.816**	**--**	**--**
A- Capital increase (A1+A2)		--	--	--	--	--
1- In cash		--	--	--	--	--
2- From reserves		--	--	--	--	--
B- Purchase of own shares		--	--	--	--	--
C- Gains or losses that are not included in the statement of income		--	--	--	--	--
D- Change in the value of financial assets	11,15	--	--	93.996.749	--	--
E- Currency translation adjustments		--	--	--	--	--
F- Other gains or losses		--	--	--	--	--
G- Inflation adjustment differences		--	--	--	--	--
H- Net profit for the period		--	--	--	--	--
I - Dividends paid		--	--	--	--	--
J - Transfers to reserves	15	--	--	--	--	--
IV - Balance at the end of the period - 31 December 2015		**500.000.000**	**--**	**430.663.565**	**--**	**--**

Audited Current Period Statement of Changes in Equity - 31 December 2016

	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustments
I - Balance at the end of the previous year - 31 December 2015		**500.000.000**	**--**	**430.663.565**	**--**	**--**
II - Change in Accounting Standards		**--**	**--**	**--**	**--**	**--**
III - Restated balances (I+II) -1 January 2016		**500.000.000**	**--**	**430.663.565**	**--**	**--**
A- Capital increase (A1+A2)		--	--	--	--	--
1- In cash		--	--	--	--	--
2- From reserves		--	--	--	--	--
B- Purchase of own shares		--	--	--	--	--
C- Gains or losses that are not included in the statement of income		--	--	--	--	--
D- Change in the value of financial assets	11,15	--	--	(66.774.092)	--	--
E- Currency translation adjustments		--	--	--	--	--
F- Other gains or losses		--	--	--	--	--
G- Inflation adjustment differences		--	--	--	--	--
H- Net profit for the period		--	--	--	--	--
I - Dividends paid		--	--	--	--	--
J - Transfers to reserves	15	--	--	--	--	--
IV - Balance at the end of the period - 31 December 2016		**500.000.000**	**--**	**363.889.473**	**--**	**--**

(*) See Note 2.1.6 to reorganize.

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

	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Year	Retained Earnings	Total
	30.779.762	**7.262.220**	**73.564.468**	**71.699.601**	**31.462.272**	**1.051.435.139**
	--	**--**	**--**	**--**	**--**	**--**
	30.779.762	**7.262.220**	**73.564.468**	**71.699.601**	**31.462.272**	**1.051.435.139**
	--	--	--	--	--	--
	--	--	--	--	--	--
	--	--	--	--	--	--
	--	--	--	--	--	--
	--	--	(1.042.950)	--	--	(1.042.950)
	--	--	16.157.827	--	--	110.154.576
	--	--	--	--	--	--
	--	--	--	--	--	--
	--	--	--	--	--	--
	--	--	--	63.806.242	--	63.806.242
	--	--	--	(22.459.965)	--	(22.459.965)
	3.531.984	4.464.773	41.103.224	(49.239.636)	139.655	--
	34.311.746	**11.726.993**	**129.782.569**	**63.806.242**	**31.601.927**	**1.201.893.042**

	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Year	Retained Earnings	Total
	34.311.746	**11.726.993**	**129.782.569**	**63.806.242**	**31.601.927**	**1.201.893.042**
	--	**--**	**--**	**--**	**--**	**--**
	34.311.746	**11.726.993**	**129.782.569**	**63.806.242**	**31.601.927**	**1.201.893.042**
	--	--	--	--	--	--
	--	--	--	--	--	--
	--	--	--	--	--	--
	--	--	--	--	--	--
	--	--	(578.013)	--	--	(578.013)
	--	--	772.059	--	--	(66.002.033)
	--	--	--	--	--	--
	--	--	--	--	--	--
	--	--	--	--	--	--
	--	--	--	87.867.323	--	87.867.323
	--	--	--	--	--	--
	3.063.237	5.820.151	54.922.854	(63.806.242)	--	--
	37.374.983	**17.547.144**	**184.899.469**	**87.867.323**	**31.601.927**	**1.223.180.319**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Unconsolidated Statement of Cash Flow For the Year Ended 31 December 2016

(Currency: Turkish Lira (TL))

	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
A - Cash flows from operating activities			
1- Cash provided from insurance activities		5.071.226.899	3.881.788.562
2- Cash provided from reinsurance activities		--	--
3- Cash provided from individual pension business		--	--
4- Cash used in insurance activities		(4.769.100.894)	(3.643.412.204)
5- Cash used in reinsurance activities		(5.462.509)	(13.550.082)
6- Cash used in individual pension business		--	--
7- Cash provided by operating activities		**296.663.496**	**224.826.276**
8- Interest paid		--	--
9- Income taxes paid	19	9.957.572	(22.398.667)
10- Other cash inflows		62.828.955	233.503.726
11- Other cash outflows		(100.587.197)	(42.151.838)
12-Net cash provided by operating activities		**268.862.826**	**393.779.497**
B - Cash flows from investing activities			
1- Proceeds from disposal of tangible assets		8.091.520	17.987.811
2- Acquisition of tangible assets	6, 8	(33.694.808)	(22.158.602)
3- Acquisition of financial assets	11	(843.360.358)	(609.793.354)
4- Proceeds from disposal of financial assets		701.087.636	617.953.122
5- Interests received		383.365.799	162.853.642
6- Dividends received		20.000.000	12.000.000
7- Other cash inflows		131.467.603	165.276.635
8- Other cash outflows		(435.576.506)	(90.897.471)
9- Net cash provided by investing activities		**(68.619.114)**	**253.221.783**
C- Cash flows from financing activities			
1- Equity shares issued		--	--
2- Cash provided from loans and borrowings		--	--
3- Finance lease payments		--	--
4- Dividends paid		--	(22.459.965)
5- Other cash inflows		--	--
6- Other cash outflows		--	--
7- Net cash used in financing activities		**--**	**(22.459.965)**
D- Effect of exchange rate fluctuations on cash and cash equivalents		2.027.454	1.931.150
E- Net increase in cash and cash equivalents		**202.271.166**	**626.472.465**
F- Cash and cash equivalents at the beginning of the year	**14**	1.670.201.689	1.043.729.224
G- Cash and cash equivalents at the end of the year	**14**	**1.872.472.855**	**1.670.201.689**

(*) See Note 2.1.6 to reorganize.

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Unconsolidated Profit Distribution
For the Year Ended 31 December 2016

(Currency: Turkish Lira (TL))

	Note	Audited Current Period (**) 31 December 2016	Audited Prior Period (***) 31 December 2015
I. PROFIT DISTRIBUTION			
1.1. CURRENT YEAR PROFIT (*)		125.420.416	74.211.266
1.2. TAX AND FUNDS PAYABLE		(23.316.813)	(1.769.959)
1.2.1. Corporate Income Tax (Income Tax)		(23.316.813)	(1.769.959)
1.2.2. Income tax deduction		--	--
1.2.3. Other taxes and Duties		--	--
A NET PROFIT (1.1 - 1.2)		**102.103.603**	**72.441.307**
1.3. PREVIOUS PERIOD LOSSES (-)		--	--
1.4. FIRST LEGAL RESERVE		4.392.611	3.063.237
1.5. STATUTORY FUND (-)		--	--
B NET PROFIT DISTRIBUTION [(A-(1.3 + 1.4 + 1.5)]		**97.710.992**	**69.378.070**
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		--	--
1.6.1. Holders of shares		--	--
1.6.2. Holders of Preferred shares		--	--
1.6.3 Holders of Redeemed shares		--	--
1.6.4 Holders of Participation Bond		--	--
1.6.5 Holders of Profit and Loss sharing certificate		--	--
1.7. DIVIDEND TO PERSONNEL (-)		--	--
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		--	--
1.9.1. Holders of shares		--	--
1.9.2. Holders of Preferred shares		--	--
1.9.3. Holders of Redeemed shares		--	--
1.9.4. Holders of Participation Bond		--	--
1.9.5. Holders of Profit and Loss sharing certificate		--	--
1.10. SECOND LEGAL RESERVE (-)		--	--
1.11. STATUTORY RESERVES (-)		--	5.820.151
1.12. EXTRAORDINARY RESERVES		--	63.557.919
1.13. OTHER RESERVES		--	--
1.14. SPECIAL FUNDS		--	--
II. DISTRIBUTION OF RESERVES		--	--
2.1. DISTRIBUTION OF RESERVES		--	--
2.2. SECOND LEGAL RESERVES (-)		--	--
2.3. COMMON SHARES (-)		--	--
2.3.1. Holders of shares		--	--
2.3.2 Holders of Preferred shares		--	--
2.3.3. Holders of Redeemed shares		--	--
2.3.4 Holders of Participation Bond		--	--
2.3.5 Holders of Profit and Loss sharing certificate		--	--
2.4. DIVIDENDS TO PERSONNEL (-)		--	--
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
III. PROFIT PER SHARE		--	--
3.1. HOLDERS OF SHARES		--	--
3.2. HOLDERS OF SHARES (%)		--	--
3.3. HOLDERS OF PREFERRED SHARES		--	--
3.4. HOLDERS OF PREFERRED SHARES (%)		--	--
IV. DIVIDEND PER SHARE		--	--
4.1. HOLDERS OF SHARES		--	--
4.2. HOLDERS OF SHARES (%)		--	--
4.3. HOLDERS OF PREFERRED SHARES		--	--
4.4. HOLDERS OF PREFERRED SHARES (%)		--	--

(*) According to the Law no. 13 of the Profit Share Annunciation which was announced in Capital Markets Board of Turkey's weekly bulletin numbered 2014/2, which was then published in the official gazette on 23 January 2014, the profit shares have been divided according to consolidated surplus. According to the Corporate Tax Law no. 5, 75% of the subsidiaries and property sales have been deemed "Undistributable Period Income" and this sum totaling 15.094 TL (31 December 2015: 2.541.499 TL) have not been included in the calculations of 31 December 2016's profits.

(**) Profit distribution table has not been filled yet, due to profit distribution proposal for the year 2016 has not prepared by the Board of Directors.

(***) The Figures of 2015 is filled with the data which is "According to Legal Records" belongs to the Profit Distribution.

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

1 General Information

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

The shareholding structure of Anadolu Anonim Türk Sigorta Şirketi ("the Company") is presented below. As at 31 December 2016, the shareholder having indirect control over the shares of Anadolu Anonim Türk Sigorta Şirketi ("the Company") is Türkiye İş Bankası A.Ş. ("İş Bankası").

	31 December 2016		31 December 2015	
Name	Shareholding Amount (TL)	Shareholding Rate (%)	Shareholding Amount (TL)	Shareholding Rate (%)
Milli Reasürans T.A.Ş.	286.550.106	57,31	286.550.106	57,31
Other	213.449.894	42,69	213.449.894	42,69
Paid in Capital	**500.000.000**	**100,00**	**500.000.000**	**100,00**

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

The Company was registered in Turkey and has the status of 'Incorporated Company. The company address "Rüzgarlıbahçe Mahallesi, Kavak Sokak, No: 31 34805 Kavacık/İstanbul". Company has nine regional offices; two of them established in İstanbul and others established in Antalya, İzmir, Samsun, Adana, Ankara, Trabzon and Bursa, and a branch in Turkish Republic of Northern Cyprus.

1.3 Business of the Company

The Company operates in almost all non-life insurance branches consisting of mainly accident, health, motor vehicles, air vehicles, water vehicles, marine, fire and natural disasters, general loss, credit, financial losses, and legal protection.

As at 31 December 2016, the Company serves through, 2.458 authorized agencies and 98 unauthorized agencies (31 December 2015: 2.468 authorized agencies and 93 unauthorized agencies) of which, 2.556 agencies (31 December 2015: 2.561 authorized).

1.4 Description of the main operations of the Company

The Company conducts its operations in accordance with the Insurance Law No.5684 (the "Insurance Law") issued in 14 June 2007 dated and 26552 numbered Official Gazette and the communiqués and other regulations in force issued by the Turkish Treasury based on the Insurance Law. The Company operates in insurance branches as mentioned above *Note 1.3 Business of the Company*.

The Company's shares have been listed on the Istanbul Stock Exchange ("ISE"). The company operates based on its own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting in accordance Capital Market Law No: 6362, part of VIII and paragraph of 5 of Article 136.

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

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

	31 December 2016	31 December 2015
Senior level managers	7	7
Directors	38	37
Officers	3	3
Intermediate directors	163	145
Contracted personnel	952	891
Total	**1.163**	**1.083**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

1.6 Wages and similar benefits provided to the senior management

For the year ended 31 December 2016, wages and similar benefits provided to the members of the board of directors is amounting to TL 1.306.590 (31 December 2015: TL 1.110.000), chairman TL 5.192.515 (31 December 2015: 4.374.000 TL).

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

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

In accordance with the above mentioned Communiqué, insurance companies are allowed to transfer technical section operating expense to insurance section through methods determined by Turkish Treasury or by the Company itself. Methods determined by the Company should be approved by the Turkish Treasury, Known and exactly distinguishable operating expenses are distributed to related branches directly, while operating expenses are distributed to the sub-branches in accordance with the average of 3 ratios calculated by dividing "number of the policies produced within the last three years", "gross premium written within the last three years", and "number of the claims reported within the last three years" to the "total number of the policies", "total gross written premiums" and the "total number of the claims reported", respectively.

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

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

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

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

Trade name of the Company	:	Anadolu Anonim Türk Sigorta Şirketi
Registered address of the head office	:	Rüzgarlıbahçe Mahallesi, Kavak Sokak, No: 31 34805 Kavacık/İstanbul
The web page of the Company	:	www.anadolusigorta.com.tr

The information presented above has not any change since the end of the previous reporting period.

1.10 Events after the reporting date

There haven't been any change at services of the company, recording of this services and company policies after accounting date.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

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

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

Accounting in hyperinflationary countries

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

With respect to the declaration of the Turkish Treasury with the article dated 4 April 2005 and numbered 19387, financial statements as of 31 December 2004 are adjusted for the opening balances of 2005 in accordance with the section with respect to inflation accounting of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated 15 January 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Turkish Treasury. Accordingly, as at 31 December 2016, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded before 31 December 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded after 31 December 2004 are measured at their nominal values.

Other accounting policies

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

2.1.3 Valid and presentation currency

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

2.1.4 Rounding scale of the amounts presented in the financial statements

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

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

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

2.1.6 Accounting policies, changes in accounting estimates and errors

No changes or errors have occurred in the accounting policies for the current period.

Explanations on accounting estimates are given in the notes 3 which is critical accounting estimates and judgments.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

2.2 Consolidation

"Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance, and Individual Pension Companies" issued by the Turkish Treasury in the 31 December 2008 dated and 27097 numbered Official Gazette, has been in force since 31 March 2009. Accordingly, consolidated financial statements are prepared using the equity method of accounting to consolidate the Company's associate; Anadolu Hayat Emeklilik A.Ş.

In the 12 August 2008 dated and 2008/36 numbered "Sector Announcement Related to the Accounting of Subsidiaries, Associates and Joint Ventures in the Stand Alone Financial Statements of Insurance, Reinsurance and Individual Pension Companies" of the Turkish Treasury, it is stated that although insurance, reinsurance and individual pension companies are exempted from TAS 27 - *Consolidated and Separate Financial Statements*, subsidiaries, associates and joint-ventures could be accounted in accordance with TAS 39 - *Financial Instruments: Recognition and Measurement* or at cost in accordance with the 37th paragraph of TAS 27 - *Consolidated and Separate Financial Statements*, Parallel to the related sector announcements mentioned above, as at the reporting date the Company has accounted for its associate at fair value based on quoted market price.

2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Since the main economic environment, where the Company operates, is Turkey, a geographical segment reporting has not been presented. A business segment reporting of the Company is presented in Note 5 in accordance with TFRS 8- *Operating Segments* standard.

2.4 Foreign currency transactions

Transactions are recorded in TL, which is the Company's functional currency. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates ruling at the reporting date and foreign currency exchange differences are offset and all exchange differences are recognized in the statement of income.

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

2.5 Tangible assets

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

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

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

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

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

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

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

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

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

Depreciation rates and estimated useful lives are as follows:

Tangible Assets	Estimated Useful Lives (years)	Depreciation Rates (%)
Buildings	50	2,0
Machinery and equipment	3 - 16	6,3 - 33,3
Furniture and fixtures	4 - 16	6,3 - 25,0
Vehicles	5	20,0
Other tangible assets (including leasehold improvements)	5 - 10	10,0 - 20,0
Leased tangible assets	4 - 10	10,0 - 25,0

2.6 Investment properties

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

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

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

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

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

2.7 Intangible Assets

The Company's intangible assets consist of computer software, goodwill and advances paid for tangible assets.

Intangible assets are recorded at cost in compliance with "TAS 38 - *Accounting for intangible assets*". The cost of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs.

Amortization is charged on a straight-line basis over their estimated useful lives over the cost of the asset. The period of redemption of intangible assets is 3 to 15 years.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

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

The Company has acquired the health portfolio of Anadolu Hayat Emeklilik A.Ş. at 31 August 2004 with all of its rights and liabilities. The value at acquisition of the portfolio amounting to TL 16.250.000 is capitalized as goodwill by the Company.

2.8 Financial assets

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

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

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

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

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

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

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Unrecognized gains or losses derived from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in "Revaluation of financial assets" under shareholders' equity. Upon disposal, the realized gain or losses are recognized directly in the statement of income.

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

The Company has accounted equity shares classified as available-for-sale according to quoted market prices or dealer price quotations for financial instruments traded in active markets or according to cost less impairment losses for financial instruments not traded in active markets.

Securities are recognized and derecognized at the date of settlement.

Associates; shares of the associate of the Company; Anadolu Hayat Emeklilik A.Ş. are classified as available-for-sale financial assets in the financial statements and are recorded at their fair values since those shares are traded in an active market.

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

2.9 Impairment on assets

Impairment on financial asset

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

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

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

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

Impairment on tangible and intangible assets

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

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

2.10 Derivative financial instruments

As of 31 December 2016, the Company's the marketable securities in the trade book totals to TL 6.649.637 (31 December 2015: None). These securities also have derivate warranty and as of the report date have no express warranty. (31 December 2015: None)

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

Derivative financial instruments are initially recognized at their fair value.

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

2.11 Offsetting of financial assets

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

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

2.12 Cash and cash equivalents

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

2.13 Share capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group, as at 31 December 2016 and 31 December 2015, the share capital and ownership structure of the Company are as follows:

	31 December 2016		31 December 2015	
Name	Shareholding Amount (TL)	Shareholding Rate (%)	Shareholding Amount (TL)	Shareholding Rate (%)
Milli Reasürans T.A.Ş.	286.550.106	57,31	286.550.106	57,31
Other	213.449.894	42,69	213.449.894	42,69
Paid in Capital	**500.000.000**	**100,00**	**500.000.000**	**100,00**

Sources of capital increases during the period

The company has not performed capital increase as at 31 December 2016 (31 December 2015: None).

Privileges on common shares representing share capital

As at 31 December 2016, the issued share capital of the Company is TL 500.000.000 (31 December 2015: TL 500.000.000) and The Company unregistered Group 150 A shares which each of value is TL 1,5 as of 11 April 2013 in which approved in Main Article of the Company dated in 11 April 2013. The share capital of the Company consists of 50.000.000.000 (31 December 2015: 50.000.000.000 shares) issued shares with TL 1 nominal value each.

Registered capital system in the Company

The Company has accepted the registered capital system. As of 31 December 2016, the Company's registered capital is TL 700.000.000 (31 December 2015: TL 700.000.000).

Repurchased own shares by the Company

None.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

2.14 Insurance and investments contracts - classification

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

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

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

2.15 Insurance contracts and investment contracts with discretionary participation feature

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

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

As at the reporting date, the Company does not have any insurance or investment contracts that contain a DPF.

2.16 Investment contracts without DPF

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

2.17 Liabilities

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

2.18 Income taxes

Corporate tax

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

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

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

Deferred taxes

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

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

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

Transfer pricing

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

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

2.19 Employee benefits

Pension and other post-retirement obligations

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

Employees of the Company are the members of "Anadolu Anonim Pension Fund" which is established in accordance with the temporary Article 20 of the Social Security Act No: 506. As per the temporary sub article No: 20 of the Article 73 of the Social Security Law, pension funds should be transferred to the Social Security Institution within three years after the publication of the a aforementioned Law published in the Official Gazette numbered 26870 and dated 8 May 2008. The related three-year transfer period has been prolonged for two years by the Cabinet decision, which was published on the Official Gazette dated 9 April 2011. Accordingly, the three-year period expired on 8 May 2011 was extended to the 8 May 2015.

The principles and applications of the transfer will be determined by the Decree of the Council of Ministers separately. Lastly, first paragraph of temporary 20th article of 5510 numbered Law, article 51 of the law regarding changing of several laws and delegated legislations and the law of occupational health and safety which are published in 23 April 2015 dated Official Gazette is changed as following; insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or which constitutes their union personnel and associates of funds "The Council is authorized to determine the date of transfer within the scope of article 20th of the law, 506 banks, insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or which constitutes their union personnel and associates of funds to the social security institution. The date of the transfer of the first paragraph of Article 4 of this law pension fund contributors as are considered insured". According to this arrangement the bank within the scope of Act 506, article No.20, insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or associations which constitute their union personnel and associates of funds are required to be transferred until 08.05.2015 to Social Security Administration, authority to determine the date of transfer is given the Council of Ministers thus the transfer of the funds has been postponed to an unknown date.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

The application which containing temporary transfer provision on 19 June 2008 cancellation and cessation of claims by Republican People's Party, it is rejected in accordance with the decision at the court's meeting on 30 March 2011. The cash value of the obligations of the pension fund for each member of the fund including members left the fund as of the transfer date will be calculated according to following assumptions:

a) Technical deficit rate of 9,8% shall be used in the actuarial calculation of the value in cash, and.

b) Gains and losses of the funds stems from benefits covered by the aforementioned Law taken into accounts to calculate present value of the obligations.

Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The amount payable for each year of service the employee union members; death, disability, retirement, pension bonding states is 60 days, ın other provinces it amounted 45 daily wages. In other employees, it is one month's salary. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2016 is TL 4.426,16 (31 December 2015: 4.092,53 TL). In Accordance IAS 19 which published by Public Company Accounting Oversight Board (PCAOB) dated 12 March 2013 is about "Benefits Employee Accounting Standard" and defined by beginning from 31 December 2012 net defined benefit liability of the actuarial gains and losses arising on re-measurement should be recognized in other comprehensive income under shareholders' equity and this effect should be applied retrospectively. The company started to account current actuarial gains and losses under equity (other profit reserves) due to the fact that prior period actuarial gains and losses have remained below the materiality.

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 - *Employee Benefits*, The major actuarial assumptions used in the calculation of the total liability as at 31 December 2016 and 31 December 2015 are as follows:

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

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

Other benefits

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

2.20 Provisions

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

2.21 Revenue recognition

Written premiums and claims paid

Written premiums represent premiums on policies written during the period net of taxes, premiums of the cancelled policies which were produced in prior periods and premium ceded to reinsurance companies,. Premiums ceded to reinsurance companies are accounted as "written premiums, ceded" in the statement of income.

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

Subrogation, salvage and quasi income

According to the Circular 2010/13 dated 20 September 2010; the Company may account for income accrual for subrogation receivables without any voucher after the completion of the claim payments made to the insurer. If the amount cannot be collected from the counterparty insurance company, the Company provides provision for uncollected amounts due for six months. If the counter party is not an insurance Company, the provision is provided after four months. As at the reporting date, in accordance with the related circular the Company provided TL 43.739.284 (31 December 2015: 45.354.423 TL) subrogation receivables and recorded TL 47.016.782 (31 December 2015: 49.626.517 TL) (Note 12) net subrogation and salvage receivables under receivables from main operations. The Company provided allowance for uncollected subrogation receivables amounting to TL 8.836.586 (31 December 2014: 8.305.178 TL) (Note 12) in accordance with circular.

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

	31 December 2016	31 December 2015
Motor vehicles	341.775.724	292.754.774
Third party liability for motor vehicles (MTPL)	10.694.282	7.174.650
Fire and natural disaster	3.961.070	3.654.611
Marine	2.799.577	2.946.419
Credit	467.351	68.150
General losses	313.114	164.084
General responsibility	103.795	135.207
Accident	21.706	7.759
Aircraft	10.588	--
Water vehicles	10.222	1.052.607
Legal protection	529	--
Total	**360.157.958**	**307.958.261**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

	31 December 2016	31 December 2015
Motor vehicles	37.302.823	36.648.709
Third party liability for motor vehicles (MTPL)	4.565.163	4.252.062
Marine	2.688.121	1.048.488
Fire and natural disaster	1.883.852	3.485.325
General losses	490.114	3.904.872
Water vehicles	78.448	12.503
General responsibility	8.261	--
Accident	--	274.558
Total	**47.016.782**	**49.626.517**

Commission income and expense

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

Interest income and expense

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

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

Trading income/expense

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

Dividends

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

2.22 Leasing transactions

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

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

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

2.23 Dividend distribution

Based on the guidelines and principals issued by the CMB dated 27 January 2010 for the distribution of dividends from the profit generated from operating activities in 2009, concerning public entities, the shares of which are quoted in public equity markets, it has been agreed upon not to set a mandatory minimum dividend payment quota. Furthermore, it has been agreed upon to let public entities perform dividend distributions.

Additionally, as stated within the aforementioned decision of CMB, for entities required to prepare consolidated financial statements, it has been agreed upon to require the net distributed profit calculations to be performed on the net profit for the period as stated on the consolidated financial statements, so long that the distribution can be funded through statutory resources.

Board of Directors proposal which is related with distribution of the profits gained from the operations of the 2015 was not adopted unanimously in the framework of the General Assembly dated 24 March 2016.

According to the distributable profit there is no dividend has been paid to the subsidiaries and after deduction of the legal sums the remaining 5.201.506 TL is the distributable consolidated current period. 2.820.151 TL of this total has been deemed statuary reserves and the remaining 52.381.355 TL has been deemed excess reserves.

2.24 Reserve for unearned premiums

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

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

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

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

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

As at the reporting date, the Company has provided reserve for unearned premiums amounting to TL 2.228.090.805 (31 December 2015: TL 1.848.552.863) and reinsurer share in reserve for unearned premiums amounting TL 400.082.643 (31 December 2015: 341.649.490 TL). Furthermore, reserve for unearned premiums includes Social Security Institution ("SSI") share amounting to TL 75.059.218 TL (31 December 2015: 54.975.565 TL).

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

2.25 Provision for outstanding claims

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

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

In accordance with 5 December 2014 dated and 2014/15 numbered "Circular for Provision for Outstanding Claims" of Turkish Treasury, by the Undersecretariat of treasury the compensation which occurred but not was not reported since 1 January 2015 is being calculated with the best of ability of the company's actuary. The most accurate assumption is calculating the damages which will be paid in the future according to a model and assumption, and by utilizing the risk free return curves to calculate today's value.

The methods, corrections, the suitable data and the growth factor choice and the intervention is being calculated by the company's actuary using actuarial methods. According to Actuaries Regulations Law no. 11, an actuarial report has been sent the Undersecretariat of treasury and these calculations are detailed there. Company's actuary tests damage growth factors with some methods by using software tools and then making some choices for actuarial analysis.

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

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

The Company has used the gradual transition curve which was published by the Undersecretariat of treasury's "General Instructions Regarding to the Changes in the General Instructions Regarding Pending Compensations (2014/16)" which was published in 29 February 2016 with the number 2016/11. The company has used these gradual transition curve with 100% accuracy and has reflected the calculations on the official statements as well as possible. (According to the General Instructions which was published on 31 December 2015 with the number 2015/28, Compulsory Traffic, Fiscal and General Liability 10% rate of increase have been calculated as IBNR and has been represented in the statement. According to this, the IBNR sum which has not yet been represented in the statement is 203.903.058 TL for compulsory traffic branch, 7.407.845 TL for fiscal liability branch and 10.774.133 Tl for the general liability branch totalling to 222.085.036 TL).

As of 31 December 2016, the Company has reserved a sum of 2.530.257.134 TL as outstanding claim reserve (31 December 2015; 1.878.978.416 TL) and 487.012.275 TL as pending damage re-insurance payment (31 December 2015: 493.070.874 TL).

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

The IBNR method to be selected on the basis of branch is follow.

Based on each branch, calculation amount of Net IBNR; reinsurance agreements' effect in force was to be reflected based on actual reinsurance rate.

	31 December 2016	31 December 2015
Motor vehicles	Standard Chain Ladder	Standard Chain Ladder
Water vehicles	Standard Chain Ladder	Standard Chain Ladder
Third party liability for motor vehicles (MTPL)	Cape Code	Cape Code
Third party liability	Standard Chain Ladder	Standard Chain Ladder
Third party liability for air vehicles	Standard Chain Ladder	Standard Chain Ladder
Fire and natural disasters	Standard Chain Ladder	Munich Chain Ladder
Air crafts	Standard Chain Ladder	Standard Chain Ladder
Accident	Standard Chain Ladder	Standard Chain Ladder
General losses	Standard Chain Ladder	Standard Chain Ladder
Financial losses	Standard Chain Ladder	Standard Chain Ladder
Health	Standard Chain Ladder	Standard Chain Ladder
Marine	Standard Chain Ladder	Standard Chain Ladder
Credit	Standard Chain Ladder	Standard Chain Ladder
Legal protection	Standard Chain Ladder	Standard Chain Ladder
General liability	Cape Code	Cape Code

In accordance with "Circular Related to Information on Calculation of Incurred But Not Reported Claims Reserve" numbered 2011/23 and dated 26 November 2011, companies may decrease their outstanding claims reserve balances based on the winning ratio of the sub-branches calculated from the last five years claims. Winning ratio used for decrease in provision for outstanding claims could not exceed 25% (15% for the new sub-branches which do not have five year data). Based on the aforementioned regulation, the Company calculated winning ratio from the last five year data set and TL 170.861.245 (31 December 2015: TL 104.862.951) as IBNR and TL 25.166.208 (31 December 2015: TL 18.207.321) as reinsurer's share of IBNR is excluded from outstanding claims reserve balance.

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

31 December 2016 Branch	Earning Ratios Used	Gross Amount Decreased	Net Amount Decreased
General responsibility	25%	78.777.548	72.050.356
Third party liability for motor vehicles (MTPL)	11%	55.777.818	54.833.381
Fire and natural disasters	25%	21.068.122	9.042.415
General losses	25%	5.382.650	1.422.206
Motor vehicles	22%	5.296.987	5.210.113
Accident	25%	1.825.148	1.167.341
Marine	25%	1.308.549	851.196
Water vehicles	25%	708.020	422.494
Credit	25%	681.222	681.222
Financial Liability	3%	30.283	9.415
Legal protection	25%	4.898	4.898
Total		**104.862.951**	**86.655.630**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

31 December 2015 Branch	Earning Ratios Used	Gross Amount Decreased	Net Amount Decreased
General responsibility	25%	44.952.215	40.954.135
Third party liability for motor vehicles (MTPL)	10%	34.977.046	34.149.860
Fire and natural disasters	25%	16.115.339	5.546.618
General losses	25%	3.014.805	1.082.648
Motor vehicles	21%	2.994.637	2.925.531
Marine	25%	804.446	394.117
Water vehicles	25%	677.619	482.354
Accident	16%	656.803	469.951
Credit	25%	636.655	636.655
Financial Liability	3%	28.162	8.537
Legal protection	25%	5.224	5.224
Total		**104.862.951**	**86.655.630**

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

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

According to the Article 59 of the aforementioned law, starting from 25 February 2011, premiums written under compulsory motor third party liability insurance contracts providing health assurance will be transferred to SSI by the rate up to 15% which will be later defined by Turkish Treasury. By this premium transfer, all liabilities related to body injuries resulted from traffic accidents will be compensated by SSI. According to the Provisional Article 1 and Article 59 of the Law, up to 20% of the transferred premium amount defined by the Turkish Treasury will also be transferred to SSI and treatment costs resulted from traffic accidents occurred before 25 February 2011 will also be compensated by SSI. As part of the aforementioned law, "Communiqué on Payment of Treatment Costs Resulted from Traffic Accidents" which was issued in Official Gazette numbered 28038 and dated 27 August 2011 has become effective. On 17 October 2011, the Turkish Treasury issued circular numbered 2011/18 "Circular Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from Traffic Accidents and New Accounts in the Insurance Chart of Accounts". In accordance with the related circular, the Company eliminated outstanding claims reserve amounting to TL 2.279.273 related to treatment costs occurred before issuance of the aforementioned law, with "Paid Claims" account. The same amount is recorded as "Payable to SSI" under "Other Payables" in the accompanying financial statements.

In accordance with the circular numbered 2011/18, the Company recalculated test IBNR amount by excluding treatments costs covered by the aforementioned law as at 31 March 2011 and eliminated difference between the newly calculated IBNR amount and IBNR amount in the financial statements amounting to TL 2.375.923 with "Paid Claims" account. The same amount is recorded as "Payable to SSI" under "Other Payables" in the accompanying financial statements.

The Turkish Treasury informed the Company 7,02% for motor third party liability, 2,08% for compulsory personal accident seat insurance and 15,8% for compulsory transportation liability for traffic accidents occurred before issuance of the aforementioned law. The difference amounting to TL 58 (31 December 2015: TL 448) between the amount informed by the Turkish Treasury and the amount eliminated by the Company is transferred to "Other Technical Expense" for the year ended 31 December 2016.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

2.26 Reserve for unexpired risks

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

In accordance with Treasury circular numbered 2012/15, unexpired risk reserve started to be calculated over main branches as of 31 December 2012. The test is performed on branch basis and in case where the expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that specific branch is added to the reserves of that branch. Accordingly, as at the reporting date, the Company has provided net reserve for unexpired risk amounting to TL 4.020.419 (31 December 2015: TL 18.531.890) and unexpired risk amounting of reassurance to TL 3.455.888 (31 December 2015: TL 12.046.676) in the accompanying unconsolidated financial statements. According to the Circular numbered 2015/30, the amount of the opening provision for outstanding claims which is determined unexpired risk reserve redefined in a manner consistent with the current period as of 31 December 2016.

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

According to Undersecretariat of Treasury's 2016/37 numbered general instructions has remarked that the method below can be used to calculate the land vehicles, land vehicle liabilities and general liability.

Based on the accident year and the loss ratio plus the indirect expenses has been specified as 95% in 2016, 90% in 2017, and if in 2018 this ratio exceeds 85%, the exceeding sum shall be multiplied by the brut KPK and the result will be brut ongoing risk expenses, and the multiplication by net KPK shall result in the net ongoing result expenses.

As of 31 December 2016, the Company has used the method outlined in the 2016/37 numbered "General Instructions Regarding Ongoing Risk Expenses" which was published in 11 November 2016.

2.27 Equalization provision

In accordance with the Communiqué on Technical Reserves put into effect starting from 1 January 2008, the companies should provide equalization provision in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Equalization provision, started to be provided in 2008, is calculated as 12% of net premiums written in credit insurance and earthquake branches. In the calculation of net premiums, fees paid for un-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. The companies should provide equalization provision up to reaching 150% of the highest premium amount written in a year within the last five years.

In case where claims incurred, the amounts below exemption limits as stated in the contracts and the share of the reinsurance firms cannot be deducted from equalization provisions. Claims payments are deducted from first year's equalization provisions by first in first out method. Equalization provisions are presented under "other technical reserves" in the accompanying financial statements. As at the reporting date, the Company provided equalization provision amounting to TL 109.427.806 in the accompanying unconsolidated financial statements (31 December 2015: TL 81.545.727).

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

2.28 Related parties

Parties are considered related to the Company if;

(a) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company;

(b) the party is an associate of the Company;
(c) the party is a joint venture in which the Company is a venturer;
(d) the party is member of the key management personnel of the Company and its parent;
(e) the party is a close member of the family of any individual referred to in (a) or (d);
(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or
(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

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

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

2.29 Earnings per share

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

2.30 Events after the reporting date

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

2.31 New standards and interpretations not yet adopted

There are a number of new standards, updates related to the existing standards and interpretations which are not adopted in the preparation of the accompanying financial statements and have not yet entered into force for the accounting period 31 December 2016. The new standards and updates to standards is not expected to have material effect on the financial statements except for TFRS 9.

TFRS 9 Financial Instruments: Recognition and Measurement

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

The Standards and Comments Which Was Published By International Accounting Standards Board (IASB) And Was Corrected By Public Oversight, Accounting and Auditing Standards Authority (POA)

International Financial Reporting Standards (IFRS) 16 Leasing Processes

New IFRS 16 leasing processes standard has been published by IASB on 13 January 2016. The standard leasing processes have been directed by TMS 17 Leasing Processes, IFRS Annotation 4 Determining If an Agreement Involves Leasing and TMS Annotation 15 Activity Leasing - Incentives have been replaced by the aforementioned standards. Also it makes some changes in IASB Standards 40, Investment Properties standards. IFRS 16 has removed the dual accounting method which required the leasee to outline the financial leasing transactions in the balance sheet and the requirement of outlining operational leasing transactions outside the balance sheet. Instead, a singular accounting method based on balance sheet, similar to the current financial leasing accounting method has been put in place. The recognition for the leasee continues similarly to the current methods. This change will be effective as of 1 January 2019 and the annual settlement accounts after this date. Turkish Financial Reporting Standards allows early practice of this method for companies using TFRS 15 Customer Contract Revenue. The Company is assessing the standard's effect upon the financial situation and the performance.

3 Critical accounting estimates and judgments in applying accounting policies

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

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

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

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

Note 4.1 - *Management of insurance risk*
Note 4.2 - *Financial risk management*
Note 10 - *Reinsurance assets/liabilities*
Note 11 - *Financial assets*
Note 12 - *Loans and receivables*
Note 17 - *Insurance liabilities and reinsurance assets*
Note 17 - *Deferred acquisition costs*
Note 19 - *Trade and other payables, deferred income*
Note 21 - *Deferred income taxes*
Note 23 - *Provisions for other liabilities and charges*

4 Management of insurance and financial risk

4.1 Management of insurance risk

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

Potential risks that may be exposed in transactions are managed based on the requirements set out in the Company's "Risk Management Policies" issued by the approval of the Board of Directors. The main objective of risk management policies is to determine the risk measurement, assessment, and control procedures and maintain consistency between the Company's asset quality and limitations allowed by the insurance standards together with the Company's risk tolerance of the accepted risk level assumed in return for a specific consideration. In this respect, instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

Risk tolerance is determined by the Company's Board of Directors by considering the Company's long-term strategies, equity resources, potential returns and economical expectations, and it is presented by risk limitations. Authorization limitations during policy issuing include authorizations for risk acceptances granted based on geographical regions in relation to unacceptable special risks or pre-approved acceptable special risks, insurance coverage to agencies, district offices, technical offices, assistant general managers and top management in the policy issuance period and authorizations for claim payment granted to district offices, claim management administration, automobile claims administration and Claim Committee established by the managing director and assistant managing director in the claim payment period.

Whatsoever, risk acceptance is based on technical income expectations under the precautionary principle. In determining insurance coverage, policy terms and fee, these expectations are based accordingly

It is essential that all the authorized personnel in charge of executing policy issuance transactions, which is the initial phase of insurance process, should ensure to gather or provide all the accurate and complete information to issue policies in order to obtain evidence on the acceptable risks that the Company can tolerate from the related insurance transactions. On the other hand, decision to be made on risk acceptance will be possible by transferring the coverage to the reinsurers and/or co-insurers and considering the terms of the insurance policy.

In order to avoid destructive losses over company's financial structure, company transfers the exceeding portion of risks assumed over the Company's risk tolerance and equity resources through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies. Insurance coverage and policy terms of reinsurance are determined by assessing the nature of each insurance branch.

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

The case of potential claims' arising from earthquake and other catastrophic risks exceeding the maximum limit of the excess of loss agreements, such risks are treated as the primary insurance risks and are managed based on the precautionary principle. Maximum limit of excess of loss agreements is determined based on the worst case scenario on the possibility of an earthquake that Istanbul might be exposed to in terms of its severity and any potential losses incurred in accordance with the generally accepted international earthquake models. The total amount of protection for catastrophic risks of the company is identified taking into the compensation amount for an earthquake will occur in a 1000 years.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Insurance risk concentration

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

Total claims liability (*) 31 December 2016	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Motor vehicles liability (MTPL)	1.264.364.997	(25.933.527)	1.238.431.470
General liability	488.244.066	(111.244.859)	376.999.207
Fire and natural disasters	325.217.969	(153.703.822)	171.514.147
General losses	151.128.531	(99.947.796)	51.180.735
Motor vehicles	126.343.879	1.060.964	127.404.843
Marine	37.492.291	(24.183.360)	13.308.931
Accident	36.067.400	(7.972.192)	28.095.208
Air crafts liability	35.072.041	(24.770.280)	10.301.761
Water vehicles	31.629.823	(16.946.735)	14.683.088
Financial losses	15.356.973	(14.090.576)	1.266.397
Air crafts	8.603.509	(6.012.777)	2.590.732
Credit	5.412.219	(3.039.839)	2.372.380
Health	5.061.186	(227.697)	4.833.489
Legal protection	262.250	221	262.471
Total	**2.530.257.134**	**(487.012.275)**	**2.043.244.859**

Total claims liability (*) 31 December 2015	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Motor vehicles liability (MTPL)	792.901.221	(19.137.207)	773.764.014
General liability	362.417.122	(71.333.402)	291.083.720
Fire and natural disasters	325.947.406	(233.078.873)	92.868.533
General losses	135.123.261	(98.567.511)	36.555.750
Motor vehicles	121.797.869	489.732	122.287.601
Water vehicles	44.281.777	(28.552.564)	15.729.213
Marine	36.165.288	(23.526.688)	12.638.600
Accident	23.179.924	(4.057.472)	19.122.452
Financial losses	13.682.143	(12.926.920)	755.223
Air crafts liability	11.311.404	(715.949)	10.595.455
Air crafts	6.676.863	(1.487.700)	5.189.163
Health	2.435.130	(163.213)	2.271.917
Credit	2.257.355	(13.000)	2.244.355
Legal protection	801.653	(107)	801.546
Total	**1.878.978.416**	**(493.070.874)**	**1.385.907.542**

(*) Total claims liability includes outstanding claims reserve (excluding contingent amounts deducted from claims reserve determined by winning probability) and incurred but not reported claims.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Gross and net insurance risk concentrations of the insurance contracts (after reinsurance) based on geographical regions are summarized as below:

Total claims liability (*) 31 December 2016	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Turkey	1.970.302.437	(492.193.691)	1.478.108.746
Europe	369.432	(13.174)	356.258
Africa	3.266	--	3.266
Asia	499.630	(1.088)	498.542
Total	**1.971.174.765**	**(492.207.953)**	**1.478.966.812**

Total claims liability (*) 31 December 2016	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Marmara Region	1.684.106.253	(455.240.487)	1.228.865.766
Middle Anatolian Region	74.439.694	(3.516.290)	70.923.404
Aegean Region	58.354.851	(1.722.600)	56.632.251
Mediterranean Region	49.799.759	(4.489.755)	45.310.004
Black Sea Region	38.363.932	(13.035.965)	25.327.967
South East Anatolian Region	32.851.506	(8.172.880)	24.678.626
South East Anatolian Region	32.386.442	(6.015.714)	26.370.728
Total	**1.970.302.437**	**(492.193.691)**	**1.478.108.746**

(*) Total claims liability includes estimated compensation amounts for realized claims. Gross incurred but not reported claims amounting to TL 1.231.334.692, discount of outstanding claim reserves amounting to TL (569.691.609), additional provision for outstanding claims per adequacy test amounting to TL 68.300.531 outstanding claims of treaty activities which could not be distributed to geographical regions and the contingent amounts deducted from claims reserve amounting to TL (170.861.245) are excluded from the table.

Total claims liability (*) 31 December 2015	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Turkey	1.443.297.017	(463.960.502)	979.336.515
Europe	1.493.087	(68.658)	1.424.429
Africa	233.465	(156.388)	77.077
Asia	107.555	--	107.555
Total	**1.445.131.124**	**(464.185.548)**	**980.945.576**

Total claims liability (*) 31 December 2015	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Marmara Region	1.137.664.480	(412.169.503)	725.494.977
Middle Anatolian Region	74.902.822	(3.465.073)	71.437.749
Aegean Region	53.281.050	(3.272.023)	50.009.027
Mediterranean Region	52.863.005	(7.216.702)	45.646.303
Black Sea Region	42.423.121	(16.263.951)	26.159.170
East Anatolian Region	42.065.669	(12.403.542)	29.662.127
South East Anatolian Region	40.096.870	(9.169.708)	30.927.162
Total	**1.443.297.017**	**(463.960.502)**	**979.336.515**

(*) Total claims liability includes estimated compensation amounts for realized claims. Gross incurred but not reported claims amounting to TL 483.809.233 additional provision for outstanding claims per adequacy test amounting to TL 54.901.010 outstanding claims of treaty activities which could not be distributed to geographical regions and the contingent amounts deducted from claims reserve amounting to TL (104.862.951) are excluded from the table.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Given insurance collateral amounts in respect to branches

	31 December 2015	31 December 2014
Motor vehicles liability (MTPL)	5.583.713.745.062	5.815.758.509.513
Fire and natural disasters	127.483.898.693	113.337.662.301
Health	126.422.487.105	127.386.361.920
Accident	111.234.472.203	108.257.529.723
General liability	59.272.513.598	46.994.504.007
General losses	54.169.810.431	46.367.784.061
Motor vehicles	50.018.215.060	46.280.638.734
Marine	15.833.370.275	17.497.239.726
Air crafts liability	5.169.788.401	5.194.503.027
Legal protection	4.997.047.631	4.776.739.825
Water vehicles	2.323.062.746	2.115.462.411
Financial losses	692.634.277	707.337.973
Aircrafts	680.104.955	570.396.075
Total (*)	**6.142.011.150.437**	**6.335.244.669.296**

(*) Net amount which deducted share of reinsurance and social security

4.2 Management of financial risk

Introduction and overview

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

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Duties and responsibilities of the Risk Management and Internal Control Department include design and implementation of risk management system and identification and implementation of risk management policies. It is also responsible for ensuring that the Company implements all necessary risk management techniques. Activities of the Risk Management and Internal Control Department are managed directly by General Manager. The Board of Directors monitors the effectiveness of the risk management system through the internal audit department.

Risk management policies and guidelines are set by the Board of Directors and applied by the top management. These policies include organisation and scope of the risk management function, risk measurement and assessment methods, duties and responsibilities of the Board of Directors, top management and all of the employees, procedures followed in the case of limit extension and compulsory approval and confirmation processes for certain situations.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Credit Risk

Credit risk is most simply defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The balance sheet items that the Company is exposed to credit risks are as follows:

- Cash at banks
- Other cash and cash equivalents
- Available for sale financial assets (except equity-shares)
- Financial assets held for trading (except equity-shares)
- Held to maturity financial asset
- Premium receivables from policyholders
- Receivables from intermediaries (agencies)
- Receivables from reinsurance companies related to commissions and claims paid
- Reinsurance shares of insurance liability
- Receivables from related parties
- Other receivables

Reinsurance contracts are the most common method to manage insurance risk. This does not, however, discharge the Company's liability as the 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 the reinsurance contract.

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

	31 December 2016	31 December 2015
Cash and cash equivalents *(Note 14)*	3.217.511.262	2.305.010.933
Receivables from main operations *(Note 12)*	1.048.793.865	928.282.683
Financial assets *(Note 11)* (*)	606.134.613	562.261.032
Reinsurer share in provision for outstanding claims *(Note 10), (Note 17)*	487.012.275	493.070.874
Other receivables *(Note 12)*	15.540.321	12.586.556
Prepaid taxes and funds *(Note 19)*	12.441.095	22.398.667
Other prepaid expenses *(Note 12)*	4.358.898	5.577.825
Other miscellaneous current assets *(Note 12)*	185.836	257.186
Total	**5.391.978.165**	**4.329.445.756**

(*) Equity shares amounting to TL 142.475.171 are not included (31 December 2015: 118.551.481 TL).

As at 31 December 2016 and 31 December 2015, the aging of the receivables from main operations is as follows:

	31 December 2016		31 December 2015	
	Gross Amount	Provision	Gross Amount	Provision
Not past due	697.802.005	--	662.243.535	--
Past due 0-30 days	146.641.040	--	90.517.564	--
Past due 31-60 days	25.987.135	--	16.577.325	--
Past due 61-90 days	12.564.196	--	5.602.047	--
More than 90 days (*)	200.670.000	(188.860.962)	154.676.931	(150.758.235)
Total (**)	**1.083.664.376**	**(188.860.962)**	**929.617.402**	**(150.758.235)**

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

(**) Except for TL 1.083.664.376 TL (31 December 2015: 929.617.402 TL) presented under receivables from insurance operations in the financial statements, this amount also includes TL 115.810.255 (31 December 2015: 108.102.177 TL) of not-transferred amount collected by intermediaries and TL 47.016.782 (31 December 2015: 49.626.517 TL) of subrogation and salvage receivables. Subrogation receivables having past over 4 months for individuals and 6 months for legal entities but not transferred to legal follow-up amounting to TL 8.836.586 (31 December 2014: 8.305.178 TL) are excluded from the table.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

	31 December 2016	31 December 2015
Provision for receivables from insurance operations at the beginning of the period	150.758.235	113.380.507
Impairment losses provided for subrogation - salvage receivables during the period *(Note 47)*	35.926.722	36.978.505
Impairment losses provided during the period *(Note 47)*	2.758.273	748.206
Collections during the period	(582.268)	(348.983)
Provision for receivables from insurance operations at the end of the period	**188.860.962**	**150.758.235**

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments.

Management of the liquidity risk

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

Maturity distribution of monetary assets and liabilities:

31 December 2016	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Unallocated
Cash and cash equivalents	3.217.463.827	1.695.918.178	1.052.403.773	454.921.081	--	--	14.220.795
Financial assets	748.609.784	19.480.516	9.725.366	21.774.982	13.892.056	355.823.150	327.913.714
Receivables from main operations	1.048.793.865	96.847.623	439.570.619	401.277.310	99.198.545	11.899.768	--
Other receivables	15.540.321	7.183.518	1.386.489	1.628.792	3.257.583	1.749.362	334.577
Other prepaid expenses	4.358.898	129.269	--	--	--	--	4.229.629
Total monetary assets	**5.034.766.695**	**1.819.559.104**	**1.503.086.247**	**879.602.165**	**116.348.184**	**369.472.280**	**346.698.715**
Financial liabilities	134.413.473	134.413.473	--	--	--	--	--
Payables arising from main operations	449.205.545	142.812.014	--	49.905.834	256.487.697	--	--
Other liabilities	82.609.754	31.378.830	45.744.147	--	--	5.486.777	--
Insurance technical provisions (*)	2.043.244.859	160.120.169	320.240.339	180.809.484	214.124.793	1.167.950.074	--
Provisions for taxes and other similar obligations	39.526.586	39.526.586	--	--	--	--	--
Provisions for other risks and expense accruals	72.607.084	304.120	29.886.473	20.109.362	--	3.381.653	18.925.476
Total monetary liabilities	**2.821.607.301**	**508.555.192**	**395.870.959**	**250.824.680**	**470.612.490**	**1.176.818.504**	**18.925.476**

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Liquidity risk

Management of liquidity risk

31 December 2014	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Unallocated
Cash and cash equivalents	2.304.904.212	757.875.875	1.537.438.950	--	--	--	9.589.387
Financial assets	680.812.513	11.888.027	22.176.537	13.944.222	72.233.650	304.131.367	256.438.710
Receivables from main operations	928.282.683	81.504.262	345.748.838	407.774.676	82.529.424	10.725.483	--
Other receivables	12.586.556	4.260.956	1.111.564	1.612.816	3.035.319	2.207.981	357.920
Other prepaid expenses	5.577.825	--	1.348.196	--	--	--	4.229.629
Total monetary assets	**3.932.163.789**	**855.529.120**	**1.907.824.085**	**423.331.714**	**157.798.393**	**317.064.831**	**270.615.646**
Financial liabilities	210.669.647	210.669.647	--	--	--	--	--
Payables arising from main operations	339.189.344	108.657.637	41.382.701	70.857.244	118.291.762	--	--
Other liabilities	60.481.800	22.649.598	34.654.641	--	--	3.177.561	--
Insurance technical provisions (*)	1.385.907.542	193.379.758	386.759.515	157.100.713	146.675.348	501.992.208	--
Provisions for taxes and other similar obligations	37.087.955	37.087.955	--	--	--	--	--
Provisions for other risks and expense accruals	51.247.452	--	17.120.234	9.759.024	7.690.111	--	16.678.083
Total monetary liabilities	**2.084.583.740**	**572.444.595**	**479.917.091**	**237.716.981**	**272.657.221**	**505.169.769**	**16.678.083**

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

Market risk

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

Currency risk

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

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

31 December 2016	US Dollar	Euro	Other currencies	Total
Receivables from main operations	105.568.670	31.585.213	2.162.747	139.316.630
Financial assets	127.861.783	11.880.374	--	139.742.157
Cash and cash equivalents	239.406.323	73.168.517	2.884.461	315.459.301
Total foreign currency assets	**472.836.776**	**116.634.104**	**5.047.208**	**594.518.088**
Insurance technical provisions	179.845.158	50.177.535	915.993	230.938.686
Payables arising from main operations	165.014.054	52.038.624	79.122	217.131.800
Total foreign currency liabilities	**344.859.212**	**102.216.159**	**995.115**	**448.070.486**
Net financial position	**127.977.564**	**14.417.945**	**4.052.093**	**146.447.602**

31 December 2015	US Dollar	Euro	Other currencies	Total
Receivables from main operations	185.603.152	59.359.667	3.747.550	248.710.369
Financial assets	17.469.980	11.206.804	--	28.676.784
Cash and cash equivalents	174.413.814	7.810.072	2.552.838	184.776.724
Total foreign currency assets	**377.486.946**	**78.376.543**	**6.300.388**	**462.163.877**
Insurance technical provisions	126.270.805	32.537.953	1.139.896	159.948.654
Payables arising from main operations	129.628.522	8.029.263	(158.758)	137.499.027
Total foreign currency liabilities	**255.899.327**	**40.567.216**	**981.138**	**297.447.681**
Net financial position	**121.587.619**	**37.809.327**	**5.319.250**	**164.716.196**

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

If technical provision denominated in any currency not specified, ıt is evaluated are evaluated by the Central Bank of the Republic of Turkey's spot sales rates as at 31 December 2016 (31 December 2015: spot sales rate) and Foreign currency transactions are recorded at the foreign exchange rates ruling at the dates of the transactions and foreign currency denominated monetary items are evaluated by the Central Bank of the Republic of Turkey's spot purchase rates as at 31 December 2016 (31 December 2015: spot purchase rate.)

Exposure to currency risk

Foreign currency rates used for the translation of foreign currency denominated assets and liabilities as at 31 December 2016 and 31 December 2015 are as follows:

	US Dollar	Euro
31 December 2016	3,5192	3,7099
31 December 2015	2,9076	3,1776

A 10 percent depreciation of the TL against the following currencies as at 31 December 2016 and 31 December 2015 would have increased or decreased equity and profit or loss (excluding tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 10 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

	31 December 2016		31 December 2015	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	12.797.756	12.570.486	12.099.615	12.158.762
Euro	1.441.795	1.441.795	3.780.933	3.780.933
Other	405.209	405.209	531.925	531.925
Total, net	**14.644.760**	**14.417.490**	**16.412.473**	**16.471.620**

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

Exposure to financial risk

Exposure to interest risk

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

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

	31 December 2016	31 December 2015
Financial assets with fixed interest rates:		
Available for sale financial assets - Other *(Note 11)*	4.308.334	11.888.027
Cash at banks *(Note 14)*	2.781.686.316	1.928.245.489
Other-financial liabilities	(134.413.473)	(210.669.647)
Available for sale financial assets - Government bonds *(Note 11)*	267.176.904	310.377.056
Available for sale financial assets - Private debt securities *(Note 11)*	53.881.169	25.540.683
Cash deposited to insurance and reinsurance companies *(Note 12)*	12.604.316	7.840.311
Financial assets with variable interest rates:		
Available for sale financial assets - Government bonds *(Note 11)*	34.226.660	34.236.829
Available for sale financial assets - Private debt securities *(Note 11)*	45.017.578	25.877.633
Financial assets held for trading - Government bonds (Note 11)	913.243	898.362
Held to maturity investments - Government bonds (Note 11)	15.172.182	15.555.214

(*) Demand deposits amounting to TL 14.220.795 are not included (31 December 2015: 9.589.387 TL).

Interest rate sensitivity of the financial instruments

Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income for the periods ended 31 December 2016 and 2015 of the floating rate non-trading financial assets and financial liabilities held at 31 December 2016 and 2015. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The table below demonstrating the effect of changes in interest rates on statement of income and equity excludes tax effects on related loss or income.

	Profit or loss		Equity (*)	
31 December 2016	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets held for trading	(6.560)	6.669	(6.560)	6.669
Available for sale financial assets	--	--	(7.417.571)	7.837.571
Total, net	**(6.560)**	**6.669**	**(7.424.131)**	**7.844.240**

(*) Equity effect also includes profit or loss effect.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

	Profit or loss		Equity (*)	
31 December 2015	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets held for trading	(1.842)	1.889	(1.842)	1.889
Available for sale financial assets	--	--	(3.958.553)	4.116.851
Total, net	**(1.842)**	**1.889**	**(3.960.395)**	**4.118.740**

(*) Equity effect also includes profit or loss effect.

Fair value information

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

The Company has classified its financial assets as held for trading, available for sale or held to maturity. As at the reporting date, available for sale financial assets and financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying unconsolidated financial statements. Equity shares not traded in active markets are measured at cost less impairment losses if any. Held to maturity investments with a carrying amount of TL 15.172.182 (31 December 2015: 15.555.214 TL) are measured at amortised cost and their fair value amounting to TL 15.168.262 TL (31 December 2015: 14.936.855 TL) as at 31 December 2016. As of 31 December 2016 and 31 December 2015 the Company's fair value classification of financial assets held to the maturity is 1. Level.

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

Fair value sensitivity of the equities

Equity price risk is the risk that the fair values of equities decrease as a result of the changes in the levels of equity indices and the value of individual stocks.

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

	31 December 2016		31 December 2015	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
Financial assets held for trading	(3.778.444)	(3.778.444)	(265.467)	(265.467)
Available for sale financial assets	--	(10.469.073)	--	(11.486.174)
Associates	--	(42.742.000)	--	(49.528.000)
Total, net	**(3.778.444)**	**(56.989.517)**	**(265.467)**	**(61.279.641)**

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Classification of fair value measurements

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

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

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

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

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

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

	31 December 2016			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Associates *(Note 9)*	427.420.000	--	--	**427.420.000**
Financial assets held for trading *(Note 11)*	67.520.258	60.360.746	--	**127.881.004**
Available for sale financial assets (*) *(Note 11)*	445.004.068	159.492.559	358.464	**604.855.091**
Total financial assets	**939.944.326**	**219.853.305**	**358.464**	**732.736.095**
	31 December 2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Associates *(Note 9)*	495.280.000	--	--	**495.280.000**
Financial assets held for trading *(Note 11)*	96.232.135	--	--	**96.232.135**
Available for sale financial assets (*) *(Note 11)*	567.990.094	--	358.464	**568.348.558**
Total financial assets	**1.159.502.229**	**--**	**358.464**	**1.159.860.693**

(*) As at 31 December 2016, securities that are not publicly traded and the determination of fair values could not be obtained reliably amounting to TL, 701.507 have been measured at cost (31 December 2014: 676.606 TL).

The following table shows the fair value measurements financial assets available for sales which classified as Level 3:

	31 December 2016	31 December 2015
Financial assets available for sale beginning of the period	**358.464**	**3.297.263**
Capital increase by bonus issue	--	42.626
Avea İletişim Hizmetleri A.Ş. sale of shares	--	(2.981.425)
Financial assets available for sale ending of the period	**358.464**	**358.464**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Gains and losses from financial assets

Gains and losses recognized in the statement of income:	31 December 2015	31 December 2014
Interest income from bank deposits	251.980.134	168.846.805
Foreign exchange gains	134.101.122	109.289.546
Income from investments in associates	24.000.000	18.000.000
Income from equity shares classified as available-for-sale financial assets	30.555.552	32.656.433
Income from equity shares classified as trading financial assets	109.741	74.661
Income from debt securities classified as held to maturity financial investments	1.494.265	3.511.381
Income from equity shares classified as available-for-sale financial assets	11.944.564	12.782.052
Income from equity shares classified as trading financial assets	6.762.828	430.223
Income from investment funds as available for sale financial assets	2.497.586	498.879
Income from investment funds as trading financial assets	8.720.045	6.817.395
Income from derivative transactions	4.432.112	674.700
Other	1.530.171	1.318.055
Investment income	**478.128.120**	**354.900.130**
Loss from valuation of financial assets	(1.643.638)	(2.824.154)
Foreign exchange losses	(76.942.491)	(61.168.299)
Loss from derivative transactions	(3.616.449)	(74.638)
Loss from disposal of financial assets	(15.270.224)	(9.629.064)
Investment expenses - including interest	(756.432)	(939.230)
Investment expenses	**(98.229.234)**	**(74.635.385)**
Financial gains and losses recognized in the statement of income, net	**379.898.886**	**280.264.745**

Financial gains and losses recognized in equity:	31 December 2015	31 December 2014
Fair value changes in investments in associates *(Note 15)*	(47.860.000)	115.880.000
Net gains transferred from statement of equity to the statement of income on disposal of available for sale financial assets *(Note 15)*	4.104.171	617.378
Fair value changes in available-for-sale financial assets *(Note 15)*	(23.018.263)	(22.500.629)
Gains and losses recognized in equity, net	**(66.774.092)**	**93.996.749**

Capital management

The Company's capital management policies include the following:

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

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies" issued by Turkish Treasury on 19 January 2008 dated and 26761 numbered; the Company measured its minimum capital requirement as TL 1.077.219.458 as at 30 June 2016. As at 30 June 2016, the capital amount of the Company presented in the unconsolidated financial statements are above the minimum capital requirement amounts calculated according to the communiqué.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

5 Segment reporting

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

Business segment

A business segment reporting of the Company is presented in accordance with TFRS 8 - *Operating Segments* standard in this section.

Insurance on Fire and Natural Disaster

Insurance on fire and natural disasters covers material damages occurred due to fire, lightening, explosion or smoke, steam and temperature resulted from fire, lightning and explosion up to insurance policy limits.

Motor Third Party Liability Insurance

According to the Motorway Traffic Code numbered 2918, Motor Third Party Liability Insurance is covers vehicle owner's legal liability for all bodily damages to third persons and financial damages to other vehicles.

Damages caused by the trailer or semi-trailers (included light trailers) or the vehicles pulled is covered by the insurance of the trailer. However, the trailers used for transportation of people should be included in an additional liability insurance in order to obtain coverage.

In order to reduce and prevent the damage in the accident happened, reasonable and necessary expenses of the policyholder is compensated by the Company. This insurance also covers unfair claims against the policyholders.

Motor Vehicles

Insurance on motor vehicles covers the following dangers related with vehicles. It is possible to widen policy scope for accessories or audio, display and communication devices which are not included in standard version of the vehicle by specifying on the insurance policy.

- Accident with the motorized or non-motorized vehicles which used in high-ways,
- Crash with fixed or moving items without desire of the driver or accidents due to crash, capsize, fall or tumble
- The actions of third parties resulted from bad intention or mischief,
- Burn,
- Theft or attempted theft.

Health

Insurance on health compensates treatment costs of illnesses or accidental injuries during the period of insurance and, if any, daily allowances in this general framework with special conditions up to the amount written in the policy. Geographical limits of the insurance are stated in the policy.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Geographical segment

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

	Motor third party liability	Health	Motor vehicles	Fire and natural disasters	Other	Unallocated	Total
1 January - 31 December 2016							
1- Earned Premiums (Net of Reinsurer Share)	1.227.755.087	344.782.017	885.913.041	274.182.843	419.595.214	--	3.152.228.202
1.1- Written Premiums (Net of Reinsurer Share)	1.419.110.799	377.422.354	895.629.815	312.094.631	443.071.056	--	3.447.328.655
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	(191.355.712)	(32.640.337)	(9.716.774)	(37.911.788)	(29.396.525)	--	(301.021.136)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	--	--	--	--	5.920.683	--	5.920.683
2- Other Technical Income (Net of Reinsurer Share)	47.999	218.979	3.528.594	(37.092)	19.218	--	3.777.698
3- Accrued Salvage and Subrogation Income	18.638.929	--	4.412.959	5.005.892	3.321.026	--	31.378.806
Technical Income (*)	**1.246.442.015**	**345.000.996**	**893.854.594**	**279.151.643**	**422.935.458**	**--**	**3.187.384.706**
1- Incurred Losses (Net of Reinsurer Share)	(1.124.709.925)	(280.614.505)	(617.259.111)	(211.289.305)	(291.481.026)	--	(2.525.353.872)
1.1- Claims Paid (Net of Reinsurer Share)	(660.042.471)	(278.052.934)	(612.141.869)	(132.643.690)	(185.135.591)	--	(1.868.016.555)
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	(464.667.454)	(2.561.571)	(5.117.242)	(78.645.615)	(106.345.435)	--	(657.337.317)
2- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	--	--	(5.280.491)	(18.587.421)	(4.014.167)	--	(27.882.079)
3- Operating Expenses	(269.946.353)	(73.163.671)	(211.669.248)	(84.373.193)	(103.394.274)	--	(742.546.739)
4- Other Technical Provisions	(22.900.231)	(9.950.488)	(58.110.456)	(16.389.358)	(6.536.827)	--	(113.887.360)
Technical Expense	**(1.417.556.509)**	**(363.728.664)**	**(892.319.306)**	**(330.639.277)**	**(405.426.294)**	**--**	**(3.409.670.050)**
Investment Income						487.727.181	487.727.181
Investment Expense (*)						(125.245.042)	(125.245.042)
Other (**)						(36.173.421)	(36.173.421)
Net loss before tax							**104.023.374**
Income tax						(16.156.051)	(16.156.051)
Net loss							**87.867.323**

(*) Investment income transferred to non-technical section from technical section amounting to TL 379.849.157 is not included.

(**) Deferred tax income amounting TL 7.160.762 is presented as income tax.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

	Motor third party liability	Health	Motor vehicles	Fire and natural disasters	Other	Unallocated	Total
1 January - 31 December 2015							
1- Earned Premiums (Net of Reinsurer Share)	762.001.651	290.123.192	791.787.471	242.188.093	435.253.878	--	2.521.354.285
1.1- Written Premiums (Net of Reinsurer Share)	933.836.452	301.804.016	843.260.116	261.519.107	439.337.763	--	2.779.757.454
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	(171.834.801)	(11.680.824)	(51.472.645)	(19.331.014)	(37.978.017)	--	(292.297.301)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	--	--	--	--	33.894.132	--	33.894.132
2- Other Technical Income (Net of Reinsurer Share)	43.367	248.437	5.491.360	106.912	42.847	--	5.932.923
3- Accrued Salvage and Subrogation Income	16.439.013	(5.072)	19.591.103	6.020.766	14.387.303	--	56.433.113
Technical Income (*)	**778.484.031**	**290.366.557**	**816.869.934**	**248.315.771**	**449.684.028**	**--**	**2.583.720.321**
1- Incurred Losses (Net of Reinsurer Share)	(806.999.557)	(249.811.507)	(588.829.058)	(154.540.083)	(256.570.622)	--	(2.056.750.827)
1.1- Claims Paid (Net of Reinsurer Share)	(553.597.698)	(249.423.079)	(551.597.881)	(120.821.205)	(209.591.523)	--	(1.685.031.386)
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	(253.401.859)	(388.428)	(37.231.177)	(33.718.878)	(46.979.099)	--	(371.719.441)
2- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	--	--	(4.524.662)	(13.431.353)	(3.039.836)	--	(20.995.851)
3- Operating Expenses	(193.371.257)	(58.075.656)	(190.322.001)	(70.014.458)	(93.540.701)	--	(605.324.073)
4- Other Technical Provisions	(14.368.726)	(9.773.575)	(32.811.780)	(10.192.417)	(6.411.869)	--	(73.558.367)
Technical Expense	**(1.014.739.540)**	**(317.660.738)**	**(816.487.501)**	**(248.178.311)**	**(359.563.028)**	**--**	**(2.756.629.118)**
Investment Income						368.012.898	368.012.898
Investment Expense (*)						(105.871.665)	(105.871.665)
Other (**)						(17.146.341)	(17.146.341)
Net loss before tax						**72.086.095**	**72.086.095**
Income tax						(8.279.853)	(8.279.853)
Net loss							**63.806.242**

(*) Investment income transferred to non-technical section from technical section amounting to TL 276.542.615 is not included.

(**) Deferred tax income amounting TL 6.509.894 is presented as income tax.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

6 Tangible assets

Movements in tangible assets in the period from 1 January to 31 December 2016 are presented below:

	1 January 2016	Additions	Disposal	Difference of valuation	31 December 2016
Cost:					
Investment properties *(Note 7)*	54.343.600	9.243	(65.000)	7.887.157	62.175.000
Buildings for own use	11.532.400	103.958	--	735.895	12.372.253
Machinery and equipment	41.909.394	8.714.053	(1.589.650)	--	49.033.797
Furniture and fixtures	12.253.700	1.922.765	(458.914)	--	13.717.551
Motor Vehicles	619.736	--	--	--	619.736
Other tangible assets (including leasehold improvements)	20.322.655	2.659.763	--	--	22.982.418
Leased tangible assets	4.166.354	--	(298.017)	--	3.868.337
	145.147.839	**13.409.782**	**(2.411.581)**	**8.623.052**	**164.769.092**
Accumulated depreciation:					
Buildings for own use	33.579	101.901	--	(76.798)	58.682
Machinery and equipment	29.623.190	5.481.559	(1.563.452)	--	33.541.297
Furniture and fixtures	9.976.214	842.285	(442.703)	--	10.375.796
Motor vehicles	280.232	116.804	--	--	397.036
Other tangible assets (including leasehold improvements)	10.206.266	3.631.924	--	--	13.838.190
Leased tangible assets	4.166.354	--	(298.017)	--	3.868.337
	54.285.835	**10.174.473**	**(2.304.172)**	**(76.798)**	**62.079.338**
Carrying amounts	**90.862.004**				**102.689.754**

Company's property for own use is valuated over fair value as of 2016 year-end and subjected to valuation in this context. Expertise reports regarding this property are prepared by CMB licenced Property Valuation Company in December 2016. There is not any hypothec over Company's property for use.

As of 31 December 2016 and 2015, property for use's fair value (except VAT) and net book value is as following:

Landings and Buildings For Use	Expertise date	Expertise value	Net Book Value (31 December 2016)	Net Book Value (31 December 2015)
İzmir Regional Office	December 2016	8.675.000	8.669.647	7.938.011
Adana Regional Office	December 2015	1.842.253	1.825.031	1.745.694
Lefkoşe Kıbrıs Branch	December 2015	720.000	706.286	716.571
Adana Office	December 2016	455.000	454.719	423.935
Others	December 2015	680.000	657.887	674.610
Total		**12.372.253**	**12.313.570**	**11.498.821**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Fair value measurement

Fair value of landings and buildings for use is determined by equivalence value method. Fair value measurement of landings and buildings for use those fair value is determined by equivalence value method is reclassified as Level 2.

Movements in tangible assets in the period from 1 January to 31 December 2015 are presented below:

	1 January 2015	Additions	Transfer	Disposal	Difference of valuation	31 December 2015
Cost:						
Investment properties *(Note 7)*	36.242.000	59.500	10.584.507	--	7.457.593	54.343.600
Buildings for own use	6.788.733	304.228	(10.584.507)	--	15.023.946	11.532.400
Machinery and equipment	34.554.018	7.449.593	--	(94.217)	--	41.909.394
Furniture and fixtures	11.775.416	596.516	--	(118.232)	--	12.253.700
Motor Vehicles	1.362.223	--	--	(742.487)	--	619.736
Other tangible assets (including leasehold improvements)	19.401.127	921.528	--	--	--	20.322.655
Leased tangible assets	4.166.354	--	--	--	--	4.166.354
	114.289.871	**9.331.365**	**--**	**(954.936)**	**22.481.539**	**145.147.839**
Accumulated depreciation:						
Buildings for own use	2.041.475	33.579	--	--	(2.041.475)	33.579
Machinery and equipment	25.913.753	3.776.154	--	(66.717)	--	29.623.190
Furniture and fixtures	9.395.902	692.013	--	(111.701)	--	9.976.214
Motor vehicles	773.729	113.404	--	(606.901)	--	280.232
Other tangible assets (including leasehold improvements)	6.853.450	3.352.816	--	--	--	10.206.266
Leased tangible assets	4.166.304	50	--	--	--	4.166.354
	49.144.613	**7.968.016**	**--**	**(785.319)**	**(2.041.475)**	**54.285.835**
Carrying amounts	**65.145.258**					**90.862.004**

(*)Property for own usage is shown as fair value as of third quarter of 2015 and presented as cost value in previous periods.

There is not any mortgage over tangible assets of the Company as at 31 December 2016 and 31 December 2015.

7 Investment properties

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

Investment property is presented by fair value method as of 31 December 2016 and 2015 on balance sheet.

Company's investment property expertise report prepared by independent professional valuation specialists authorized by Capital Markets Board. From investment property, TL 1.695.904 amount of rent income is obtained in current accounting period (31 December 2015: TL 1.797.989)

Details of investment properties and the fair values are as follows Expertise reports regarding these property is prepared by independent professional valuation specialists authorized by CMB in December 2016. There is not any hypothec on related property.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

	Expertise and net book value	
Investment land and buildings	Net book value 31 December 2016	Net book value 31 December 2015
Building/İzmir	29.325.000	26.542.600
Building/Mersin	19.500.000	16.300.000
Building/İzmir	10.400.000	8.670.000
Building/Bursa	2.140.000	2.000.000
Building/Adana	650.000	600.000
Other	160.000	231.000
Expertise and net book value	**62.175.000**	**54.343.600**

Fair value measurement

Fair value of investment property is determined by equivalence value method. Fair value measurement of investment property those fair value is determined by equivalence value method is reclassified as Level 2.

8 Intangible assets

Movements in intangible assets in the period from 1 January to 31 December 2016 are presented below:

	1 January 2015	Additions	Transfers	Disposals	31 December 2015
Cost:					
Goodwill	16.250.000	--	--	--	16.250.000
Advances given for intangible assets	9.435.347	17.256.440	(14.959.548)	--	11.732.239
Other intangible assets	93.201.169	3.028.586	14.959.548	(78.437)	111.110.866
	118.886.516	**20.285.026**	**--**	**(78.437)**	**139.093.105**
Accumulated amortization:					
Other intangible assets	66.877.216	16.938.782	--	(59.168)	83.756.830
	66.877.216	**16.938.782**	**--**	**(59.168)**	**83.756.830**
Carrying amounts	**52.009.300**				**55.336.275**

Movements in intangible assets in the period from 1 January to 31 December 2015 are presented below:

	1 January 2015	Additions	Transfers	Disposals	31 December 2015
Cost:					
Goodwill	16.250.000	--	--	--	16.250.000
Advances given for intangible assets	1.729.378	11.110.660	(3.404.691)	--	9.435.347
Other intangible assets	88.079.901	1.716.577	3.404.691	--	93.201.169
	106.059.279	**12.827.237**	**--**	**--**	**118.886.516**
Accumulated amortization:					
Other intangible assets	43.804.438	23.190.615	(117.837)	--	66.877.216
	43.804.438	**23.190.615**	**(117.837)**	**--**	**66.877.216**
Carrying amounts	**62.254.841**				**52.009.300**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

9 Investments in associates

	31 December 2016		31 December 2015	
	Carrying value	Participation rate	Carrying value	Participation rate
Anadolu Hayat Emeklilik A.Ş.	427.420.000	20,0%	495.280.000	20,0%
Investments in associates, net	**427.420.000**		**495.280.000**	
Total financial assets *(Note 4.2)*	**427.420.000**		**495.280.000**	

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the period	Audited or not	Period
Anadolu Hayat Emeklilik A.Ş. (consolidated)	14.397.471.747	866.644.377	101.780.905	191.256.870	Audited	31 December 2016

In the current period, the Company has bonus stocks amounting to TL 4.000.000 owing to capital expenditure from internal resources in income from subsidiaries. The Company has TL 20.000.000 of dividend income from subsidiaries.

10 Reinsurance assets and liabilities

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

Reinsurance assets	31 December 2016	31 December 2015
Provision for outstanding claims, ceded *(Note 4.2), (Note 17)*	487.012.275	493.070.874
Reserve for unearned premiums, ceded (Note 17)	400.082.643	341.649.490
Reinsurers share in the provision for ongoing risk *(Note 17)*	3.455.888	12.046.675
Cash deposited to reinsurance companies *(Note 12)*	12.604.316	7.840.311
Reinsurers share in the provision for subrogation and salvage receivables	252.027	218.531
Commission income accrual from reinsurers	--	159.943
Total	**903.407.149**	**854.985.824**

There is no impairment losses recognised for reinsurance assets.

Reinsurance liabilities	31 December 2016	31 December 2015
Payables to the reinsurers related to premiums written *(Note 19)*	259.564.344	188.370.605
Deferred commission income *(Note 19)*	58.640.768	54.739.019
Commission payables to the reinsurers related to written premiums *(Note 23)*	7.963.322	2.237.886
Cash deposited by reinsurance companies *(Note 19)*	5.624.583	4.365.775
Total	**331.793.017**	**249.713.285**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements
As at 31 December 2016

(Currency: Turkish Lira (TL))

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

	31 December 2016	31 December 2015
Premiums ceded during the period *(Note 17)*	(885.937.607)	(731.404.966)
Reserve for unearned premiums, ceded at the beginning of the period *(Note 17)*	(341.649.490)	(294.929.264)
Reserve for unearned premiums, ceded at the end of the period *(Note 17)*	400.082.643	341.649.490
Premiums earned, ceded *(Note 17)*	**(827.504.454)**	**(684.684.740)**
Claims paid, ceded during the period *(Note 17)*	367.998.753	256.117.378
Provision for outstanding claims, ceded at the beginning of the period *(Note 17)*	(493.070.874)	(229.799.663)
Provision for outstanding claims, ceded at the end of the period *(Note 17)*	487.012.275	493.070.874
Claims incurred, ceded *(Note 17)*	**361.940.154**	**519.388.589**
Commission income accrued from reinsurers during the period	121.039.356	107.002.636
Deferred commission income at the beginning of the period	54.739.019	45.447.065
Deferred commission income at the end of the period	(58.640.768)	(54.739.019)
Commission income earned from reinsurers	**117.137.607**	**97.710.682**
Commission debt accrued to reinsurers	**(7.963.322)**	**(2.237.886)**
Commission receivable accrued from reinsurers	**--**	**159.943**
Total, net	**(356.390.015)**	**(69.663.412)**

11 Financial assets

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

	31 December 2016	31 December 2015
Available for sale financial assets	605.652.540	569.121.106
Held to maturity financial assets	15.172.182	15.555.214
Financial assets held for trading	127.881.004	96.232.135
Impairment loss on available for sale financial assets	(95.942)	(95.942)
Total	**748.609.784**	**680.812.513**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

	31 December 2015			
	Face Value	Cost	Fair Value	Carrying Value
Debt instruments:				
Government bonds - TL	238.176.176	231.057.437	236.128.110	236.128.110
Private sector bonds - TL	35.580.000	35.580.863	36.312.418	36.312.418
Issued by İş Gayrimenkul Yatırım Ortaklığı A.Ş. (Note 45)	15.000.000	15.000.000	15.543.150	15.543.150
Others	20.580.000	20.580.863	20.769.268	20.769.268
Government bonds - USD	57.714.880	65.861.358	65.275.454	65.275.454
Private sector bonds - USD	61.656.384	61.591.055	62.586.329	62.586.329
Issued by Türkiye Sınai Kalkınma Bankası A.Ş. (Note 45)	6.897.632	6.985.364	7.050.254	7.050.254
Others	54.758.752	54.605.691	55.536.075	55.536.075
	393.127.440	**394.090.713**	**400.302.311**	**400.302.311**
Other non-fixed income financial assets:				
Investment funds	2.196.392.646	91.851.625	100.563.559	100.563.559
Issued by İş Portföy Yönetimi A.Ş (Note 45)	2.196.392.646	91.851.625	100.563.559	100.563.559
Equity shares	66.438.199	79.353.281	104.786.670	104.786.670
Impairment loss on Equity shares	--	--	(95.942)	(95.942)
	2.262.830.845	**171.204.906**	**205.254.287**	**205.254.287**
Total available for sale financial assets *(Note 4.2)*	**2.655.958.285**	**565.295.620**	**605.556.598**	**605.556.598**

	31 December 2015			
	Face Value	Cost	Fair Value	Carrying Value
Debt instruments:				
Government bonds - TL	347.622.931	341.176.972	344.613.885	344.613.885
Private sector bonds - TL	33.660.000	33.339.144	33.948.336	33.948.336
Issued by İş Faktoring A.Ş. (Note 45)	5.800.000	5.479.144	5.522.064	5.522.064
Issued by İş Finansal Kiralama A.Ş. (Note 45)	5.000.000	5.000.000	5.046.154	5.046.154
Issued by İş Gayrimenkul Yatırım Ortaklığı A.Ş. (Note 45)	14.360.000	14.360.000	14.749.064	14.749.064
Others	8.500.000	8.500.000	8.631.054	8.631.054
Private sector bonds - USD	17.649.132	17.267.984	17.469.980	17.469.980
Issued by Türkiye Sınai Kalkınma Bankası A.Ş. (Note 45)	5.698.896	5.807.175	5.843.739	5.843.739
Others	11.950.236	11.460.809	11.626.241	11.626.241
	398.932.063	**391.784.100**	**396.032.201**	**396.032.201**
Other non-fixed income financial assets:				
Investment funds	4.341.424.158	57.573.560	57.096.156	57.096.156
Issued by İş Portföy (Note 45)	4.340.847.658	57.346.386	56.859.827	56.859.827
Others	576.500	227.174	236.329	236.329
Equity shares	61.252.064	87.528.612	115.992.749	115.992.749
Impairment loss on Equity shares	--	--	(95.942)	(95.942)
	4.402.676.222	**145.102.172**	**172.992.963**	**172.992.963**
Total available for sale financial assets *(Note 4.2)*	**4.801.608.285**	**536.886.272**	**569.025.164**	**569.025.164**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

	31 December 2016			
	Face Value	Cost	Fair Value	Carrying Value
Debt instruments:				
Government bonds - TL	900.000	902.576	913.243	913.243
Other - TL		4.306.508	4.308.334	4.308.334
	900.000	**5.209.084**	**5.221.577**	**5.221.577**
Other non-fixed income financial assets:				
Investment funds	3.099.336.845	55.064.774	78.225.348	78.225.348
Founded by İş Portföy Yönetimi A.Ş. (Note 45)	3.099.246.714	47.260.774	66.344.974	66.344.974
Founded by İşbank AG (Note 45)	90.131	7.804.000	11.880.374	11.880.374
Equity shares	12.318.597	37.936.869	37.784.443	37.784.443
Other	--	6.646.566	6.649.636	6.649.636
	3.111.655.442	**99.648.209**	**122.659.427**	**122.659.427**
Total financial assets held for trading *(Note 4.2)*	**3.112.555.442**	**104.857.293**	**127.881.004**	**127.881.004**

	31 December 2015			
	Face Value	Cost	Fair Value	Carrying Value
Debt instruments:				
Government bonds - TL	900.000	905.152	898.362	898.362
Other - TL		11.884.791	11.888.027	11.888.027
	900.000	**12.789.943**	**12.786.389**	**12.786.389**
Other non-fixed income financial assets:				
Investment funds	3.804.277.022	63.837.754	80.791.072	80.791.072
Founded by İş Portföy Yönetimi A.Ş. (Note 45)	3.804.186.891	56.033.754	69.584.268	69.584.268
Founded by İşbank AG (Note 45)	90.131	7.804.000	11.206.804	11.206.804
Equity shares	2.137.783	3.664.047	2.654.674	2.654.674
	3.806.414.805	**67.501.801**	**83.445.746**	**83.445.746**
Total financial assets held for trading *(Note 4.2)*	**3.807.314.805**	**80.291.744**	**96.232.135**	**96.232.135**

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

	31 December 2016			
	Face Value	Cost	Fair Value	Carrying Value
Debt instruments:				
Government bonds - TL	14.866.200	14.870.978	15.168.262	15.172.182
Total financial assets held to maturity	**14.866.200**	**14.870.978**	**15.168.262**	**15.172.182**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

	31 December 2015			
	Face Value	Cost	Fair Value	Carrying Value
Debt instruments:				
Government bonds - TL	14.866.200	14.890.092	14.936.855	15.555.214
Total financial assets held to maturity	**14.866.200**	**14.890.092**	**14.936.855**	**15.555.214**

All debt instruments (financial assets held to maturity) presented above are publicly traded in active markets.

As at 31 December 2016, equity shares classified as available for sale financial assets with a carrying amount of TL 1.059.970 TL are not publicly traded (31 December 2014: 1.035.070 TL).

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

There is no financial asset that is overdue but not impaired among the Company's financial investments portfolio. As at 31 December 2016, TL 95.942 of impairment loss is recognised for equity shares classified as available for sale in the accompanying unconsolidated financial statements (31 December 2015: 95.942 TL).

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

Year	Change in value increase (decrease)	Total increase in value
2016	(66.774.092)	363.889.473
2015	93.996.749	430.663.565
2014	124.430.901	336.666.816

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

	31 December 2016			
	Trading (*)	Available for sale	Held to maturity	Total
Balance at the beginning of the period	**84.344.108**	**569.025.164**	**15.555.214**	**668.924.486**
Acquisitions during the period	243.494.173	599.866.185	--	843.360.358
Disposals (sale and redemption)	(216.906.226)	(626.556.811)	(1.513.379)	(844.976.416)
Change in the fair value of financial assets *(Note 15)*	12.381.923	55.362.432	--	67.744.355
Change in amortized cost of the financial assets	--	--	1.130.347	1.130.347
Bonus shares acquired	258.692	7.859.628	--	8.118.320
Balance at the end of the period	**123.572.670**	**605.556.598**	**15.172.182**	**744.301.450**

(*) Amount of reverse repo to TL 4.308.334 (31 December 2015: 11.888.027 TL) are excluded.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

	31 December 2015			
	Trading (*)	Available for sale	Held to maturity	Total
Balance at the beginning of the period	**128.167.452**	**436.343.177**	**73.670.047**	**638.180.676**
Acquisitions during the period	10.000.000	599.793.354	--	609.793.354
Disposals (sale and redemption)	(58.662.297)	(497.664.595)	(61.626.214)	(617.953.106)
Change in the fair value of financial assets *(Note 15)*	4.838.953	24.897.206	--	29.736.159
Change in amortized cost of the financial assets	--	--	3.511.381	3.511.381
Bonus shares acquired	--	5.656.022	--	5.656.022
Balance at the end of the period	**84.344.108**	**569.025.164**	**15.555.214**	**668.924.486**

(*) Amount of reverse repo to TL 11.888.027 (31 December 2014: TL 5.887.281) are excluded.

Financial assets blocked in favour of the Turkish Treasury as a guarantee for the insurance activities are as follows.

	31 December 2016			
	Face Value	Cost	Fair Value	Carrying Value
Held to maturity financial assets *(Note 17)*	14.866.200	14.870.978	15.168.262	15.172.182
Total	**14.866.200**	**14.870.978**	**15.168.262**	**15.172.182**

	31 December 2015			
	Face Value	Cost	Fair Value	Carrying Value
Held to maturity financial assets *(Note 17)*	14.866.200	14.890.092	14.936.855	15.555.214
Total	**14.866.200**	**14.890.092**	**14.936.855**	**15.555.214**

12 Loans and receivables

	31 December 2016	31 December 2015
Receivables from main operations *(Note 4.2)*	1.048.793.865	928.282.683
Other receivables *(Note 4.2)*	15.540.321	12.586.556
Income prepaid expenses *(Note 4.2), (Note 10)*	4.358.898	5.577.825
Other current assets *(Note 4.2)*	185.836	257.186
Total	**1.068.878.920**	**946.704.250**
Short-term receivables	1.067.129.558	944.496.269
Long and medium-term receivables	1.749.362	2.207.981
Total	**1.068.878.920**	**946.704.250**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

	31 December 2016	31 December 2015
Receivables from agencies, brokers and intermediaries	786.165.652	690.773.097
Salvage and subrogation receivables	47.016.782	49.626.517
Receivables from policyholders	46.488.848	34.014.724
Long term receivable which is bank guarantee and three months credit card	105.184.248	94.861.111
Total receivables from insurance operations, net	**984.855.530**	**869.275.449**
Receivables from reinsurance operations	60.170.605	59.472.101
Cash deposited to insurance and reinsurance companies *(Note 4.2), (Note 10)*	12.604.316	7.840.311
Provisions for receivables from insurance operations - subrogation receivables	(8.836.586)	(8.305.178)
Doubtful receivables from insurance operations - subrogation receivables	159.550.493	123.623.771
Provisions for doubtful receivables from insurance operations - subrogation receivables *(Note 4.2)*	(159.550.493)	(123.623.771)
Doubtful receivables from main operations - premium receivables	29.310.469	27.134.464
Provisions for doubtful receivables from main operations - premium receivables *(Note 4.2)*	(29.310.469)	(27.134.464)
Receivables from main operations	**1.048.793.865**	**928.282.683**

As at 31 December 2016 and 31 December 2015, the details of mortgages and other guarantees for the Company's receivables are presented below:

	31 December 2016	31 December 2015
Letters of guarantees	103.289.621	79.333.111
Mortgages notes	80.884.673	70.149.267
Other guarantees	47.293.518	17.322.671
Government bonds and treasury bills	2.902.263	2.951.479
Total	**234.370.075**	**169.756.528**

Provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): 29.310.469 TL (31 December 2015: 27.134.464 TL).

b) Provision for subrogation receivables under legal or administrative follow up: 168.387.079 TL (31 December 2015: 131.928.949 TL).

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

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

13 Derivative financial instruments

As of 31 December 2016, The Company has a total of 6.649.637 TL categorized as marketable securities in the trade book (31 December 2015: None). The Company has forward transaction and option guarantee and does not have express warranty (31 December 2015: None).

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

14 Cash and cash equivalents

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

	31 December 2016		31 December 2015	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	35.109	18.864	18.864	37.347
Bank deposits	2.795.907.111	1.937.834.876	1.937.834.876	1.356.733.446
Cheques given and payment orders	(82.544)	(125.585)	(125.585)	(171.519)
Bank guaranteed credit card receivables with maturities less than three months	421.604.151	367.176.057	367.176.057	249.449.440
Cash and cash equivalents in the balance sheet	**3.217.463.827**	**2.304.904.212**	**2.304.904.212**	**1.606.048.714**
Bank deposits - blocked (*) *(Note 17)*	(399.688.896)	(340.277.623)	(340.277.623)	(223.171.410)
Time deposits with maturities longer than 3 months	(933.084.218)	(287.914.280)	(287.914.280)	(335.567.238)
Interest accruals on banks deposits	(12.217.858)	(6.510.620)	(6.510.620)	(3.580.842)
Cash and cash equivalents in the statement of cash flows	**1.872.472.855**	**1.670.201.689**	**1.670.201.689**	**1.043.729.224**

(*) As at 31 December 2016 and 31 December 2015 cash collateral kept in favour of the Turkish Treasury as a guarantee for the insurance activities.

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

	31 December 2016	31 December 2015
Foreign currency denominated bank deposits		
- time deposits	134.723.526	177.329.471
- demand deposits	4.564.342	7.431.915
Bank deposits in Turkish Lira		
- time deposits	2.646.962.790	1.750.916.018
- demand deposits	9.656.453	2.157.472
Bank deposits	**2.795.907.111**	

15 Equity

Paid in capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group.

The Company does not increase its share capital in the current period.

As at 31 December 2016, the issued share capital of the Company is TL 500.000.000 (31 December 2015: TL 500.000.000) and The Company unregistered Group 150 A shares which each of value is TL 1,5 as of 11 April 2013 in which approved in Main Article of the Company dated in 11 April 2013. The share capital of the Company consists of 50.000.000.000 (31 December 2015: 50.000.000.000 shares) issued shares with TL 1 nominal value each.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Other capital reserves

In accordance with tax legislation, 75% of profits from sales of participation shares and real states included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years. As at 31 December 2016, tax exempt gain from participation shares and real estate sale in 2010 amounting to TL 8.081.516 TL, and in 2011 amounting to TL 80.025 TL is classified as other capital reserves and also ın 2013 amounting TL 647.763, 2014 amounting TL 920.272 and 2015 amounting TL 2.541.500 reclassified to other capital reserves as a gain on sale of fixed assets and equity.

	31 December 2016	31 December 2015
Other capital reserves at the beginning of the period	**25.887.403**	**8.809.304**
Transfer from profit	2.541.499	920.272
Use property revaluation fund (Note 6)	772.059	16.157.827
Other capital reserves at the end of the period	**29.200.961**	**25.887.403**

Legal reserves

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

The movements of legal reserves are presented below:

	31 December 2016	31 December 2015
Legal reserves at the beginning of the period	**34.311.746**	**30.779.762**
Transfer from profit	3.063.237	3.531.984
Legal reserves at the end of the period	**37.374.983**	**34.311.746**

Extraordinary reserves

The movements of extraordinary reserves are presented below:

	31 December 2016	31 December 2015
Extraordinary reserves at the beginning of the period	**60.728.553**	**20.545.601**
Transfer from profit	52.381.355	40.182.952
Extraordinary reserves at the end of the period	**113.109.908**	**60.728.553**

Statutory reserves

The movements of statutory reserves are presented below:

	31 December 2016	31 December 2015
Statutory reserves at the beginning of the period	**11.726.993**	**7.262.220**
Transfer from profit	5.820.151	4.464.773
Statutory reserves at the end of the period	**17.547.144**	**11.726.993**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Valuation of financial assets

Movement of fair value reserves of available for sale financial assets and associates are presented below:

	31 December 2016			31 December 2015		
	Available for sale financial assets	Associates	Total	Available for sale financial assets	Associates	Total
Fair value reserves at the beginning of the period	**22.415.433**	**408.248.132**	**430.663.565**	**26.298.684**	**310.368.132**	**336.666.816**
Change in the fair value	3.362.861	(47.860.000)	(44.497.139)	(6.367.019)	115.880.000	109.512.981
Net gains transferred to the statement of income	4.104.171	(24.000.000)	(19.895.829)	617.378	(18.000.000)	(17.382.622)
Deferred tax effect	(2.381.124)	--	(2.381.124)	1.866.390	--	1.866.390
Fair value reserves at the end of the period	**27.501.341**	**336.388.132**	**363.889.473**	**22.415.433**	**408.248.132**	**430.663.565**

Other profit reserves

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

Accordingly, the Company initially transferred total provisions amounting to TL 96.036.157 including earthquake provisions reserved as at 31 December 2006 and related gains obtained from investment of this amount, to the reserve accounts under equity, TL 51.846.111 of this amount is used for capital increase in 2010. Accordance with IAS 19, to add the amount of actuarial loss and net profit of TL (1.601.446) defined remeasure net profit debt, the amount of new balance is TL 42.588.600.

Profit on assets sale that will be transferred to capital

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

16 Other reserves and equity component of DPF

As at 31 December 2016 and 31 December 2015, change in fair values of available-for-sale financial assets which is presented as "valuation of financial assets" and earthquake provisions provided in the previous years presented under "other profit reserves" are explained in detail in Note 15 - *Equity* above. As at 31 December 2016 and 31 December 2015, the Company does not hold any insurance or investment contracts which contain a DPF.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

17 Insurance contract liabilities and reinsurance assets

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

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

	31 December 2016	31 December 2015
Reserve for unearned premiums, gross	2.228.090.805	1.848.552.863
Reserve for unearned premiums, ceded *(Note 10)*	(400.082.643)	(341.649.490)
Reserve for unearned premiums, SSI share	(75.059.218)	(54.975.565)
Reserves for unearned premiums, net	**1.752.948.944**	**1.451.927.808**
Provision for outstanding claims, gross	2.530.257.134	1.878.978.416
Provision for outstanding claims, ceded *(Note 10)*	(487.012.275)	(493.070.874)
Provision for outstanding claims, net	**2.043.244.859**	**1.385.907.542**
Gross of provision unexpired risk reserve	4.020.419	18.531.889
Reinsurer's share of the provision for unexpired risk	(3.455.888)	(12.046.675)
Provision unexpired risk reserve, net	**564.531**	**6.485.214**
Equalization provision, net (*)	109.427.806	81.545.727
General provision, net	7.702.761	7.702.761
Other technical provisions, net	**117.130.567**	**89.248.488**
Total technical provisions, net	**3.913.888.901**	**2.933.569.052**
Short-term	3.796.758.334	2.844.320.564
Medium and long-term	117.130.567	89.248.488
Total technical provisions, net	**3.913.888.901**	**2.933.569.052**

(*) It contains a provision which is reflected in the all prior financial statements amounting TL 7.702.761 due to the possible impact of adverse developments that may occur by company's management.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

	31 December 2016			
Reserve for unearned premiums	**Gross**	**Ceded**	**SSI share**	**Net**
Reserve for unearned premiums at the beginning of the period	1.848.552.863	(341.649.490)	(54.975.565)	1.451.927.808
Premiums written during the period	4.484.060.267	(885.937.607)	(150.794.005)	3.447.328.655
Premiums earned during the period	(4.104.522.325)	827.504.454	130.710.352	(3.146.307.519)
Reserve for unearned premiums at the end of the period	**2.228.090.805**	**(400.082.643)**	**(75.059.218)**	**1.752.948.944**

	31 December 2015			
Reserve for unearned premiums	**Gross**	**Ceded**	**SSI share**	**Net**
Reserve for unearned premiums at the beginning of the period	1.491.252.563	(294.929.264)	(36.692.792)	1.159.630.507
Premiums written during the period	3.610.673.887	(731.404.966)	(99.511.467)	2.779.757.454
Premiums earned during the period	(3.253.373.587)	684.684.740	81.228.694	(2.487.460.153)
Reserve for unearned premiums at the end of the period	**1.848.552.863**	**(341.649.490)**	**(54.975.565)**	**1.451.927.808**

	31 December 2016		
Provision for outstanding claims	**Gross**	**Ceded**	**Net**
Provision for outstanding claims at the beginning of the period	1.878.978.416	(493.070.874)	1.385.907.542
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	2.887.294.026	(361.940.154)	2.525.353.872
Claims paid during the period	(2.236.015.308)	367.998.753	(1.868.016.555)
Provision for outstanding claims at the end of the period	**2.530.257.134**	**(487.012.275)**	**2.043.244.859**

	31 December 2015		
Provision for outstanding claims	**Gross**	**Ceded**	**Net**
Provision for outstanding claims at the beginning of the period	1.243.987.764	(229.799.663)	1.014.188.101
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	2.576.139.416	(519.388.589)	2.056.750.827
Claims paid during the period	(1.941.148.764)	256.117.378	(1.685.031.386)
Provision for outstanding claims at the end of the period	**1.878.978.416**	**(493.070.874)**	**1.385.907.542**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Claim development tables

The basic assumption used in the estimation of provisions for outstanding claims is the Company's past experience on claim developments. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting date. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent financial statements.

Development of insurance liabilities enables to measure the performance of the Company in estimation of its ultimate claim losses. The amounts presented on the top of the below tables show the changes in estimations of the Company for the claims in subsequent years after claim years. The amounts presented on the below of the below tables give the reconciliation of total liabilities with provision for outstanding claims presented in the accompanying financial statements.

	31 December 2016					
Claim year	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Claim year	1.495.831.758	1.222.446.719	1.650.596.281	2.275.471.459	2.235.157.937	8.487.840.634
1 year later	1.543.473.873	1.292.816.917	1.798.922.951	--	--	6.772.854.168
2 years later	1.609.766.674	1.343.700.980	--	--	--	4.709.008.443
3 years later	1.683.416.144	--	--	--	--	3.005.112.658
4 years later	--	--	--	--	--	1.721.144.385
Current estimate of cumulative claims	1.683.416.144	1.343.700.980	1.798.922.951	2.275.471.459	2.235.157.937	9.482.707.952
Cumulative payments to date	1.453.964.968	1.174.348.650	1.482.441.065	1.448.180.559	1.357.809.330	7.308.984.036
Liability recognized in the financial statements	229.451.176	169.352.330	316.481.886	827.290.900	877.348.607	2.173.723.916
Liability recognized before 2011	--	--	--	--	--	356.533.218
Total gross outstanding claims presented in the financial statements at the end of the period						**2.530.257.134**

	31 December 2015					
Claim year	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Claim year	1.075.581.281	1.495.474.317	1.229.263.704	1.717.748.856	2.275.471.459	7.720.641.045
1 year later	1.144.103.263	1.543.105.072	1.300.026.322	--	--	5.780.075.879
2 years later	1.189.429.253	1.609.382.065	--	--	--	4.143.685.765
3 years later	1.238.843.054	--	--	--	--	2.923.080.744
4 years later	--	--	--	--	--	1.284.766.945
Current estimate of cumulative claims	1.238.843.054	1.609.382.065	1.300.026.322	1.717.748.856	2.275.471.459	8.386.278.479
Cumulative payments to date	1.131.547.961	1.398.954.819	1.116.056.443	1.189.365.685	1.448.180.559	6.725.279.941
Liability recognized in the financial statements	107.295.093	210.427.246	183.969.879	528.383.171	827.290.900	1.660.998.538
Liability recognized before 2010	--	--	--	--	--	217.979.878
Total gross outstanding claims presented in the financial statements at the end of the period						**1.878.978.416**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

	31 December 2016		
	Should be placed (**)	Placed (*)	Carrying amount
Non-life:			
Bank deposits *(Note 14)*		398.452.370	399.688.896
Financial assets (*) *(Note 11)*		15.169.173	15.172.182
Total	**359.073.153**	**413.621.543**	**414.861.078**

	31 December 2015		
	Should be placed (**)	Placed (*)	Carrying amount
Non-life:			
Bank deposits *(Note 14)*		339.186.373	340.277.623
Financial assets (*) *(Note 11)*		15.150.590	15.555.214
Total	**286.658.129**	**354.336.963**	**355.832.837**

(*) "As at 31 December 2016 and 31 December 2015, government bonds and treasury bills are measured at daily official prices announced by the Central Bank of Turkey in accordance with the 6th Article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies.

(**) "According to the 7th article of the "Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies" which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to "Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Private Pension Companies", companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Turkish Treasury Department within two months. Since the amounts that should be placed as of 31 December 2016 (31 December 2015) will be through the calculated amounts as of 30 June 2016 (30 June 2015), the settled amounts as of June is presented as "should be placed" amounts.

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

None.

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

None.

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

None.

Deferred commission expenses

The Company capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As at 31 December 2016, short-term prepaid expenses amounting to TL 316.049.141 (31 December 2015: TL 275.073.222) consist of deferred commission expenses amounting to TL 286.562.140 (31 December 2015: TL 249.521.695) and other prepaid expenses amounting to TL 29.487.001 (31 December 2015: TL 25.551.527). Long-term prepaid expenses amounting TL. 6.211.364 (31 December 2015: TL 5.221.880) are composed of other prepaid expenses

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

	31 December 2016	31 December 2015
Deferred commission expenses at the beginning of the period	249.521.695	200.624.439
Commissions accrued during the period	635.988.592	526.399.728
Commissions expensed during the period (*)	(598.948.147)	(477.502.472)
Deferred commission expenses at the end of the period	**286.562.140**	**249.521.695**

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

Individual pension funds

None.

18 Investment contract liabilities

None.

19 Trade and other payables and deferred income

	31 December 2016	31 December 2015
Payables from main operations	449.205.545	339.189.344
Other payables	134.413.473	210.669.647
Deferred income and expense accruals *(Note 10)*	82.609.754	60.481.800
Taxes and funds payable and other similar obligations	58.640.768	54.739.019
Payables from main operations	39.526.586	37.087.955
Personnel liabilities	91.826	92.190
Total	**764.487.952**	**702.259.955**
Short-term liabilities	764.487.952	702.259.955
Long-term liabilities	--	--
Total	**764.487.952**	**702.259.955**

As at 31 December 2016, other payables amounting to TL 82.609.754 (31 December 2015: TL 60.481.800) consist of treatment cost payables to SSI amounting to TL 32.037.945 (31 December 2015: TL 27.017.129), payables to Tarsim and DASK and outsourced benefits and services amounting to TL 45.085.032 (31 December 2015: TL 30.287.110) and deposits and guarantees received amounting to TL 5.486.777 (31 December 2015: TL 3.177.561).

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

	31 December 2016	31 December 2015
Payables to reinsurance companies *(Note 10)*	259.564.344	188.370.605
Payables to agencies, brokers and intermediaries	41.204.604	37.795.326
Total payables arising from insurance operations	**300.768.948**	**226.165.931**
Payables arising from other operating activities	142.812.014	108.657.638
Cash deposited by insurance and reinsurance companies *(Note 10)*	5.624.583	4.365.775
Payables arising from main operations	**449.205.545**	**339.189.344**

Corporate tax liabilities and prepaid taxes are disclosed below:

	31 December 2016	31 December 2015
Prepaid taxes	35.757.908	24.168.626
Provision of calculated corporate tax	(23.316.813)	(1.769.959)
Corporate tax assets, net	**12.441.095**	**22.398.667**

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

None.

20 Financial liabilities

As of 31 December 2016, The Company has financial liabilities which is occurred repurchase agreement TL 134.413.473 (31 December 2015: TL 210.669.647). Financial liabilities maturities are as follows:

Maturity Date	31 December 2016	Maturity Date	31 December 2015
17 January 2017	40.153.847	11 January 2016	50.132.106
25 January 2017	94.259.626	22 January 2016	64.243.464
--	--	29 January 2016	56.212.595
--	--	10 January 2016	40.081.482
Asset amount	**134.413.473**		**210.669.647**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

21 Deferred tax

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

	31 December 2016 Deferred tax assets/(liabilities)	31 December 2015 Deferred tax assets/(liabilities)
Equalization provision	16.304.668	12.101.836
Other provision	9.064.233	5.375.706
Provisions for employee termination benefits and unused vacations	3.785.096	3.091.670
Provision for subrogation receivables	1.767.317	1.661.036
Reserve for unexpired risk	112.906	1.297.043
Discount of receivables and payables	53.726	(56.576)
TAS adjustment differences in depreciation	(3.139.467)	(2.460.037)
Valuation differences in financial assets	(3.157.357)	(1.746.888)
Real estate valuation	(3.321.543)	(2.886.550)
Subrogation receivables from third parties	(3.356.747)	(3.147.915)
Deferred tax assets, net	**18.112.832**	**13.229.325**

As at 31 December 2016 The Company has not deductible tax losses. (31 December 2015: None).

Movement of deferred tax assets table:

	31 December 2016	31 December 2015
Opening balance at 1 January	**13.229.325**	**18.889.913**
Recognised in profit or loss *(Note 35)*	7.160.762	(6.509.894)
Recognised in equity *(Note 15)*	(2.277.255)	849.306
Deferred tax asset	**18.112.832**	**13.229.325**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

22 Retirement benefit obligations

Employees of the Company are the members of "Anadolu Anonim Pension Fund" which is established in accordance with the temporary Article 20 of the Social Security Act No: 506. As per the temporary sub article No: 20 of the Article 73 of the Social Security Law, pension funds should be transferred to the Social Security Institution within three years after the publication of the a aforementioned Law published in the Official Gazette numbered 26870 and dated 8 May 2008. The related three-year transfer period has been prolonged for two years by the Cabinet decision, the three-year period was extended to the 8 May 2015.

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

According to this arrangement the bank within the scope of Act 506, article No.20, insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or associations which constitute their union personnel and associates of funds are required to be transferred until 08.05.2015 to Social Security Administration, authority to determine the date of transfer is given the Council of Ministers thus the transfer of the funds has been postponed to an unknown date.

23 Other liabilities and provisions

As at 31 December 2016 and 31 December 2015; the details of the provisions for other risks are as follows:

	31 December 2016	31 December 2015
Provision for employee termination benefits	17.363.526	15.244.930
Provision for unused vacation pay liability	1.561.950	1.492.709
Total provision for other risks	**18.925.476**	**16.737.639**

	31 December 2016	31 December 2015
Provision for agency award	15.111.473	9.759.024
Provision for employee bonus	12.000.000	8.500.000
Provision for guarantee account	11.375.000	9.125.000
Expense provision for gauge commission *(Note 10)*	7.963.322	2.237.886
Provision for bank expense	3.400.000	--
Provision for tax assessment *(Note 42), (Note 47)*	3.381.653	3.084.516
Invoice accrual	450.160	370.234
Prepaid income and expense accruals	**53.681.608**	**33.076.660**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Movements of provision for employee termination benefits during the period are presented below:

	31 December 2016	31 December 2015
Provision at the beginning of the period	15.244.930	12.628.115
Interest cost *(Note 47)*	1.631.955	1.288.802
Service cost *(Note 47)*	1.222.652	1.085.271
Actuarial difference *(Note 15)*	722.517	1.303.687
Payments made during the period *(Note 47)*	(1.458.528)	(1.060.945)
Provision at the end of the period	**17.363.526**	**15.244.930**

24 Net insurance premium

Net insurance premium revenue is presented in detailed in the accompanying consolidated statement of income.

25 Fee revenue

None.

26 Investment income

Investment income is presented in "*Note 4.2* - Financial Risk Management.

27 Net income accrual on financial assets

Net realized gains on financial assets are presented in "*Note 4.2* - Financial Risk Management.

28 Assets held at fair value through profit or loss

Presented in "*Note 4.2* - Financial Risk Management".

29 Insurance rights and claims

	31 December 2016	31 December 2015
Claims paid, net off reinsurers' share	1.868.016.555	1.685.031.386
Changes in provision for outstanding claims, net off reinsurers' share	657.337.317	371.719.441
Changes in provision for unearned premiums, net off reinsurers' share	301.021.136	292.297.301
Change in equalization provisions	27.882.079	20.995.851
Changes in reserve for unexpired risks, net off reinsurers' share	(5.920.683)	(33.894.132)
Total	**2.848.336.404**	**2.336.149.847**

30 Investment contract benefits

None.

31 Other expenses

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

32 Operating expenses

As of 31 December 2016, 31 December 2015. The operating expenses are disclosed as follows:

	31 December 2016	31 December 2015
Commission expenses *(Note 17)*	552.860.702	434.055.605
Commissions to intermediaries accrued during the period (Note 17)	*584.138.939*	*481.698.669*
Change in deferred commission expenses (Note 17)	*(31.278.237)*	*(47.643.064)*
Employee benefit expenses *(Note 33)*	135.568.643	113.296.033
Administration expenses	96.028.749	82.642.008
Advertising and marketing expenses	12.046.504	19.727.757
Outsourced benefits and services	17.100.159	9.858.726
Commission income from reinsurers *(Note 10)*	(71.058.018)	(54.256.056)
Commission income from reinsurers accrued during the period (Note 10)	*(69.189.704)*	*(62.301.577)*
Change in deferred commission income (Note 10)	*(1.868.314)*	*8.045.521*
Total	**742.546.739**	**605.324.073**

33 Employee benefits expenses

	31 December 2016	31 December 2015
Wages and salaries	100.580.810	84.272.162
Employer's share	23.319.112	19.392.154
Other	11.668.721	9.631.717
Total	**135.568.643**	**113.296.033**

34 Financial costs

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

35 Income tax

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

	31 December 2016	31 December 2015
Current tax expense provision:		
Corporate tax provision	(23.316.813)	(1.769.959)
Deferred taxes:		
Origination and reversal of temporary differences	7.160.762	(6.509.894)
Total income tax expense recognised in profit or loss	**(16.156.051)**	**(8.279.853)**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

A reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate is as follows:

	31 December 2016		31 December 2015	
Profit before tax	**104.023.374**	**Tax rate (%)**	**72.086.095**	**Tax rate (%)**
Taxes on income per statutory tax rate	20.804.675	20,00	14.417.219	20,00
Tax exempt income	(5.444.143)	(5,23)	(7.407.303)	(10,28)
Non-deductible expenses	795.519	0,76	1.269.937	1,76
Total tax income recognized in profit or loss	**16.156.051**	**15,53**	**8.279.853**	**13,04**

36 Net foreign exchange gains

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

37 Earnings per share

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

	31 December 2016	31 December 2015
Net profit/(loss) for the period	87.867.323	63.806.242
Weighted average number of shares	50.000.000.000	50.000.000.000
Earnings/loss per share (TL)	0,00176	0,00128

38 Dividends per share

No dividends paid to shareholders in 2016 (31 December 2015: TL 21.000.000).

39 Cash generated from operations

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

40 Convertible bonds

None.

41 Redeemable preference shares

None.

42 Risks

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

As at 31 December 2016, total amount of the claims that the Company face is TL 1.189.434.000 in gross (31 December 2015: TL 925.745.000). The Company provided provision for outstanding claims in the consolidated financial statements by considering collateral amounts

As at 31 December 2016, ongoing law suits prosecuted by the Company against the third parties amounting TL 324.644.000 (31 December 2015: TL 233.643.000)

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

The final legal process which is related the period of 2007, 2008 is expected to result in the Company's favour and the amount of provision TL 12.768.684 which was published on the Official Gazette dated 12 November 2014. December 2013 and after the condition of the provision is evaluated later ongoing development of the legal process. There is a provision amount of TL 3.084.516 (31 December 2015: TL 3.084.516) related with this process. The Company has no revenue recognization resulting from the possibility of recovering tax auditing fees. (31 December 2015: TL 4.229.629)

As a result of investigation conducted by the Ministry of Finance Tax Audit Board, tax penalty which is amount of TL 2.1 million (actual tax), and TL 3.1 million tax penalty is announced by reason to tax salvage operations not subject to the banking and insurance transactions. The amount of TL 10 million tax, TL 15 million tax penalty has been modified for the period of 2010, 2011,2012 in 6 February 2015. The company do not make provision for this tax penalty because of considering the implementation of these financial statements in accordance with legislation. The Company has utilized the means put forward in the "Law Regarding Some Claims" which was published in the official gazette on 19 August 2016 with the number 6736. According to this, The Company has paid 6.990.560 TL on 29 November 2016 and as a result the assessment has ended.

43 Commitments

The details of the guarantees that are given by the Company for the operations in non-life branches are presented in *Note 17*.

The future aggregate minimum lease payments under operating leases for properties rented for use of head office and regional offices and motor vehicles rented for sales and marketing departments are as follows:

	31 December 2016	31 December 2015
Within one year	9.819.396	3.392.007
Between one to five years	15.967.534	1.918.527
Above 5 years	3.390.161	--
Total of minimum lease payments	**29.177.091**	**5.310.534**

44 Business combinations

None.

45 Related party transactions

The ultimate controlling party of the Company is İş Bankası Group and the groups having direct control over İş Bankası Group and the affiliates and associates of İş Bankası Group are defined as related parties of the Company.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

	31 December 2016	31 December 2015
İş Bankası - cash at banks	420.916.548	914.658.774
Banks	**420.916.548**	**914.658.774**
Investment funds founded by İş Portföy Yönetimi A.Ş. *(Note 11)*	166.908.533	126.444.095
Bonds issued by Is GYO *(Note 11)*	15.543.150	14.749.064
Investment funds founded by İşbank AG *(Note 11)*	11.880.374	11.206.804
Bonds issued by Türkiye Sınai Kalkınma Bankası *(Note 11)*	7.050.254	5.843.739
Bonds issued by Is Leasing *(Note 11)*	--	5.046.154
Bonds issued by İş Faktoring A.Ş. (Note 11)	--	5.522.064
Financial assets	**201.382.311**	**168.811.920**
İş Bankası - receivables stem from premiums written via the Bank	125.983.624	106.339.774
Receivables stems from premiums written via Şişecam Sigorta Aracılık Hiz. A.Ş.	6.182.414	5.621.565
Anadolu Hayat Emeklilik A.Ş. - premium receivables	1.312.576	586.490
Milli Reasürans T.A.Ş. - receivables from reinsurance operations	--	40.850
Receivables from main operations	**133.478.614**	**112.588.679**
Milli Reasürans T.A.Ş.- payables from reinsurance operations	18.534.868	9.299.746
İş Bankası - commission payables	7.016.739	9.603.965
Şişecam Sigorta Aracılık Hizmetleri A.Ş. - commission payables	399.796	349.731
Payables from main operations	**25.951.403**	**19.253.442**

No guarantees have been taken against receivables from related parties.

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

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

The Company accrued TL 55.341.331 premium (31 December 2015: TL 53.855.115) for related party policies. The transactions with related parties during the year ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
İş Bankası - premiums written via the Bank	502.036.843	410.699.700
Premiums written via Şişecam Sigorta Aracılık Hizmetleri A.Ş.	20.429.253	17.600.899
Anadolu Hayat Emeklilik A.Ş - premiums written	3.320.159	2.805.903
Milli Reasürans T.A.Ş.	476.544	510.277
Premiums written	**526.262.799**	**431.616.779**
Milli Reasürans T.A.Ş	(109.430.928)	(105.383.566)
Premiums written, ceded	**(109.430.928)**	**(105.383.566)**
İş Bankası - interest income from deposits	80.428.531	61.509.302
İş Portföy Yönetimi - income from investment funds	3.361.480	1.784.202
İş Gayrimenkul Yatırım Ortaklığı - income from bonds	1.949.520	1.545.076
İş Leasing- income from bonds	440.160	896.366
Türkiye Sınai Kalkınma Bankası A.Ş.- income from bonds	260.427	--
İş Factoring A.Ş. - income from bonds	136.663	--
İş Yatırım Menkul Değerler - income from bonds	--	864.204
İş Bankası - income from bonds	--	599.000
Investment income	**86.576.781**	**67.198.150**
Türkiye İş Bankası A.Ş - commission expense	(59.382.880)	(54.279.283)
Şişecam Sigorta Aracılık Hizmetleri A.Ş. - commission expense	(4.027.166)	(3.520.602)
Milli Reasürans T.A.Ş- commission expense	23.205.177	23.600.904
Operating expenses, net	**(40.204.869)**	**(34.198.981)**
Anadolu Hayat ve Emeklilik A.Ş -Rent income	177.117	170.435
Other Income	**177.117**	**170.435**
İş Merkezleri Yönetim ve İşletim A.Ş. - building service cost	(4.176.042)	(3.212.713)
Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı Vakfı-Rent	(2.997.956)	(2.790.764)
İş Portföy Yönetimi - management commission	(965.206)	(690.905)
Yatırım Finansman Menkul Değerler - management commission	(51.884)	--
Other Expense	**(8.191.088)**	**(6.694.382)**

46 Events after the reporting date

Subsequent events are disclosed in Note 1.10 *Events after the reporting date*.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Unconsolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

47 Others

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

They are presented in the related notes above.

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

None.

Subrogation recorded in "Off-Balance Sheet Accounts"

None.

Real rights on immovable and their values

None.

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

None.

For the years ended 31 December 2016 and 2015, details of discount and provision expenses are as follows:

Provision expenses	31 December 2016	31 December 2015
Provision expense for doubtful receivables *(Note 4.2)*	(38.684.995)	(37.726.711)
Provision expense for employee termination benefits *(Note 23)*	(1.396.079)	(1.313.128)
Tax assessment expense *(Note 23)*	(297.137)	(363.899)
Provision expense for unused vacation *(Note 23)*	(69.241)	(59.556)
Other provision income/(expense)	2.352.227	13.916.825
Provisions account	**(38.095.225)**	**(25.546.469)**

Rediscount expenses	31 December 2015	31 December 2014
Rediscount income	21.046.365	18.199.693
Rediscount expense	(20.553.773)	(16.741.102)
Total of rediscounts	**492.592**	**1.458.591**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

31 December 2016 Consolidated Financial Statements Together With Independent Auditors' Report Thereon

Information on Consolidated Subsidiaries

Anadolu Hayat Emeklilik A.Ş.

Offering service in private pension and life insurance segments, Anadolu Hayat Emeklilik was founded in 1990 as "Turkey's first life insurance company". The first and only publicly-traded pension company in Turkey, Anadolu Hayat Emeklilik is the largest company in the sector in terms of total funds attained in life insurance and private pension branches, while preserving its top spot with the number of participants achieved in the Private Pension System.

A subsidiary of İşbank, Anadolu Hayat Emeklilik's shares are quoted on the Borsa Istanbul (BIST) Star Market under the symbol (ANHYT)

Headquartered in İstanbul, Anadolu Hayat Emeklilik brings its products to its customers via regional offices in İstanbul (3), Ankara (2), Adana, Antalya, Bursa, Trabzon, İzmir and Kocaeli, and a branch in the Turkish Republic of Northern Cyprus, direct sales force, and nearly 300 agencies.

Anadolu Hayat Emeklilik possesses the most extensive bank insurance network in Turkey. The company uses the branches in its bank insurance network, mainly the branches of İşbank, as a fundamental element of its service delivery.

Controlling a 10% share of the market with a premium production of TL 501 million in the life insurance branch, Anadolu Hayat Emeklilik retained its leadership by a large margin with total life insurance funds in excess of TL 1.8 billion.

According to the Pension Monitoring Center (PMC) data dated 30 December 2016, Anadolu Hayat Emeklilik achieved 9% increase in the number of participants and 27% in total funds in the twelve months to year-end 2016. Having reached TL 11,366 million in total funds including state contribution funds and 1,120,399 people in the number of participants, Anadolu Hayat Emeklilik is a leading player in the sector with respective market shares of 19% and 17% in total funds including state contribution funds and number of participants.

Total unconsolidated assets of Anadolu Hayat Emeklilik were up 21% year-to-year and reached TL 14,392 million at year-end 2016. Posting TL 190 million in net profit, the company successfully completed yet another year in terms of sustainable profitability.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Independent Auditor's Report

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 3
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
İnternet www.kpmg.com.tr

To the Board of Directors of Anadolu Anonim Türk Sigorta Şirketi

Report on the Financial Statements

We have audited the accompanying consolidated balance sheet of Anadolu Anonim Türk Sigorta Şirketi ("the Company") as at 31 December 2016 and the related consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal systems relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal system. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Anadolu Anonim Türk Sigorta Şirketi as at 31 December 2016 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with the Insurance Accounting and Reporting Legislation.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Independent Auditor's Report

Other Related Legislation Reports of Independent Auditors

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 30 January 2017.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2016, the Company's bookkeeping activities are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

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

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

Alper Güvenç
Partner
30 January 2017
İstanbul, Turkey

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Consolidated Financial Statements
As at and for the Year Ended 31 December 2016

We confirm that the consolidated financial statements and related disclosures and footnotes as at 31 December 2016 which were prepared in accordance with the accounting principles and standards in force as per the regulations of T.C. Başbakanlık Hazine Müsteşarlığı are in compliance with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies" and the financial records of our Company.

İstanbul, 30 January 2017

İlhami KOÇ
Member of Board of Directors
Chief Executive Officer

Fatih GÖREN
Executive Vice President of
Finance

Murat TETİK
Accounting
Reporting Manager

Taylan MATKAP
Actuary

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Contents

		Page
CONSOLIDATED BALANCE SHEET		180-184
CONSOLİDATED STATEMENT OF INCOME		185-187
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY		188
CONSOLIDATED STATEMENT OF CASH FLOWS		190
CONSOLİDATED STATEMENT OF PROFIT DISTRIBUTION		191
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS		192-253
NOTE 1	General Information	192
NOTE 2	Summary of significant accounting policies	194
NOTE 3	Critical accounting estimates and judgments in applying accounting policies	211
NOTE 4	Management of insurance and financial risk	212
NOTE 5	Segment reporting	224
NOTE 6	Tangible assets	227
NOTE 7	Investment properties	228
NOTE 8	Intangible assets	229
NOTE 9	Investments in associates	230
NOTE 10	Reinsurance assets and liabilities	230
NOTE 11	Financial assets	231
NOTE 12	Loans and receivables	236
NOTE 13	Derivative financial instruments	237
NOTE 14	Cash and cash equivalents	238
NOTE 15	Equity	238
NOTE 16	Other reserves and equity component of DPF	240
NOTE 17	Insurance contract liabilities and reinsurance assets	240
NOTE 18	Investment contract liabilities	244
NOTE 19	Trade and other payables and deferred income	245
NOTE 20	Financial liabilities	246
NOTE 21	Deferred tax	246
NOTE 22	Retirement benefit obligations	247
NOTE 23	Other liabilities and provisions	247
NOTE 24	Net insurance premium	248
NOTE 25	Fee revenue	248
NOTE 26	Investment income	248
NOTE 27	Net income accrual on financial assets	248
NOTE 28	Assets held at fair value through profit or loss	248
NOTE 29	Insurance rights and claims	248
NOTE 30	Investment contract benefits	248

		Page
NOTE 31	Other expenses	248
NOTE 32	Operating expenses	248
NOTE 33	Employee benefits expenses	249
NOTE 34	Financial costs	249
NOTE 35	Income tax	249
NOTE 36	Net foreign exchange gains	249
NOTE 37	Earnings per share	249
NOTE 38	Dividends per share	250
NOTE 39	Cash generated from operations	250
NOTE 40	Convertible bonds	250
NOTE 41	Redeemable preference shares	250
NOTE 42	Risks	250
NOTE 43	Commitments	251
NOTE 44	Business combinations	251
NOTE 45	Related party transactions	251
NOTE 46	Events after the reporting date	253
NOTE 47	Others	253

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Consolidated Balance Sheet
As At 31 December 2016

(Currency: Turkish Lira (TL))

ASSETS			
I- Current Assets	Note	Audited Current Period 31 December 2016	Audited Prior Period (Reorganized)(*) 31 December 2015
A- Cash and Cash Equivalents	**14**	**3.217.463.827**	**2.304.904.212**
1- Cash	14	35.109	18.864
2- Cheques Received		--	--
3- Banks	14	2.795.907.111	1.937.834.876
4- Cheques Given and Payment Orders	14	(82.544)	(125.585)
5- Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months	14	421.604.151	367.176.057
6- Other Cash and Cash Equivalents		--	--
B- Financial Assets and Financial Investments with Risks on Policyholders	**11**	**748.609.784**	**680.812.513**
1- Available-for-Sale Financial Assets	11	605.652.540	569.121.106
2- Held to Maturity Investments	11	15.172.182	15.555.214
3- Financial Assets Held for Trading	11	127.881.004	96.232.135
4- Loans and Receivables		--	--
5- Provision for Loans and Receivables		--	--
6- Financial Investments with Risks on Saving Life Policyholders		--	--
7- Company's Own Equity Shares		--	--
8-Provision in Value of Financial Investments	11	(95.942)	(95.942)
C- Receivables from Main Operations	**12**	**1.048.793.865**	**928.282.683**
1- Receivables from Insurance Operations	12	984.855.530	869.275.449
2- Provision for Receivables from Insurance Operations	2.21,12	(8.836.586)	(8.305.178)
3- Receivables from Reinsurance Operations	12	60.170.605	59.472.101
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited to Insurance and Reinsurance Companies	12	12.604.316	7.840.311
6- Loans to the Policyholders		--	--
7- Provision for Loans to the Policyholders		--	--
8- Receivables from Individual Pension Operations		--	--
9- Doubtful Receivables from Main Operations	12	188.860.962	150.758.235
10- Provision for Doubtful Receivables from Main Operations	12	(188.860.962)	(150.758.235)
D- Due from Related Parties	**12**	**--**	**--**
1- Due from Shareholders		--	--
2- Due from Associates		--	--
3- Due from Subsidiaries		--	--
4- Due from Joint Ventures		--	--
5- Due from Personnel	12	--	--
6- Due from Other Related Parties		--	--
7- Rediscount on Receivables from Related Parties		--	--
8- Doubtful Receivables from Related Parties		--	--
9- Provision for Doubtful Receivables from Related Parties		--	--
E- Other Receivables	**12**	**13.790.959**	**10.378.575**
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given		334.577	357.920
4- Other Miscellaneous Receivables		13.456.382	10.020.655
5- Rediscount on Other Miscellaneous Receivables		--	--
6- Other Doubtful Receivables		--	--
7- Provision for Other Doubtful Receivables		--	--
F- Prepaid Expenses and Income Accruals		**320.408.039**	**280.651.377**
1- Prepaid Expenses	17	316.049.141	275.073.222
2- Accrued Interest and Rent Income		--	--
3- Income Accruals	10,12	4.358.898	5.577.825
4- Other Prepaid Expenses		--	330
G- Other Current Assets		**13.587.216**	**23.705.128**
1- Stocks to be Used in the Following Months		960.285	1.049.275
2- Prepaid Taxes and Funds	19	12.441.095	22.398.667
3- Deferred Tax Assets		--	--
4- Job Advances	12	170.946	253.035
5- Advances Given to Personnel	12	14.890	4.151
6- Inventory Count Differences		--	--
7- Other Miscellaneous Current Assets		--	--
8- Provision for Other Current Assets		--	--
I- Total Current Assets		**5.362.653.690**	**4.228.734.488**

(*) See Note 2.1.6 to reorganize.

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Consolidated Balance Sheet
As At 31 December 2016

(Currency: Turkish Lira (TL))

ASSETS			
II- Non-Current Assets	Note	Audited Current Period 31 December 2015	Audited Prior Period (Reorganized)(*) 31 December 2014
A- Receivables from Main Operations		--	--
1- Receivables from Insurance Operations		--	--
2- Provision for Receivables from Insurance Operations		--	--
3- Receivables from Reinsurance Operations		--	--
4- Provision for Receivables from Reinsurance Operations		--	--
5- Cash Deposited for Insurance and Reinsurance Companies		--	--
6- Loans to the Policyholders		--	--
7- Provision for Loans to the Policyholders		--	--
8- Receivables from Individual Pension Business		--	--
9- Doubtful Receivables from Main Operations		--	--
10- Provision for Doubtful Receivables from Main Operations		--	--
B- Due from Related Parties		--	--
1- Due from Shareholders		--	--
2- Due from Associates		--	--
3- Due from Subsidiaries		--	--
4- Due from Joint Ventures		--	--
5- Due from Personnel		--	--
6- Due from Other Related Parties		--	--
7- Rediscount on Receivables from Related Parties		--	--
8- Doubtful Receivables from Related Parties		--	--
9- Provision for Doubtful Receivables from Related Parties		--	--
C- Other Receivables	12	1.749.362	2.207.981
1- Finance Lease Receivables		--	--
2- Unearned Finance Lease Interest Income		--	--
3- Deposits and Guarantees Given		--	--
4- Other Miscellaneous Receivables		2.129.835	2.839.780
5- Rediscount on Other Miscellaneous Receivables		(380.473)	(631.799)
6- Other Doubtful Receivables		--	--
7- Provision for Other Doubtful Receivables		--	--
D- Financial Assets	9	173.328.875	156.605.195
1- Investments in Equity Shares		--	--
2- Investments in Associates	9	173.328.875	156.605.195
3- Capital Commitments to Associates		--	--
4- Investments in Subsidiaries		--	--
5- Capital Commitments to Subsidiaries		--	--
6- Investments in Joint Ventures		--	--
7- Capital Commitments to Joint Ventures		--	--
8- Financial Assets and Financial Investments with Risks on Policyholders		--	--
9- Other Financial Assets		--	--
10- Impairment in Value of Financial Assets		--	--
E- Tangible Assets	6	102.689.754	90.862.004
1- Investment Properties	6,7	62.175.000	54.343.600
2- Impairment for Investment Properties		--	--
3- Owner Occupied Property	6	12.372.253	11.532.400
4- Machinery and Equipment	6	49.033.797	41.909.394
5- Furniture and Fixtures	6	13.717.551	12.253.700
6- Motor Vehicles	6	619.736	619.736
7- Other Tangible Assets (Including Leasehold Improvements)	6	22.982.418	20.322.655
8- Tangible Assets Acquired Through Finance Leases	6	3.868.337	4.166.354
9- Accumulated Depreciation	6	(62.079.338)	(54.285.835)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		--	--
F- Intangible Assets	8	55.336.275	52.009.300
1- Rights		--	--
2- Goodwill	8	16.250.000	16.250.000
3- Pre-operating Expenses		--	--
4- Research and Development Costs		--	--
5- Other Intangible Assets	8	111.110.866	93.201.169
6- Accumulated Amortization	8	(83.756.830)	(66.877.216)
7- Advances Paid for Intangible Assets	8	11.732.239	9.435.347
G- Prepaid Expenses and Income Accruals	17	6.211.364	5.221.880
1- Prepaid Expenses	17	6.211.364	5.221.880
2- Income Accruals		--	--
3- Other Prepaid Expenses and Income Accruals		--	--
H- Other Non-Current Assets	21	18.112.832	13.229.325
1- Effective Foreign Currency Accounts		--	--
2- Foreign Currency Accounts		--	--
3- Stocks to be Used in the Following Years		--	--
4- Prepaid Taxes and Funds		--	--
5- Deferred Tax Assets	21	18.112.832	13.229.325
6- Other Miscellaneous Non-Current Assets		--	--
7- Amortization on Other Non-Current Assets		--	--
8- Provision for Other Non-Current Assets		--	--
II- Total Non-Current Assets		357.428.462	320.135.685
TOTAL ASSETS		5.720.082.152	4.548.870.173

(*) See Note 2.1.6 to reorganize

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Consolidated Balance Sheet
As At 31 December 2016

(Currency: Turkish Lira (TL))

LIABILITIES			
III- Short-Term Liabilities	Note	Audited Current Period 31 December 2016	Audited Prior Period (Reorganized)(*) 31 December 2015
A- Financial Liabilities	**20**	**134.413.473**	**210.669.647**
1- Borrowings from Financial Institutions		--	--
2- Finance Lease Liabilities		--	--
3- Deferred Leasing Costs		--	--
4- Current Portion of Long Term Debts		--	--
5- Principal Instalments and Interests on Bonds Issued		--	--
6- Other Financial Assets Issued		--	--
7- Valuation Differences of Other Financial Assets Issued		--	--
8- Other Financial Liabilities	20	134.413.473	210.669.647
B- Payables Arising from Main Operations	**19**	**449.205.545**	**339.189.344**
1- Payables Arising from Insurance Operations	19	300.768.948	226.165.931
2- Payables Arising from Reinsurance Operations		--	--
3- Cash Deposited by Insurance and Reinsurance Companies	10,19	5.624.583	4.365.775
4- Payables Arising from Individual Pension Business		--	--
5- Payables Arising from Other Main Operations	19	142.812.014	108.657.638
6- Discount on Payables from Other Main Operations		--	--
C- Due to Related Parties	**19**	**91.826**	**92.190**
1- Due to Shareholders		--	--
2- Due to Associates		--	--
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		91.826	92.190
6- Due to Other Related Parties		--	--
D- Other Payables	**19**	**82.609.754**	**60.481.800**
1- Deposits and Guarantees Received		5.486.777	3.177.561
2- Medical Treatment Payables to Social Security Institution		32.500.031	27.524.238
3- Other Miscellaneous Payables		45.085.032	30.287.110
4- Discount on Other Miscellaneous Payables		(462.086)	(507.109)
E- Insurance Technical Provisions	**17**	**3.796.758.334**	**2.844.320.564**
1- Reserve for Unearned Premiums - Net	17	1.752.948.944	1.451.927.808
2- Reserve for Unexpired Risks - Net	2.26,17	564.531	6.485.214
3- Mathematical Provisions - Net		--	--
4- Provision for Outstanding Claims - Net	17	2.043.244.859	1.385.907.542
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net		--	--
F- Provisions for Taxes and Other Similar Obligations	**19**	**39.526.586**	**37.087.955**
1- Taxes and Funds Payable		36.548.188	34.487.522
2- Social Security Premiums Payable		2.978.398	2.600.433
3- Overdue, Deferred or By Instalment Taxes and Other Liabilities		--	--
4- Other Taxes and Similar Payables		--	--
5- Corporate Tax Payable	19,35	23.316.813	1.769.959
6- Prepaid Taxes and Other Liabilities Regarding Current Period Income	19,35	(23.316.813)	(1.769.959)
7- Provisions for Other Taxes and Similar Liabilities		--	--
G- Provisions for Other Risks		**--**	**--**
1- Provision for Employee Termination Benefits		--	--
2- Provision for Pension Fund Deficits		--	--
3- Provisions for Costs		--	--
H- Deferred Income and Expense Accruals		**112.331.397**	**87.824.309**
1- Deferred Income	19	58.640.768	54.739.019
2- Expense Accruals	23	53.681.608	33.076.660
3- Other Deferred Income and Expense Accruals		9.021	8.630
I- Other Short-Term Liabilities	**23**	**1.561.950**	**1.492.709**
1- Deferred Tax Liabilities		--	--
2- Inventory Count Differences		--	--
3- Other Various Short-Term Liabilities	23	1.561.950	1.492.709
III - Total Short-Term Liabilities		**4.616.498.865**	**3.581.158.518**

(*) See note 2.1.6 to reorganize.

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Consolidated Balance Sheet
As At 31 December 2016

(Currency: Turkish Lira (TL))

LIABILITIES			
IV- Long-Term Liabilities	Note	Audited Current Period 31 December 2016	Audited Prior Period (Reorganized)(*) 31 December 2015
A- Financial Liabilities		--	--
1- Borrowings from Financial Institutions		--	--
2- Finance Lease Liabilities		--	--
3- Deferred Leasing Costs		--	--
4- Bonds Issued		--	--
5- Other Financial Assets Issued		--	--
6- Valuation Differences of Other Financial Assets Issued		--	--
7- Other Financial Liabilities		--	--
B- Payables Arising from Main Operations		--	--
1- Payables Arising from Insurance Operations		--	--
2- Payables Arising from Reinsurance Operations		--	--
3- Cash Deposited by Insurance and Reinsurance Companies		--	--
4- Payables Arising from Individual Pension Business		--	--
5- Payables Arising from Other Operations		--	--
6- Discount on Payables from Other Operations		--	--
C- Due to Related Parties		--	--
1- Due to Shareholders		--	--
2- Due to Associates		--	--
3- Due to Subsidiaries		--	--
4- Due to Joint Ventures		--	--
5- Due to Personnel		--	--
6- Due to Other Related Parties		--	--
D- Other Payables		--	--
1- Deposits and Guarantees Received		--	--
2- Medical Treatment Payables to Social Security Institution		--	--
3- Other Miscellaneous Payables		--	--
4- Discount on Other Miscellaneous Payables		--	--
E-Insurance Technical Provisions	**17**	**117.130.567**	**89.248.488**
1- Reserve for Unearned Premiums - Net		--	--
2- Reserve for Unexpired Risks - Net		--	--
3- Mathematical Provisions - Net		--	--
4- Provision for Outstanding Claims - Net		--	--
5- Provision for Bonus and Discounts - Net		--	--
6- Other Technical Provisions - Net	17	117.130.567	89.248.488
F-Other Liabilities and Relevant Accruals		--	--
1- Other Liabilities		--	--
2- Overdue, Deferred or By Instalment Taxes and Other Liabilities		--	--
3- Other Liabilities and Expense Accruals		--	--
G- Provisions for Other Risks	**23**	**17.363.526**	**15.244.930**
1- Provision for Employee Termination Benefits	23	17.363.526	15.244.930
2- Provision for Pension Fund Deficits		--	--
H-Deferred Income and Expense Accruals		--	--
1- Deferred Income		--	--
2- Expense Accruals		--	--
3- Other Deferred Income and Expense Accruals		--	--
I- Other Long-Term Liabilities		--	--
1- Deferred Tax Liabilities		--	--
2- Other Long-Term Liabilities		--	--
IV- Total Long-Term Liabilities		**134.494.093**	**104.493.418**

(*) See note 2.1.6 to reorganize.

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Consolidated Balance Sheet
As At 31 December 2016

(Currency: Turkish Lira (TL))

EQUITY			
V-Equity	Note	Audited Current Period 31 December 2016	Audited Prior Period (Reorganized)(*) 31 December 2015
A- Paid in Capital		**500.000.000**	**500.000.000**
1- (Nominal) Capital	2.13,15	500.000.000	500.000.000
2- Unpaid Capital		--	--
3- Positive Capital Restatement Differences		--	--
4- Negative Capital Restatement Differences		--	--
5- Register in Progress Capital		--	--
B- Capital Reserves	**15**	**29.200.961**	**25.887.403**
1- Share Premiums		--	--
2- Cancellation Profits of Equity Shares		--	--
3- Profit on Asset Sales That Will Be Transferred to Capital		--	--
4- Currency Translation Adjustments		--	--
5- Other Capital Reserves	15	29.200.961	25.887.403
C- Profit Reserves		**266.843.296**	**197.520.109**
1- Legal Reserves	15	58.683.773	52.415.164
2- Statutory Reserves	15	17.811.508	11.788.629
3- Extraordinary Reserves	15	114.807.844	60.745.557
4- Special Funds		--	--
5- Revaluation of Financial Assets	15	32.954.142	29.179.139
6- Other Profit Reserves	15	42.586.029	43.391.620
D- Retained Earnings	**2.1.6**	**70.926.240**	**64.827.919**
1- Retained Earnings	2.1.6	70.926.240	64.827.919
E- Accumulated Losses		**--**	**--**
1- Accumulated Losses		--	--
F-Net Profit/(Loss) for the Period		**102.118.697**	**74.982.806**
1- Net Profit for the Period		102.103.603	72.441.307
2- Net Loss for the Period		--	--
3- Profit not Available for Distribution	15	15.094	2.541.499
V- Total Equity		**969.089.194**	**863.218.237**
TOTAL EQUITY AND LIABILITIES		**5.720.082.152**	**4.548.870.173**

(*) See note 2.1.6 to reorganize.

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Consolidated Statement of Income
For the Year Ended 31 December 2016

(Currency: Turkish Lira (TL))

I-TECHNICAL SECTION	Note	Audited Current Period 1 January - 31 December 2016	Audited Prior Period (Reorganized)(*) 1 January - 31 December 2015
A- Non-Life Technical Income		**3.567.233.863**	**2.860.262.936**
1- Earned Premiums (Net of Reinsurer Share)		3.152.228.202	2.521.354.285
1.1- Written Premiums (Net of Reinsurer Share)	17	3.447.328.655	2.779.757.454
1.1.1- Written Premiums, gross	17	4.484.060.267	3.610.673.887
1.1.2- Written Premiums, ceded	10,17	(885.937.607)	(731.404.966)
1.1.3- Premiums Transferred to Social Security Institutions	17	(150.794.005)	(99.511.467)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(301.021.136)	(292.297.301)
1.2.1- Reserve for Unearned Premiums, gross	17	(379.537.942)	(357.300.300)
1.2.2- Reserve for Unearned Premiums, ceded	17	58.433.152	46.720.226
1.2.3 - Reserve for Unearned Premiums, Social Security Institution Share		20.083.654	18.282.773
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	5.920.683	33.894.132
1.3.1- Reserve for Unexpired Risks, gross		14.511.470	34.155.326
1.3.2- Reserve for Unexpired Risks, ceded		(8.590.787)	(261.194)
2- Investment Income - Transferred from Non-Technical Section		379.849.157	276.542.615
3- Other Technical Income (Net of Reinsurer Share)		3.777.698	5.932.923
3.1- Other Technical Income, gross		3.777.698	5.932.923
3.2- Other Technical Income, ceded		--	--
4- Accrued Salvage and Subrogation Income		31.378.806	56.433.113
B - Non-Life Technical Expense		**(3.409.670.050)**	**(2.756.629.118)**
1- Incurred Losses (Net of Reinsurer Share)	17	(2.525.353.872)	(2.056.750.827)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(1.868.016.555)	(1.685.031.386)
1.1.1- Claims Paid, gross	17	(2.236.015.308)	(1.941.148.764)
1.1.2- Claims Paid, ceded	10,17	367.998.753	256.117.378
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(657.337.317)	(371.719.441)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(651.278.718)	(634.990.652)
1.2.2- Change in Provisions for Outstanding Claims, ceded	17	(6.058.599)	263.271.211
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
2.1- Provision for Bonus and Discounts, gross		--	--
2.2- Provision for Bonus and Discounts, ceded		--	--
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	(27.882.079)	(20.995.851)
4- Operating Expenses	32	(742.546.739)	(605.324.073)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
5.1- Change in Mathematical Provisions, gross		--	--
5.2 - Change in Mathematical Provisions, ceded		--	--
6- Change in Other Technical Provisions (Net of Reinsurer and Less the Amounts Carried Forward)	2.25	(113.887.360)	(73.558.367)
6.1- Change in Other Technical Provisions, gross	2.25	(113.887.360)	(73.558.367)
6.2- Change in Other Technical Provisions, ceded		--	--
C- Net Technical Income-Non-Life (A - B)		**157.563.813**	**103.633.818**
D- Life Technical Income		**--**	**--**
1- Earned Premiums (Net of Reinsurer Share)		--	--
1.1- Written Premiums (Net of Reinsurer Share)		--	--
1.1.1- Written Premiums, gross		--	--
1.1.2- Written Premiums, ceded		--	--
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
1.2.1- Reserve for Unearned Premiums, gross		--	--
1.2.2- Reserve for Unearned Premiums, ceded		--	--
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
1.3.1- Reserve for Unexpired Risks, gross		--	--
1.3.2- Reserve for Unexpired Risks, ceded		--	--
2- Investment Income		--	--
3- Unrealized Gains on Investments		--	--
4- Other Technical Income (Net of Reinsurer Share)		--	--
4.1- Other Technical Income. gross		--	--
4.2- Other Technical Income. Ceded		--	--
5- Accrued Salvage Income		--	--

(*) See note 2.1.6 to reorganize.

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Consolidated Statement of Income
For the Year Ended 31 December 2016

(Currency: Turkish Lira (TL))

I-TECHNICAL SECTION	Note	Audited Current Period 1 January - 31 December 2016	Audited Prior Period (Reorganized)(*) 1 January - 31 December 2015
E- Life Technical Expense		--	--
1- Incurred Losses (Net of Reinsurer Share)		--	--
1.1- Claims Paid (Net of Reinsurer Share)		--	--
1.1.1- Claims Paid, gross		--	--
1.1.2- Claims Paid, ceded		--	--
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
1.2.1- Change in Provisions for Outstanding Claims, gross		--	--
1.2.2- Change in Provisions for Outstanding Claims, ceded		--	--
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
2.1- Provision for Bonus and Discounts, gross		--	--
2.2- Provision for Bonus and Discounts, ceded		--	--
3- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
3.1- Change in Mathematical Provisions, gross		--	--
3.1.1- Change in Actuarial Mathematical Provisions, gross		--	--
3.1.2- Change in Profit Share Provisions (Provision for Financial Investments with Risks on Saving Life Policyholders), gross		--	--
3.2- Change in Mathematical Provisions, ceded		--	--
3.2.1- Change in Actuarial Mathematical Provisions, ceded		--	--
3.2.2- Change in Profit Share Provisions (Provision for Financial Investments with Risks on Saving Life Policyholders). ceded		--	--
4- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)		--	--
5- Operating Expenses		--	--
6- Investment Expenses		--	--
7- Unrealized Losses on Investments		--	--
8- Investment Income Transferred to the Non-Life Technical Section		--	--
F- Net Technical Income- Life (D - E)		--	--
G- Pension Business Technical Income		--	--
1- Fund Management Income		--	--
2- Management Fee		--	--
3- Entrance Fee Income		--	--
4- Management Expense Charge in case of Suspension		--	--
5- Income from Private Service Charges		--	--
6- Increase in Value of Capital Allowances Given as Advance		--	--
7- Other Technical Expense		--	--
H- Pension Business Technical Expense		--	--
1- Fund Management Expense		--	--
2- Decrease in Value of Capital Allowances Given as Advance		--	--
3- Operating Expenses		--	--
4- Other Technical Expenses		--	--
I- Net Technical Income - Pension Business (G - H)		--	--

(*)See note 2.1.6 to reorganize.

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Consolidated Statement of Income
For the Year Ended 31 December 2016

(Currency: Turkish Lira (TL))

II-NON-TECHNICAL SECTION	Note	Audited Current Period 1 January - 31 December 2016	Audited Prior Period (Reorganized)(*) 1 January - 31 December 2015
C- Net Technical Income - Non-Life (A-B)		**157.563.813**	**103.633.818**
F- Net Technical Income - Life (D-E)		--	--
I - Net Technical Income - Pension Business (G-H)		--	--
J- Total Net Technical Income (C+F+I)		**157.563.813**	**103.633.818**
K- Investment Income		**501.978.555**	**379.189.462**
1- Income from Financial Assets	4.2	255.570.956	183.751.030
2- Income from Disposal of Financial Assets	4.2	11.587.624	9.642.262
3- Valuation of Financial Assets	4.2	48.436.306	33.542.592
4- Foreign Exchange Gains	4.2	134.101.122	109.289.546
5- Income from Associates	4.2	38.251.374	29.176.564
6- Income from Subsidiaries and Joint Ventures		--	--
7- Income from Property, Plant and Equipment		9.599.061	12.678.354
8- Income from Derivative Transactions	4.2	4.432.112	674.700
9- Other Investments		--	434.414
10- Income Transferred from Life Section		--	--
L- Investment Expense		**(505.094.199)**	**(382.414.280)**
1- Investment Management Expenses (incl. interest)	4.2	(756.432)	(939.230)
2- Diminution in Value of Investments	4.2	(1.643.638)	(2.824.154)
3- Loss from Disposal of Financial Assets	4.2	(15.270.224)	(9.629.064)
4- Investment Income Transferred to Non-Life Technical Section		(379.849.157)	(276.542.615)
5- Loss from Derivative Transactions	4.2	(3.616.449)	(74.638)
6- Foreign Exchange Losses	4.2	(76.942.491)	(61.168.299)
7- Amortization Expenses	6,8	(27.015.808)	(31.236.280)
8- Other Investment Expenses		--	--
M- Income and Expenses From Other and Extraordinary Operations		**(29.012.659)**	**(23.656.235)**
1- Provisions	47	(38.095.225)	(25.546.469)
2- Rediscounts	47	492.592	1.458.591
3- Specified Insurance Accounts		--	--
4- Monetary Gains and Losses		--	--
5- Deferred Taxation (Deferred Tax Assets)	35	7.160.762	--
6- Deferred Taxation (Deferred Tax Liabilities)	35	--	(6.509.894)
7- Other Income		3.179.411	7.600.350
8- Other Expenses and Losses		(1.750.199)	(658.813)
9- Prior Year's Income		--	--
10- Prior Year's Expenses and Losses		--	--
N- Net Profit for the Period		**102.118.697**	**74.982.806**
1- Profit for the Period		125.435.510	76.752.765
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(23.316.813)	(1.769.959)
3- Net Profit for the Period		102.118.697	74.982.806
4- Monetary Gains and Losses		--	--

(*) See note 2.1.6 to reorganize.

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Consolidated Statement of Changes in Equity For the Year Ended 31 December 2016

(Currency: Turkish Lira (TL))

Audited Statement of Changes in Equity (Reorganized)(*) - 31 December 2015

	Notes	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustments
I - Balance at the end of the previous year (31 December 2014)		**500.000.000**	**--**	**35.200.299**	**--**	**--**
II - Change in Accounting Standards (*)		**--**	**--**	**--**	**--**	**--**
III - Restated balances (I+II) (01 January 2015)		**500.000.000**	**--**	**35.200.299**	**--**	**--**
A- Capital increase (A1+A2)		--	--	--	--	--
1- In cash		--	--	--	--	--
2- From reserves		--	--	--	--	--
B- Purchase of own shares		--	--	--	--	--
C- Gains or losses that are not included in the statement of income		--	--	--	--	--
D- Change in the value of financial assets	11,15	--	--	(6.021.160)	--	--
E- Currency translation adjustments		--	--	--	--	--
F- Other gains or losses		--	--	--	--	--
G- Inflation adjustment differences		--	--	--	--	--
H- Net profit for the period		--	--	--	--	--
I - Dividends paid		--	--	--	--	--
J - Transfers to reserves	15	--	--	--	--	--
II - Balance at the end of the period - 31 December 2015		**500.000.000**	**--**	**29.179.139**	**--**	**--**

Audited Statement of Changes in Equity - 31 December 2016

	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustments
I Balance at the end of the previous year (31 December 2015)		**500.000.000**	**--**	**29.179.139**	**--**	**--**
II - Change in Accounting Standards		**--**	**--**	**--**	**--**	**--**
III - Restated balances (I+II) (01 January 2016)		**500.000.000**	**--**	**29.179.139**	**--**	**--**
A- Capital increase (A1+A2)		--	--	--	--	--
1- In cash		--	--	--	--	--
2- From reserves		--	--	--	--	--
B- Purchase of own shares		--	--	--	--	--
C- Gains or losses that are not included in the statement of income		--	--	--	--	--
D- Change in the value of financial assets	11,15	--	--	3.775.003	--	--
E- Currency translation adjustments		--	--	--	--	--
F- Other gains or losses		--	--	--	--	--
G- Inflation adjustment differences		--	--	--	--	--
H- Net profit for the period		--	--	--	--	--
I - Dividends paid	2.23	--	--	--	--	--
J - Transfers to reserves	15	--	--	--	--	--
IV - Balance at the end of the period - 31 December 2016		**500.000.000**	**--**	**32.954.142**	**--**	**--**

(*)See note 2.1.6 to reorganize.

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

	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Year	Retained Earnings	Total
	46.999.839	**7.710.040**	**73.806.502**	**76.514.530**	**60.952.290**	**801.183.500**
	--	--	--	--	--	--
	46.999.839	**7.710.040**	**73.806.502**	**76.514.530**	**60.952.290**	**801.183.500**
	--	--	--	--	--	--
	--	--	--	--	--	--
	--	--	--	--	--	--
	--	--	--	--	--	--
	--	--	(642.822)	--	--	(642.822)
	--	--	16.610.291	--	1.920.839	12.509.970
	--	--	--	--	--	--
	--	--	--	(1.922.428)	--	(1.922.428)
	--	--	--	--	--	--
	--	--	--	74.982.806	--	74.982.806
	--	--	--	(22.892.789)	--	(22.892.789)
	5.415.325	4.078.589	40.250.609	(51.699.313)	1.954.790	--
	52.415.164	**11.788.629**	**130.024.580**	**74.982.806**	**64.827.919**	**863.218.237**

	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Year	Retained Earnings	Total
	52.415.164	**11.788.629**	**130.024.580**	**74.982.806**	**64.827.919**	**863.218.237**
	--	--	--	--	--	--
	52.415.164	**11.788.629**	**130.024.580**	**74.982.806**	**64.827.919**	**863.218.237**
	--	--	--	--	--	--
	--	--	--	--	--	--
	--	--	--	--	--	--
	--	--	--	--	--	--
	--	--	(794.801)	--	--	(794.801)
	--	--	772.058	--	--	4.547.061
	--	--	--	--	--	--
	--	--	--	--	--	--
	--	--	--	--	--	--
	--	--	--	102.118.697	--	102.118.697
	--	--	--	--	--	--
	6.268.609	6.022.879	56.592.997	(74.982.806)	6.098.321	--
	58.683.773	**17.811.508**	**186.594.834**	**102.118.697**	**70.926.240**	**969.089.194**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Consolidated Statement of Cash Flows For the Year Ended 31 December 2016

(Currency: Turkish Lira (TL))

	Note	Audited Current Period 31 December 2015	Audited Prior Period (Reorganized)(*) 31 December 2014
A - CASH FLOWS FROM OPERATING ACTIVITIES			
1- Cash provided from insurance activities		5.071.226.899	3.881.788.562
2- Cash provided from reinsurance activities		--	--
3- Cash provided from individual pension business		--	--
4- Cash used in insurance activities		(4.769.100.894)	(3.643.412.204)
5- Cash used in reinsurance activities		(5.462.509)	(13.550.082)
6- Cash used in individual pension business		--	--
7- Cash provided by operating activities		**296.663.496**	**224.826.276**
8- Interest paid		--	--
9- Income taxes paid	19	9.957.572	(22.398.667)
10- Other cash inflows		62.828.955	233.503.726
11- Other cash outflows		(100.587.197)	(42.151.838)
12-Net cash provided by operating activities		**268.862.826**	**393.779.497**
B - CASH FLOWS FROM INVESTING ACTIVITIES			
1- Proceeds from disposal of tangible assets		8.091.520	17.987.811
2- Acquisition of tangible assets	6,8	(33.694.808)	(22.158.602)
3- Acquisition of financial assets	11	(843.360.358)	(609.793.354)
4- Proceeds from disposal of financial assets		701.087.636	617.953.122
5- Interests received		383.365.799	162.853.642
6- Dividends received		20.000.000	12.000.000
7- Other cash inflows		131.467.603	165.276.635
8- Other cash outflows		(435.576.506)	(90.897.471)
9- Net cash provided by investing activities		**(68.619.114)**	**253.221.783**
C- CASH FLOWS FROM FINANCING ACTIVITIES			
1- Equity shares issued		--	--
2- Cash provided from loans and borrowings		--	--
3- Finance lease payments		--	--
4- Dividends paid		--	(22.459.965)
5- Other cash inflows		--	--
6- Other cash outflows		--	--
7- Net cash used in financing activities		**--**	**(22.459.965)**
D- EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS		2.027.454	1.931.150
E- Net increase in cash and cash equivalents		**202.271.166**	**626.472.465**
F- Cash and cash equivalents at the beginning of the year	**14**	1.670.201.689	1.043.729.224
G- Cash and cash equivalents at the end of the year	**14**	**1.872.472.855**	**1.670.201.689**

(*) See note 2.1.6 to reorganize.

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Consolidated Statement of Profit Distribution For the Year Ended 31 December 2016

(Currency: Turkish Lira (TL))

	Note	Audited Current Period (**) 31 December 2016	Audited Prior Period (***) 31 December 2015
I. PROFIT DISTRIBUTION			
1.1. CURRENT YEAR PROFIT (*)		125.420.416	74.211.266
1.2. TAX AND FUNDS PAYABLE		(23.316.813)	(1.769.959)
1.2.1. Corporate Income Tax (Income Tax)		(23.316.813)	(1.769.959)
1.2.2. Income tax deduction		--	--
1.2.3. Other taxes and Duties		--	--
A NET PROFIT (1.1 - 1.2)		**102.103.603**	**72.441.307**
1.3. PREVIOUS PERIOD LOSSES (-)		--	--
1.4. FIRST LEGAL RESERVE		4.392.611	3.063.237
1.5. STATUTORY FUND (-)		--	--
B NET PROFIT DISTRIBUTION [(A-(1.3 + 1.4 + 1.5)]		**97.710.992**	**69.378.070**
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		--	--
1.6.1. Holders of shares		--	--
1.6.2. Holders of Preferred shares		--	--
1.6.3 Holders of Redeemed shares		--	--
1.6.4 Holders of Participation Bond		--	--
1.6.5 Holders of Profit and Loss sharing certificate		--	--
1.7. DIVIDEND TO PERSONNEL (-)		--	--
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		--	--
1.9.1. Holders of shares		--	--
1.9.2. Holders of Preferred shares		--	--
1.9.3. Holders of Redeemed shares		--	--
1.9.4. Holders of Participation Bond		--	--
1.9.5. Holders of Profit and Loss sharing certificate		--	--
1.10. SECOND LEGAL RESERVE (-)		--	--
1.11. STATUTORY RESERVES (-)		--	5.820.151
1.12. EXTRAORDINARY RESERVES		--	63.557.919
1.13. OTHER RESERVES		--	--
1.14. SPECIAL FUNDS		--	--
II. DISTRIBUTION OF RESERVES		--	--
2.1. DISTRIBUTION OF RESERVES		--	--
2.2. SECOND LEGAL RESERVES (-)		--	--
2.3. COMMON SHARES (-)		--	--
2.3.1. Holders of shares		--	--
2.3.2 Holders of Preferred shares		--	--
2.3.3. Holders of Redeemed shares		--	--
2.3.4 Holders of Participation Bond		--	--
2.3.5 Holders of Profit and Loss sharing certificate		--	--
2.4. DIVIDENDS TO PERSONNEL (-)		--	--
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
III. PROFIT PER SHARE		--	--
3.1. HOLDERS OF SHARES		--	--
3.2. HOLDERS OF SHARES (%)		--	--
3.3. HOLDERS OF PREFERRED SHARES		--	--
3.4. HOLDERS OF PREFERRED SHARES (%)		--	--
IV. DIVIDEND PER SHARE		--	--
4.1. HOLDERS OF SHARES		--	--
4.2. HOLDERS OF SHARES (%)		--	--
4.3. HOLDERS OF PREFERRED SHARES		--	--
4.4. HOLDERS OF PREFERRED SHARES (%)		--	--

(*) In accordance with Capital Markets Board's no.2014/2 in the Weekly Bulletin "Profit Distribution Statement Preparation Guide" the distribution are based on the consolidated profit figure. TL 15.094 75% of 'income from investments in associates and real estate sales pursuant to the shareholders' account which is followed in "Profit not subject to distribution" section in equity is not taken into consideration due to profit for the year 31 December 2016, rely on no.5 of the Corporate Tax Law (31 December 2015: TL 2.541.499).

(**) Profit distribution table has not been filled yet, due to profit distribution proposal for the year 2016 has not prepared by the Board of Directors

(***) The Figures of 2015 is filled with the data which is "According to Legal Records" belongs to the Profit Distribution.

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

1 General Information

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

The shareholding structure of Anadolu Anonim Türk Sigorta Şirketi ("the Company") is presented below. As at 31 December 2016, the shareholder having indirect control over the shares of Anadolu Anonim Türk Sigorta Şirketi ("the Company") is Türkiye İş Bankası A.Ş. ("İş Bankası").

	31 December 2016		31 December 2015	
Name	Shareholding Amount (TL)	Shareholding Rate (%)	Shareholding Amount (TL)	Shareholding Rate (%)
Milli Reasürans T.A.Ş.	286.550.106	57,31	286.550.106	57,31
Other	213.449.894	42,69	213.449.894	42,69
Paid in Capital	**500.000.000**	**100,00**	**500.000.000**	**100,00**

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

The Company was registered in Turkey and has the status of 'Incorporated Company'. The Company moved from "Büyükdere Caddesi İş Kuleleri Kule 2 Kat: 22-26, 34330 4. Levent, Istanbul to the new address "Rüzgarlıbahçe Mahallesi, Kavak Sokak, No: 31 34805 Kavacık/ İstanbul and the Company has nine regional offices; two of them established in İstanbul and others established in Antalya, İzmir, Samsun, Adana, Ankara, Trabzon and Bursa, and a branch in Turkish Republic of Northern Cyprus.

1.3 Business of the Company

The Company operates in almost all non-life insurance branches consisting of mainly accident, health, motor vehicles, air vehicles, water vehicles, transportation, fire and natural disasters, general loss, credit, financial losses, and legal protection.

As at 31 December 2016, the Company serves through, 2.458 authorized agencies and 98 unauthorized agencies (31 December 2015: 2.468 authorized agencies and 93 unauthorized agencies) of which, 2.556 agencies (31 December 2015: 2.561 authorized)

1.4 Description of the main operations of the Company

The Company conducts its operations in accordance with the Insurance Law No.5684 (the "Insurance Law") issued in 14 June 2007 dated and 26552 numbered Official Gazette and the communiqués and other regulations in force issued by the Turkish Treasury based on the Insurance Law. The Company operates in insurance branches as mentioned above *Note 1.3 Business of the Company.*

The Company's shares have been listed on the Istanbul Stock Exchange ("ISE"). The company operates based on its own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting in accordance Capital Market Law No: 6362, part of VIII and paragraph of 5 of Article 136.

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

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

	31 December 2016	31 December 2015
Senior level managers	7	7
Directors	38	37
Intermediate directors	3	3
Officers	163	145
Contracted personnel	952	891
Total	**1.163**	**1.083**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

1.6 Wages and similar benefits provided to the senior management

For the year ended 31 December 2016, wages and similar benefits provided chairman is amounting to TL 1.306.590 (31 December 2015: TL 1.110.000), senior management 5.192.515 TL (31 December 2015: TL 4.374.000).

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

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

In accordance with the above mentioned Communiqué, insurance companies are allowed to transfer technical section operating expense to insurance section through methods determined by Turkish Treasury or by the Company itself. Methods determined by the Company should be approved by the Turkish Treasury, Known and exactly distinguishable operating expenses are distributed to related branches directly, while operating expenses are distributed to the sub-branches in accordance with the average of 3 ratios calculated by dividing "number of the policies produced within the last three years", "gross premium written within the last three years", and "number of the claims reported within the last three years" to the "total number of the policies", "total gross written premiums" and the "total number of the claims reported", respectively.

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

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

The accompanying financial statements comprise consolidated financial information of the Company and basis of the consolidation is detailed in note 2.2 - *Consolidation*.

The Company owns 20% of Anadolu Hayat Emeklilik Anonim Şirketi ("Anadolu Hayat") and this associate have been consolidated in the accompanying consolidated financial statements by using the equity method of accounting.

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

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

Trade name of the Company	:	Anadolu Anonim Türk Sigorta Şirketi
Registered address of the head office	:	Rüzgarlıbahçe Mahallesi, Kavak Sokak, No: 31 34805 Kavacık/İstanbul
The web page of the Company	:	www.anadolusigorta.com.tr

Since the end of the previous reporting period, there is not been any change in presented information.

1.10 Events after the reporting date

There haven't been any change at services of the company, recording of this services and company policies after accounting date.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

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

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

Accounting in hyperinflationary countries

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

With respect to the declaration of the Turkish Treasury with the article dated 4 April 2005 and numbered 19387, financial statements as of 31 December 2004 are adjusted for the opening balances of 2005 in accordance with the section with respect to inflation accounting of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated 15 January 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Turkish Treasury. Accordingly, as at 31 December 2016, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded before 31 December 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded after 31 December 2004 are measured at their nominal values.

Other accounting policies

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

2.1.3 Valid and presentation currency

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

2.1.4 Rounding scale of the amounts presented in the financial statements

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

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

2.1.6 Accounting policies, changes in accounting estimates and errors

No changes or errors have occurred in the accounting policies for the current period.

Explanations on accounting estimates are given in the notes 3 which is critical accounting estimates and judgments.

2.2 Consolidation

"Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance, and Individual Pension Companies" issued by the Turkish Treasury in the 31 December 2008 dated and 27097 numbered Official Gazette, has been in force since 31 March 2009. Accordingly, consolidated financial statements are prepared using the equity method of accounting to consolidate the Company's associate; Anadolu Hayat Emeklilik A.Ş.

Accordingly, consolidated financial statements are prepared using the equity method of accounting to consolidate the Company's associate; Anadolu Hayat.

2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Since the main economic environment, where the Company operates, is Turkey, a geographical segment reporting has not been presented. A business segment reporting of the Company is presented in Note 5 in accordance with TFRS 8- *Operating Segments* standard.

2.4 Foreign currency transactions

Transactions are recorded in TL, which is the Company's functional currency. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates ruling at the reporting date and foreign currency exchange differences are offset and all exchange differences are recognized in the statement of income.

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

2.5 Tangible assets

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

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

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

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

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

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

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

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

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

Depreciation rates and estimated useful lives are as follows:

Tangible Assets	Estimated Useful Lives (years)	Depreciation Rates (%)
Buildings	50	2,0
Machinery and equipment	3 - 16	6,3 - 33,3
Furniture and fixtures	4 - 16	6,3 - 25,0
Vehicles	5	20,0
Other tangible assets (including leasehold improvements)	5 - 10	10,0 - 20,0
Leased tangible assets	4 - 10	10,0 - 25,0

2.6 Investment properties

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

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

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

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

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

2.7 Intangible Assets

The Company's intangible assets consist of computer software, goodwill and advances paid for tangible assets.

Intangible assets are recorded at cost in compliance with "TAS 38 - *Accounting for intangible assets*". The cost of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs.

Amortization is charged on a straight-line basis over their estimated useful lives over the cost of the asset. Amortization periods for intangible assets are 3 to 15 years.

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

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

The Company has acquired the health portfolio of Anadolu Hayat Emeklilik A.Ş. at 31 August 2004 with all of its rights and liabilities. The value at acquisition of the portfolio amounting to TL 16.250.000 is capitalized as goodwill by the Company.

2.8 Financial assets

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

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

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

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

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

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Unrecognized gains or losses derived from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in "Revaluation of financial assets" under shareholders' equity. Upon disposal, the realized gain or losses are recognized directly in the statement of income.

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

The Company has accounted equity shares classified as available-for-sale according to quoted market prices or dealer price quotations for financial instruments traded in active markets or according to cost less impairment losses for financial instruments not traded in active markets.

Securities are recognized and derecognized at the date of settlement.

Associates; Anadolu Hayat has been consolidated in the accompanying consolidated financial statements by using the equity method of accounting.

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

2.9 Impairment on assets

Impairment on financial assets

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

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

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

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

Impairment on tangible and intangible assets

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

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

2.10 Derivative financial instruments

As of 31 December 2016, the Company's the marketable securities in the trade book totals to TL 6.649.637 (31 December 2015: None). These securities also have derivate warranty and as of the report date have no express warranty (31 December 2015: None).

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

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

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

2.11 Offsetting of financial assets

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

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

2.12 Cash and cash equivalents

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

2.13 Share capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group, as at 31 December 2016 and 31 December 2015, the share capital and ownership structure of the Company are as follows:

	31 December 2016		31 December 2015	
Name	Shareholding Amount (TL)	Shareholding Rate (%)	Shareholding Amount (TL)	Shareholding Rate (%)
Milli Reasürans T.A.Ş.	286.550.106	57,31	286.550.106	57,31
Other	213.449.894	42,69	213.449.894	42,69
Paid in capital	**500.000.000**	**100,00**	**500.000.000**	**100,00**

Sources of capital increases during the period

The company has not performed capital increase as at 31 December 2016 (31 December 2015: None)

Privileges on common shares representing share capital

As at 31 December 2016, the issued share capital of the Company is TL 500.000.000 (31 December 2015: TL 500.000.000) and The Company unregistered Group 150 A shares which each of value is TL 1,5 as of 11 April 2013 in which approved in Main Article of the Company dated in 11 April 2013. The share capital of the Company consists of 50.000.000.000 (31 December 2015: 50.000.000.000 shares) issued shares with TL 1 nominal value each.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Registered capital system in the Company

The Company has accepted the registered capital system. As of 31 December 2016, the Company's registered capital is TL 700.000.000 (31 December 2015: TL 700.000.000)

Repurchased own shares by the Company

None.

2.14 Insurance and investments contracts - classification

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

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

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

2.15 Insurance contracts and investment contracts with discretionary participation feature

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

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

As at the reporting date, the Company does not have any insurance or investment contracts that contain a DPF.

2.16 Investment contracts without DPF

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

2.17 Liabilities

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

2.18 Income Taxes

Corporate Tax

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

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

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

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

Deferred tax

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

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

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

Transfer pricing

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

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

2.19 Employee benefits

Pension and other post-retirement obligations

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Employees of the Company are the members of "Anadolu Anonim Pension Fund" which is established in accordance with the temporary Article 20 of the Social Security Act No: 506. As per the temporary sub article No: 20 of the Article 73 of the Social Security Law, pension funds should be transferred to the Social Security Institution within three years after the publication of the a aforementioned Law published in the Official Gazette numbered 26870 and dated 8 May 2008. The related three-year transfer period has been prolonged for two years by the Cabinet decision, which was published on the Official Gazette dated 9 April 2011. Accordingly, the three-year period expired on 8 May 2011 was extended to the 8 May 2015.

The principles and applications of the transfer will be determined by the Decree of the Council of Ministers separately. Lastly, first paragraph of temporary 20th article of 5510 numbered Law, article 51 of the law regarding changing of several laws and delegated legislations and the law of occupational health and safety which are published in 23 April 2015 dated Official Gazette is changed as following; insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or which constitutes their union personnel and associates of funds "The Council is authorized to determine the date of transfer within the scope of article 20th of the law, 506 banks, insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or which constitutes their union personnel and associates of funds to the social security institution. The date of the transfer of the first paragraph of Article 4 of this law pension fund contributors as are considered insured". According to this arrangement the bank within the scope of Act 506, article No.20, insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or associations which constitute their union personnel and associates of funds are required to be transferred until 8 May 2015 to Social Security Administration, authority to determine the date of transfer is given the Council of Ministers thus the transfer of the funds has been postponed to an unknown date.

The application which containing temporary transfer provision on 19 June 2008 cancellation and cessation of claims by Republican People's Party, it is rejected in accordance with the decision at the court's meeting on 30 March 2011.

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

a) Technical deficit rate of 9,8% shall be used in the actuarial calculation of the value in cash, and.

b) Gains and losses of the funds stems from benefits covered by the aforementioned Law taken into accounts to calculate present value of the obligations.

Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct The amount payable for each year of service the employee union members; death, disability, retirement, pension bonding states is 60 days, ın other provinces it amounted 45 daily wages. In other employees, it is one month's salary. The applicable ceiling amount as at 31 December 2016 is TL 4.426,16 (31 December 2015: TL 4.092,53).

In Accordance IAS 19 which published by KGK dated 12 March 2013 is about "Benefits Employee Accounting Standard" and defined by beginning from 31 December 2012 net defined benefit liability of the actuarial gains and losses arising on re-measurement should be recognized in other comprehensive income under shareholders' equity and this effect should be applied retrospectively. The company started to account current actuarial gains and losses under equity (other profit reserves) due to the fact that prior period actuarial gains and losses have remained below the materiality

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

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

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Other benefits

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

2.20 Provisions

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

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

2.21 Revenue recognition

Written premiums and claims paid

Written premiums represent premiums on policies written during the period net of taxes, premiums of the cancelled policies which were produced in prior periods and premium ceded to reinsurance companies. Premiums ceded to reinsurance companies are accounted as "written premiums, ceded" in the statement of income.

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

Subrogation, salvage and quasi income

According to the Circular 2010/13 dated 20 September 2010; the Company may account for income accrual for subrogation receivables without any voucher after the completion of the claim payments made to the insurer. If the amount cannot be collected from the counterparty insurance company, the Company provides provision for uncollected amounts due for six months. If the counter party is not an insurance Company, the provision is provided after four months as at the reporting date, in accordance with the related circular the Company provided TL 43.739.284 (31 December 2015: TL 45.354.423) subrogation receivables and recorded TL 47.016.782 (31 December 2015: TL 49.626.517) (Note 12) net subrogation and salvage receivables under receivables from main operations. The Company provided allowance for uncollected subrogation receivables amounting to TL 8.836.586 (31 December 2015: TL 8.305.178) (Note 12) in accordance with circular.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

	31 December 2016	31 December 2015
Motor vehicles	341.775.724	292.754.774
Third party liability for motor vehicles (MTPL)	10.694.282	7.174.650
Fire and natural disaster	3.961.070	3.654.611
Marine	2.799.577	2.946.419
Credit	467.351	68.150
General losses	313.114	164.084
General responsibility	103.795	135.207
Accident	21.706	7.759
Air vehicles	10.588	--
Water vehicles	10.222	1.052.607
Legal protection	529	--
Total	**360.157.958**	**307.958.261**

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

	31 December 2016	31 December 2015
Motor vehicles	37.302.823	36.648.709
Third party liability for motor vehicles (MTPL)	4.565.163	4.252.062
Marine	2.688.121	1.048.488
Fire and natural disaster	1.883.852	3.485.325
General losses	490.114	3.904.872
Water vehicles	78.448	12.503
General responsibility	8.261	--
Accident	--	274.558
Total	**47.016.782**	**49.626.517**

Commission income and expense

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

Interest income and expense

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

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Trading income/expense

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

Dividends

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

2.22 Leasing transactions

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

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

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

2.23 Dividend distribution

Based on the guidelines and principals issued by the CMB dated 27 January 2010 for the distribution of dividends from the profit generated from operating activities in 2009, concerning public entities, the shares of which are quoted in public equity markets, it has been agreed upon not to set a mandatory minimum dividend payment quota. Furthermore, it has been agreed upon to let public entities perform dividend distributions as stated within the principal agreement of the companies and as stated within the policies on dividend distribution that have been shared with the public.

Additionally, as stated within the aforementioned decision of CMB, for entities required to prepare consolidated financial statements, it has been agreed upon to require the net distributed profit calculations to be performed on the net profit for the period as stated on the consolidated financial statements, so long that the distribution can be funded through statutory resources.

Board of Directors proposal which is related with distribution of the profits gained from the operations of the 2015 was adopted unanimously in the framework of the General Assembly dated 24 March 2016.

According to the distributable profit there is no dividend has been paid to the subsidiaries and after deduction of the legal sums the remaining TL 58.201.506 is the distributable consolidated current period. TL 5.820.151 of this total has been deemed statuary reserves and the remaining TL 52.381.355 has been deemed excess reserves.

2.24 Reserve for unearned premiums

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

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

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

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

As at the reporting date, the Company has provided reserve for unearned premiums amounting to TL 2.228.090.805 (31 December 2015: TL 1.848.552.863) and reinsurer share in reserve for unearned premiums amounting TL 400.082.643 (31 December 2015: TL 341.649.490). Furthermore, reserve for unearned premiums includes Social Security Institution ("SSI") share amounting to TL 75.059.218 (31 December 2015: TL 54.975.565).

2.25 Provision for outstanding claims

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

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

In accordance with 5 December 2014 dated and 2014/16 numbered "Circular for Provision for Outstanding Claims" of Turkish Treasury, by the Undersecretariat of treasury the compensation which occurred but not was not reported since 1 January 2015 is being calculated with the best of ability of the company's actuary. The most accurate assumption is calculating the damages which will be paid in the future according to a model and assumption, and by utilizing the risk free return curves to calculate today's value.

The methods, corrections, the suitable data and the growth factor choice and the intervention is being calculated by the company's actuary using actuarial methods. According to Actuaries Regulations Law no. 11, an actuarial report has been sent the Undersecretariat of treasury and these calculations are detailed there. Company's actuary tests damage growth factors with some methods by using software tools and then making some choices for actuarial analysis.

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

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

The Company has used the gradual transition curve which was published by the Undersecretariat of treasury's "General Instructions Regarding to the Changes in the General Instructions Regarding Pending Compensations (2014/16)" which was published in 29 February 2016 with the number 2016/11. The company has used these gradual transition curve with 100% accuracy and has reflected the calculations on the official statements as well as possible. (According to the General Instructions which was published on 31 December 2015 with the number 2015/28, Compulsory Traffic, Fiscal and General Liability 10% rate of increase have been calculated as IBNR and has been represented in the statement. According to this, the IBNR sum which has not yet been represented in the statement is 203.903.058 TL for compulsory traffic branch, TL 7.407.845 for fiscal liability branch and TL 10.774.133 for the general liability branch total to TL 222.085.036).

As of 31 December 2016, the Company has reserved a sum of TL 2.530.257.134 as outstanding claim reserve (31 December 2015: TL 1.878.978.416) and TL 487.012.275 as pending damage re-insurance payment (31 December 2015: TL 493.070.874).

The IBNR method to be selected on the basis of branch is follow.

Based on each branch, calculation amount of Net IBNR; reinsurance agreements' effect in force was to be reflected based on actual reinsurance rate.

	31 December 2016	31 December 2016
Motor vehicles	Standard Chain Ladder	Standard Chain Ladder
Water vehicles	Standard Chain Ladder	Standard Chain Ladder
Third party liability for motor vehicles (MTPL)	Cape Code	Cape Code
Third party liability	Standard Chain Ladder	Standard Chain Ladder
Third party liability for air vehicles	Standard Chain Ladder	Standard Chain Ladder
Fire and natural disasters	Standard Chain Ladder	Standard Chain Ladder
Air crafts	Standard Chain Ladder	Standard Chain Ladder
Accident	Standard Chain Ladder	Standard Chain Ladder
General losses	Standard Chain Ladder	Standard Chain Ladder
Financial losses	Standard Chain Ladder	Standard Chain Ladder
Health	Standard Chain Ladder	Standard Chain Ladder
Marine	Standard Chain Ladder	Standard Chain Ladder
Credit	Standard Chain Ladder	Standard Chain Ladder
Legal protection	Standard Chain Ladder	Standard Chain Ladder
General liability	Cape Code	Cape Code

In accordance with "Circular Related to Information on Calculation of Incurred But Not Reported Claims Reserve" numbered 2011/23 and dated 26 November 2011, companies may decrease their outstanding claims reserve balances based on the winning ratio of the sub-branches calculated from the last five years claims. Winning ratio used for decrease in provision for outstanding claims could not exceed 25% (15% for the new sub-branches which do not have five year data). Based on the aforementioned regulation, the Company calculated winning ratio from the last five year data set and TL 170.861.245 (31 December 2015: TL 104.862.951) as IBNR and TL 25.166.208 (31 December 2015: TL 18.207.321) as reinsurer's share of IBNR is excluded from outstanding claims reserve balance.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

31 December 2016 Branch	Earning Ratios Used	Gross Amount Decreased	Net Amount Decreased
General responsibility	25%	78.777.548	72.050.356
Third party liability for motor vehicles (MTPL)	11%	55.777.818	54.833.381
Fire and natural disasters	25%	21.068.122	9.042.415
General Losses	25%	5.382.650	1.422.206
Motor vehicles	22%	5.296.987	5.210.113
Accident	25%	1.825.148	1.167.341
Marine	25%	1.308.549	851.196
Water vehicles	25%	708.020	422.494
Credit	25%	681.222	681.222
Financial Losses	3%	30.283	9.415
Legal protection	25%	4.898	4.898
Total		**170.861.245**	**145.695.037**

31 December 2015 Branch	Earning Ratios Used	Gross Amount Decreased	Net Amount Decreased
General responsibility	25%	44.952.215	40.954.135
Third party liability for motor vehicles (MTPL)	10%	34.977.046	34.149.860
Fire and natural disasters	25%	16.115.339	5.546.618
General Losses	25%	3.014.805	1.082.648
Motor vehicles	21%	2.994.637	2.925.531
Marine	25%	804.446	394.117
Water vehicles	25%	677.619	482.354
Accident	16%	656.803	469.951
Credit	25%	636.655	636.655
Financial Losses	3%	28.162	8.537
Legal protection	25%	5.224	5.224
Total		**104.862.951**	**86.655.630**

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

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

According to the Article 59 of the aforementioned law, starting from 25 February 2011, premiums written under compulsory motor third party liability insurance contracts providing health assurance will be transferred to SSI by the rate up to 15% which will be later defined by Turkish Treasury. By this premium transfer, all liabilities related to body injuries resulted from traffic accidents will be compensated by SSI. According to the Provisional Article 1 and Article 59 of the Law, up to 20% of the transferred premium amount defined by the Turkish Treasury will also be transferred to SSI and treatment costs resulted from traffic accidents occurred before 25 February 2011 will also be compensated by SSI. As part of the aforementioned law, "Communiqué on Payment of Treatment Costs Resulted from Traffic Accidents" which was issued in Official Gazette numbered 28038 and dated 27 August 2011 has become effective. On 17 October 2011, the Turkish Treasury issued circular numbered 2011/18 "Circular Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from Traffic Accidents and New Accounts in the Insurance Chart of Accounts". In accordance with the related circular, the Company eliminated outstanding claims reserve amounting to TL 2.279.273 related to treatment costs occurred before issuance of the aforementioned law, with "Paid Claims" account. The same amount is recorded as "Payable to SSI" under "Other Payables" in the accompanying financial statements.

In accordance with the circular numbered 2011/18, the Company recalculated test IBNR amount by excluding treatments costs covered by the aforementioned law as at 31 March 2011 and eliminated difference between the newly calculated IBNR amount and IBNR amount in the financial statements amounting to TL 2.375.923 with "Paid Claims" account. The same amount is recorded as "Payable to SSI" under "Other Payables" in the accompanying financial statements.

The Turkish Treasury informed the Company 7,02% for motor third party liability, 2,08% for compulsory personal accident seat insurance and 15,8% for compulsory transportation liability for traffic accidents occurred before issuance of the aforementioned law. The difference amounting to TL 58 (31 December 2015: TL 448) between the amount informed by the Turkish Treasury and the amount eliminated by the Company is transferred to "Other Technical Expense" for the year ended 31 December 2016.

2.26 Reserve for unexpired risks

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

In accordance with Treasury circular numbered 2012/15, unexpired risk reserve started to be calculated over main branches as of 31 December 202. The test is performed on branch basis and in case where the expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that specific branch is added to the reserves of that branch. Accordingly, as at the reporting date, the Company has provided net reserve for unexpired risk amounting to TL 4.020.419 (31 December 2015: TL 18.531.890) and unexpired risk amounting of reassurance to TL 3.455.888 (31 December 2015: TL 12.046.676) in the accompanying unconsolidated financial statements. According to the Circular numbered 2015/30, the amount of the opening provision for outstanding claims which is determined unexpired risk reserve redefined in a manner consistent with the current period as of 31 December, 2016.

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

According to Undersecretariat of Treasury's 2016/37 numbered general instructions has remarked that the method below can be used to calculate the land vehicles, land vehicle liabilities and general liability.

Based on the accident year and the loss ratio plus the indirect expenses has been specified as 95% in 2016, 90% in 2017, and if in 2018 this ratio exceeds 85%, the exceeding sum shall be multiplied by the brut KPK and the result will be brut ongoing risk expenses, and the multiplication by net KPK shall result in the net ongoing result expenses.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

As of 31 December 2016, the Company has used the method outlined in the 2016/37 numbered "General Instructions Regarding Ongoing Risk Expenses" which was published in 11 November 2016.

2.27 Equalization provision

In accordance with the Communiqué on Technical Reserves put into effect starting from 1 January 2008, the companies should provide equalization provision in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Equalization provision, started to be provided in 2008, is calculated as 12% of net premiums written in credit insurance and earthquake branches. In the calculation of net premiums, fees paid for un-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. The companies should provide equalization provision up to reaching 150% of the highest premium amount written in a year within the last five years.

In case where claims incurred, the amounts below exemption limits as stated in the contracts and the share of the reinsurance firms cannot be deducted from equalization provisions. Claims payments are deducted from first year's equalization provisions by first in first out method. Equalization provisions are presented under "other technical reserves" in the accompanying financial statements. As at the reporting date, the Company provided equalization provision amounting to TL 109.427.806 in the accompanying consolidated financial statements (31 December 2015: TL 81.545.727)

2.28 Related parties

Parties are considered related to the Company if;

(a) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company;

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

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

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

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

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

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

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

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

2.29 Earnings per share

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

2.30 Events after the reporting date

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

2.31 New standards and interpretations not yet adopted

There are a number of new standards, updates related to the existing standards and interpretations which are not adopted in the preparation of the accompanying financial statements and have not yet entered into force for the accounting period 31 December 2016. The new standards and updates to standards is not expected to have material effect on the financial statements except for TFRS 9.

TFRS 9 Financial Instruments: Recognition and Measurement

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

The Standards and Comments Which Was Published By International Accounting Standards Board (IASB) And Was Corrected By Public Oversight, Accounting and Auditing Standards Authority (POA)

International Financial Reporting Standards (IFRS) 16 Leasing Processes

New IFRS 16 leasing processes standard has been published by IASB on 13 January 2016. The standard leasing processes have been directed by TMS 17 Leasing Processes, IFRS Annotation 4 Determining If an Agreement Involves Leasing and TMS Annotation 15 Activity Leasing - Incentives have been replaced by the aforementioned standards. Also it makes some changes in IASB Standards 40, Investment Properties standards. IFRS 16 has removed the dual accounting method which required the leasee to outline the financial leasing transactions in the balance sheet and the requirement of outlining operational leasing transactions outside the balance sheet. Instead, a singular accounting method based on balance sheet, similar to the current financial leasing accounting method has been put in place. The recognition for the leasee continues similarly to the current methods. This change will be effective as of 1 January 2019 and the annual settlement accounts after this date. Turkish Financial Reporting Standards allows early practice of this method for companies using TFRS 15 Customer Contract Revenue. The Company is assessing the standard's effect upon the financial situation and the performance.

3 Critical accounting estimates and judgments in applying accounting policies

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

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

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

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

Note 4.1 - *Management of insurance risk*
Note 4.2 - *Financial risk management*
Note 10 - *Reinsurance assets/liabilities*
Note 11 - *Financial assets*
Note 12 - *Loans and receivables*
Note 17 - *Insurance liabilities and reinsurance assets*
Note 17 - *Deferred acquisition costs*

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Note 19 - *Trade and other payables, deferred income*

Note 21 - *Deferred income taxes*

Note 23 - *Provisions for other liabilities and charges*

4 Management of insurance and financial risk

4.1 Management of insurance risk

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

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

Potential risks that may be exposed in transactions are managed based on the requirements set out in the Company's "Risk Management Policies" issued by the approval of the Board of Directors. The main objective of risk management policies is to determine the risk measurement, assessment, and control procedures and maintain consistency between the Company's asset quality and limitations allowed by the insurance standards together with the Company's risk tolerance of the accepted risk level assumed in return for a specific consideration. In this respect, instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

Risk tolerance is determined by the Company's Board of Directors by considering the Company's long-term strategies, equity resources, potential returns and economical expectations, and it is presented by risk limitations. Authorization limitations during policy issuing include authorizations for risk acceptances granted based on geographical regions in relation to unacceptable special risks or pre-approved acceptable special risks, insurance coverage to agencies, district offices, technical offices, assistant general managers and top management in the policy issuance period and authorizations for claim payment granted to district offices, claim management administration, automobile claims administration and Claim Committee established by the managing director and assistant managing director in the claim payment period.

Whatsoever, risk acceptance is based on technical income expectations under the precautionary principle. In determining insurance coverage, policy terms and fee, these expectations are based accordingly.

It is essential that all the authorized personnel in charge of executing policy issuance transactions, which is the initial phase of insurance process, should ensure to gather or provide all the accurate and complete information to issue policies in order to obtain evidence on the acceptable risks that the Company can tolerate from the related insurance transactions. On the other hand, decision to be made on risk acceptance will be possible by transferring the coverage to the reinsurers and/or co-insurers and considering the terms of the insurance policy.

In order to avoid destructive losses over company's financial structure, company transfers the exceeding portion of risks assumed over the Company's risk tolerance and equity resources through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies. Insurance coverage and policy terms of reinsurance are determined by assessing the nature of each insurance branch.

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

The case of potential claims' arising from earthquake and other catastrophic risks exceeding the maximum limit of the excess of loss agreements, such risks are treated as the primary insurance risks and are managed based on the precautionary principle. Maximum limit of excess of loss agreements is determined based on the worst case scenario on the possibility of an earthquake that Istanbul might be exposed to in terms of its severity and any potential losses incurred in accordance with the generally accepted international earthquake models. The total amount of protection for catastrophic risks of the company is identified taking into the compensation amount for an earthquake will occur in a 1000 years.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Sensitivity to insurance risk

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

Total claims liability (*) 31 December 2016	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Motor vehicles liability (MTPL)	1.264.364.997	(25.933.527)	1.238.431.470
General liability	488.244.066	(111.244.859)	376.999.207
Fire and natural disasters	325.217.969	(153.703.822)	171.514.147
General losses	151.128.531	(99.947.796)	51.180.735
Motor vehicles	126.343.879	1.060.964	127.404.843
Marine	37.492.291	(24.183.360)	13.308.931
Accident	36.067.400	(7.972.192)	28.095.208
Air crafts liability	35.072.041	(24.770.280)	10.301.761
Water vehicles	31.629.823	(16.946.735)	14.683.088
Financial losses	15.356.973	(14.090.576)	1.266.397
Air crafts	8.603.509	(6.012.777)	2.590.732
Credit	5.412.219	(3.039.839)	2.372.380
Health	5.061.186	(227.697)	4.833.489
Legal protection	262.250	221	262.471
Total	**2.530.257.134**	**(487.012.275)**	**2.043.244.859**

Total claims liability (*) 31 December 2015	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Motor vehicles liability (MTPL)	792.901.221	(19.137.207)	773.764.014
General liability	362.417.122	(71.333.402)	291.083.720
Fire and natural disasters	325.947.406	(233.078.873)	92.868.533
General losses	135.123.261	(98.567.511)	36.555.750
Motor vehicles	121.797.869	489.732	122.287.601
Water vehicles	44.281.777	(28.552.564)	15.729.213
Marine	36.165.288	(23.526.688)	12.638.600
Accident	23.179.924	(4.057.472)	19.122.452
Financial losses	13.682.143	(12.926.920)	755.223
Air crafts liability	11.311.404	(715.949)	10.595.455
Air crafts	6.676.863	(1.487.700)	5.189.163
Health	2.435.130	(163.213)	2.271.917
Credit	2.257.355	(13.000)	2.244.355
Legal protection	801.653	(107)	801.546
Total	**1.878.978.416**	**(493.070.874)**	**1.385.907.542**

(*) Total claims liability includes outstanding claims reserve (excluding contingent amounts deducted from claims reserve determined by winning probability) and incurred but not reported claims.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Gross and net insurance risk concentrations of the insurance contracts (after reinsurance) based on geographical regions are summarized as below:

Total claims liability (*) 31 December 2016	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Turkey	1.970.302.437	(492.193.691)	1.478.108.746
Europe	369.432	(13.174)	356.258
Africa	3.266	--	3.266
Asia	499.630	(1.088)	498.542
Total	**1.971.174.765**	**(492.207.953)**	**1.478.966.812**

Total claims liability (*) 31 December 2016	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Marmara Region	1.684.106.253	(455.240.487)	1.228.865.766
Middle Anatolian Region	74.439.694	(3.516.290)	70.923.404
Aegean Region	58.354.851	(1.722.600)	56.632.251
Mediterranean Region	49.799.759	(4.489.755)	45.310.004
Black Sea Region	38.363.932	(13.035.965)	25.327.967
East Anatolian Region	32.851.506	(8.172.880)	24.678.626
South East Anatolian Region	32.386.442	(6.015.714)	26.370.728
Total	**1.970.302.437**	**(492.193.691)**	**1.478.108.746**

(*) Total claims liability includes estimated compensation amounts for realized claims. Gross incurred but not reported claims amounting to TL 1.231.334.692, discount of outstanding claim reserves amounting to TL (569.691.609), additional provision for outstanding claims per adequacy test amounting to TL 68.300.531 outstanding claims of treaty activities which could not be distributed to geographical regions and the contingent amounts deducted from claims reserve amounting to TL (170.861.245) are excluded from the table.

Total claims liability (*) 31 December 2015	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Turkey	1.443.297.017	(463.960.502)	979.336.515
Europe	1.493.087	(68.658)	1.424.429
Africa	233.465	(156.388)	77.077
Asia	107.555	--	107.555
Total	**1.445.131.124**	**(464.185.548)**	**980.945.576**

Total claims liability 31 December 2015	Gross total claims liability	Reinsurance share of total claims liability	Net total claims liability
Marmara Region	1.137.664.480	(412.169.503)	725.494.977
Middle Anatolian Region	74.902.822	(3.465.073)	71.437.749
Aegean Region	53.281.050	(3.272.023)	50.009.027
Mediterranean Region	52.863.005	(7.216.702)	45.646.303
South East Anatolian Region	42.423.121	(16.263.951)	26.159.170
Black Sea Region	42.065.669	(12.403.542)	29.662.127
East Anatolian Region	40.096.870	(9.169.708)	30.927.162
Total	**1.443.297.017**	**(463.960.502)**	**979.336.515**

(*) Total claims liability includes estimated compensation amounts for realized claims. Gross incurred but not reported claims amounting to TL 483.809.233 additional provision for outstanding claims per adequacy test amounting to TL 54.901.010 outstanding claims of treaty activities which could not be distributed to geographical regions and the contingent amounts deducted from claims reserve amounting to TL (104.862.951) are excluded from the table.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Given insurance collateral amounts in respect to branches

	31 December 2016	31 December 2015
Motor vehicles liability (MTPL)	5.583.713.745.062	5.815.758.509.513
Fire and natural disasters	127.483.898.693	113.337.662.301
Health	126.422.487.105	127.386.361.920
Accident	111.234.472.203	108.257.529.723
General liability	59.272.513.598	46.994.504.007
General losses	54.169.810.431	46.367.784.061
Motor vehicles	50.018.215.060	46.280.638.734
Marine	15.833.370.275	17.497.239.726
Air crafts liability	5.169.788.401	5.194.503.027
Legal protection	4.997.047.631	4.776.739.825
Water vehicles	2.323.062.746	2.115.462.411
Financial losses	692.634.277	707.337.973
Aircrafts	680.104.955	570.396.075
Total (*)	**6.142.011.150.437**	**6.335.244.669.296**

(*) Net amount which deducted share of reinsurance and social security

4.2 Management of financial risk

Introduction and overview

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

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Duties and responsibilities of the Risk Management and Internal Control Department include design and implementation of risk management system and identification and implementation of risk management policies. It is also responsible for ensuring that the Company implements all necessary risk management techniques. Activities of the Risk Management and Internal Control Department are managed directly by General Manager. The Board of Directors monitors the effectiveness of the risk management system through the internal audit department.

Risk management policies and guidelines are set by the Board of Directors and applied by the top management. These policies include organisation and scope of the risk management function, risk measurement and assessment methods, duties and responsibilities of the Board of Directors, top management and all of the employees, procedures followed in the case of limit extension and compulsory approval and confirmation processes for certain situations.

Credit Risk

Credit risk is most simply defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The balance sheet items that the Company is exposed to credit risks are as follows:

- Cash at banks
- Other cash and cash equivalents
- Available for sale financial assets (except equity-shares)
- Financial assets held for trading (except equity-shares)

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

- Held to maturity financial asset
- Premium receivables from policyholders
- Receivables from intermediaries (agencies)
- Receivables from reinsurance companies related to commissions and claims paid
- Reinsurance shares of insurance liability
- Receivables from related parties
- Other receivables

Reinsurance contracts are the most common method to manage insurance risk. This does not, however, discharge the Company's liability as the 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 the reinsurance contract.

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

	31 December 2016	31 December 2015
Cash and cash equivalents *(Note 14)*	3.217.511.262	2.305.010.933
Receivables from main operations *(Note 12)*	1.048.793.865	928.282.683
Financial assets *(Note 11)* (*)	606.134.613	562.261.032
Reinsurer share in provision for outstanding claims *(Note 10), (Note 17)*	487.012.275	493.070.874
Other receivables *(Note 12)*	15.540.321	12.586.556
Prepaid taxes and funds *(Note 19)*	12.441.095	22.398.667
Income accruals *(Note 12)*	4.358.898	5.577.825
Other current assets *(Note 12)*	185.836	257.186
Total	**5.391.978.165**	**4.329.445.756**

(*) Equity shares amounting to TL 142.475.171 are not included (31 December 2015: TL 118.551.481).

As at 31 December 2016 and 31 December 2015, the aging of the receivables from main operations is as follows:

	31 December 2016		31 December 2015	
	Gross Amount	Provision	Gross Amount	Provision
Not past due	697.802.005	--	662.243.535	--
Past due 0-30 days	146.641.040	--	90.517.564	--
Past due 31-60 days	25.987.135	--	16.577.325	--
Past due 61-90 days	12.564.196	--	5.602.047	--
More than 90 days (*)	200.670.000	(188.860.962)	154.676.931	(150.758.235)
Total (**)	**1.083.664.376**	**(188.860.962)**	**929.617.402**	**(150.758.235)**

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

(**) Except for TL 1.083.664.376 (31 December 2015: TL 929.617.402) presented under receivables from insurance operations in the financial statements, this amount also includes TL 115.810.255 (31 December 2015: TL 108.102.177) of non-transferred amount collected by intermediaries and TL 47.016.782 (31 December 2015: TL 49.626.517) of subrogation and salvage receivables. subrogation receivables having past over 4 months for individuals and 6 months for legal entities but not transferred to legal follow-up amounting to TL 8.836.586 (31 December 2015: TL 8.305.178) are excluded from the table.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

	31 December 2016	31 December 2015
Provision for receivables from insurance operations at the beginning of the period	150.758.235	113.380.507
Impairment losses provided for subrogation - salvage receivables during the period *(Note 47)*	35.926.722	36.978.505
Impairment losses provided during the period *(Note 47)*	2.758.273	748.206
Collections during the period	(582.268)	(348.983)
Provision for receivables from insurance operations at the end of the period	**188.860.962**	**150.758.235**

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments.

Management of the liquidity risk

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

Maturity distribution of monetary assets and liabilities:

31 December 2016	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Unallocated
Cash and cash equivalents	3.217.463.827	1.695.918.178	1.052.403.773	454.921.081	--	--	14.220.795
Financial assets	748.609.784	19.480.516	9.725.366	21.774.982	13.892.056	355.823.150	327.913.714
Receivables from main operations	1.048.793.865	96.847.623	439.570.619	401.277.310	99.198.545	11.899.768	--
Other receivables and current assets	15.540.321	7.183.518	1.386.489	1.628.792	3.257.583	1.749.362	334.577
Income accruals	4.358.898	129.269	--	--	--	--	4.229.629
Total monetary assets	**5.034.766.695**	**1.819.559.104**	**1.503.086.247**	**879.602.165**	**116.348.184**	**369.472.280**	**346.698.715**
Financial liabilities	134.413.473	134.413.473	--	--	--	--	--
Payables arising from main operations	449.205.545	142.812.014	--	49.905.834	256.487.697	--	--
Other liabilities	82.609.754	31.378.830	45.744.147	--	--	5.486.777	--
Insurance technical provisions (*)	2.043.244.859	160.120.169	320.240.339	180.809.484	214.124.793	1.167.950.074	--
Provisions for taxes and other similar obligations	39.526.586	39.526.586	--	--	--	--	--
Provisions for other risks and expense accruals	72.607.084	304.120	29.886.473	20.109.362	--	3.381.653	18.925.476
Total monetary liabilities	**2.821.607.301**	**508.555.192**	**395.870.959**	**250.824.680**	**470.612.490**	**1.176.818.504**	**18.925.476**

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

31 December 2015	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Unallocated
Cash and cash equivalents	2.304.904.212	757.875.875	1.537.438.950	--	--	--	9.589.387
Financial assets	680.812.513	11.888.027	22.176.537	13.944.222	72.233.650	304.131.367	256.438.710
Receivables from main operations	928.282.683	81.504.262	345.748.838	407.774.676	82.529.424	10.725.483	--
Other receivables and current assets	12.586.556	4.260.956	1.111.564	1.612.816	3.035.319	2.207.981	357.920
Income accruals	5.577.825	--	1.348.196	--	--	--	4.229.629
Total monetary assets	**3.932.163.789**	**855.529.120**	**1.907.824.085**	**423.331.714**	**157.798.393**	**317.064.831**	**270.615.646**
Financial liabilities	210.669.647	210.669.647	--	--	--	--	--
Payables arising from main operations	339.189.344	108.657.637	41.382.701	70.857.244	118.291.762	--	--
Other liabilities	60.481.800	22.649.598	34.654.641	--	--	3.177.561	--
Insurance technical provisions (*)	1.385.907.542	193.379.758	386.759.515	157.100.713	146.675.348	501.992.208	--
Provisions for taxes and other similar obligations	37.087.955	37.087.955	--	--	--	--	--
Provisions for other risks and expense accruals	51.247.452	--	17.120.234	9.759.024	7.690.111	--	16.678.083
Total monetary liabilities	**2.084.583.740**	**572.444.595**	**479.917.091**	**237.716.981**	**272.657.221**	**505.169.769**	**16.678.083**

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

Market risk

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

Currency risk

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

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

31 December 2016	US Dollar	Euro	Other currencies	Total
Cash and cash equivalents	105.568.670	31.585.213	2.162.747	139.316.630
Financial assets	127.861.783	11.880.374	--	139.742.157
Receivables from main operations	239.406.323	73.168.517	2.884.461	315.459.301
Total foreign currency assets	**472.836.776**	**116.634.104**	**5.047.208**	**594.518.088**
Payables arising from main operations	165.014.054	52.038.624	79.122	217.131.800
Insurance technical provisions	179.845.158	50.177.535	915.993	230.938.686
Total foreign currency liabilities	**344.859.212**	**102.216.159**	**995.115**	**448.070.486**
Net financial position	**127.977.564**	**14.417.945**	**4.052.093**	**146.447.602**

31 December 2015	US Dollar	Euro	Other currencies	Total
Cash and cash equivalents	174.413.814	7.810.072	2.552.838	184.776.724
Financial assets	17.469.980	11.206.804	--	28.676.784
Receivables from main operations	185.603.152	59.359.667	3.747.550	248.710.369
Total foreign currency assets	**377.486.946**	**78.376.543**	**6.300.388**	**462.163.877**
Payables arising from main operations	129.628.522	8.029.263	(158.758)	137.499.027
Insurance technical provisions	126.270.805	32.537.953	1.139.896	159.948.654
Total foreign currency liabilities	**255.899.327**	**40.567.216**	**981.138**	**297.447.681**
Net financial position	**121.587.619**	**37.809.327**	**5.319.250**	**164.716.196**

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

If technical provision denominated in any currency not specified, ıt is evaluated are evaluated by the Central Bank of the Republic of Turkey's spot sales rates (31 December 2015: Central Bank of the Republic of Turkey's sales rate) as at 31 December 2016 and Foreign currency transactions are recorded at the foreign exchange rates ruling at the dates of the transactions and foreign currency denominated monetary items are evaluated by the Central Bank of the Republic of Turkey's spot purchase rates (31 December 2015: Central Bank of the Republic of Turkey's purchase rate) as at 31 December 2016.

Exposure to currency risk

Foreign currency rates used for the translation of foreign currency denominated assets and liabilities as at 31 December 2016 and 31 December 2015 are as follows:

	US Dollar	Euro
31 December 2016	3,5192	3,7099
31 December 2015	2,9076	3,1776

A 10 percent depreciation of the TL against the following currencies as at 31 December 2016 and 31 December 2015 would have increased or decreased equity and profit or loss (excluding tax effects) by the amounts shown below, This analysis assumes that all other variables, in particular interest rates, remain constant, In case of a 10 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

	31 December 2016		31 December 2015	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	12.797.756	12.570.486	12.099.615	12.158.762
Euro	1.441.795	1.441.795	3.780.933	3.780.933
Other	405.209	405.209	531.925	531.925
Total, net	**14.644.760**	**14.417.490**	**16.412.473**	**16.471.620**

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

Exposure to interest risk

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

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

	31 December 2016	31 December 2015
Financial assets with fixed interest rates/(liabilities):		
Financial assets held for trading - Other *(Note 11)*	4.308.334	11.888.027
Cash at banks *(Note 14)*	2.781.686.316	1.928.245.489
Other financial liabilities	(134.413.473)	(210.669.647)
Available for sale financial assets - Government bonds *(Note 11)*	267.176.904	310.377.056
Available for sale financial assets - Private debt securities *(Note 11)*	53.881.169	25.540.683
Cash deposited to insurance and reinsurance companies *(Note 12)*	12.604.316	7.840.311
Financial assets with variable interest rates:		
Available for sale financial assets - Government bonds *(Note 11)*	34.226.660	34.236.829
Available for sale financial assets - Private debt securities *(Note 11)*	45.017.578	25.877.633
Financial assets held for trading - Government bonds *(Note 11)*	913.243	898.362
Held to maturity investments - Government bonds *(Note 11)*	15.172.182	15.555.214

(*) Demand deposits amounting to TL 14.220.795 are not included (31 December 2015: TL 9.589.387).

Interest rate sensitivity of the financial instruments

Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income for the periods ended 31 December 2016 and 31 December 2015 of the floating rate non-trading financial assets and financial liabilities held at 31 December 2016 and 31 December 2015. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The table below demonstrating the effect of changes in interest rates on statement of income and equity excludes tax effects on related loss or income.

	Profit or loss		Equity (*)	
31 December 2016	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets held for trading	(6.560)	6.669	(6.560)	6.669
Available for sale financial assets	--	--	(7.417.571)	7.837.571
Total, net	**(6.560)**	**6.669**	**(7.424.131)**	**7.844.240**

(*) Consolidated equity effect also includes profit or loss effect.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

	Profit or loss		Equity (*)	
31 December 2015	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets held for trading	(1.842)	1.889	(1.842)	1.889
Available for sale financial assets	--	--	(3.958.553)	4.116.851
Total, net	**(1.842)**	**1.889**	**(3.960.395)**	**4.118.740**

(*) Consolidated equity effect also includes profit or loss effect.

Fair value information

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

The Company has classified its financial assets as held for trading, available for sale or held to maturity. As at the reporting date, available for sale financial assets and financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying consolidated financial statements. Equity shares not traded in active markets are measured at cost less impairment losses if any. The accompanying consolidated financial statements, amortized cost is calculated using the effective interest method Held to maturity investments with a carrying amount of TL 15.172.182 (31 December 2015: 15.555.214 TL) are measured at amortised cost and their fair value amounting to TL 15.168.262 TL (31 December 2015: 14.936.855 TL) as at 31 December 2016. As of 31 December 2016 and 31 December 2015 the Company's fair value classification of financial assets held to the maturity is 1. Level.

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

Fair value sensitivity of the equities

Equity price risk is the risk that the fair values of equities decrease as a result of the changes in the levels of equity indices and the value of individual stocks.

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

	31 December 2016		31 December 2015	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
Financial assets held for trading	(3.778.444)	(3.778.444)	(265.467)	(265.467)
Available for sale financial assets	--	(10.469.073)	--	(11.486.174)
Total, net	**(3.778.444)**	**(14.247.517)**	**(265.467)**	**(11.751.641)**

(*) Consolidated equity impact includes impact of change of conjectural interest rates on income statement.

Classification of fair value measurements

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

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

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

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

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

	31 December 2016			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading *(Note 11)*	67.520.258	60.360.746	--	**127.881.004**
Available for sale financial assets (*) *(Note 11)*	445.004.068	159.492.559	358.464	**604.855.091**
Total financial assets	**512.524.326**	**219.853.305**	**358.464**	**732.736.095**

	31 December 2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading *(Note 11)*	96.232.135	--	--	**96.232.135**
Available for sale financial assets (*) *(Note 11)*	567.990.094	--	358.464	**568.348.558**
Total financial assets	**664.222.229**	**--**	**358.464**	**664.580.693**

(*) As at 31 December 2016 securities that are not publicly traded and the determination of fair values could not be obtained reliably amounting to TL 701.507 have been measured at cost (31 December 2015: TL 676.606).

The following table shows the fair value measurements financial assets available for sales which classified as Level 3:

	31 December 2016	31 December 2015
Available for sale financial assets beginning of the period	**358.464**	**3.297.263**
Free capital increase	--	42.626
Avea İletişim Hizmetleri A.Ş. sale of shares	--	(2.981.425)
Available for sale financial assets end of the period	**358.464**	**358.464**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Gains and losses from financial assets

Gains and losses recognized in the consolidated statement of income:	31 December 2016	31 December 2015
Interest income from bank deposits	251.980.134	168.846.805
Foreign exchange gains	134.101.122	109.289.546
Income from investments in associates	38.251.374	29.176.564
Income from debt securities classified as available-for-sale financial assets	30.555.552	32.656.433
Income from debt securities classified as held for trading financial assets	109.741	74.661
Income from debt securities classified as held to maturity financial investment	1.494.265	3.511.381
Income from equity shares classified as available-for-sale financial assets	11.944.564	12.782.052
Income from equity shares classified as trading financial assets	6.762.828	430.223
Income from investment funds classified as available-for-sale financial assets	2.497.586	498.879
Income from investment funds classified as held for trading financial assets	8.720.045	6.817.395
Income from derivative transactions	4.432.112	674.700
Other	1.530.171	1.318.055
Investment income	**492.379.494**	**366.076.694**
Loss from valuation of financial assets	(1.643.638)	(2.824.154)
Foreign exchange losses	(76.942.491)	(61.168.299)
Loss from derivative transactions	(3.616.449)	(74.638)
Loss from disposal of financial assets	(15.270.224)	(9.629.064)
Investment expenses - including interest	(756.432)	(939.230)
Investment expenses	**(98.229.234)**	**(74.635.385)**
Financial gains and losses recognized in the statement of income, net	**394.150.260**	**291.441.309**

Financial gains and losses recognized in consolidated equity:	31 December 2016	31 December 2015
Fair value changes in investments in associates *(Note 15)*	(1.310.905)	(2.137.909)
Net gains transferred from statement of equity to the statement of income on disposal of available for sale financial assets *(Note 15)*	4.104.171	617.378
Fair value changes in available-for-sale financial assets *(Note 15)*	981.737	(4.500.629)
Gains and losses recognized in equity, net	**3.775.003**	**(6.021.160)**

Capital management

The Company's capital management policies include the following:

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

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies" issued by Turkish Treasury on 19 January 2008 dated and 26761 numbered; the Company measured its minimum capital requirement as TL 1.077.219.458 as at 30 June 2016. As at 30 June 2016, the capital amount of the Company presented in the consolidated financial statements are above the minimum capital requirement amounts calculated according to the communiqué.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

5 Segment reporting

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

Business segment

A business segment reporting of the Company is presented in accordance with TFRS 8 - *Operating Segments* standard in this section.

Insurance on Fire and Natural Disaster

Insurance on fire and natural disasters covers material damages occurred due to fire, lightening, explosion or smoke, steam and temperature resulted from fire, lightning and explosion up to insurance policy limits.

Motor Third Party Liability Insurance

According to the Motorway Traffic Code numbered 2918, Motor Third Party Liability Insurance is covers vehicle owner's legal liability for all bodily damages to third persons and financial damages to other vehicles.

Damages caused by the trailer or semi-trailers (included light trailers) or the vehicles pulled is covered by the insurance of the trailer. However, the trailers used for transportation of people should be included in an additional liability insurance in order to obtain coverage.

In order to reduce and prevent the damage in the accident happened, reasonable and necessary expenses of the policyholder is compensated by the Company. This insurance also covers unfair claims against the policyholders.

Motor Vehicles insurance

Insurance on motor vehicles covers the following dangers related with vehicles. It is possible to widen policy scope for accessories or audio, display and communication devices which are not included in standard version of the vehicle by specifying on the insurance policy.

- Accident with the motorized or non-motorized vehicles which used in high-ways,
- Crash with fixed or moving items without desire of the driver or accidents due to crash, capsize, fall or tumble
- The actions of third parties resulted from bad intention or mischief,
- Burn,
- Theft or attempted theft

Health

Insurance on health compensates treatment costs of illnesses or accidental injuries during the period of insurance and, if any, daily allowances in this general framework with special conditions up to the amount written in the policy. Geographical limits of the insurance are stated in the policy.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Geographical segment

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

	Motor third party liability	Health	Motor vehicles	Fire and natural disasters	Other	Unallocated	Total
1 January - 31 December 2016							
1- Earned Premiums (Net of Reinsurer Share)	1.227.755.087	344.782.017	885.913.041	274.182.843	419.595.214	--	3.152.228.202
1.1- Written Premiums (Net of Reinsurer Share)	1.419.110.799	377.422.354	895.629.815	312.094.631	443.071.056	--	3.447.328.655
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	(191.355.712)	(32.640.337)	(9.716.774)	(37.911.788)	(29.396.525)	--	(301.021.136)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	--	--	--	--	5.920.683	--	5.920.683
2- Other Technical Income (Net of Reinsurer Share)	47.999	218.979	3.528.594	(37.092)	19.218	--	3.777.698
3- Accrued Salvage and Subrogation Income	18.638.929	--	4.412.959	5.005.892	3.321.026	--	31.378.806
Technical Income (*)	**1.246.442.015**	**345.000.996**	**893.854.594**	**279.151.643**	**422.935.458**	**--**	**3.187.384.706**
1- Incurred Losses (Net of Reinsurer Share)	(1.124.709.925)	(280.614.505)	(617.259.111)	(211.289.305)	(291.481.026)	--	(2.525.353.872)
1.1- Claims Paid (Net of Reinsurer Share)	(660.042.471)	(278.052.934)	(612.141.869)	(132.643.690)	(185.135.591)	--	(1.868.016.555)
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	(464.667.454)	(2.561.571)	(5.117.242)	(78.645.615)	(106.345.435)	--	(657.337.317)
2- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	--	--	(5.280.491)	(18.587.421)	(4.014.167)	--	(27.882.079)
3- Operating Expenses	(269.946.353)	(73.163.671)	(211.669.248)	(84.373.193)	(103.394.274)	--	(742.546.739)
4- Other Technical Provisions	(22.900.231)	(9.950.488)	(58.110.456)	(16.389.358)	(6.536.827)	--	(113.887.360)
Technical Expense	**(1.417.556.509)**	**(363.728.664)**	**(892.319.306)**	**(330.639.277)**	**(405.426.294)**	**--**	**(3.409.670.050)**
Investment Income						501.978.555	501.978.555
Investment Expense (*)						(125.245.042)	(125.245.042)
Other (**)						(36.173.421)	(36.173.421)
Net loss before tax							**118.274.748**
Income tax						(16.156.051)	(16.156.051)
Net loss							**102.118.697**

(*) Investment income transferred to non-technical section from technical section amounting to TL 379.849.157 is not included.

(**) Deferred tax income amounting TL 7.160.762 is presented as income tax.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

	Motor third party liability	Health	Motor vehicles	Fire and natural disasters	Other	Unallocated	Total
1 January - 31 December 2015							
1- Earned Premiums (Net of Reinsurer Share)	762.001.651	290.123.192	791.787.471	242.188.093	435.253.878	--	2.521.354.285
1.1- Written Premiums (Net of Reinsurer Share)	933.836.452	301.804.016	843.260.116	261.519.107	439.337.763	--	2.779.757.454
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	(171.834.801)	(11.680.824)	(51.472.645)	(19.331.014)	(37.978.017)	--	(292.297.301)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	--	--	--	--	33.894.132	--	33.894.132
2- Other Technical Income (Net of Reinsurer Share)	43.367	248.437	5.491.360	106.912	42.847	--	5.932.923
3- Accrued Salvage and Subrogation Income	16.439.013	(5.072)	19.591.103	6.020.766	14.387.303	--	56.433.113
Technical Income (*)	**778.484.031**	**290.366.557**	**816.869.934**	**248.315.771**	**449.684.028**	**--**	**2.583.720.321**
1- Incurred Losses (Net of Reinsurer Share)	(806.999.557)	(249.811.507)	(588.829.058)	(154.540.083)	(256.570.622)	--	(2.056.750.827)
1.1- Claims Paid (Net of Reinsurer Share)	(553.597.698)	(249.423.079)	(551.597.881)	(120.821.205)	(209.591.523)	--	(1.685.031.386)
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	(253.401.859)	(388.428)	(37.231.177)	(33.718.878)	(46.979.099)	--	(371.719.441)
2- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	--	--	(4.524.662)	(13.431.353)	(3.039.836)	--	(20.995.851)
3- Operating Expenses	(193.371.257)	(58.075.656)	(190.322.001)	(70.014.458)	(93.540.701)	--	(605.324.073)
4- Other Technical Provisions	(14.368.726)	(9.773.575)	(32.811.780)	(10.192.417)	(6.411.869)	--	(73.558.367)
Technical Expense	**(1.014.739.540)**	**(317.660.738)**	**(816.487.501)**	**(248.178.311)**	**(359.563.028)**	**--**	**(2.756.629.118)**
Investment Income						379.189.462	379.189.462
Investment Expense (*)						(105.871.665)	(105.871.665)
Other (**)						(17.146.341)	(17.146.341)
Net loss before tax						**83.262.659**	**83.262.659**
Income tax						(8.279.853)	(8.279.853)
Net loss							**74.982.806**

(*) Investment income transferred to non-technical section from technical section amounting to TL 276.542.615 is not included.

(**) Deferred tax income amounting TL 6.509.894 is presented as income tax.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

6 Tangible assets

Movements in tangible assets in the period from 1 January to 31 December 2016 are presented below:

	1 January 2016	Additions	Disposals	Difference of valuation	31 December 2016
Cost:					
Investment properties *(Note 7)*	54.343.600	9.243	(65.000)	7.887.157	62.175.000
Buildings for own use (*)	11.532.400	103.958	--	735.895	12.372.253
Machinery and equipment	41.909.394	8.714.053	(1.589.650)	--	49.033.797
Furniture and fixtures	12.253.700	1.922.765	(458.914)	--	13.717.551
Vehicles	619.736	--	--	--	619.736
Other tangible assets (including leasehold improvements)	20.322.655	2.659.763	--	--	22.982.418
Leased tangible assets	4.166.354	--	(298.017)	--	3.868.337
	145.147.839	**13.409.782**	**(2.411.581)**	**8.623.052**	**164.769.092**
Accumulated depreciation::					
Buildings for own use	33.579	101.901	--	(76.798)	58.682
Machinery and equipment	29.623.190	5.481.559	(1.563.452)	--	33.541.297
Furniture and fixtures	9.976.214	842.285	(442.703)	--	10.375.796
Motor vehicles	280.232	116.804	--	--	397.036
Other tangible assets (including leasehold improvements)	10.206.266	3.631.924	--	--	13.838.190
Leased tangible assets	4.166.354	--	(298.017)	--	3.868.337
	54.285.835	**10.174.473**	**(2.304.172)**	**(76.798)**	**62.079.338**
Carrying amounts	**90.862.004**				**102.689.754**

Some of The Company's investment and occupation properties are being assessed according to their fair value measurement and valuation as of 31 December 2016.

Company's property for own use is valuated over fair value as of 2016 year-end and subjected to valuation in this context. Expertise reports regarding this property are prepared by CMB licenced Property Valuation Company in December 2016. There is not any hypothec over Company's property for use

As of 31 December 2016 and 31 December 2015, property for use's fair value (except VAT) and net book value is as following:

Landings and Buildings For Use	Expertise date	Expertise value	Net Book Value (31 December 2016)	Net Book Value (31 December 2015)
İzmir Regional Office	December 2016	8.675.000	8.669.647	7.938.011
Adana Regional Office	December 2015	1.842.253	1.825.031	1.745.694
Lefkoşe Kıbrıs Branch	December 2015	720.000	706.286	716.571
Adana Office	December 2016	455.000	454.719	423.935
Others	December 2015	680.000	657.887	674.610
Total		**12.372.253**	**12.313.570**	**11.498.821**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Fair value measurement

Fair value of landings and buildings for use is determined by equivalence value method. Fair value measurement of landings and buildings for use those fair value is determined by equivalence value method is reclassified as Level 2.

Movements in tangible assets in the period from 1 January to 31 December 2014 are presented below:

	1 January 2015	Additions	Transfers	Disposals	Difference of valuation	31 December 2015
Cost:						
Investment properties *(Note 7)*	36.242.000	59.500	10.584.507	--	7.457.593	54.343.600
Buildings for own use	6.788.733	304.228	(10.584.507)	--	15.023.946	11.532.400
Machinery and equipment	34.554.018	7.449.593	--	(94.217)	--	41.909.394
Furniture and fixtures	11.775.416	596.516	--	(118.232)	--	12.253.700
Vehicles	1.362.223	--	--	(742.487)	--	619.736
Other tangible assets (including leasehold improvements)	19.401.127	921.528	--	--	--	20.322.655
Leased tangible assets	4.166.354	--	--	--	--	4.166.354
	114.289.871	**9.331.365**	**--**	**(954.936)**	**22.481.539**	**145.147.839**
Accumulated depreciation:						
Buildings for own use	2.041.475	33.579	--	--	(2.041.475)	33.579
Machinery and equipment	25.913.753	3.776.154	--	(66.717)	--	29.623.190
Furniture and fixtures	9.395.902	692.013	--	(111.701)	--	9.976.214
Motor vehicles	773.729	113.404	--	(606.901)	--	280.232
Other tangible assets (including leasehold improvements)	6.853.450	3.352.816	--	--	--	10.206.266
Leased tangible assets	4.166.304	50	--	--	--	4.166.354
	49.144.613	**7.968.016**	**--**	**(785.319)**	**(2.041.475)**	**54.285.835**
Carrying amounts	**65.145.258**					**90.862.004**

(*) Property for own usage is shown as fair value as of third quarter of 2015 and presented as cost value in previous periods.

There is not any mortgage over tangible assets of the Company as at 31 December 2016 and 31 December 2015.

7 Investment properties

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

Investment properties have been calculated by their fair value measurement as of 31 December 2016 and 31 December 2015.

The Company's investment properties have been assessed by the independent appraisers from the Capital Markets Board of Turkey. TL 1.695.904 rental revenue has been collected from the investment properties during the fiscal period. (31 December 2015: TL 1.797.989)

As at 31 December 2016, details of investment properties and the fair values are as follows Expertise reports regarding these property is prepared by independent professional valuation specialists authorized by CMB in December 2016. There is not any hypothec on related property.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

	Expertise and net book value	
Investment land and buildings	**Net book value (31.12.2016)**	**Net book value (31.12.2015)**
Building/İzmir	29.325.000	26.542.600
Building/Mersin	19.500.000	16.300.000
Building/İzmir	10.400.000	8.670.000
Building/Bursa	2.140.000	2.000.000
Building/Adana	650.000	600.000
Other	160.000	231.000
Expertise and net book value	**62.175.000**	**54.343.600**

Fair value measurement

Fair value of investment property is determined by equivalence value method. Fair value measurement of investment property those fair value is determined by equivalence value method is reclassified as Level 2.

8 Intangible assets

Movements in intangible assets in the period from 1 January to 31 December 2016 are presented below:

	1 January 2016	Additions	Transfers	Disposals	31 December 2016
Cost:					
Goodwill	16.250.000	--	--	--	16.250.000
Advances given for intangible assets	9.435.347	17.256.440	(14.959.548)	--	11.732.239
Other intangible assets	93.201.169	3.028.586	14.959.548	(78.437)	111.110.866
	118.886.516	**20.285.026**	**--**	**(78.437)**	**139.093.105**
Accumulated amortization:					
Other intangible assets	66.877.216	16.938.782	--	(59.168)	83.756.830
	66.877.216	**16.938.782**	**--**	**(59.168)**	**83.756.830**
Carrying amounts	**52.009.300**				**55.336.275**

Movements in intangible assets in the period from 1 January to 31 December 2015 are presented below:

	1 January 2015	Additions	Transfers	Disposals	31 December 2014
Cost:					
Goodwill	16.250.000	--	--	--	16.250.000
Advances given for intangible assets	1.729.378	11.110.660	(3.404.691)	--	9.435.347
Other intangible assets	88.079.901	1.716.577	3.404.691	--	93.201.169
	106.059.279	**12.827.237**	**--**	**--**	**118.886.516**
Accumulated amortization:					
Other intangible assets	43.804.438	23.190.615	(117.837)	--	66.877.216
	43.804.438	**23.190.615**	**(117.837)**	**--**	**66.877.216**
Carrying amounts	**62.254.841**				**52.009.300**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

9 Investments in associates

	31 December 2016		31 December 2015	
	Carrying value	Participation rate	Carrying value	Participation rate
Anadolu Hayat Emeklilik A.Ş.	173.328.875	20,0%	156.605.195	20,0%
Investments in associates, net	**173.328.875**		**156.605.195**	
Total financial assets *(Note 4.2)*	**173.328.875**		**156.605.195**	

Name	Total assets	Shareholders' equity	Retained earnings	Profit for the period	Audited or not	Period
Anadolu Hayat Emeklilik A.Ş. (consolidated financial statements)	14.397.471.747	866.644.377	101.780.905	191.256.870	Audited	31 December 2016

TL 38.251.374 of income is obtained from associates through equity accounted consolidation method (31 December 2015: TL 29.176.564)

10 Reinsurance assets and liabilities

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

Reinsurance assets	31 December 2016	31 December 2015
Provision for outstanding claims, ceded *(Note 4.2), (Note 17)*	487.012.275	493.070.874
Reserve for unearned premiums, ceded *(Note 17)*	400.082.643	341.649.490
Reinsurers share in the provision for ongoing risk *(Note 17)*	3.455.888	12.046.676
Cash deposited to reinsurance companies *(Note 12)*	12.604.316	7.840.311
Reinsurers share in the provision for subrogation and salvage receivables	252.027	218.531
Commission income accrual from reinsurers	--	159.943
Total	**903.407.149**	**854.985.824**

There is no impairment losses recognised for reinsurance assets.

Reinsurance liabilities	31 December 2016	31 December 2015
Payables to the reinsurers related to premiums written *(Note 19)*	259.564.344	188.370.605
Deferred commission income *(Note 19)*	58.640.768	54.739.019
Commission payables to the reinsurers related to written premiums *(Note 23)*	7.963.322	2.237.886
Cash deposited by reinsurance companies *(Note 19)*	5.624.583	4.365.775
Total	**331.793.017**	**249.713.285**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements
As at 31 December 2016

(Currency: Turkish Lira (TL))

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

	31 December 2016	31 December 2015
Premiums ceded during the period *(Note 17)*	(885.937.607)	(731.404.966)
Reserve for unearned premiums, ceded at the beginning of the period *(Note 17)*	(341.649.490)	(294.929.264)
Reserve for unearned premiums, ceded at the end of the period *(Note 17)*	400.082.643	341.649.490
Premiums earned, ceded *(Note 17)*	**(827.504.454)**	**(684.684.740)**
Claims paid, ceded during the period *(Note 17)*	367.998.753	256.117.378
Provision for outstanding claims, ceded at the beginning of the period *(Note 17)*	(493.070.874)	(229.799.663)
Provision for outstanding claims, ceded at the end of the period *(Note 17)*	487.012.275	493.070.874
Claims incurred, ceded *(Note 17)*	**361.940.154**	**519.388.588**
Commission income accrued from reinsurers during the period *(Note 32)*	121.039.356	107.002.636
Deferred commission income at the beginning of the period *(Note 19)*	54.739.019	45.447.065
Deferred commission income at the end of the period *(Note 19)*	(58.640.768)	(54.739.019)
Commission income earned from reinsurers *(Note 32)*	**117.137.607**	**97.710.682**
Commission debt accrued to reinsurers	**(7.963.322)**	**(2.237.886)**
Commission receivable accrued from reinsurers	**--**	**159.943**
Total, net	**(356.390.015)**	**(69.663.413)**

11 Financial assets

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

	31 December 2016	31 December 2015
Available for sale financial assets	605.652.540	569.121.106
Held to maturity financial assets	15.172.182	15.555.214
Financial assets held for trading	127.881.004	96.232.135
Impairment loss on available for sale financial assets	(95.942)	(95.942)
Total	**748.609.784**	**680.812.513**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

	31 December 2016			
	Face Value	Cost	Fair Value	Carrying Value
Debt instruments:				
Government bonds - TL	238.176.176	231.057.437	236.128.110	236.128.110
Private sector bonds - TL	35.580.000	35.580.863	36.312.418	36.312.418
Issued İş Gayrimenkul Yatırım Ortaklığı A.Ş. (Note 45)	15.000.000	15.000.000	15.543.150	15.543.150
Other	20.580.000	20.580.863	20.769.268	20.769.268
Government bonds - USD	57.714.880	65.861.358	65.275.454	65.275.454
Private sector bonds - USD	61.656.384	61.591.055	62.586.329	62.586.329
Issued by Türkiye Sınai Kalkınma Bankası A.Ş. (Note 45)	6.897.632	6.985.364	7.050.254	7.050.254
Other	54.758.752	54.605.691	55.536.075	55.536.075
	393.127.440	**394.090.713**	**400.302.311**	**400.302.311**
Other non-fixed income financial assets				
Investment funds	2.196.392.646	91.851.625	100.563.559	100.563.559
Issued by İş Portföy Yönetimi A.Ş. (Note 45)	2.196.392.646	91.851.625	100.563.559	100.563.559
Equity shares	66.438.199	79.353.281	104.786.670	104.786.670
Impairment loss on equity shares	--	--	(95.942)	(95.942)
	2.262.830.845	**171.204.906**	**205.254.287**	**205.254.287**
Total available for sale financial assets *(Note 4.2)*	**2.655.958.285**	**565.295.620**	**605.556.598**	**605.556.598**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

	31 December 2015			
	Face Value	Cost	Fair Value	Carrying Value
Debt instruments:				
Government bonds - TL	347.622.931	341.176.972	344.613.885	344.613.885
Private sector bonds - TL	33.660.000	33.339.144	33.948.336	33.948.336
Issued by İş Faktoring A.Ş. (Note 45)	5.800.000	5.479.144	5.522.064	5.522.064
Issued by İş Finansal Kiralama A.Ş. (Note 45)	5.000.000	5.000.000	5.046.154	5.046.154
Issued İş Gayrimenkul Yatırım Ortaklığı A.Ş. (Note 45)	14.360.000	14.360.000	14.749.064	14.749.064
Other	8.500.000	8.500.000	8.631.054	8.631.054
Private sector bonds - USD	17.649.132	17.267.984	17.469.980	17.469.980
Issued by Sınai Kalkınma Bankası A.Ş. (Note 45)	5.698.896	5.807.175	5.843.739	5.843.739
Other	11.950.236	11.460.809	11.626.241	11.626.241
	398.932.063	**391.784.100**	**396.032.201**	**396.032.201**
Other non-fixed income financial assets				
Investment funds	4.341.424.158	57.573.560	57.096.156	57.096.156
Issued by İş Portföy Yönetimi A.Ş. (Note 45)	4.340.847.658	57.346.386	56.859.827	56.859.827
Other	576.500	227.174	236.329	236.329
Equity shares	61.252.064	87.528.612	115.992.749	115.992.749
Impairment loss on equity shares	--	--	(95.942)	(95.942)
	4.402.676.222	**145.102.172**	**172.992.963**	**172.992.963**
Total available for sale financial assets *(Note 4.2)*	**4.801.608.285**	**536.886.272**	**569.025.164**	**569.025.164**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements
As at 31 December 2016

(Currency: Turkish Lira (TL))

As at 31 December 2014 and 31 December 2013, the Company's financial assets held for trading are as follows:

	31 December 2016			
	Face Value	Cost	Fair Value	Carrying Value
Debt instruments:				
Government bonds - TL	900.000	902.576	913.243	913.243
Other - TL		4.306.508	4.308.334	4.308.334
	900.000	**5.209.084**	**5.221.577**	**5.221.577**
Other non-fixed income financial assets:				
Investment funds	3.099.336.845	55.064.774	78.225.348	78.225.348
Founded by İş Portföy Yönetimi A.Ş. (Note 45)	3.099.246.714	47.260.774	66.344.974	66.344.974
Founded by İşbank AG (Note 45)	90.131	7.804.000	11.880.374	11.880.374
Equity shares	12.318.597	37.936.869	37.784.443	37.784.443
Other	--	6.646.566	6.649.636	6.649.636
	3.111.655.442	**99.648.209**	**122.659.427**	**122.659.427**
Total financial assets held for trading *(Note 4.2)*	**3.112.555.442**	**104.857.293**	**127.881.004**	**127.881.004**

	31 December 2015			
	Face Value	Cost	Fair Value	Carrying Value
Debt instruments:				
Government bonds - TL	900.000	905.152	898.362	898.362
Other - TL		11.884.791	11.888.027	11.888.027
	900.000	**12.789.943**	**12.786.389**	**12.786.389**
Other non-fixed income financial assets:				
Investment funds	3.804.277.022	63.837.754	80.791.072	80.791.072
Founded by İş Portföy Yönetimi A.Ş. (Note 45)	3.804.186.891	56.033.754	69.584.268	69.584.268
Founded by İşbank AG (Note 45)	90.131	7.804.000	11.206.804	11.206.804
Equity shares	2.137.783	3.664.047	2.654.674	2.654.674
	3.806.414.805	**67.501.801**	**83.445.746**	**83.445.746**
Total financial assets held for trading *(Note 4.2)*	**3.807.314.805**	**80.291.744**	**96.232.135**	**96.232.135**

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

	31 December 2016			
	Face Value	Cost	Fair Value	Carrying Value
Debt instruments:				
Government bonds - TL	14.866.200	14.870.978	15.168.262	15.172.182
Total financial assets held to maturity	**14.866.200**	**14.870.978**	**15.168.262**	**15.172.182**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements
As at 31 December 2016

(Currency: Turkish Lira (TL))

	31 December 2015			
	Face Value	Cost	Fair Value	Carrying Value
Debt instruments:				
Government bonds - TL	14.866.200	14.890.092	14.936.855	15.555.214
Total financial assets held to maturity	**14.866.200**	**14.890.092**	**14.936.855**	**15.555.214**

All debt instruments (financial assets held to maturity) presented above traded in active markets.

As at 31 December 2016, equity shares classified as available for sale financial assets with a carrying amount of TL 1.059.970 are not publicly traded (31 December 2015: TL 1.035.070).

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

There is no financial asset that is overdue but not impaired among the Company's financial investments portfolio. As at 31 December 2016, TL 95.942 of impairment loss is recognised for equity shares classified as available for sale in the accompanying unconsolidated financial statements (31 December 2015: TL 95.942).

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

Year	Change in value increase/(decrease)	Total increase in value
2016	3.775.003	32.954.142
2015	(6.021.160)	29.179.139
2014	23.745.552	35.200.299

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

	31 December 2016			
	Trading (*)	Available for sale	Held to maturity	Total
Balance at the beginning of the period	**84.344.108**	**569.025.164**	**15.555.214**	**668.924.486**
Acquisitions during the period	243.494.173	599.866.185	--	843.360.358
Disposals (sale and redemption)	(216.906.226)	(626.556.811)	(1.513.379)	(844.976.416)
Change in the fair value of financial assets *(Note 15)*	12.381.923	55.362.432	--	67.744.355
Change in amortized cost of the financial assets	--	--	1.130.347	1.130.347
Bonus shares acquired	258.692	7.859.628	--	8.118.320
Balance at the end of the period	**123.572.670**	**605.556.598**	**15.172.182**	**744.301.450**

(*) Amount of reverse repo to TL 4.308.334 (31 December 2015: TL 11.888.027) are excluded.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements
As at 31 December 2016

(Currency: Turkish Lira (TL))

	31 December 2015			
	Trading (*)	Available for sale	Held to maturity	Total
Balance at the beginning of the period	**128.167.452**	**436.343.177**	**73.670.047**	**638.180.676**
Acquisitions during the period	10.000.000	599.793.354	--	609.793.354
Disposals (sale and redemption)	(58.662.297)	(497.664.595)	(61.626.214)	(617.953.106)
Change in the fair value of financial assets *(Note 15)*	4.838.953	24.897.206	--	29.736.159
Change in amortized cost of the financial assets	--	--	3.511.381	3.511.381
Bonus shares acquired	--	5.656.022	--	5.656.022
Balance at the end of the period	**84.344.108**	**569.025.164**	**15.555.214**	**668.924.486**

(*) Amount of reverse repo to TL 11.888.027 (31 December 2014: TL 5.887.281) are excluded.

Financial assets blocked in favour of the Turkish Treasury as a guarantee for the insurance activities are as follows.

	31 December 2016			
	Face Value	Cost	Fair Value	Carrying Value
Held to maturity financial assets *(Note 17)*	14.866.200	14.870.978	15.168.262	15.172.182
Total	**14.866.200**	**14.870.978**	**15.168.262**	**15.172.182**

	31 December 2015			
	Face Value	Cost	Fair Value	Carrying Value
Held to maturity financial assets *(Note 17)*	14.866.200	14.890.092	14.936.855	15.555.214
Total	**14.866.200**	**14.890.092**	**14.936.855**	**15.555.214**

12 Loans and receivables

	31 December 2016	31 December 2015
Receivables from main operations *(Note 4.2)*	1.048.793.865	928.282.683
Other receivables *(Note 4.2)*	15.540.321	12.586.556
Income prepaid expenses *(Note 4.2)*	4.358.898	5.577.825
Other current assets *(Note 4.2)*	185.836	257.186
Total	**1.068.878.920**	**946.704.250**
Short-term receivables	1.067.129.558	944.496.269
Long and medium-term receivables	1.749.362	2.207.981
Total	**1.068.878.920**	**946.704.250**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

	31 December 2016	31 December 2015
Receivables from agencies, brokers and intermediaries	786.165.652	690.773.097
Salvage and subrogation receivables	47.016.782	49.626.517
Receivables from policyholders	46.488.848	34.014.724
Long term receivable which is bank guarantee and three months credit card	105.184.248	94.861.111
Total receivables from insurance operations, net	**984.855.530**	**869.275.449**
Receivables from reinsurance operations	60.170.605	59.472.101
Cash deposited to insurance and reinsurance companies *(Note 4.2), (Note 10)*	12.604.316	7.840.311
Provisions for receivables from insurance operations - subrogation receivables	(8.836.586)	(8.305.178)
Doubtful receivables from insurance operations - subrogation receivables	159.550.493	123.623.771
Provisions for doubtful receivables from insurance operations - subrogation receivables *(Note 4.2)*	(159.550.493)	(123.623.771)
Doubtful receivables from main operations - premium receivables	29.310.469	27.134.464
Provisions for doubtful receivables from main operations - premium receivables *(Note 4.2)*	(29.310.469)	(27.134.464)
Receivables from main operations	**1.048.793.865**	**928.282.683**

As at 31 December 2016 and 31 December 2015, the details of mortgages and other guarantees for the Company's receivables are presented below:

	31 December 2016	31 December 2015
Letters of guarantees	103.289.621	79.333.111
Mortgage notes	80.884.673	70.149.267
Other guarantees	47.293.518	17.322.671
Government bonds and treasury bills	2.902.263	2.951.479
Total	**234.370.075**	**169.756.528**

Provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 29.310.469 (31 December 2015: TL 27.134.464).

b) Provision for subrogation receivables under legal or administrative follow up: TL 168.387.079 (31 December 2015: TL 131.928.949).

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

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

13 Derivative financial instruments

As at 31 December 2016, the Company has TL 6.649.637 categorized under marketable securities in the tradebook The Company has forward transaction and option guarantee and as of the report date has no express warranty (31 December 2013: None).

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

14 Cash and cash equivalents

As at 31 December 2014 and 31 December 2013, cash and cash equivalents are as follows:

	31 December 2016		31 December 2015	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	35.109	18.864	18.864	37.347
Bank deposits	2.795.907.111	1.937.834.876	1.937.834.876	1.356.733.446
Cheques given and payment orders	(82.544)	(125.585)	(125.585)	(171.519)
Bank guaranteed credit card receivables with maturities less than three months	421.604.151	367.176.057	367.176.057	249.449.440
Cash and cash equivalents in the balance sheet	**3.217.463.827**	**2.304.904.212**	**2.304.904.212**	**1.606.048.714**
Bank deposits - blocked (*) *(Note 17)*	(399.688.896)	(340.277.623)	(340.277.623)	(223.171.410)
Time deposits with maturities longer than 3 months	(933.084.218)	(287.914.280)	(287.914.280)	(335.567.238)
Interest accruals on banks deposits	(12.217.858)	(6.510.620)	(6.510.620)	(3.580.842)
Cash and cash equivalents in the statement of cash flows	**1.872.472.855**	**1.670.201.689**	**1.670.201.689**	**1.043.729.224**

(*) As at 31 December 2016 and 31 December 2015 cash collateral kept in favour of the Turkish Treasury as a guarantee for the insurance activities.

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

	31 December 2016	31 December 2015
Foreign currency denominated bank deposits		
- time deposits	134.723.526	177.329.471
- demand deposits	4.564.342	7.431.915
Bank deposits in Turkish Lira		
- time deposits	2.646.962.790	1.750.916.018
- demand deposits	9.656.453	2.157.472
Bank deposits	**2.795.907.111**	

15 Equity

Paid in capital

The shareholder having direct or indirect control over the shares of the Company is İş Bankası Group.

The Company does not increase its share capital in the current period.

As at 31 December 2016, the issued share capital of the Company is TL 500.000.000 (31 December 2015: TL 500.000.000). The Company unregistered Group 150 A shares which each of value is TL 1.5 as of 11 April 2013 in which approved in Main Article of the Company dated in 11 April 2013. The share capital of the Company consists of 50.000.000.000 (31 December 2015: 50.000.000.000 shares) issued shares with TL 1 nominal value each.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Other capital reserves

In accordance with tax legislation, 75% of profits from sales of participation shares and real states included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years. As at 31 December 2016, tax exempt gain from participation shares and real estate sale in 2010 amounting to TL 8.081.516, in 2011 amounting to TL 80.025, in 2013 amounting to TL 647.763, and in 2014 amounting to TL 920.272 is classified as other capital reserves. Also in 2015 amounting TL 2.541.500 reclassified to other capital reserves as a gain on sale of fixed assets and equity.

	31 December 2016	31 December 2015
Other capital reserves at the beginning of the period	**25.887.403**	**8.809.304**
Transfer from profit	2.541.499	920.272
Use property revaluation fund *(Note: 6)*	772.059	16.157.827
Other capital reserves at the end of the period	**29.200.961**	**25.887.403**

Legal reserves

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

The movements of legal reserves are as follows:

	31 December 2016	31 December 2015
Legal reserves at the beginning of the period	**52.415.164**	**46.999.839**
Transfer from profit	6.268.609	5.415.325
Legal reserves at the end of the period	**58.683.773**	**52.415.164**

Extraordinary reserves

The movements of extraordinary reserves are presented below:

	31 December 2016	31 December 2015
Extraordinary reserves at the beginning of the period	**60.745.557**	**20.962.756**
Transfer from profit	54.062.287	39.782.801
Extraordinary reserves at the end of the period	**114.807.844**	**60.745.557**

Statutory reserves

The movements of statutory reserves are presented below:

	31 December 2016	31 December 2015
Statutory reserves at the beginning of the period	**11.788.629**	**7.710.040**
Transfer from profit	6.022.879	4.078.589
Statutory reserves at the end of the period	**17.811.508**	**11.788.629**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

Valuation of financial assets

Movement of fair value reserves of available for sale financial assets and associates are presented below:

	31 December 2016	31 December 2015
Valuation differences at the beginning of the period	**29.179.139**	**35.200.299**
Fair value changes during the period	3.362.861	(6.367.019)
Subsidiaries consolidated according to the equity method	(1.310.905)	(2.137.909)
Net gains transferred to the statement of income	4.104.171	617.378
Deferred tax effect	(2.381.124)	1.866.390
Fair value reserves at the end of the period	**32.954.142**	**29.179.139**

Other profit reserves

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

Accordingly, the Company initially transferred total provisions amounting to TL 96.036.157 including earthquake provisions reserved as at 31 December 2006 and related gains obtained from investment of this amount, to the reserve accounts under equity, TL 51.846.111 of this amount is used for capital increase in Accordance with IAS 19, to add the amount of actuarial loss and net profit of TL (1.601.446) defined remeasure net profit debt and (2.571) for consolidation process the amount of new balance is TL 42.586.029.

Not subject to profit distribution

In Accordance terms of tax legislation 75% portion of the gains from sales real estate and subsidiaries are exempt from corporate tax on condition that it has kept in a special fund account at least five years. Exempt gains cannot be transferred to another account except to add capital or in any way cannot be withdrawn from the business in five years.

16 Other reserves and equity component of DPF

As at 31 December 2016 and 31 December 2015, change in fair values of available-for-sale financial assets which is presented as "valuation of financial assets" and earthquake provisions provided in the previous years presented under "other profit reserves" are explained in detail in Note 15 - *Equity* above. As at 31 December 2016 and 31 December 2015, the Company does not hold any insurance or investment contracts which contain a DPF.

17 Insurance contract liabilities and reinsurance assets

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

	31 December 2016	31 December 2015
Reserve for unearned premiums, gross	2.228.090.805	1.848.552.863
Reserve for unearned premiums, ceded *(Note 10)*	(400.082.643)	(341.649.490)
Reserve for unearned premiums, SSI share	(75.059.218)	(54.975.565)
Reserves for unearned premiums, net	**1.752.948.944**	**1.451.927.808**
Provision for outstanding claims, gross	2.530.257.134	1.878.978.416
Provision for outstanding claims, ceded *(Note 10)*	(487.012.275)	(493.070.874)
Provision for outstanding claims, net	**2.043.244.859**	**1.385.907.542**
Gross of provision unexpired risk reserve	4.020.419	18.531.889
Reinsurer's share of the provision for unexpired risk	(3.455.888)	(12.046.675)
Provision unexpired risk reserve, net	**564.531**	**6.485.214**
Equalization provision, net (*)	109.427.806	81.545.727
General provision, net	7.702.761	7.702.761
Other technical provisions, net	**117.130.567**	**89.248.488**
Total technical provisions, net	**3.913.888.901**	**2.933.569.052**
Short-term	3.796.758.334	2.844.320.564
Medium and long-term	117.130.567	89.248.488
Total technical provisions, net	**3.913.888.901**	**2.933.569.052**

(*) It contains a provision which is reflected in the all prior financial statements amounting TL 7.702.761 due to the possible impact of adverse developments that may occur by company's management.

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

	31 December 2016			
Reserve for unearned premiums	**Gross**	**Ceded**	**SSI share**	**Net**
Reserve for unearned premiums at the beginning of the period	1.848.552.863	(341.649.490)	(54.975.565)	1.451.927.808
Premiums written during the period	4.484.060.267	(885.937.607)	(150.794.005)	3.447.328.655
Premiums earned during the period	(4.104.522.325)	827.504.454	130.710.352	(3.146.307.519)
Reserve for unearned premiums at the end of the period	**2.228.090.805**	**(400.082.643)**	**(75.059.218)**	**1.752.948.944**

	31 December 2015			
Reserve for unearned premiums	**Gross**	**Ceded**	**SSI share**	**Net**
Reserve for unearned premiums at the beginning of the period	1.491.252.563	(294.929.264)	(36.692.792)	1.159.630.507
Premiums written during the period	3.610.673.887	(731.404.966)	(99.511.467)	2.779.757.454
Premiums earned during the period	(3.253.373.587)	684.684.740	81.228.694	(2.487.460.153)
Reserve for unearned premiums at the end of the period	**1.848.552.863**	**(341.649.490)**	**(54.975.565)**	**1.451.927.808**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements
As at 31 December 2016

(Currency: Turkish Lira (TL))

	31 December 2016		
Provision for outstanding claims	**Gross**	**Ceded**	**Net**
Provision for outstanding claims at the beginning of the period	1.878.978.416	(493.070.874)	1.385.907.542
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	2.887.294.026	(361.940.154)	2.525.353.872
Claims paid during the period	(2.236.015.308)	367.998.753	(1.868.016.555)
Provision for outstanding claims at the end of the period	**2.530.257.134**	**(487.012.275)**	**2.043.244.859**

	31 December 2015		
Provision for outstanding claims	**Gross**	**Ceded**	**Net**
Provision for outstanding claims at the beginning of the period	1.243.987.764	(229.799.663)	1.014.188.101
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	2.576.139.416	(519.388.589)	2.056.750.827
Claims paid during the period	(1.941.148.764)	256.117.378	(1.685.031.386)
Provision for outstanding claims at the end of the period	**1.878.978.416**	**(493.070.874)**	**1.385.907.542**

Claim development tables

The basic assumption used in the estimation of provisions for outstanding claims is the Company's past experience on claim developments. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting date. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent financial statements.

Development of insurance liabilities enables to measure the performance of the Company in estimation of its ultimate claim losses. The amounts presented on the top of the below tables show the changes in estimations of the Company for the claims in subsequent years after claim years. The amounts presented on the below of the below tables give the reconciliation of total liabilities with provision for outstanding claims presented in the accompanying financial statements.

	31 December 2016					
Claim year	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Claim year	1.452.242.590	1.166.111.441	1.579.079.025	2.055.249.641	2.235.157.937	8.487.840.634
1 year later	1.500.150.686	1.236.902.235	1.727.739.052	2.308.062.195	--	6.772.854.168
2 years later	1.566.813.592	1.288.090.450	1.854.104.401	--	--	4.709.008.443
3 years later	1.640.873.624	1.364.239.034	--	--	--	3.005.112.658
4 years later	1.721.144.385	--	--	--	--	1.721.144.385
Current estimate of cumulative claims	1.721.144.385	1.364.239.034	1.854.104.401	2.308.062.195	2.235.157.937	9.482.707.952
Cumulative payments to date	1.447.075.951	1.159.147.418	1.506.060.346	1.838.890.991	1.357.809.330	7.308.984.036
Liability recognized in the financial statements	274.068.434	205.091.616	348.044.055	469.171.204	877.348.607	2.173.723.916
Liability recognized before 2011	--	--	--	--	--	356.533.218
Total gross outstanding claims provision presented in the financial statements at the end of the period						**2.530.257.134**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

	31 December 2015					
Claim year	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Claim year	1.076.294.828	1.495.831.758	1.222.446.719	1.650.596.281	2.275.471.459	7.720.641.045
1 year later	1.144.862.138	1.543.473.873	1.292.816.917	1.798.922.951	--	5.780.075.879
2 years later	1.190.218.111	1.609.766.674	1.343.700.980	--	--	4.143.685.765
3 years later	1.239.664.600	1.683.416.144	--	--	--	2.923.080.744
4 years later	1.284.766.945	--	--	--	--	1.284.766.945
Current estimate of cumulative claims	1.284.766.945	1.683.416.144	1.343.700.980	1.798.922.951	2.275.471.459	8.386.278.479
Cumulative payments to date	1.166.344.699	1.453.964.968	1.174.348.650	1.482.441.065	1.448.180.559	6.725.279.941
Liability recognized in the financial statements	118.422.246	229.451.176	169.352.330	316.481.886	827.290.900	1.660.998.538
Liability recognized before 2010	--	--	--	--	--	217.979.878
Total gross outstanding claims provision presented in the financial statements at the end of the period						**1.878.978.416**

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

	31 December 2016		
	Should be placed (**)	**Placed (*)**	**Carrying amount**
Non-life:			
Bank deposits *(Note 14)*		398.452.370	399.688.896
Financial assets (*) *(Note 11)*		15.169.173	15.172.182
Total	**359.073.153**	**413.621.543**	**414.861.078**

	31 December 2015		
	Should be placed (**)	**Placed (*)**	**Carrying amount**
Non-life:			
Bank deposits *(Note 14)*		339.186.373	340.277.623
Financial assets (*) *(Note 11)*		15.150.590	15.555.214
Total	**286.658.129**	**354.336.963**	**355.832.837**

(*) "As at 31 December 2016 and 31 December 2015, government bonds and treasury bills are measured at daily official prices announced by the Central Bank of Turkey in accordance with the 6th Article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies.

(**) "According to the 7th article of the "Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies" which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to "Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Private Pension Companies", companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Turkish Treasury Department within two months. Since the amounts that should be placed as of 31 December 2016 (31 December 2015) will be through the calculated amounts as of 30 June 2016 (30 June 2015), the settled amounts as of June is presented as "should be placed" amounts.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

None.

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

None.

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

None.

Deferred commission expenses

The Company capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As at 31 December 2016, short-term prepaid expenses amounting to TL 316.049.141 (31 December 2015: TL 275.073.222) consist of deferred commission expenses amounting to TL 286.562.140 (31 December 2015: TL 249.521.695) and other prepaid expenses amounting to TL 29.487.001 (31 December 2015: TL 25.551.527). Long-term prepaid expenses amounting TL 6.211.364 (31 December 2015: TL 5.221.880) are composed of other prepaid expenses.

As at 31 December 2016 and 31 December 2015 the movements of deferred commission expenses are presented below:

	31 December 2016	31 December 2015
Deferred commission expenses at the beginning of the period	249.521.695	200.624.439
Commissions accrued during the period	635.988.592	526.399.728
Commissions expensed during the period (*)	(598.948.147)	(477.502.472)
Deferred commission expenses at the end of the period	**286.562.140**	**249.521.695**

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

Individual pension funds

None.

18 Investment contract liabilities

None.

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

19 Trade and other payables and deferred income

	31 December 2016	31 December 2015
Payables from main operations	449.205.545	339.189.344
Financial payables	134.413.473	210.669.647
Other payables	82.609.754	60.481.800
Deferred income and expense accruals *(Note 10)*	58.640.768	54.739.019
Taxes and funds payable and other similar obligations	39.526.586	37.087.955
Personnel liabilities	91.826	92.190
Total	**764.487.952**	**702.259.955**
Short-term liabilities	764.487.952	702.259.955
Long-term liabilities	--	--
Total	**764.487.952**	**702.259.955**

As at 31 December 2016, other payables amounting to TL 82.609.754 (31 December 2015: TL 60.481.800) consist of treatment cost payables to SSI amounting to TL 32.037.945 (31 December 2015: TL 27.017.129), payables to Tarsim and DASK and outsourced benefits and services amounting to TL 45.085.032 (31 December 2015: TL 30.287.110) and deposits and guarantees received amounting to TL 5.486.777 (31 December 2015: TL 3.177.561).

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

	31 December 2016	31 December 2015
Payables to reinsurance companies *(Note 10)*	259.564.344	188.370.605
Payables to agencies, brokers and intermediaries	41.204.604	37.795.326
Total payables arising from insurance operations	**300.768.948**	**226.165.931**
Payables arising from other operating activities	142.812.014	108.657.638
Cash deposited by insurance and reinsurance companies *(Note 10)*	5.624.583	4.365.775
Payables arising from main operations	**449.205.545**	**339.189.344**

Corporate tax liabilities and prepaid taxes are disclosed below:

	31 December 2016	31 December 2015
Corporate tax liabilities	35.757.908	24.168.626
Taxes paid during the period	(23.316.813)	(1.769.959)
Corporate tax assets, net	**12.441.095**	**22.398.667**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

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

None.

20 Financial liabilities

As of 31 December 2015, The Company has a financial debt of TL 134.413.473 resulting from the forward transactions and repo (31 December 2015: TL 210.669.647). These debts have been listed below:

Maturity	31 December 2016	Maturity	31 December 2015
17 January 2017	40.153.847	11 January 2016	50.132.106
25 January 2017	94.259.626	22 January 2016	64.243.464
--	--	29 January 2016	56.212.595
--	--	10 February 2016	40.081.482
Balance sheet value	**134.413.473**		**210.669.647**

21 Deferred tax

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

	31 December 2016 Deferred tax assets/(liabilities)	31 December 2015 Deferred tax assets/(liabilities)
Equalization provision	16.304.668	12.101.836
Other provisions	9.064.233	5.375.706
Provisions for employee termination benefits and unused vacations	3.785.096	3.091.670
Provision for subrogation receivables	1.767.317	1.661.036
Reserve for unexpired risks	112.906	1.297.043
Discount of receivables and payables	53.726	(56.576)
Difference in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(3.139.467)	(2.460.037)
Valuation differences in financial assets	(3.157.357)	(1.746.888)
Real estate valuation	(3.321.543)	(2.886.550)
Subrogation receivables from third parties	(3.356.747)	(3.147.915)
Deferred tax assets, net	**18.112.832**	**13.229.325**

As at 31 December 2016 The Company has not deductible tax losses (31 December 2015: None).

Movement of deferred tax assets table:

	31 December 2016	31 December 2015
Opening balance at 1 January	**13.229.325**	**18.889.913**
Recognised in profit or loss *(Note 35)*	7.160.762	(6.509.894)
Recognised in equity *(Note 15)*	(2.277.255)	849.306
Deferred tax asset	**18.112.832**	**13.229.325**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

22 Retirement benefit obligations

Employees of the Company are the members of "Anadolu Anonim Pension Fund" which is established in accordance with the temporary Article 20 of the Social Security Act No: 506. As per the temporary sub article No: 20 of the Article 73 of the Social Security Law, pension funds should be transferred to the Social Security Institution within three years after the publication of the a aforementioned Law published in the Official Gazette numbered 26870 and dated 8 May 2008. The related three-year transfer period has been prolonged for two years by the Cabinet decision, the three-year period was extended to the 8 May 2015.

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

According to this arrangement the bank within the scope of Act 506, article No.20, insurance and reinsurance companies, chambers of commerce, industry chambers, stock exchanges or associations which constitute their union personnel and associates of funds are required to be transferred until 08.05.2015 to Social Security Administration, authority to determine the date of transfer is given the Council of Ministers thus the transfer of the funds has been postponed to an unknown date.

23 Other liabilities and provisions

As at 31 December 2016 and 31 December 2015; the details of the provisions for other risks are as follows:

	31 December 2016	31 December 2015
Provision for employee termination benefits	17.363.526	15.244.930
Provision for unused vacation pay liability	1.561.950	1.492.709
Total provision for other risks	**18.925.476**	**16.737.639**

	31 December 2016	31 December 2016
Provision for agency award	15.111.473	9.759.024
Provision for employee bonus	12.000.000	8.500.000
Provision for guarantee account	11.375.000	9.125.000
Expense provision for gauge commission *(Note 10)*	7.963.322	2.237.886
Provision for bank expenses	3.400.000	--
Provision for tax assessment *(Note 42, (Note 47)*	3.381.653	3.084.516
Invoice accrual	450.160	370.234
Prepaid income and expense accruals	**53.681.608**	**33.076.660**

Movements of provision for employee termination benefits during the period are presented below:

	31 December 2016	31 December 2015
Provision at the beginning of the period	15.244.930	12.628.115
Interest cost *(Note 47)*	1.631.955	1.288.802
Service cost *(Note 47)*	1.222.652	1.085.271
Actuarial difference *(Note 15)*	722.517	1.303.687
Payments made during the period *(Note 47)*	(1.458.528)	(1.060.945)
Provision at the end of the period	**17.363.526**	**15.244.930**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

24 Net insurance premium

Net insurance premium revenue is presented in detailed in the accompanying consolidated statement of income.

25 Fee revenue

None.

26 Investment income

Investment income is presented in "*Note 4.2* - Financial Risk Management".

27 Net income accrual on financial assets

Net realized gains on financial assets are presented in "*Note 4.2* - Financial Risk Management.

28 Assets held at fair value through profit or loss

Presented in "*Note 4.2* - Financial Risk Management".

29 Insurance rights and claims

	31 December 2016	31 December 2015
Claims paid, net off reinsurers' share	1.868.016.555	1.685.031.386
Changes in provision for outstanding claims, net off reinsurers' share	657.337.317	371.719.441
Changes in reserve for unearned premiums, net off reinsurers' share	301.021.136	292.297.301
Change in equalization provisions	27.882.079	20.995.851
Changes in reserve for unexpired risks, net off reinsurers' share	(5.920.683)	(33.894.132)
Total	**2.848.336.404**	**2.336.149.847**

30 Investment contract benefits

None.

31 Other expenses

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

32 Operating expenses

As of 31 December 2016 and 31 December 2015 the operating expenses are disclosed as follows:

	31 December 2016	31 December 2015
Commission expenses	552.860.702	434.055.605
Commissions to intermediaries accrued during the period	*584.138.939*	*481.698.669*
Change in deferred commission expenses	*(31.278.237)*	*(47.643.064)*
Employee benefit expenses *(Note 33)*	135.568.643	113.296.033
Administration expenses	96.028.749	82.642.008
Advertising and marketing expenses	12.046.504	19.727.757
Outsourced benefits and services	17.100.159	9.858.726
Commission income from reinsurers *(Note 10)*	(71.058.018)	(54.256.056)
Commission income from reinsurers accrued during the period (Note 10)	*(69.189.704)*	*(62.301.577)*
Change in deferred commission income (Note 10)	*(1.868.314)*	*8.045.521*
Total	**742.546.739**	**605.324.073**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

33 Employee benefits expenses

	31 December 2016	31 December 2015
Wages and salaries	100.580.810	84.272.162
Employer's share	23.319.112	19.392.154
Other	11.668.721	9.631.717
Total	**135.568.643**	**113.296.033**

34 Financial costs

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

35 Income tax

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

	31 December 2016	31 December 2016
Current tax expense provision:		
Corporate tax provision	(23.316.813)	(1.769.959)
Deferred taxes:		
Origination and reversal of temporary differences	7.160.762	(6.509.894)
Total income tax expense recognised in profit or loss	**(16.156.051)**	**(8.279.853)**

In the end of accounting period 31 December 2016 and 31 December 2015, a reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate is as follows:

	31 December 2016		31 December 2015	
Profit before tax	**118.274.748**	**Tax rate (%)**	**83.262.659**	**Tax rate (%)**
Taxes on income per statutory tax rate	23.654.950	20,00	16.652.532	20,00
Tax exempt income	(8.294.418)	(7,01)	(9.642.616)	(11,58)
Non-deductible expenses	795.519	0,67	1.269.937	1,53
Total tax income recognized in profit or loss	**16.156.051**	**13,66**	**8.279.853**	**9,94**

36 Net foreign exchange gains

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

37 Earnings per share

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

	31 December 2016	31 December 2015
Net profit/(loss) for the period	102.118.697	74.982.806
Weighted average number of shares	50.000.000.000	50.000.000.000
Earnings/(loss) per share (TL)	0,0020	0,0015

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

38 Dividends per share

No dividends paid to shareholders in 2016 (31 December 2015: TL 21.000.000).

39 Cash generated from operations

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

40 Convertible bonds

None.

41 Redeemable preference shares

None.

42 Risks

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

As at 31 December 2016, total amount of the claims that the Company face is TL 1.189.434.000 in gross (31 December 2015: TL 925.745.000). The Company provided provision for outstanding claims in the consolidated financial statements by considering collateral amounts.

As at 31 December 2016, ongoing law suits prosecuted by the Company against the third parties amounting TL 324.644.000 (31 December 2015: TL 233.643.000).

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

The final legal process which is related the period of 2007, 2008 is expected to result in the Company's favour and the amount of provision TL 12.768.684 which was published on the Official Gazette dated 12 November 2014. December 2013 and after the condition of the provision is evaluated later ongoing development of the legal process. There is a provision amount of TL 3.381.653 (31 December 2015: 3.084.516) related with this process. The Company has no revenue recognization resulting from the possibility of recovering tax auditing fees. (31 December 2015: TL 4.229.629)

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

43 Commitments

The details of the guarantees that are given by the Company for the operations in non-life branches are presented in *Note 17.*

The future aggregate minimum lease payments under operating leases for properties rented for use of head office and regional offices and motor vehicles rented for sales and marketing departments are as follows:

	31 December 2016	31 December 2015
Within one year	9.819.396	3.392.007
Between one to five years	15.967.534	1.918.527
Over five years	3.390.161	--
Total of minimum lease payments	**29.177.091**	**5.310.534**

44 Business combinations

None.

45 Related party transactions

The ultimate controlling party of the Company is İş Bankası Group and the groups having direct control over İş Bankası Group and the affiliates and associates of İş Bankası Group are defined as related parties of the Company.

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

	31 December 2016	31 December 2015
İş Bankası - cash at banks	420.916.548	914.658.774
Banks	**420.916.548**	**914.658.774**
Investment funds founded by İş Portföy Yönetimi A.Ş. *(Note 11)*	166.908.533	126.444.095
Bonds issued by İş Gayrimenkul Yatırım Ortaklığı A.Ş *(Note 11)*	15.543.150	14.749.064
Investment funds founded by İşbank GmbH *(Note 11)*	11.880.374	11.206.804
Bond issued by Türkiye Sınai Kalkınma Bankası *(Note 11)*	7.050.254	5.843.739
Bonds issued by Is Leasing *(Note 11)*	--	5.046.154
Bond issued by İş Faktoring A.Ş *(Note 11)*	--	5.522.064
Financial assets	**201.382.311**	**168.811.920**
İş Bankası - receivables stem from premiums written via the Bank	125.983.624	106.339.774
Receivables stems from premiums written via Şişecam Sigorta Aracılık Hiz. A.Ş.	6.182.414	5.621.565
Anadolu Hayat Emeklilik A.Ş. - premium receivables	1.312.576	586.490
Milli Reasürans T.A.Ş. - receivables from reinsurance operations	--	40.850
Receivables from main operations	**133.478.614**	**112.588.679**
Milli Reasürans T.A.Ş.- payables from reinsurance operations	18.534.868	9.299.746
İş Bankası - commission payables	7.016.739	9.603.965
Şişecam Sigorta Aracılık Hizmetleri A.Ş. - commission payables	399.796	349.731
Payables from main operations	**25.951.403**	**19.253.442**

No guarantees have been taken against receivables from related parties.

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

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

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements As at 31 December 2016

(Currency: Turkish Lira (TL))

The Company accrued TL 55.341.331 premium (31 December 2015: 53.855.115 TL) for related party policies. The transactions with related parties during the year ended 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
İş Bankası - premiums written via the Bank	502.036.843	410.699.700
Premiums written via Şişecam Sigorta Aracılık Hizmetleri A.Ş.	20.429.253	17.600.899
Anadolu Hayat - premiums written	3.320.159	2.805.903
Milli Reasürans T.A.Ş.	476.544	510.277
Premiums written	**526.262.799**	**431.616.779**
Milli Reasürans T.A.Ş	(109.430.928)	(105.383.566)
Premiums written, ceded	**(109.430.928)**	**(105.383.566)**
İş Bankası - interest income from deposits	80.428.531	61.509.302
İş Portföy Yönetimi - income from investment funds	3.361.480	1.784.202
İş Gayrimenkul Yatırım Ortaklığı - income from bonds	1.949.520	1.545.076
İş Leasing- income from bonds - income from bonds	440.160	896.366
İş Türkiye Sınai Kalkınma Bankası - income from bonds	260.427	--
İş Faktoring A.Ş. - income from bonds	136.663	--
İş Yatırım Menkul Değerler - income from investment funds	--	864.204
İş Bankası - income from bonds	--	599.000
Investment income	**86.576.781**	**67.198.150**
Türkiye İş Bankası A.Ş - commission expense	(59.382.880)	(54.279.283)
Şişecam Sigorta Aracılık Hizmetleri A.Ş. - commission expense	(4.027.166)	(3.520.602)
Milli Reasürans T.A.Ş- commission expense	23.205.177	23.600.904
Operating expenses, net	**(40.204.869)**	**(34.198.981)**
Anadolu Hayat ve Emeklilik A.Ş - Rent income	177.117	170.435
Other incomes	**177.117**	**170.435**
İş Merkezleri Yönetim ve İşletim A.Ş. - building service cost	(4.176.042)	(3.212.713)
Anadolu Anonim Türk Sigorta Şirketi Memurları Emekli Sandığı Vakfı-rent expense	(2.997.956)	(2.790.764)
İş Portföy Yönetimi - management commission	(965.206)	(690.905)
Yatırım Finansman Menkul Değerler - management commission	(51.884)	--
Other expenses	**(8.191.088)**	**(6.694.382)**

ANADOLU ANONİM TÜRK SİGORTA ŞİRKETİ

Notes to the Consolidated Financial Statements
As at 31 December 2016

(Currency: Turkish Lira (TL))

46 Events after the reporting date

Subsequent events are disclosed in Note 1.10 *Events after the reporting date.*

47 Others

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

They are presented in the related notes above.

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

None.

Subrogation recorded in "Off-Balance Sheet Accounts"

None.

Real rights on immovable and their values

None.

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

None.

For the years ended 31 December 2016 and 31 December 2015, details of discount and provision expenses are as follows:

Provision expenses	31 December 2016	31 December 2015
Provision expense for doubtful receivables *(Note 4.2)*	(38.684.995)	(37.726.711)
Provision expense for employee termination benefits *(Note 23)*	(1.396.079)	(1.313.128)
Tax assessment expense *(Note 23)*	(297.137)	(363.899)
Provision expense for unused vacation *(Note 23)*	(69.241)	(59.556)
Other provision income/(expense)	2.352.227	13.916.825
Total	**(38.095.225)**	**(25.546.469)**

Rediscount expenses	31 December 2016	31 December 2015
Rediscount income	21.046.365	18.199.693
Rediscount expense	(20.553.773)	(16.741.102)
Total of rediscounts	**492.592**	**1.458.591**

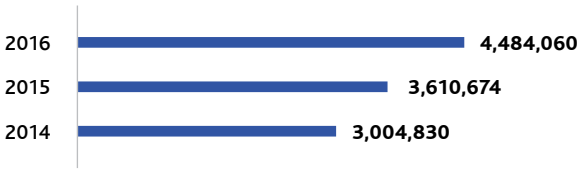
An Assessment of Financial Standing, Profitability and Solvency

Premium Production

Anadolu Sigorta registered TL 4,484,060 thousand in premium production in 2016. The greatest contributors to premium production were motor vehicles liability, motor vehicles, fire and natural disasters, and illness-health branches.

A portion in the amount of TL 885,938 thousand of premiums were ceded through reinsurance in 2016, thus significantly reducing retained risk in branches likely to present high claim settlements in particular, such as fire, watercraft and general losses.

Premium production (TL thousand)

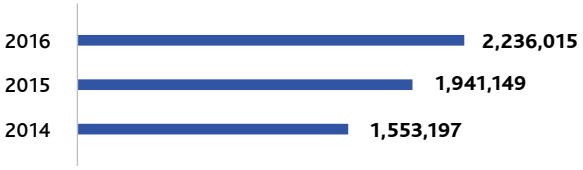


Solvency and Solvency Performance

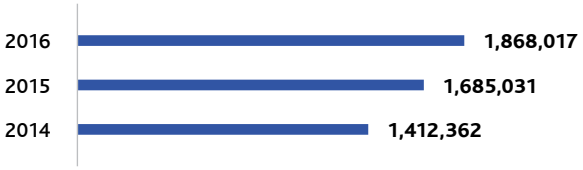
Having adopted it as a duty to make claim payments fully and timely to its policyholders, Anadolu Sigorta attained this goal once again in 2016 drawing on its solid asset structure and balanced liquidity ratio. A big part of the risk was ceded through reinsurance contracts made in branches under which high-amount coverage is provided such as fire and general losses, thus making it possible for the Company's asset structure to remain unaffected by claims paid in big amounts.

In 2016, claims paid amounted to TL 2,236,015 thousand. A significant portion of the claims paid arose, in order, from losses in motor vehicles liability, motor vehicles, health/illness, and fire and natural disasters. Combined loss/premium ratio was 80.1%, 1.5 points lower than its 2015 value.

Hasar Ödemeleri (TL thousand)



Konservasyon Payı (TL thousand)



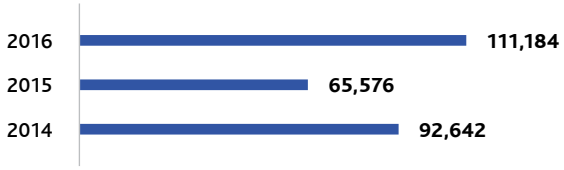
Hasar/Prim Oranı (%)

Information on Financial Structure

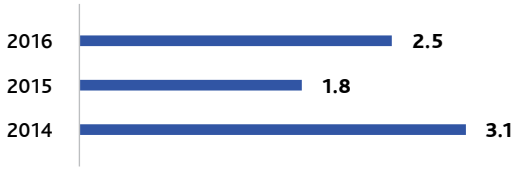
Assessment of Profitability

The company booked a profit of TL 111,184 thousand in 2016. Return on equity and return on assets stood at 7.2% and 1.5%, respectively.

Gross Profit/Loss (TL thousand)



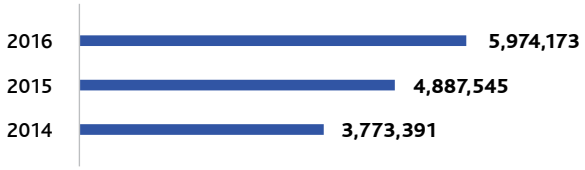
Gross Profit-Loss/Gross Premium Production (%)



Assets Performance

As of year-end 2016, total assets reached TL 5,974,173 thousand, up 22.2% year-on. With a share of 66.4% representing the largest item in total assets, total cash and financial assets grew 32.8% year-on to TL 3,966,074 thousand, giving confidence with respect to payment of possible losses to policyholders with this large volume..

Total Assets (TL thousand)



Capital Volume

The nominal capital of Anadolu Sigorta was TL 500,000 thousand as at year-end 2016.

Nominal Capital (TL thousand)

Summary Financial Information for the Last 5 Years Including the Reporting Period

(TL thousand)	2016	2015	2014	2013	2012
Gross Premiums	4,484,060	3,610,674	3,004,830	2,749,704	2,234,633
Technical Division Balance	157,564	103,634	121,260	100,878	-72,500
Investment Income	487,727	368,013	258,928	186,213	154,411
Investment Expenses	-505,094	-382,414	-275,810	-187,216	-154,271
Other Income and Expenses	-29,013	-23,656	-11,736	-32,414	8,378
Period Gross Income (Loss)	111,184	65,576	92,642	67,462	-63,981
Taxation	-23,317	-1,770	-21,082	-	-
Period Net Income (Loss)	87,867	63,806	71,560	67,462	-63,981
Shareholders' Equity	1,223,180	1,201,893	1,019,833	913,016	756,361
Total Assets	5,974,173	4,887,545	3,773,391	3,252,770	2,498,198

Information for Investors

Capital

Registered capital: TL 700,000,000
Paid-in capital: TL 500,000,000

Shares

The company's capital is divided into 50,000,000,000 shares each with a value of TL 0.01 and entitling their holders to one vote. The company's free float rate is 48%.

Stock Exchange

The company's shares are traded on Borsa İstanbul Stars Market under the ticker symbol ANSGR and are included in BIST Corporate Governance, BIST Financial, BIST Insurance, BIST All, BIST All-100, BIST Stars indices.

Investor Relations Unit

Rüzgarlıbahçe Mahallesi Kavak Sokak No: 31 34805 Kavacık / İSTANBUL
Tel: +90 850 744 0 744
E-mail: investor.relations@anadolusigorta.com.tr
Website : www.anadolusigorta.com.tr/en/investor-relations

Anadolu Sigorta Website Investor Relations Page

Head Office

Address: Rüzgarlıbahçe Mah. Kavak Sok. No: 31
34805 Kavacık/İSTANBUL
Phone: +90 850 744 0 744
Fax: +90 850 744 0 745
E-mail: bilgi@anadolusigorta.com.tr

Produced by Tayburn
Tel: (90 212) 227 04 36
www.tayburnkurumsal.com

www.anadolusigorta.com.tr

ISBANK Subsidiary