(Convenience Translation of independent auditors' report and financial statements originally issued in Turkish)

Sompo Japan Sigorta Anonim Şirketi

Financial Statements as of December 31, 2016 together with the Independent Auditor's Report

Sompo Japan Sigorta Anonim Şirketi

Contents **Page**

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(Convenience translation of independent auditors' review report originally issued in Turkish)

Independent auditors' report

To the Board of Directors of Sompo Japan Sigorta Anonim Şirketi

Report related to Financial Statements

We have audited the accompanying balance sheet of Sompo Japan Sigorta Anonim Şirketi ("the Company") as of December 31, 2016 and the related statement of income, statement of changes in equity, cash flow statement for the year ended and summary of significant accounting policies and other explanatory notes.

Company Management's responsibility for the financial statements

The Company management is responsible for the preparation and fair presentation of these financial statements in accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Accounting Standards decree for the matters not regulated by insurance legislation; "Insurance Accounting and Financial Reporting Legislation" and designing, implementing and maintaining internal systems relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the regulations regarding auditing principles set by insurance legislation and the Independent Auditing Standards which are a part of Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority (POA).Those standards require that the ethical principles are complied with and that the audit is planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Our audit involves performing procedures to obtain audit evidence about the amounts and footnotes in the financial statements. The independent audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the independent auditors consider internal systems relevant to the entity. However our purpose is not expressing an opinion on the effectiveness of the entity's internal control, but to consider the relation of the financial statements prepared by the Company management and the internal systems in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies 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 our audit opinion.

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Opinion

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

Emphasis of matter

As explained in Note 4, as of December 31, 2016, minimum required capital of the Company is TL 540.752.292 that has been calculated in accordance with the capital adequacy measurement regulation. In accordance with the Regulation on Measurement and Assessment of Capital Adequacy of Insurance, Reinsurance and Retirement Companies published on 23 August 2015, as of December 31, 2016, the Company's capital is TL 441.743.669 which is TL 99.008.623 less than the minimum required capital amount. Inline with this, the Company's Management has provided the necessary action plans for the capital deficiency to be completed within the period determined by the legislation.

Report on Independent Auditor's Responsibilities Arising from Other Regulatory Requirements

1) In accordance with Article 402 TCC, no significant matter has come to our attention that leads us to believe that the Company's bookkeeping activities for the period January 1 - December 31, 2016 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

2) In accordance with Article 402 of the TCC, the Board of Directors has provided us with the required explanations and documents.

Additional paragraph for convenience translation to English

As of December 31, 2016, the accounting principles described in Note 2 to the accompanying financial statements differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. The effects of differences between accounting principles and standards described in Note 2 and IFRS have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations of the Company in accordance with IFRS.

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

Yaşar Bivas, SMMM
Partner

February 28, 2017
İstanbul, Türkiye

CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON THE FINANCIAL STATEMENT PREPARED AS AT 31 DECEMBER 2016

We confirm that the accompanying financial statements and notes to these financial statements as of 31 December 2016 are prepared in accordance with the accounting principles and standards as set out in the insurance legislation and in conformity with the provisions of the Decree on "Financial Reporting of Insurance and Reinsurance Companies and Pension Funds" and our Company's accounting records.

Sompo Japan Sigorta A.Ş.
İstanbul, 28 February 2017

Recai DALAŞ
Member of Board of Directors,
Chief Executive Officer

Fahri UGUR
Chief Financial Officer

Günay ÖZKÖMÜRCÜ
Finance, PBR and Administrative Affairs Coordinator

Eda ÇELİKEL
Actuary

Convenience translation of the balance sheet
As of December 31, 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Assets

I- Current Assets	Note	Audited December 31, 2016	Audited December 31, 2015
A- Cash and Cash Equivalents	**2.12, 14**	**1.951.526.623**	**849.346.420**
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	2.12, 14	1.512.991.801	584.202.352
4- Cheques Given and Payment Orders (-)		-	-
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	2.12, 14	437.818.457	264.204.425
6- Other Cash and Cash Equivalents	2.12, 14	716.365	939.643
B- Financial Assets and Investments with Risks on Policy Holders		**-**	**31.132.956**
1- Financial Assets Available for Sale		-	-
2- Financial Assets Held to Maturity	11	-	10.425.440
3- Financial Assets Held for Trading	11	-	20.707.516
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders		-	-
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)		-	-
C- Receivables From Main Operations	**12**	**270.125.580**	**217.277.880**
1- Receivables From Insurance Operations	12	273.416.465	218.323.768
2- Provision for Receivables From Insurance Operations (-)	12	(4.548.197)	(2.531.126)
3- Receivables From Reinsurance Operations		-	-
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited For Insurance & Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Pension Operation		-	-
9- Doubtful Receivables From Main Operations	12	49.897.585	40.452.642
10- Provisions for Doubtful Receivables From Main Operations (-)	4.2,12	(48.640.273)	(38.967.404)
D- Due from Related Parties		**1.158**	**18.427**
1- Due from Shareholders	12,45	1.158	18.427
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
E- Other Receivables	**4.2,12**	**1.064.537**	**749.720**
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		67.489	62.308
4- Other Receivables	47.1	997.048	687.412
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
F- Prepaid Expenses and Income Accruals		**166.143.288**	**100.381.785**
1- Deferred Commission Expenses	17	156.557.030	94.793.346
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses	17	9.586.258	5.588.439
G- Other Current Assets		**4.512.835**	**2.922.881**
1- Inventories		-	-
2- Prepaid Taxes and Funds	19	3.999.453	2.526.542
3- Deferred Tax Assets		-	-
4- Business Advances		344.082	319.506
5- Advances Given to Personnel		169.300	76.833
6- Stock Count Differences		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		**2.393.374.021**	**1.201.830.069**

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

Convenience translation of the balance sheet
As of December 31, 2016
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

Assets

II- Non Current Assets	Note	Audited December 31, 2016	Audited December 31, 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 & Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables From Pension Operations		-	-
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 Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
C- Other Receivables		**-**	**-**
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
D- Financial Assets	**9**	**220.125**	**220.125**
1- Investments In Associates		-	-
2- Affiliates	9	220.125	220.125
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)		-	-
E- Tangible Fixed Assets	**6**	**14.305.334**	**9.583.263**
1- Investment Properties	6,7	1.651.000	1.410.850
2- Diminution in Value for Investment Properties (-)		-	-
3- Owner Occupied Properties		-	-
4- Machinery and Equipments		-	-
5- Furnitures and Fixtures	6	13.901.329	9.549.299
6- Vehicles	6	322.587	322.587
7- Other Tangible Assets (Including Leasehold Improvements)	6	6.902.790	5.871.622
8- Leased Tangible Fixed Assets	6	72.809	797.040
9- Accumulated Depreciation (-)	6	(8.545.181)	(8.545.103)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)	6	-	176.968
F- Intangible Fixed Assets	**8**	**6.761.933**	**4.781.103**
1- Rights		-	-
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets	8	12.525.795	10.269.484
7- Accumulated Amortizations (-)	8	(7.258.691)	(5.688.381)
8- Advances Regarding Intangible Assets	8	1.494.829	200.000
G- Prepaid Expenses and Income Accruals		**273.277**	**87.931**
1- Deferred Commission Expenses		-	-
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses		273.277	87.931
H- Other Non-current Assets		**8.370.776**	**8.454.478**
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	8.370.776	8.454.478
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
II- Total Non-current Assets		**29.931.445**	**23.126.900**
Total Assets		**2.423.305.466**	**1.224.956.969**

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

Sompo Japan Sigorta Anonim Şirketi

Convenience translation of the balance sheet
As of December 31, 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Liabilities

III- Short Term Liabilities	Note	Audited December 31, 2016	Audited December 31, 2015
A- Borrowings	**20**	**-**	**663.359**
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Current Portion of Long Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Financial Assets Issued		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)	20	-	663.359
B- Payables From Main Operations	**19**	**121.319.863**	**90.619.238**
1- Payables Due to Insurance Operations	19	112.612.700	77.782.450
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations	19	8.707.163	12.836.818
6- Rediscount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		**-**	**-**
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables	**19**	**43.924.126**	**24.644.176**
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses	2.25, 19	38.281.713	21.686.823
3- Other Payables	23	6.065.813	3.278.273
4- Discount on Other Payables (-)		(423.400)	(320.920)
E- Insurance Technical Reserves		**1.705.633.099**	**746.791.779**
1- Unearned Premiums Reserve - Net	2.24,17	966.644.394	442.643.271
2- Unexpired Risk Reserves - Net	2.27,17	147.191	17.494.337
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	2.25,17	738.841.514	286.654.171
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Relevant Provisions	**19**	**56.423.711**	**20.954.584**
1- Taxes and Dues Payable		37.584.339	20.290.210
2- Social Security Premiums Payable		1.804.815	664.374
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		-	-
5- Corporate Tax Liability Provision on Period Profit	19, 35	35.322.692	8.263.889
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	19	(18.288.135)	(8.263.889)
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks		**4.511.821**	**3.696.208**
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	23	4.511.821	3.696.208
H- Deferred Income and Expense Accruals	19	**41.012.557**	**35.115.723**
1- Deferred Commission Income	10,19	37.964.557	33.446.835
2- Expense Accruals		15.005	290.363
3- Other Deferred Income	19	3.032.995	1.378.525
I- Other Short Term Liabilities		**-**	**-**
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		-	-
III - Total Short Term Liabilities		**1.972.825.177**	**922.485.097**

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

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

Liabilities

IV- Long Term Liabilities	Note	Audited December 31, 2016	Audited December 31, 2015
A- Borrowings		**-**	**-**
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Bonds Issued		-	-
5- Other Issued Financial Assets		-	-
6- Value Differences on Issued Financial Assets (-)		-	-
7- Other Financial Borrowings (Liabilities)		-	-
B- Payables From Main Operations		**-**	**-**
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Discount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		**-**	**-**
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables	**19**	**5.286.639**	**3.344.077**
1- Deposits and Guarantees Received		5.286.639	3.344.077
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables		-	-
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves	**17**	**21.884.710**	**18.273.545**
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts – Net		-	-
6- Other Technical Reserves – Net	2.26,17	21.884.710	18.273.545
F- Other Liabilities and Provisions		**-**	**-**
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks		**1.709.776**	**1.193.153**
1- Provision for Employment Termination Benefits	23	1.709.776	1.193.153
2- Provisions for Employee Pension Fund Deficits		-	-
H- Deferred Income and Expense Accruals		**31.905**	**-**
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income	47	31.905	-
I- Other Long Term Liabilities	**23**	**1.708.300**	**1.440.204**
1- Deferred Tax Liability		-	-
2- Other Long Term Liabilities	23	1.708.300	1.440.204
IV- Total Long Term Liabilities		**30.621.330**	**24.250.979**

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

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

Shareholders’ Equity

V- Shareholders’ Equity	Note	Audited December 31, 2016	Audited December 31, 2015
A- Paid in Capital		**40.000.000**	**40.000.000**
1- (Nominal) Capital	2.13,15	40.000.000	40.000.000
2- Unpaid Capital (-)		-	-
3- Positive Inflation Adjustment on Capital		-	-
4- Negative Inflation Adjustment on Capital (-)		-	-
B- Capital Reserves		**36.097**	**36.097**
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital		-	-
4- Translation Reserves		-	-
5- Other Capital Reserves		36.097	36.097
C- Profit Reserves	15	**237.800.936**	**210.992.885**
1- Legal Reserves		18.908.567	17.548.971
2- Statutory Reserves	15	-	-
3- Extraordinary Reserves	2.19,23	210.676.226	184.843.911
4- Special Funds (Reserves)		(591.914)	(208.054)
5- Revaluation of Financial Assets	15	-	-
6- Other Profit Reserves		8.808.057	8.808.057
D- Previous Years' Profits		**-**	**-**
1- Previous Years' Profits		-	-
E- Previous Years' Losses (-)		**-**	**-**
1- Previous Years' Losses		-	-
F- Net Profit of the Period		**142.021.926**	**27.191.911**
1- Net Profit of the Period		142.021.926	27.191.911
2- Net Loss of the Period (-)		**-**	**-**
Total Shareholders' Equity		**419.858.959**	**278.220.893**
Total Liabilities and Shareholders' Equity (III+IV+V)		**2.423.305.466**	**1.224.956.969**

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

Convenience translation of the statement of income
For the period January 1 – December 31, 2016
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

I-Technical Part	Note	Audited January 1 – December 31, 2016	Audited January 1 – December 31, 2015
A- Non-Life Technical Income		**1.375.516.049**	**560.385.444**
1- Earned Premiums (Net of Reinsurer Share)		1.267.570.883	508.701.585
1.1 - Written Premiums (Net of Reinsurer Share)	17	1.774.224.861	729.565.908
1.1.1 - Gross Written Premiums (+)	17,24	2.236.156.139	1.063.474.233
1.1.2 - Ceded Premiums to Reinsurers (-)	10,17,24	(322.192.156)	(296.661.805)
1.1.3 - Ceded Premiums to SSI (-)		(139.739.122)	(37.246.520)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	17	(524.001.123)	(213.283.931)
1.2.1 - Unearned Premiums Reserve (-)		(595.057.129)	(275.836.294)
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)		22.246.275	43.108.507
1.2.3 - SSI of Unearned Premiums Reserve (+)		48.809.731	19.443.856
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	17	17.347.146	(7.580.392)
1.3.1 - Unexpired Risks Reserve (-)		16.067.233	(422.234)
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)		1.279.913	(7.158.158)
2- Investment Income Transferred from Non-Technical Part		92.054.663	38.633.227
3- Other Technical Income (Net of Reinsurer Share)		-	-
3.1 - Gross Other Technical Income (+)		-	-
3.2 - Reinsurance Share of Other Technical Income (-)		-	-
4- Accrued Subrogation and Salvage Income (+)		15.890.503	13.050.632
B- Non-Life Technical Expense (-)		**(1.205.122.408)**	**(527.105.415)**
1- Total Claims (Net of Reinsurer Share)	17	(912.089.068)	(370.803.872)
1.1- Claims Paid (Net of Reinsurer Share)	17	(459.901.725)	(292.868.141)
1.1.1 - Gross Claims Paid (-)	17	(553.378.333)	(383.982.568)
1.1.2 - Reinsurance Share of Claims Paid (+)	10	93.476.608	91.114.427
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17	(452.187.343)	(77.935.731)
1.2.1 - Outstanding Claims Reserve (-)	17	(571.618.098)	(211.290.280)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	17	119.430.755	133.354.549
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 - Bonus and Discount Reserve (-)		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	17	(3.611.165)	(3.211.407)
4- Operating Expenses (-)	32	(255.820.896)	(139.813.675)
5- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
5.1- Mathematical Reserves (-)		-	-
5.2- Reinsurance Share of Mathematical Reserves (+)		-	-
6.- Other Technical Expenses (-)		(33.601.279)	(13.276.461)
6.1.- Gross Other Technical Expenses (-)		(33.601.279)	(13.276.461)
6.2.- Reinsurance Share of Other Technical Expenses (+)		-	-
C- Non Life Technical Net Profit (A-B)		**170.393.641**	**33.280.029**
D- Life Technical Income		-	-
1- Earned Premiums (Net of Reinsurer Share)		-	-
1.1 - Written Premiums (Net of Reinsurer Share)		-	-
1.1.1 - Gross Written Premiums (+)		-	-
1.1.2 - Ceded Premiums to Reinsurers (-)		-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		-	-
1.2.1- Unearned Premium Reserves (-)		-	-
1.2.2- Unearned Premium Reserves Reinsurer Share (+)		-	-
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		-	-
1.3.1- Unexpired Risks Reserves (-)		-	-
1.3.2- Unexpired Risks Reserves Reinsurer Share (+)		-	-
2- Life Branch Investment Income		-	-
3- Unrealized Income from Investments		-	-
4-Other Technical Income (Net of Reinsurer Share) (+/-)		-	-
4.1- Gross Other Technical Income (+/-)		-	-

Convenience translation of the statement of income
For the period January 1 – December 31, 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

I-Technical Part	Note	Audited January 1 - December 31, 2016	Audited January 1 - December 31, 2015
E- Life Technical Expense		**-**	**-**
1- Total Claims (Net of Reinsurer Share)		-	-
1.1- Claims Paid (Net of Reinsurer Share)		-	-
1.1.1- Gross Claims Paid (-)		-	-
1.1.2- Claims Paid Reinsurer Share (+)		-	-
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
1.2.1 - Outstanding Claims Reserve (-)		-	-
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)		-	-
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 - Bonus and Discount Reserve (-)		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
3.1- Mathematical Reserves (-)		-	-
3.1.1- Actuarial Mathematical Reserve (-)		-	-
3.1.2- Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
3.2- Reinsurer Share of Mathematical Reserves (+)		-	-
3.2.1- Reinsurance Share of Actuarial Mathematical Reserve (+)		-	-
3.2.2- Reinsurance Share of Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-
4- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
5- Changes in Other Technical Reserves (Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
6- Operating Expenses (-)		-	-
7- Investment Expenses (-)		-	-
8- Unrealized Losses from Investments (-)		-	-
9- Investment Income Transferred to Non- Technical Part (-)		-	-
F- Life Technical Profit (D-E)		-	-
G- Individual Retirement Technical Income		-	-
1- Fund Management Fee		-	-
2- Management Fee Deduction		-	-
3- Initial Contribution Fee		-	-
4- Management Fee In Case Of Temporary Suspension		-	-
5- Withholding tax		-	-
6- Increase in Market Value of Capital Commitment Advances		-	-
7-Other Technical Income		-	-
H- Individual Retirement Technical Expense		-	-
1- Fund Management Expenses (-)		-	-
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-
3- Operating Expenses (-)		-	-
4- Other Technical Expense (-)		-	-
I- Individual Retirement Technical Profit (G-H)		**-**	**-**

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

Convenience translation of the statement of income
For the period January 1 – December 31, 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

II-Non Technical Part	Note	Audited January 1 – December 31, 2016	Audited January 1 – December 31, 2015
C- Non Life Technical Profit (A-B)		**170.393.641**	**33.280.029**
F- Life Technical Profit (D-E)		**-**	**-**
I - Individual Retirement Technical Profit (G-H)		**-**	**-**
J- Total Technical Profit (C+F+I)		**170.393.641**	**33.280.029**
K- Investment Income		**133.589.338**	**69.454.279**
1- Income From Financial Investment	4	119.392.259	56.260.325
2- Income from Sales of Financial Investments		-	-
3- Revaluation of Financial Investments		-	-
4- Foreign Exchange Gains	4	14.264.807	13.169.971
5- Income from Affiliates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income Received from Land and Building	4	36.590	9.418
8- Income from Derivatives		-	-
9- Other Investments	4.2, 47.1	(104.318)	14.565
10- Investment Income transferred from Life Technical Part		-	-
L- Investment Expenses (-)		**(115.959.133)**	**(53.224.242)**
1- Investment Management Expenses (including interest) (-)		(7.729.558)	(3.426.039)
2- Valuation Allowance of Investments (-)		-	-
3- Losses On Sales of Investments (-)		-	-
4- Investment Income Transferred to Non-Life Technical Part (-)	1.7	(92.054.663)	(38.633.227)
5- Losses from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	4	(11.521.181)	(7.675.418)
7- Depreciation Expenses (-)	6,8	(4.653.731)	(3.489.558)
8- Other Investment Expenses (-)		-	-
M- Income and Expenses From Other and Extraordinary Operations (+/-)		**(10.679.228)**	**(14.054.267)**
1- Provisions Account (+/-)	47	(11.240.036)	(14.941.888)
2- Discount account (+/-)	47	(1.081.357)	(1.547.638)
3- Mandatory Earthquake Insurance Account (+/-)		-	-
4- Inflation Adjustment Account (+/-)		-	-
5- Deferred Tax Asset Accounts(+/-)	21	-	1.485.992
6- Deferred Tax Expense Accounts (-)	21	(179.667)	-
7- Other Income and Revenues	47	2.127.450	1.069.337
8- Other Expense and Losses (-)	47	(305.618)	(120.070)
9- Prior Period Income		-	-
10- Prior Period Losses (-)		-	-
N- Net Profit / (Loss)		**142.021.926**	**27.191.911**
1- Profit /(Loss) Before Tax		177.344.618	35.455.800
2- Corporate Tax Liability Provision (-)	35	(35.322.692)	(8.263.889)
3- Net Profit (Loss)		-	-
4- Inflation Adjustment Account		-	-

Convenience translatıon of the statements of cash flow
For the period January 1 – December 31, 2016
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

	Note	Audited December 31, 2016	Audited December 31, 2015
A. CASH FLOWS FROM THE OPERATING ACTIVITIES			
1. Cash inflows from the insurance operations		2.416.784.989	1.211.042.861
2. Cash inflows from the reinsurance operations		-	-
3. Cash inflows from the pension operations		-	-
4. Cash outflows due to the insurance operations (-)		(2.160.459.437)	(953.549.776)
5. Cash outflows due to the reinsurance operations (-)		-	-
6. Cash outflows due to the pension operations (-)		-	-
7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		**256.325.552**	**257.493.085**
8. Interest payments (-)		-	-
9. Income tax payments (-)		(19.940.714)	(9.341.049)
10. Other cash inflows		42.843.133	39.415.185
11. Other cash outflows (-)		(277.661.784)	(162.563.205)
12. Net cash generated from the operating activities		**1.566.187**	**125.004.016**
B. CASH FLOWS FROM THE INVESTING ACTIVITIES			
1. Sale of tangible assets	6	387.205	1.440.282
2. Purchase of tangible assets (-)	6,8	(11.743.837)	(4.637.051)
3. Acquisition of financial assets (-)		(11.029.093)	(44.315.483)
4. Sale of financial assets	11	43.936.488	52.176.300
5. Interest received		118.484.483	58.832.315
6. Dividends received		-	-
7. Other cash inflows	7	36.590	9.418
8. Other cash outflows (-)		(19.738.917)	(11.194.331)
9. Net cash generated from the investing activities		**120.332.921**	**52.311.450**
C. CASH FLOWS FROM THE FINANCING ACTIVITIES			
1. Issue of equity shares		-	-
2. Cash inflows from the loans to policyholders		-	-
3. Payments of financial leases (-)		-	-
4. Dividend paid (-)		-	-
5. Other cash inflows		-	-
6. Other cash outflows (-)		-	-
7. Cash generated from the financing activities		**-**	**-**
D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS		-	-
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		**121.899.108**	**177.315.466**
F. Cash and cash equivalents at the beginning of the period	2.12, 14	296.988.890	119.673.424
G. Cash and cash equivalents at the end of the period (E+F)	**2.12, 14**	**418.887.998**	**296.988.890**

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

Sompo Japan Sigorta Anonim Şirketi

Convenience translatıon of the statement of changes ın shareholders’ equity
For the perıod January 1 –December 31, 2016
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

Audited the statement of changes ın shareholders’ equıty – December 31, 2016

	Note	Capital	Equity Share Owned by Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years’ Profit/(Loss)	Total
I - Closing Balance of Prior Period (31/12/2015)		**40.000.000**	**-**	**-**	**-**	**-**	**17.548.971**	**-**	**193.480.011**	**27.191.911**	**-**	**278.220.893**
II - Amendments in Accounting Policy		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
III - Current Balance (I + II) (01/01/2015)		**40.000.000**	**-**	**-**	**-**	**-**	**17.548.971**	**-**	**193.480.011**	**27.191.911**	**-**	**278.220.893**
A- Capital increase (A1 + A2)		-	-	-	-	-	-	-	-	-	-	**-**
1- Cash		-	-	-	-	-	-	-	-	-	-	**-**
2- Internal sources		-	-	-	-	-	-	-	-	-	-	**-**
B- Equity shares purchased by the Company		-	-	-	-	-	-	-	-	-	-	**-**
C- Income / (expense) recognized directly in the equity		-	-	-	-	-	-	-	-	-	-	**-**
D- Revaluation of financial assets (Note 16.1)		-	-	-	-	-	-	-	-	-	-	**-**
E- Translation reserves		-	-	-	-	-	-	-	-	-	-	**-**
F- Other income / (expenses)		-	-	-	-	-	-	-	(383.860)	-	-	**(383.860)**
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	**-**
H- Period net profit (Note 37)		-	-	-	-	-	-	-	-	142.021.926	-	**142.021.926**
I- Dividend distributed		-	-	-	-	-	-	-	-	-	-	**-**
J- Transfer	15	-	-	-	-	-	1.359.596	-	25.832.315	(27.191.911)	-	**-**
IV- Closing Balance (31/12/2016) (I+ A+B+C+D+E+F+G+H+I+J)		**40.000.000**	**-**	**-**	**-**	**-**	**18.908.567**	**-**	**218.928.466**	**142.021.926**	**-**	**419.858.959**

Audited the statement of changes ın shareholders’ equıty – December 31, 2015

	Note	Capital	Equity Share Owned by Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years’ Profit/(Loss)	Total
I - Closing Balance of Prior Period (31/12/2014)		**40.000.000**	**-**	**-**	**-**	**-**	**15.572.167**	**-**	**156.028.169**	**39.536.089**	**-**	**251.136.425**
II - Amendments in Accounting Policy		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
III - Current Balance (I + II) (01/01/2015)		**40.000.000**	**-**	**-**	**-**	**-**	**15.572.167**	**-**	**156.028.169**	**39.536.089**	**-**	**251.136.425**
A- Capital increase (A1 + A2)		-	-	-	-	-	-	-	-	-	-	**-**
1- Cash		-	-	-	-	-	-	-	-	-	-	**-**
2- Internal sources		-	-	-	-	-	-	-	-	-	-	**-**
B- Equity shares purchased by the Company		-	-	-	-	-	-	-	-	-	-	**-**
C- Income / (expense) recognized directly in the equity		-	-	-	-	-	-	-	-	-	-	**-**
D- Revaluation of financial assets (Note 16.1)		-	-	-	-	-	-	-	-	-	-	**-**
E- Translation reserves		-	-	-	-	-	-	-	-	-	-	**-**
F- Other income / (expenses)		-	-	-	-	-	-	-	(107.443)	-	-	**(107.443)**
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	**-**
H- Period net profit (Note 37)		-	-	-	-	-	-	-	-	27.191.911	-	**27.191.911**
I- Dividend distributed		-	-	-	-	-	-	-	-	-	-	**-**
J- Transfer	15	-	-	-	-	-	1.976.804	-	37.559.285	(39.536.089)	-	**-**
IV- Closing Balance (31/12/2015) (A+B+C+D+E+F+G+H+I+J)		**40.000.000**	**-**	**-**	**-**	**-**	**17.548.971**	**-**	**193.480.011**	**27.191.911**	**-**	**278.220.893**

1 General Information

1.1 Name and Structure of the Parent Company

As of December 31, 2016 and December 31, 2015, capital group of Sompo Japan Sigorta Anonim Şirketi ("Company") whose capital is directly or indirectly controlled is Sompo Japan Nipponkoa Insurance Inc.

The Company was established in Turkey on March 30, 2001, pursuant to the license obtained from Republic of Turkey Prime Ministry Undersecretaries of Treasury (the "Turkish Treasury") to engage in all types of property and casualty insurance and reinsurance business under the name of Fiba Sigorta Anonim Şirketi. The Company's legal title was changed to Finans Sigorta Anonim Şirketi from Fiba Sigorta Anonim Şirketi on June 5, 2002 and changed back to Fiba Sigorta Anonim Şirketi from Finans Sigorta Anonim Şirketi through Board of Directors' Resolution numbered 2007/150 and dated August 13, 2007.

As at June 15, 2010, Fiba Holding AŞ, the Company's main shareholder, has signed Share Purchase Agreement with Sompo Japan Insurance Inc. in order to transfer all shares. Following the approval of Turkish Treasury dated October 8, 2010 numbered 47481, the Company's majority portion of shares are transferred to Sompo Japan Insurance Inc. on November 2, 2010.

As per the resolution of the Board of Directors dated November 3, 2010 and 2010/245 numbered the Company has decided to change the commercial title as "Sompo Japan Sigorta Anonim Şirketi". The commercial title change has been approved on the General Shareholders' Meeting dated February 21, 2011.

399.600.000 shares with nominal value of TL 3.996.000 owned by European Bank For Reconstruction have been transferred to Sompo Japan Nipponkoa Insurance Inc. with the decision of Board of Directors numbered 538 dated at October 31, 2016.

1.2 Residency and legal nature of the organization, its country of incorporation and registered address (or if different than the place of the registered office, the main place of the operation)

The Company is registered at Turkey in 2001 and has the nature of a Joint Stock Company established and organized under the provisions of the Turkish Commercial Code. The Company operates in address of Beykoz-Kavacık, Rüzgarlıbahçe Mahallesi Cumhuriyet Caddesi No:10 Acarlar İş Merkezi C-Blok in İstanbul, Turkey.

1.3 Main Operations of the Company

The Company, operates all branches including fire and natural disasters, marine, water crafts, water crafts liability, motor vehicle, third party liability for motor vehicles (MTPL), accident, rail vehicles, air crafts, air crafts liability, general losses, general liability, suretyship, legal protection, credit, illness/health, support and financial losses branches except health branch within the framework of operating licenses received from the Undersecretariat of Treasury.

1.4 Explanation of main fields and operations of the Company

The Company operates in compliance with the Insurance Law No.5684 (the "Insurance Law") issued on June 14, 2007 in Official Gazette No.26552 and and the other regulations and regulations issued by the Undersecretariat of Treasury. The Company operates in insurance branches stated in *Note 1.3*. As of December 31, 2016, the Company works with all authorized 1.836 agencies (December 31, 2015 – 1.479 agencies).

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

1 General Information (Continued)

1.5 Average number of employees during the period by category

The average number of employees working in the period by category is as follows:

	December 31, 2016	December 31, 2015
Senior-level executives	8	9
Other personnel	424	363
Total	**432**	**372**

1.6 Salaries and similar benefits provided to senior-level executives

Total amount of salaries and similar benefits provided to senior-level executives such as chairman and members of Board of Directors and general manager, assistant general managers in current period is TL 5.816.932 (December 31, 2015: TL 5.339.563).

1.7 Keys used in distribution of investment income and operating expenses (personnel, management, research & development, marketing and sales, outsourced utilities and services and other operating expenses) in the financial statements

Within the frame of circular letter of the Republic of Turkey Prime Ministry Undersecretariat of Treasury, the number of policies generated for each sub-branch in the last 3 years is distributed according to average of 3 ratios that are proportion of gross written premium number and claim notification number to total issued policy number, proportion of gross written premium number and claim notification number to gross written premium number and proportion of gross written premium number and claim notification number to claim notification number.

The Company transferred the entire income it obtained from investment of financial assets form non-technical section to technical section, and left the other investment income in the non-technical section. The income transferred from non-technical to technical section this way is TL 92.054.663 (December 31, 2015: TL 38.633.227).

1.8 Whether the financial statements contain a single company or a group of companies

The accompanying financial statements contain the financial information of Japan Sigorta Anonim Şirketi only.

1.9 Name and other identification of the reporting entity and any changes occurred in this information since the previous balance sheet date

Company Legal Title	:	Sompo Japan Sigorta Anonim Şirketi
Company Headquarter Address	:	Kavacık Rüzgarlıbahçe Mahallesi Cumhuriyet Caddesi, No:10 Acarlar İş Merkezi, C Blok, Beykoz / İstanbul
Company's Web page Address	:	www.sompojapan.com.tr

The information presented above has not changed since the end of the previous balance sheet period.

1.10 Events Occurred after the Balance Sheet Date

The financial statements prepared as of December 31, 2016 were approved by the Board of Directors on February 28, 2017. Events occurred after the balance sheet date have been disclosed in Note 46.

2. Summary of Significant Accounting Policies

2.1 Principles of Preparation

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used

Insurance and Reinsurance and Pension Companies prepares financial statements according to Communiqué on Presentation of Financial Statements of the Undersecretariat of Treasury that entered into force and published on the Official Gazette dated April 18, 2008 and numbered 26851.

Since January 01, 2008, the Company recognizes its operations in compliance with the "Regulation on Financial Reporting of Insurance and Reinsurance and Pension Companies" that was published on July 14, 2007 and entered into force on January 01, 2008 and within the frame of the said regulation, Turkish Accounting Standards ("TMS") and Turkish Financial Reporting Standards ("TFRS") and other regulations, explanations and circulars published by the Undersecretariat of Treasury in relation to the accounting and financial reporting principles. Pursuant to the letter of Undersecretariat of Treasury dated February 18, 2008, numbered 9, "TMS 1-Financial Statements and Presentation", "TMS 27-Consolidated and Non-consolidated Financial Statements", "TFRS 1-Transmission to TFRS" and "TFRS 4-Insurance Contracts" were excluded from the scope of this practice in 2008. In addition, the insurance companies are required to apply the Communiqué on Preparation of Consolidated Financial Statements of Insurance and Reinsurance and Pension Companies that was published on the Official Gazette dated December 31, 2009, numbered 27097 ("Consolidation Communiqué") starting from March 31, 2009. Partnerships other than insurance and reinsurance and pension companies have been excluded from the scope till March 31, 2010 under the provisional article 2 of the said Communiqué.

The Public Oversight Accounting and Auditing Standards Authority (POA) that was established in compliance with the Statutory Decree published on the Official Gazette dated November 02, 2011, besides its other duties and authorities, is authorized to establish and spread the TMSs (Turkish Accounting Standards) that comply with the international standards in order to ensure reliability, transparency, understandability, comparability, consistency and fit for need of the financial statements of the companies who are legally required to keep books, and to make secondary regulations for implementation of TMSs, and to approve the arrangements to be made in this matter by the organizations and institutions which are authorized in their fields.

Pursuant to the "Board Decision on Determination of the Implementation Scope of Turkish Accounting Standards" numbered 6102, dated January 13, 2011, the organizations that concern the public benefit defined in KHK numbered 660 will be subject to the independent audit upon decision of the Council of Ministers within the frame of the article 397 of the Law numbered 397, and the companies listed in paragraph two of the article 1534 of the same law apply Turkish Accounting Standard while preparing their separate and consolidated financial statements.

The organizations established to operate in at least one of the activities stipulated in the Banking Law dated October 19, 2005, numbered 5411 are an example to the financial statements to be prepared by the companies required to apply TAS, except for development and investment banks and financial holding companies, and the financial institutions established to operate in insurance, private pension or capital markets within the frame of the Capital Markets Law No. 6362 dated December 06, 2012, Insurance Law No. 5684 dated June 03, 2007 and Private Pension Saving and Investment System Law no. 4632 dated March 28, 2001 and their related legislations.

Financial Statements are prepared accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Accounting Standards decree for the matters not regulated by insurance legislation; "Insurance Accounting and Financial Reporting Legislation".

2. Summary of Significant Accounting Policies (Continued)

2.1 Principles of Preparation (Continued)

2.1.2 Other accounting policies as applicable for better understanding of financial statements

Adjustment of Financial Statements in High Inflation Periods

In accordance with the Undersecretariat of the Treasury's statement no: 19387 issued on April 4, 2005, the Company's financial statements as of December 31, 2004 are adjusted and its 2005 openings are prepared based on the requirements set out in "the preparation of financial statements in hyperinflationary periods" specified in the Capital Market Board's (CMB) Decree Volume: XI, No: 25 "Accounting Standards in Capital Markets" which was published in the Official Gazette No: 25290 on November 15, 2003. In addition, the preparation of financial statements in hyperinflationary periods has not been applied in accordance with the statement of the Undersecretariat of the Treasury. Therefore, as of December 31, 2015, non-monetary balance sheet assets and liabilities and equity items, including capital share, are calculated by indexing of inputs as of December 31, 2004 (for inputs prior to December 31, 2004) and carrying inputs subsequent to December 31, 2004 at nominal value.

2.1.3 Functional and presentation currency

Financial statements are presented in TL, which is the Company's functional currency. Except as otherwise indicated, financial information presented in TL, has been rounded to the nearest full TL values.

2.1.4 Rounding grade of amounts presented in financial statements

Financial information given in TL is rounded to the nearest full TL value.

2.1.5 Measurement basis used to prepare financial statements

The financial statements have been prepared on the historical cost basis, adjusted for the effects of inflation accounting until December 31, 2004, which is the end of the hyperinflationary period, except for those financial assets held for trading that are measured at fair value where reliable measurement is possible.

2.1.6 The new standards, amendments and interpretations

The new standards, amendments and interpretations

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

2. Summary of Significant Accounting Policies (Continued)

2.1 Principles of Preparation (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

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

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

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

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to TAS 16 and TAS 38)

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

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

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

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

Public Oversight Accounting and Auditing Standards Authority (POA) of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity’s separate financial statements. Therefore, an entity must account for these investments either:
• At cost
• In accordance with IFRS 9,
Or
• Using the equity method defined in TAS 28

Companies need to apply the same accounting to each category of investment. The amendment does not apply to the Company and does not affect the Company's financial position or performance.

2. Summary of Significant Accounting Policies (Continued)

2.1 Principles of Preparation (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

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

Amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognizes a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognized only to the extent of unrelated investors' interests in that former subsidiary. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

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

Amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements in February, 2015. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

TAS 1: Disclosure Initiative (Amendments to TAS 1)

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

Annual Improvements to TFRSs - 2012-2014 Cycle

POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- TFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- TFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with TFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- TAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- TAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

The amendment did not have significant impact on the financial position or performance of the Company.

2. Summary of Significant Accounting Policies (Continued)

2.1 Principles of Preparation (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

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

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

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

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

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS**.**

2. Summary of Significant Accounting Policies (Continued)

2.1 Principles of Preparation (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

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

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

Annual Improvements – 2011–2013 Cycle

IFRS 16 Leases

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

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

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealized losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company/Group applies this relief, it shall disclose that fact. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

2. Summary of Significant Accounting Policies (Continued)

2.1 Principles of Preparation (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

IAS 7 Statement of Cash Flows (Amendments)

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

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

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

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

IFRS 4 Insurance Contracts (Amendments)

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.1 Principles of Preparation (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

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

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

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

Annual Improvements to IFRSs - 2014-2016 Cycle

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

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

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

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

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

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

2. Summary of Significant Accounting Policies (Continued)

2.2 Consolidation

It is requested to publish consolidated financial statements according to "Communiqué on the Preparation of Consolidated Financial Statements of Insurance and Reinsurance Companies and Pension Companies" ("Consolidation Communiqué") published by the Undersecretariat of Treasury in the Official Gazette No: 21097 dated December 31, 2008 and insurance, reinsurance and pension companies; In accordance with the Consolidation Communiqué, consolidated financial statements have not been prepared due to the Company has no subsidiaries.

2.3 Segment Reporting

An operating segment includes the performance of the Company's business activities, including revenues and expenses incurred from transactions with other segments of operations, generating revenue and expenses, and ensuring that the results of operations are regularly audited and measured by the Board of Directors (as the competent authority to make decisions) and it is a part of financial information noticed. Due to the fact that the main geographical area in which the Company is operating is Turkey, no geographical segment reporting has been presented. Moreover, since the Company continues its activities in the field of non-life insurance, no reports have been presented according to segment.

2.4 Provisions for Foreign Currency

Transactions have been booked in TL, which is the functional currency of the Company. The transactions realized in foreign currency during preparation of the financial statements are converted into the functional currency over the rates effective on the transaction date. Assets and liabilities in foreign currency in the balance sheet are converted into Turkish Lira over the foreign exchange purchase rate of Turkish Central Bank. The exchange rate difference arising from these transactions is included in the income statement. The rate differences occur on the discounted values of the financial assets classified as marketable financial assets in foreign currency are reflected to the income statement, while all the other changes in fair value of these assets and the rate differences occur on them are reflected to the relevant accounts in the equity.

2.5 Tangible Fixed Assets

Tangible assets have been booked adjusted costs in accordance with inflation for the period until December 31, 2004. Any inflation adjustment is made for tangible assets in after period, the amount has been adopted as the cost amount indexed for inflation as of December 31, 2004. Since January 1, 2005 if the cost of the tangible assets purchased after financial expenses and foreign exchange differences are recognized as amounts deducted from their remaining value. Gains and losses arising on the disposal of tangible assets are calculated as the difference between net proceeds and net book value of the related tangible asset and reflected in the income statement of the related period.

Normal maintenance and repair costs incurred for tangible assets booked as expense.

The rates used for the depreciation of tangible fixed assets and the estimated useful life are as follows:

Tangible assets	Estimated useful life (year)	Depreciation rate (%)
Buildings	50	2
Fixtures and installations	3-5	20-33.3
Motor vehicles	5	20
Other tangible assets (including leasehold improvements)	3-15	6.7-33.3
Tangible assets acquired through lease	5	20

2. Summary of Significant Accounting Policies (Continued)

2.6 Investment Properties

Investment property is held to obtain rental income or capital gains or both. Investment properties are measured at acquisition costs to include transaction costs in initial recognition. The Company measures investment property on a cost basis for property, plant and equipment (cost minus accumulated depreciation, minus impairment loss if any) after initial recognition

2.7 Intangible Fixed Assets

The Company's intangible assets consist of software programs. Intangible assets are carried at cost in accordance with *TAS 38 - Intangible Assets Accounting Standard*. The costs of intangible assets are subject to inflation adjustment considering the period until the end of the high inflation period, which is the date of the entry into force of the law, for the assets entered into the currencies before December 31, 2004 and entries after December 31, 2004 have been reflected to financial statements considering purchase price.

The Company deducts the amortization expense for intangible assets over their useful lives using the straight-line method over their cost value.

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 favorable to the entity.

Financial assets are classified into the following specified categories: financial assets as "financial assets held for trading", available-for-sale' (AFS) financial assets, "financial assets at fair value through profit and loss" and "loans and receivables".

Financial assets held for trading are measured at their fair value and the resulting gains or losses are reflected in profit or loss. The difference between the fair value of the financial assets and the acquisition costs of the interest income earned during the acquisition of the financial assets held for trading is stated as interest income in the income statement and the gain or loss arising from the exclusion of such financial assets before the due date of the financial assets is accounted as commercial income /expense.

Loans and receivables are non-derivative financial assets that have fixed or determinable payments, are not traded on an active market, and are created by providing money, goods and services to the debtor. Loans and receivables in the financial statements of the Company and provision for impairment are deducted and if there is interest receivable there is discounted value; if it is an interest rate receivable, it is accounted with the amortized cost calculated by the effective interest method.

Financial assets held to maturity are financial assets acquired with the intention to hold to maturity, other than fixed and determinable payments with fixed maturity and loans and receivables, including funding capability, conditions necessary to be held until maturity. Financial assets held to maturity are initially recognized at amortized cost using the effective interest method, less impairment losses, if any.

Investments other than held-to-maturity, held for trading, or loans and receivables are classified as available-for-sale financial assets.

2. Summary of Significant Accounting Policies (Continued)

2.8 Financial Assets (Continued)

Available-for-sale financial assets are measured at subsequent reporting dates at fair value except available-for-sale investments that do not have quoted prices in an active market and their fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power. Gains and losses arising from available-for-sale financial assets are included in profit or loss for the period. Changes in the fair value of such these assets are recognized in the equity. When the related asset is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

"Unrealized profits and losses" arising from changes in the fair value of available-for-sale securities are not reflected in the income statement for the period until the realization of the asset corresponding to the financial asset, sale of the asset, elimination of the asset or impairment of the asset is realized and accounted under "Valuation of financial assets" in equity. Such financial assets are reflected to the income statement on the basis of accumulated fair value differences that are accounted for in equity when maturity or when they are derecognized.

Purchase and sale transactions of securities are accounted at the date of delivery.

Subsidiaries are classified as financial assets available-for-sale in the Company's financial statements. Subsidiaries that are not traded in organized markets and whose fair value can not be reliably measured are recognized in the financial statements at cost after impairment losses are recognized.

Derecognition of financial assets

Financial assets are derecognized when the Company loses control of the contractual rights on those assets. In this case, the realization of these rights, and the maturity occurs when the expiration or delivery.

2.9 Impairment of Assets

Impairment of financial assets

For each reporting period, the Company assesses whether there is objective evidence that a financial asset or group of financial assets has suffered an impairment. A financial asset or group of financial assets, and only about being the first to recognize that after one or more loss / damage event that occurred, and such loss event of the related financial asset or group of assets that can be estimated reliably as a result of the impact on the estimated future cash flows when there is objective evidence that an impairment is assumed to be impaired and an impairment loss occurs.

Receivables are measured at the lower of the net amounts at the end of the period. In the event of a situation that shows that the amounts of the loans and receivables will not be collected on a regular basis, a provision is made up to the amount that can be collected for receivables.

The recoverable amount of equity instruments is the fair value of the instrument. The estimated recoverable amount of debt instruments that are measured at fair value is the present value of future cash flows discounted at the current rate of interest on the market.

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

2. Summary of Significant Accounting Policies (Continued)

2.9 Impairment of Assets (Continued)

An event that occurs after impairment records is reversed if the objective is objectively reversing the impairment. The reversal of the impairment in the financial assets measured at amortized cost and debt securities classified as available-for-sale is based on the income statement. Reversal of impairment on financial assets, which are classified as equity securities classified as available-for-sale financial assets, is directly attributable to equity.

Impairment of fixed assets

The Company assesses at each reporting date whether there is any indication that its assets may have been impaired. If such an indication exists, it estimates the recoverable amount of the related asset within the scope of TAS 36 - "Accounting Estimates of Impairment of Assets" and allocates provision for impairment if the recoverable amount is less than the carrying amount of the related asset.

The rediscount and provision expenses for the period have been disclosed in detail in Note 47.

2.10 Derivative Financial Instruments

As of the reporting date, the Company does not have derivative financial instruments.

2.11 Offsetting Financial Instruments

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

Revenue and expenses has been stated net as to the profit or loss that arise only as long as the reporting standards permit, or for similar transactions such as the trading of the Company.

2.12 Cash and Cash Equivalents

"Cash and cash equivalents" that are essential for the preparation of cash flow statements can be expressed as cash on hand, cheques received, other cash and cash equivalents and demand deposits, time deposits in banks with original maturity of three months or less and securities which are not blocked for use.

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

	December 31, 2016	December 31, 2015
Banks	1.512.991.801	584.202.352
Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	437.818.457	264.204.425
Other Cash and Cash Equivalents	716.365	939.643
	1.951.526.623	**849.346.420**
Interest Income Accruals of Banks	(58.181.631)	(23.993.898)
Other Cash and Cash Equivalents Discount	4.094.691	3.311.728
Banks Deposits with Due More Than Three Months	(1.478.551.685)	(531.675.360)
Cash and cash equivalents in the cash flow statement	**418.887.998**	**296.988.890**

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

2. Summary of Significant Accounting Policies (Continued)

2.13 Capital

Capital group of the Company whose capital is directly or indirectly controlled is Sompo Japan Nipponkoa Insurance Inc.

As of December 31, 2016 and 2015, capital and shareholding structure of the Company is as follows:

As of December 31, 2016;

Title	Share amount (TL)	Share ratio (%)
Sompo Japan Nipponkoa Insurance Inc.	40.000.000	100,00
Paid-in capital	**40.000.000**	**100,00**

As of December 31, 2015

Title	Share amount (TL)	Share ratio (%)
Sompo Japan Nipponkoa Insurance Inc.	36.004.000	90,01
European Bank For Reconstruction and Development	3.996.000	9,99
Paid-in capital	**40.000.000**	**100,00**

As at June 15, 2010, Fiba Holding A.Ş, the Company's previous main shareholder, has signed Share Purchase Agreement with Sompo Japan Insurance Inc. in order to transfer all shares. Following the approval of Turkish Treasury dated October 8, 2010 numbered 47481, the Company's majority portion of shares are transferred to Sompo Japan Insurance Inc on November 2, 2010.

As per the resolution of the Board of Directors dated November 1, 2010 numbered 2010/235, total 228.379.200 shares with nominal value of TL 2.283.792 owned by the real person-shareholders before the share transfer to Sompo Japan Insurance Inc., is transferred to Fiba Holding A.Ş.

As per the resolution of the Board of Directors dated November 2, 2010 numbered 2010/237, 2.807.876.700 shares owned by Fiba Holding A.Ş. with nominal value of TL 28.078.767 is transferred to Sompo Japan Asia Holdings Pte, 10.000 shares owned by Fiba Holding A,Ş, with nominal value of TL 100 is transferred to Sompo Japan Insurance (Singapore) Pte. Ltd, 10.000 shares owned by Fiba Holding with nominal value of TL 100 is transferred to Sompo Japan Insurance Company of America, 10.000 shares owned by Fiba Holding A,Ş, with nominal value of TL 100 is transferred to Japan Insurance Company of Europe Limited. 385.000.000 shares owned by Fiba Holding AŞ with nominal value of TL 3.850.000 are transferred to Sompo Japan Insurance Inc. 385.000.000 shares owned by Fiba Holding AŞ with nominal value of TL 3.850.000 are transferred to Sompo Japan Insurance Inc. 385.000.000 shares owned by Girişim Faktoring AŞ with nominal value of TL 3.850.000 are transferred to Sompo Japan Nipponkoa Insurance Inc.

399.600.000 shares owned by Sompo Japan Insurance Inc. with nominal value of TL 3.996.000 is transferred to European Bank for Reconstruction and Development on December 15, 2010.

As per the resolution of the Board of Directors dated December 29, 2010 numbered 2010/268, total 370.833.000 shares with nominal value of TL 370.833 owned by the real person-shareholders is transferred to Sompo Japan Insurance Inc.

2. Summary of Significant Accounting Policies (Continued)

2.13 Capital (Continued)

According to the resolution of Board of Directors No. 354 dated January 30, 2013, Sompo Japan Nipponko Asia Holdings Pte. Ltd. owns 10.000 shares with a nominal value of TL 100, which is owned by Sompo Japan Nipponko Insurance (Singapore) Pte. 10.000 shares with a nominal value of TL 100 which the Company owns in the company, 10.000 shares with a nominal value of TL 100 with the shares of Sompo Japan Nipponko Insurance Company of America, 10,000 shares with a nominal value of TL 100 have been transferred to Sompo Japan Nipponkoa Insurance Inc.

According to the resolution of Board of Directors numbered 538 dated October 31, 2016, 399.600.000 shares with nominal value of TL 3.996.000 owned by European Bank For Reconstruction and Development were transferred to Sompo Japan Nipponkoa Insurance Inc.

Capital increases and resources made during the period: None.

The privileges granted to the shares representing the capital: None

Registered capital system of the Company: None.

The company's own shares bought back: None.

2.14 Insurance and investment contracts- Taxonomy

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

Investment contracts are those contracts which transfer financial risk without 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 of the balance sheet date, the Company does not have any contracts that are classified as investment contracts.

2.15 Discretionary Participation Features in Insurance and Investment Contracts

The Company does not have any insurance and investment contracts that have the discretionary participation feature

2.16 Investment Contracts without the Discretionary Participation Feature

As of the balance sheet date, the Company does not have investment contracts.

2.17 Payables

Financial liabilities represent liabilities resulting from transactions that require the transfer of cash or another financial asset to another entity. Financial liabilities in the Company's financial statements are stated at discounted value. When a financial liability is paid, it is deducted from the records.

2. Summary of Significant Accounting Policies (Continued)

2.18 Taxes

Corporate tax

Statutory income is subject to corporate tax at 20% (2014 – 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. Withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

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

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

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 the 25th day 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 - Turkish Accounting Standard for Income Taxes, deferred tax assets and liabilities are recognized, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

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

In case where gains/losses resulting from the subsequent measurement of assets and liabilities are recognized in profit or loss, then the related current and/or deferred tax effects are also recognized in profit or loss. 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.

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

2. Summary of Significant Accounting Policies (Continued)

2.18 Taxes (Continued)

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the 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 Benefits Provided to Employees

Provision for employee termination benefits

In accordance with existing Turkish Labor Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at December 31, 2016 is TL 4.297 (December 31, 2015 – 3.828 TL). The Company reserved 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 December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
	%	%
Discount Rate	1,18	3,74
Expected Rate of Salary/Limit Increase	10,00	12,00

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

In accordance with TAS 37, provision is made for an existing obligation resulted 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 balance sheet 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 footnotes to the financial statements.

In accordance with TAS 37, a contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or nonoccurrence 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. Summary of Significant Accounting Policies (Continued)

2.21 Recognition of Income

Written premiums

Written premiums represent the remaining amount after cancellations and tax deductions of policy premiums issued in previous years as well as policies issued during the period.

Subrogation and salvage income and other similar income

The accrued or collected subrogation, salvage and similar income items cannot be discounted in calculations related to the provision for outstanding claims that are accrued and determined on account (file outstanding), but are recognized in the income statement and under the relevant receivables account on the active side of the balance sheet.

To accomplish the assessment of salvage and subrogation receivables or income, the acquisition of the right of subrogation, to determine the exact amount and the term should not have been charged by the end of. According to the Turkish Commercial Code, in order to acquire the right of subrogation, compensation must be paid.

According to the Circular No. 2010/13 of the Undersecretariat of Treasury dated September 20, 2010, the insurance companies must pay compensation to the insurers without having to obtain repayment from the insurance companies and must have received the insurance from the insurers and notify the insurance company or third parties. It is accrued to the extent that the indebtedness of the insurance company to the collateral limit. However, this amount is reserved against the counter insurance company within six months following the payment of the indemnity payment, or against the third party within four months.

On the other hand, if a protocol is signed between the debtor insurance company or the third parties and the repayment receivable together with the payment plan not exceeding twelve months in total within the six and four month periods described above, or if a document such as check or promissory note is taken for payment, Six months for the third person, and four months for the third person, and for the installments that are in the process of acceptance and collection.

As of December 31, 2016, the Company has presented no proceedings in gross salvage and subrogation receivables amounting to TL 25.743.765 (December 31, 2015 – TL 18.692.631) and reinsurer’s share amounting to TL 985.024 (December 31, 2015 - TL 939.814) as subrogation and salvage receivables in receivables from main activities in technical income accounts. The receivable and salvage receivables amounting to gross 976.918 TL (December 31, 2015 - 268.694 TL) and the reinsurer share of 74.540 TL (December 31, 2015 - 5.947 TL), which are not collected in the above periods, have been provision in this receivable amount.

However, if a protocol that includes a payment plan exceeding 12 months in total is made or a document is received, a protocol must be signed for the receivable amount exceeding 12 months or maturity, or provision must be made on the date of receipt of the document. In addition, regardless of the payment dates specified in the protocol or received document, all of the installments received or outstanding in the event of any payment made in the twelve month period from the date of payment of the indemnity to the payment plan or in the event of a single maturity, it is necessary for the provision.

If the claim is made through litigation / execution the accrual will be made as of the date of commencement of these transactions and the provision for doubtful receivables is set as of the same date.

The Company has classified the net subrogation amounting to TL 43.755.793 (December 31, 2015 - TL 34.082.503) in the doubtful receivables arising from the main activity by allocating the doubtful receivables provision for the remaining portion in the retirement of the proceeds from the litigation conducted through litigation and execution.

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

2. Summary of Significant Accounting Policies (Continued)

2.21 Recognition of Income (Continued)

In order to accrue salvage income, all insurance costs of damaged goods should be compensated and those goods should be owned by insurance company or under the condition of secondarily ownership (salvage) by insurance company, the income generated from the sale of those goods has to be accrued on the related periods like salvage receivables. In that case, if goods which are under secondary ownership by insurance company are sold via 3rd party (real/corporate) or given over to insurer or directly sold by Company, salvage income should be accrued and should not be deducted from paid claims or outstanding claims.

Details of the net salvage and salvage income collected for the years ended December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Motor vehicles	121.538.575	92.702.527
Third party liability for motor vehicles (MTPL)	3.697.162	2.219.563
Fire and natural disaster	918.878	910.495
Marine	372.179	449.419
General losses	15.078	161.755
Other	14.948	9.023
Total	**126.556.820**	**96.452.782**

As of December 31, 2016 and December 31, 2015, the details of net repayment and salvage income accrued on a branch basis are as follows:

	December 31, 2016	December 31, 2015
Motor vehicles	19.401.325	16.018.262
Third party liability for motor vehicles (MTPL)	4.753.132	1.161.912
Fire and natural disaster	403.200	376.378
Marine	154.037	175.611
General losses	25.302	20.654
Other	21.745	-
Total	**24.758.741**	**17.752.817**

Commission income and expense

As further disclosed in Note 2.24, 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.

2. Summary of Significant Accounting Policies (Continued)

2.21 Recognition of Income (Continued)

Interest income and expense

Interest income and expense are recognized in the statement of income 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 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 4 years. Tangible assets acquired by way of finance leasing are recognized 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 assets and liabilities, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs of leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through financial lease and in the expected future benefits, the leased assets are valued with 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

Transferring the net profit for the period resulting from the Company's activities to reserves was decided at the Ordinary General Meeting on March 29, 2016.

2. Summary of Significant Accounting Policies (Continued)

2.24 Provisions 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 balance sheet date for all short-term insurance policies. In commodity transport insurance contracts with no specific due date, 50% of the remaining amount accrued in the last three months is reserved as unearned premiums reserve.

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

Since the Technical Reserves Regulation published on 7 August 2007 entered into force on 1 January 2008, The Undersecretariat of the Treasury has issued the "Circular on the Provision of Insurance and Reassurance and Pension Companies' Provisions for Compliance with the Provisions of the Insurance Law No. 5684" dated July 4, 2007 and numbered 2007/3 within the period between the publication date of the Technical Reserves Regulation and the date of entry into force (" Compliance Circle "). In previous calculations, earthquake premiums were deducted during the calculation of unearned premiums; After June 14, 2007 and the Circular for compliance of policies issued, net of unearned premiums should not be stated that during the earthquake premium provisions. Accordingly, the Company began to calculate the unearned premium reserves for the earthquake premiums written after this date, when the Company did not calculate the unearned premium reserves for the earthquake premiums written before June 14, 2007.

According to the Regulation on the Amendment of the Technical Reserves of Insurance and Reinsurance Companies and Pension Funds and the Amendment of the Regulation on the Assets to be Invested in These Reserves, published in the Official Gazette dated July 28, 2010 and numbered 27655, all the policies are started at 12:00 pm and finished at 12:00 pm so provisions for unearned premiums have been calculated as half day for the starting day and end day for all the policies.

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

According to the Regulation Regarding the Technical Provisions of Insurance and Reinsurance Companies and Pension Funds and the Amendment of the Regulation on the Assets That This Provisions are Invested, published in the Official Gazette dated 28 July 2010, numbered 27655, during the calculation of the unearned premiums liabilities related to insurance contracts that is indexed to currency, if not determined any currency on the insurance contracts, the selling currency rate announced by the Central Bank of the Republic of Turkey on the Official Gazette is taken into consideration.

As of the balance sheet date, the Company has allocated reinsurer share in the financial statements for unearned premium reserves amounting to TL 1.228.527.916 (December 31, 2015 - TL 633.470.787) and unearned premiums amounting to TL 186.237.499 (December 31, 2015 - TL 163.991.224). In addition, the share transferred to Social Security Institution for unearned premiums have been TL 75.646.023. (December 31, 2015 - TL 26.836.292).

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

2. Summary of Significant Accounting Policies (Continued)

2.25 Provision for outstanding claims

Claims are recorded in the year in which they occur, based on reported claims or on the basis of estimates when not reported. Provision for outstanding claims represents the estimate of the total reported costs of notified claims on an individual case basis at the balance sheet 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 accepted as incurred but not reported ("IBNR") claims.

In accordance with the circular issued by Turkish Treasury dated December 5,2014 and numbered 2014/16, as of January 1, 2015 selection of data to be used in the calculation of branch-basis, adjusting prices, selection of most appropriate method to be interfere with the development factors are performed by the Company's actuary. Incurred but not reported ("IBNR") calculation methods are Standard Chain, Claim/Premium, Cape Cod, Frequency/Severity, Munich Chain or Bornhuetter Ferguson. The selection of the data to be used on a branch basis will be made by the company actuary by using the actuarial methods to intervene in the development factors and the selection of the most appropriate method and development factors and the adjustment factors and these issues will be detailed in the actuarial report to be submitted to the Undersecretariat of Treasury in accordance with Article 11 of the Actuarial Regulation.

IBNR is used to estimate the amount of provision that should be set aside in the current period based on the historical loss incurred. As of December 31, 2016 and December 31, 2015, the Company has preferred the Standard Chain Method in all branches. In the ACLM table the large loss elimination was made as outlined on September, 20 2010 (Box Plot method). Logarithmic loss distribution in suretyship and third pary liability for motor vehicles branch was examined and large loss elimination was done according to percentile method and for other branches according to Box Plot method.

	December 31, 2016		**December 31, 2015**	
	File number eliminated	**Large loss threshold amount**	**File number eliminated**	**Large loss threshold amount**
Suretyship	7	6.500.000	8	3.000.000
Financial loss	-	-	13	5.063
General loss	8	3.902.568	3	6.000.000
Facultative motor liability	-	-	1	250.000
Motor vehicles	-	-	3	500.000
Water crafts liability	-	-	1	1.029.297
Fire and natural disaster	87	358.427	94	294.320
Third party liability for motor vehicles (MTPL)	15	606.364	665	115.515
General liability	-	-	13	340.000
Credit	-	-	-	5.063
Total	**117**		**801**	

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

2. Summary of Significant Accounting Policies (Continued)

2.25 Provision for outstanding claims (Continued)

The circular numbered 2016/11 published by the Undersecretariat of Treasury has made it possible for companies to gradually increase, between the financial years 2015, 2016, 2017, 2018 and 2019, their IBNR levels to the levels of IBNR calculations that have been done according to circular number 2014/16 (per actuarial basis) quarterly from IBNR amount that has been determined performing the previous methods that had been outlined by the Undersecretariat of Treasury. Applicable quarterly incremental increases have been stated by Undersecretariat of Treasury, are as follows: 2, 5%, 5%, 10%, 20%, 25%, 30%, 35%, 45%, 55%, 75% and 100%. The Company has not preferred gradually increase methods and has been indicated full amount of emerged rise as regards IBNR calculation in the previous 3 months periods as of December 31, 2016 in the financial statements.

Following the related circular, IBNR has been calculated gross by Company’s actuary using the methods listed below by considering claim periods. For related gross IBNR amounts among the related claim periods net IBNR has been calculated by considering reinsurance rates to register the effect of current reinsurance agreements.

		December 31, 2016		December 31, 2015	
	Used Method	IBNR to reserve (%100 transaction level - Salvaged)	IBNR without accrued salvages (%100 level - negative %100)	IBNR to reserve (%100 transaction level - Salvaged)	IBNR without accrued salvages (%100 level - negative %100)
Motor Vehicles	Standard	(16.232.208)	(34.641.213)	(12.156.482)	(27.974.225)
Water Crafts	Standard	181.391	147.423	404.874	404.874
Third party liability for motor vehicles (MTPL)	Standard	350.965.193	346.134.910	81.472.903	80.465.787
Facultative motor liability	Standard	10.624.329	10.841.661	8.731.806	8.702.378
Water crafts liability	Standard	(3.189.047)	(3.189.047)	(2.240.959)	(2.241.159)
Fire and natural disasters	Standard	894.700	(983.676)	(668.119)	(1.569.366)
Accident	Standard	1.284.054	1.278.136	991.538	991.538
General Losses	Standard	17.100.300	16.893.302	7.695.862	7.582.077
Financial Losses	Standard	19.571	17.354	5.550	5.550
Health	Standard	190.848	190.848	83.779	83.779
Marine	Standard	73.380	(196.795)	(3.455.709)	(3.910.177)
Credit	Standard	-	-	21	21
General Liability	Standard	43.738.115	43.738.113	30.509.248	30.509.248
Suretyship	Standard	11.485.483	11.368.752	5.940.456	5.940.456
Legal Protection	Standard	650.411	650.411	133.748	133.748
Total		**417.786.520**	**392.250.179**	**117.448.518**	**99.124.529**

Company, has considered the %100 result of IBNR calculation and has reflected TL 417.786.520 (December 31, 2015 – TL 117.448.518) gross and TL 60.850.208 (December 31, 2015 – TL 33.758.632) reinsurance share on financial statements. As of December 31, 2016 Company has reflected net amount of TL 738.841.514 (December 31, 2015 - TL 286.654.171) outstanding claims reserve on its financial statements.

Considering the Company actuary’s opinion; for the third party liability for motor vehicles (MTPL) branch as a result of the Precautionary Principle regarding the Sector Announcement dated June 17, 2013 and numbered 2013/13 Retrospectively Updating the IBNR files and by following the dated July 17, 2012 numbered 28356 regulation “Regulation for change in regulations for Technical Provisions for Insurance, Pension and Reinsurance Companies and for the assets which is formed by those provisions” Company has made outstanding claim reserve adjustment for the litigious claims as at December 31, 2015.

2. Summary of Significant Accounting Policies (Continued)

2.25 Provision for outstanding claims (Continued)

Additionally, for the third party liability for motor vehicles (MTPL) branch corrections are made for the factors that may affect the actuarial analysis by using the data which is committed inflation adjustment in realized claim data. Trend analysis are made for all branches by analyzing realized claim triangles and development factors which disrupts the trend are identified and some adjustments are made periodically.

Company has separated death and disability compensation with treatment costs according to circular numbered 2011/18, and only treatment costs are included in the calculations made for preparing the financial statements.

Within the scope of third party liability for motor vehicles (MTPL) Insurance, for the financial year 2011, for the amount transfer to Social Security Institution for incurred accidents which happened before publishing the law numbered 6111 and within the scope of Compulsory Third Party Liability Insurance for Road Passenger Transportation and Compulsory Road Passenger Transportation Personal Accident Insurance, for the financial year 2011, for the amount transfer to Social Security Institution for incurred accidents which happened before publishing the law numbered 6111, the factors to use are notified by Undersecretariat of Treasury.

Within this scope, Company has reflected the notified and calculated amounts to its financial statements which are calculated according to the explanations made in circular numbered 2011/18 before and after the publishing date of the law.

Regarding the law and legislations mentioned above, due to the transfer to SSI, as of December 31, 2016, Company has TL 38.281.713 (December 31, 2015 - TL 21.686.823) liability in short term liabilities due to SSI from treatment costs. As of December 31, 2016 the amount of premium transfer to SSI related with the period after the law is TL 139.739.122 (December 31, 2015 - 37.246.520).

Regulation related with “Litigious Outstanding Claims” in the scope of “Circular related with the explanations about the calculation of Incurred but Not Reported (IBNR) indemnity provision” numbered 2011/23:

According to the 1st paragraph of 4th item of the Regulation for Reporting of Insurance, Pension and Reinsurance Firms “with this regulation, Company’s activities are accounted in the frame of legislation provisions of Turkish Accounting Standards Corporation for the preparation and presentation of financial statements, except the notifications made by Undersectariat of Treasury for the topics stated in the second paragraph”. In the 1st paragraph of 6th item of the same regulation balance sheet is defined as “a table which reflects the fiscal and financial position of the Companies at a given period, which shows assets, liabilities and equities of the Company truly and fairly dividing them into active and passive accounts”.

In this framework, for a true presentation of financial statements with the circular numbered 2011/23, for the files in the lawsuit process, provisions should be made evaluating the winning and losing possibilities and for the files in the lawsuit process, deductions to make for which principles are identified.

As following the principles in the related circular, regarding the end date of the case for the end of the period January 1, 2016- December 31, 2016 in which calculations are made, retrospectively last 5 years’ results, winning ratio is not calculated over the amount of cases against the Company with sub-branch based (December 31, 2015 - %13) and deductions are not made for accrued outstanding files for the files in the lawsuit process (December 31, 2015- TL 16.946.406).

2. Summary of Significant Accounting Policies (Continued)

2.26 Equalization Reserve

In accordance with the Regulation on Technical Reserves, insurance companies are required to record an equalization reserve for the insurance contracts including earthquake and credit coverage, in order to cover the catastrophic risks and in order to equalize the fluctuations within the claim ratios that may occur during the following accounting periods. Such reserve is calculated over 12% of net earthquake and credit premiums corresponding to each year. In the calculation of the net premium, the amounts paid for the non-proportional reinsurance agreements are regarded as ceded premiums. Provisions are made until it meets the 150% of the highest amount of net premium written in the last 5 years.

Following the end of the 5th year, depending the premium production amount under the condition of provision amount is lower than the previous year balance sheet amount, the difference is classified in the other profit reserves under the owner's equity. Related amount which is transferred to equity could be kept as a reserve or may be subject to a capital increase or may be used in the compensation payments.

If the damage occurs, amounts hit the reinsurer and amounts which are under exemption limit can not be deducted from equalization reserve. If there are claims paid due to the commitments given, starting with the provision made 1st year, it is deducted from the provision by using the FIFO method.

Equalization reserves are stated in the accompanying financial statements under the non-current liabilities in the "Other Technical Reserves" account. As of balance sheet date, net TL 21.884.710 (December 31, 2015 - TL 18.273.545) equalization reserve is booked.

Following the "Circular About Usage of Equalization Reserve and Additional Explanations for Some Circulars" published by Undersecretariat of Treasury numbered 2012/1, equalization reserve booked for the related branches for the beginning years, is booked as debit in balance sheet and is booked as credit in Change in Other Technical Provisions account.

2.27 Unexpired Risks Reserve

Within the framework of Regulation on Technical Reserves, as of each balance sheet date, Companies has to make liability adequacy test for the last 12 months, while booking the unexpired risk reserves, due to the possibility of claims and compensations to occur according to the current insurance contracts are higher than the unexpired risks reserves booked for those insurance contracts. While making related test, net unexpired risks reserves amount should be multiplied with the expected net claim premium ratio. Expected net claim premium ratio is calculated by dividing incurred claims (outstanding claims (net) + paid claims (net) – ceded outstanding claims (net)) into earned premium (written premiums (net) + ceded unexpired risks reserve (net) – unexpired risk reserve (net)). While calculating the earned premiums, ceded unexpired risk reserves and commissions paid to intermediaries and deferred portion of commissions received from reinsurer which are stated as net in the unexpired risk reserve of the period are ignored.

If the loss ratio for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch; and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross and net amounts is considered as the reinsurance share. As a result of the related test, as at the end of the reporting period Company has booked TL 3.756.908 (December 31, 2015 – TL 19.824.141) unexpired risk reserves and TL 3.609.717 (December 31, 2015- TL 2.329.804) reinsurance share of unexpired risk reserves.

2. Summary of Significant Accounting Policies (Continued)

2.27 Unexpired risk reserves (continued)

With the numbered 2012/15 "Circular about the change made in the calculation of unexpired risk reserve" and within the framework of numbered 5684 Insurance Law, while calculating the unexpired risk reserve, it is approved to base on all main branches included in the Insurance Uniform Chart of Accounts as determined by Undersecteriat of Treasury. The method specified by the "Circular about the Unexpired Risk Reserve" numbered 2016/37 and published on November 11, 2016; has not been applied by the Company as of December 31, 2016.

2.28 Related parties

Parties are considered related to the Company if;

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity,
- (ii) has significant influence over the reporting entity,
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

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

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

As an aim of the financial statements partners, upper level managers and board of directors, affiliates controlled by themselves and their family or affiliated companies to themselves, participations and jointly controlled entities are accepted as related parties.

2. Summary of Significant Accounting Policies (Continued)

2.29 Earning per share

Earnings per share is calculated by dividing net profit for the period into weighted average unit share of the Company. Firms in Turkey, by distributing at the share rate of actual shareholders may increase share capital ("No-par shares") from retained earnings. In the calculation of earnings per share, no-par shares are determined as issued shares.

2.30 Events after reporting period

As at the end of the Company's reporting period, events after reporting period which gives additional information of Company's financial position (events occurred after reporting period and which need to be adjusted) are reflected to financial statements. Significant events occurred after reporting period and not needed to be adjusted are explained in the disclosures.

3. Critical accounting estimates and judgments

The preparation of financial statements requires the use of estimates and assumptions which define possible liability and commitments as of balance sheet date and income and expenses for the period ended. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates. Estimates are reviewed regularly and changes are made in the profit and loss accordingly. Major accounting estimates made by the Company are related with outstanding claim reserves and other technical reserves and impairment of assets, and these estimates and assumptions are disclosed in the notes.

Further, significant estimates used in preparation of financial statements as follows:

Benefits Provided to Employees:

The Company has calculated and accounted retirement pay liability in the accompanying financial statements using actuarial estimations. As of December 31, 2016 Company's retirement pay liability is TL 1.709.776 (December 31, 2015 – TL 1.193.153) (Note 23).

Provision for Receivables from Insurance Operations:

Company has made allowance for doubtful receivable amounted TL 4.884.480 (December 31, 2015 – TL 4.884.901) on its financial statements ended as at December 31, 2016 for receivables under the executive and legal follow-up phase from insurance companies and intermediaries. Besides, Company has made provision amounted TL 3.496.739 (December 31, 2015 – TL 2.268.379) for receivables from insurance operations which are not under legal follow-up but Company believes that receivables are not collectible (Note 12).

Doubtful Receivables from Main Operations:

As of December 31, 2016 Company has booked net subrogation receivables amounted TL 43.755.793 (December 31, 2015 – TL 34.082.503) according to the accrual basis for the subrogation receivables under legal and execution phase and for the not confirmed personal subrogation receivables before allowance for doubtful receivable (after deducting the reinsurance share) (Note 12).

Outstanding Claims Reserve:

As of December 31, 2016 Company's net outstanding claims reserve is TL 738.841.514 (December 31, 2015 – TL 286.654.171) (Note 2.25, Note 4, Note 17).

Deferred tax:

When determining the deferred tax assets, various estimations and evaluations are used. As of December 31, 2016 Company has calculated and booked deferred tax asset amounted TL 8.370.776 (December 31, 2015 – TL 8.454.478) (Note 21).

4. Insurance and Financial Risk Management

4.1 Insurance Risk Management

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. Risk is incidental due to the nature of the insurance process. The most basic risk in insurance contracts is the possibility of realized claims and rights and benefits provided to policyholders are realized above the technical provisions in the financial statements made for insurance contracts.

In the every field and stage of insurance operations the definition of risk is made clearly and risk is abolished, possibilities of risks under control or to be insurable should be examined comprehensively.

First condition to manage risk is being able to define the risk. Basic risk fields to manage in Insurance Operations by Company are identified as follow:

- Insurable assets
- Pricing models, tariff structure
- Reinsurance
- Optimum conservation
- Claim costs
- Intermediaries
- Insurance contract provisions

The most significant resource to manage the risk is the convenience of the data for analyzing which is produced by Company’s operations (premium production resources, client, policy, product, branch, commitment, claim file, numbers, premiums etc.)

Risk, in essence is a variable factor, therefore it is vital for Companies to follow the development of risk down to the last detail and form and/or direct strategies according to risk. To manage risk, essential point is to set up and activate internal control mechanisms for the identification of risk areas and points. For this purpose, Company primarily has formed committees for risks for which they regard as significant. Agency Risk Tracing Committee, Pricing and Watching Tariffs Committee, Claim and Risk Acceptance Basics Committee are the main committees formed for risk management.

Insurable Assets

In insurance, segmentation is crucial for the identification of insurable assets. As it is prescribed by the law, segmentation by branches, is not enough for the definition of risk. Defining various factors separately by Company via the systems maintain meaningful connections like client, client’s insurance demands, operation type, locality, external factor, past statistics, possible damage volume and frequency, insurable securities and assets become convenient for pricing. In this stage today’s communication platforms and technological advances enable to make faster and more accurate definitions.

In addition to these, during insurance of Small and Middle Sized Enterprises (“SME”) and industrial risks, risk acceptance and expertise evaluation criterias should be identified clearly and should put down in black and white. Criterias for the acceptance of this kind of significant risks must be convenient with the scope of reinsurance contracts made.

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

4. Insurance and Financial Risk Management (continued)

4.1 Insurance Risk Management (continued)

Pricing models, tariff structure

Most important resource for to create the price of an insurance product is the past statistics. By using the advanced technology, the accuracy of statistical data, security, entrance to the system convenient for creating price and tariff and becoming meaningful information in the data set become possible. For this purpose Company has made software investment in 2008. By this investment detailed analysis can be made on the basis of distribution channel, risk location, style of use, client and policy. By this analysis damage frequency and violence modeling systems and tariff and pricing process are implemented much more sensitively. With the developments in planning and reporting fields, the effect of analysis of Company's premium production for current and previous year to period end and future periods can be made via using current data and projected assumptions.

Reinsurance

Company is under risk due to assets taken under insurance commitment. By considering the qualification (risk size, risk possibility) of insurance assets and Company's equity power, Company transfers some part of risks taken on to reinsurers via made agreements. After this transfer, while Company is sharing the obtained premiums with transfer rate to reinsurer, Company takes commission over it and shares the claim liability that it has to endure with same transfer rate to reinsurer too.

The power of the reinsurer that Company has made agreement for risk sharing, dependency of the matters that put sides under obligation, criterias to transfer reinsurer (which kind of risks, commission to receive, payment dates etc.) are determined as the significant risk areas in this matter.

Company transfer the risks as part of the proportional reinsurance agreements with surplus and quota-share treaties by branches. For the business which exceeds treaty capacities varies for different branches, facultative reinsurance is practiced by technical units.

Reinsurance firms which is worked mostly and their latest credit rating grades as follows:

	Standard & Poor's			AM Best		
Reinsurer	**Grading**	**Appearance**	**Date**	**Grading**	**Appearance**	**Date**
Milli Re	trAA -	-	February 1, 2017	B+ (Good)	Negative	June 24, 2016
Sompo Japan Nipponkoa Insurance Inc.	A+	Stable	June 2, 2016	A+ (Superior)	Stable	July 21, 2016
Mapfre Re	A	Stable	July 11, 2016	A (Excellent)	Stable	October 21, 2016
Munich Re	AA-	Stable	December 22, 2006	A+ (Superior)	Stable	October 22, 2015
Everest Re	A+	Stable	March 13, 2009	A+ (Superior)	Stable	September 9, 2015
QBE	A+	Stable	May 11, 2016	A (Excellent)	Stable	March 10, 2016

Optimum conservation

Some of the risks that Company decided to adopt are valid which is similar to the risk emerged during the reinsurance plan matter. For the risks which is under its conservation, Company purchases protection in definite criterias ("XL") too. Company management believes that, Company's data set's (statistics) quality helps the right evaluation of these data and the determination of optimum conservation level.

4. Insurance and Financial Risk Management (continued)

4.1 Insurance Risk Management (continued)

Claim costs

Claim costs is the Company's main expense factor. From the risk standpoint, alongside it's a direct cash outflow factor, due to the obligation of compensating the victimization of insured, every process from the notification of claim to the payment of claim should be divided into risk areas and should be followed. Claim handling costs are settled down to every claim has reached to its real compensation amount and to provide that every claim has been paid to right person or institution. During this process, arrangement of insurance policy, client, insured assets, quality of claim, expertise, elimination of claim, spare parts and labor etc. and other expense items are the risk and cost factors and they directly affect the technical results of the Company. Company follows the relevant risk related with claim costs via Claim and Risk Acceptance Basics Appraisal Committee.

Intermediaries

Company realizes significant part of premium production from insurance intermediaries (agency, broker, banks etc.). Authorities of policy issuance and premium collections of intermediaries are transferred authorities from insurance companies. From the selection of risk and client to offer right price, on the other hand from incurred claims to collection of premium on time the senility that Companies are responsible to show is to be expected from agencies too. However, Company makes the controls whether authorized agencies rule their operations or not convenient with Company's policy, via analyzing the collected data by agency.

At the same time, in order to manage receivable transfer risk accurately, proper commitments are taken by agency and it is practiced to increase the application of direct collection systems.

Insurance Contract Provisions

Company makes provisions for not yet due, not certain debts and liabilities and even if it has not occurred per statistics income and expense factors that may bring right and/or liability. The primary objective here is, Company's responsibilities to government, clients, partners and shareholders are convenient with laws and they are accurately stated in financial statements and Company's books.

It is a significant risk that the technical provisions booked are not entirely enough to meet Company's liabilities. In this context, with the regulations it made legal authority has clearly stated that insurance companies has to book the reserves that they need to make provisions are calculated standard and accurately. In order to eliminate those risks, Company make practices for management of all risk areas oriented to provide the security and accuracy of the data used and decent and fast practice of management reporting system.

4.2. Financial risk management

Introduction and overview

This note shows the risks that Company is exposed to each one of stated below, accordingly Company's policy, procedures and aims in order to manage and measure it's risks and information about capital management. Company is exposed to the below risks emerged due to the usage of financial instruments.

- Credit risk
- Liquidity risk
- Market risk

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

4. Insurance and Financial Risk Management (continued)

4.2 Financial risk management (continued)

Whole responsibility belongs to the Board of Directors during the establishment and supervision of structure of risk management. Board of Directors manage the effectiveness of risk management system via Company's internal audit department.

Company's risk management policy are established in order to, identify and analyze the risks that Company faces, determine the risk limits and controls, follow the risks and convenience of them to the defined limits. Risk management policy and systems are reviewed regularly the way that they reflect the changes in products and services presented and market conditions. Company aims to develop a disciplined and constructive control environment that every employee understands their duty and responsibilities via education and management standards.

Credit risk

Credit risk is simply defined as the possibility of other side is not able to fulfill its obligations convenient with the confirmed agreement conditions. The main areas that Company is exposed to the credit risk are as follows:

- Banks
- Cash and cash equivalents
- Financial instruments available for sell
- Held to maturity financial instruments
- Premium receivables from insured
- Receivables from agencies
- Receivables from reinsurers related with commission and claims paid
- Reinsurance shares arised from insurance liabilities
- Dues from related parties
- Other receivables

The Company's financial assets, except for loans and receivables, which are subject to credit risk are generally composed of domestic government bonds and time and demand deposits kept in banks and other financial institutions in Turkey and such receivables are not deemed to have high credit risk.

Most common method to manage insurance risk is to make reinsurance contract. However, the transfer of insurance risk via insurance contract does not remove the liability of first insurer Company. If reinsurance firm does not pay the claim, Company's responsibility against policyholder continues. Company evaluates the reliability of reinsurance firm by investigating the financial position of the related firm before the yearly contract made and by regarding the compensation payment performance of the firm.

As of December 31, 2016 and 2015, book value of assets that exposed to the credit risks are shown in the table below.

	December 31, 2016	December 31, 2015
Cash and cash equivalents (Note 14)	1.951.526.623	849.346.420
Receivables from main operations (Note 12)	270.125.580	217.277.880
Reinsurer share in outstanding claims reserve (Note 10), (Note 17)	381.598.506	262.167.751
Financial instruments (Note 11)	-	31.132.956
Other receivables (Note 12)	1.064.537	749.720
Due from related parties (Note 12)	1.158	18.427
Total	**2.604.316.404**	**1.360.693.154**

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

4. Insurance and Financial Risk Management (continued)

4.2 Financial risk management (continued)

Liquidity risk

Liquidity is the risk that the Company’s struggle to perform its obligations which is arised from financial liabilities.

Management of liquidity risk

To avoid liquidity risk, maturity match between the assets and liabilities are considered, liquid assets are conserved in order to meet liquidity need completely.

As of December 31, 2016 and 2015 remaining maturity distribution of monetary assets and liabilities are:

December 31, 2016	**Book value**	**Up to 1 month**	**1 – 3 months**	**3 – 6 months**	**6 – 12 months**	**Over 1 year**
Cash and cash equivalents	1.951.526.623	420.872.100	595.025.349	562.104.363	354.703.753	18.821.058
Receivables from main operations	270.125.580	117.581.837	41.794.497	87.442.073	18.332.657	4.974.516
Due from shareholders	1.158	1.158	-	-	-	-
Other receivables	1.064.537	1.064.537	-	-	-	-
Total Monetary Assets	**2.222.717.898**	**539.519.632**	**636.819.846**	**649.546.436**	**373.036.410**	**23.795.574**
Payables from main operations	121.319.863	48.102.610	18.054.761	45.140.921	10.021.571	-
Due to related parties	-	-	-	-	-	-
Other payables	49.210.765	23.571.784	25.638.981	-	-	-
Insurance technical provisions (*)	738.841.514	-	-	-	738.841.514	-
Tax and other similar liabilities and provisions for them	56.423.711	39.389.154	17.034.557	-	-	-
Provisions related with other risks	7.929.897	-	-	-	4.511.821	3.418.076
Total Monetary Liabilities	**973.725.750**	**111.063.548**	**60.728.299**	**45.140.921**	**753.374.906**	**3.418.076**
Net Monetary Position	**1.248.992.148**	**428.456.084**	**576.091.547**	**604.405.515**	**(380.338.496)**	**20.377.498**

December 31, 2015	**Book value**	**Up to 1 month**	**1 – 3 months**	**3 – 6 months**	**6 – 12 months**	**Over 1 year**
Cash and cash equivalents	849.346.420	170.305.745	262.423.247	173.110.414	243.507.014	-
Financial instruments and financial investments that risk of them belongs to insured	31.132.956	31.132.956	-	-	-	-
Receivables from main operations	217.277.880	79.806.703	45.803.996	69.092.252	5.884.847	16.690.082
Due from shareholders	18.427	18.427	-	-	-	-
Other Receivables	749.720	749.720	-	-	-	-
Total Monetary Assets	**1.098.525.403**	**282.013.551**	**308.227.243**	**242.202.666**	**249.391.861**	**16.690.082**
Financial debts	663.359	663.359	-	-	-	-
Payables from main operations	90.619.268	36.820.953	21.616.836	18.867.058	6.483.822	6.830.599
Due to related parties	-	-	-	-	-	-
Other payables	27.988.253	10.511.422	17.476.624	207	-	-
Insurance technical provisions (*)	286.654.171	-	-	-	286.654.171	-
Tax and other similar liabilities and provisions for them	20.954.584	20.954.584	-	-	-	-
Provisions related with other risks	6.329.565	-	-	-	3.696.208	2.633.357
Total Monetary Liabilities	**433.209.200**	**68.950.318**	**39.093.460**	**18.867.265**	**296.834.201**	**9.463.956**
Net Monetary Position	**665.316.203**	**213.063.233**	**269.133.783**	**223.335.401**	**(47.442.340)**	**7.226.126**

(*) Outstanding claims reserves are classified in the current liabilities in the related financial statements.

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

4. Insurance and Financial Risk Management (continued)

4.2 Financial risk management (continued)

Market risk

Market risk is the risk that changes might happen in interest rate and currency rates may affect the Company's income or the value of financial assets that Company holds. The purpose of managing the market risk is to control of market risk amount is at acceptable parameters by optimizing the risk profitability.

Currency risk

Company is exposed to the currency risk due to insurance and reinsurance operations made indexed to foreign exchange.

Foreign exchange gains and losses arised from foreign currency transactions are booked in records in the period which process is taken place. At the end of the period, amount of foreign currency active and passive accounts are valued using the T.C. Central Bank's buying rate of exchange and converted to TL and exchange differences occurred are reflected to books as a foreign exchange gain or loss.

The details of currency risk that Company is exposed to be is listed in the table below:

December 31, 2016	USD	EURO	Other currencies	Total
Cash and cash equivalents	1.756.117	2.581.532	18.231	**4.355.880**
Receivables from main operations	31.473.006	48.442.048	54.372	**79.969.426**
Total foreign exchange assets	**33.229.123**	**51.023.580**	**72.603**	**84.325.306**
Payables from main operations	19.196.129	35.013.401	146.787	**54.356.317**
Insurance technical provisions	1.759.401	1.881.532	39.978	**3.680.911**
Other payables	1.962.085	728.614	-	**2.690.699**
Total foreign exchange liabilities	**22.917.615**	**37.623.547**	**186.765**	**60.727.927**
Balance sheet position	**10.311.508**	**13.400.033**	**(114.162)**	**23.597.379**

December 31, 2015	USD	EURO	Other currencies	Total
Cash and cash equivalents	3.009.090	1.849.767	4.008	**4.862.865**
Receivables from main operations	34.613.161	41.979.165	50.558	**76.642.884**
Total foreign exchange assets	**37.622.251**	**43.828.932**	**54.566**	**81.505.749**
Payables from main operations	19.002.342	28.084.708	62.412	**47.149.462**
Insurance technical provisions	1.386.568	2.230.526	13.817	**3.630.911**
Other payables	862.196	358.273	-	**1.220.469**
Total foreign exchange liabilities	**21.251.106**	**30.673.507**	**76.229**	**52.000.842**
Balance sheet position	**16.371.145**	**13.155.425**	**(21.663)**	**29.504.907**

In order to evaluate the table above related foreign currency amounts are converted to TL.

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

4. Insurance and Financial Risk Management (continued)

4.2 Financial risk management (continued)

Currency risk (continued)

As at the end the of reporting period currency rates used to convert to foreign currencies are listed below:

	USD	EURO
December 31, 2016	3,5192	3,7099
December 31, 2015	2,9076	3,1776

Exposed currency risk

Due to the possibility of TL's %10 value decrease against currencies below, as of the period ended at December 31, 2016 and 2015 increase/(decrease) to be stated in equity and income statement (net of deferred tax) is shown in the table below. This analysis is prepared assuming that all other variables, especially interest rates remained stable. If TL's value increases 10% against related currencies the effect will be at the same amount but with reverse direction.

	December 31, 2016	December 31, 2015
	Income Statement	Income Statement
USD	(1.031.151)	(1.637.115)
Euro	(1.340.003)	(1.315.543)
Other	11.416	2.166
Total, net	**(2.359.738)**	**(2.950.492)**

The risk that available for sale financial instrument portfolios face is the fluctuation in the market value of financial instruments as a result of the changes in interest rates. The basic risk that not available for sale financial instrument portfolios experience is the loss which will emerge due to the fluctuation that will occur in the upcoming cash flows and the decrease in fair value of financial instruments, as a result of the changes in interest rates in the market. Management of interest rate risk is made by following the interest rate margin and determining the previously approved limits for repricing bands.

As of December 31, 2016 and 2015, interest profile of Company's interest yield and not interest yield financial assets and liabilities are detailed in the table below:

	December 31, 2016	December 31, 2015
Fixed interest financial assets:		
Banks deposit (Note 14)	1.503.593.063	581.300.212
Financial instruments held to maturity	-	10.425.440
Variable interest financial assets:		
Available for sale financial instruments – Government debt securities (Note 11)	-	20.707.516

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

4. Insurance and Financial Risk Management (continued)

4.2 Financial risk management (continued)

Interest sensitivity of financial instruments

Interest senility of income statement is the effect of net interest income to the change of interest rate in assumed defiance's below, as of at the end of the years of December 31, 2016 and 2015, fair value of financial assets that their fair value differences are reflected to profit or loss, variable interest not available for sale financial assets and liabilities. During this analysis, other variables, especially the currency rates are assumed as stable. In below stated items, the effect of percentaged change in interest rates to the income statement and equity is shown as ignoring the tax effect of related gain and losses.

As of December 31, 2016: None.

	Income Statement		Equity	
December 31, 2015	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial instruments available for sale	(207.075)	207.075	(207.075)	207.075
Financial assets held to maturity (*)	(8.875)	8.974	(8.875)	8.974
Total, net	**(215.950)**	**216.049**	**(215.950)**	**216.049**

(*) Equity effect also contains the effect of change in interest rate in items stated above to the income statement.

Fair value demonstration

Estimated market value of financial instruments are determined by using the available market data and if it is possible by using the favorable valuation methods. Company has classified the financial assets it holds as held for trading and available for sale financial instruments. All financial assets has been measured by their fair value in accompanying financial statements.

Company management estimates that the fair value of other financial assets and liabilities are not significantly different than their registered value.

Classification related with fair value and measurement

"IFRS 7- Financial Instruments: Explanation" standard requires to state in a row by reflecting the significance of the data which used to identify the fair value of financial instruments which is stated in financial statements over their measured fair values. This classification essentially depends on the relevant data is whether observable or not. Observable data means the usage of market data gathered from independent resources and not observable data means the usage of Company's market estimation and assumptions. This kind of segregation generally reveals the below classifications.

1st Level: Registered (unadjusted) prices in the active market for identical assets and liabilities,

2nd Level: Directly (via prices) or by implication (by deriving from prices) observable data except the registered prices for assets and liabilities which taken part in the 1st level.

3rd Level: The data (not observable data) related to the assets and liabilities which does not depend on the observable market data.

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

4. Insurance and Financial Risk Management (continued)

4.2 Financial risk management (continued)

Classification requires that the usage of observable market data if it is applicable.

Within this framework, fair value classification of financial assets and liabilities measured by their fair value is as stated below:

As of December 31, 2016: None.

December 31, 2015	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets held for trading – Investment funds (Note 11)	20.707.516	-	-	20.707.516
Total financial assets	**20.707.516**	**-**	**-**	**20.707.516**

Capital management

Company's major capital management policies are stated below:

- To adapt the capital adequacy conditions determined by Undersecretariat of Treasury
- By ensuring the Company's sustainability providing permanent returns to shareholders and partners
- By determining the price of insurance policies in proportion with received insurance risk level, providing sufficient return to shareholders

As of December 31, 2016 Company's minimum required equity capital amount calculated is TL 540.752.292 (December 31, 2015 – TL 285.659.163). As of December 31, 2016 Company's equity capital is TL 99.008.623 (December 31, 2015 - TL 10.835.274 more) less than minimum required equity capital amount.

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

4. Insurance and Financial Risk Management (continued)

4.2 Financial risk management (continued)

Gains and losses arised from financial assets

	December 31, 2016	December 31, 2015
Interest income gained from bank deposits	117.126.900	52.701.980
Interest income gained from debt securities which is classified as held for trading financial assets	1.668.827	705.016
Interest income gained from held to maturity bank bills	595.467	2.853.329
Foreign exchange gains	14.264.807	13.169.971
Maturity difference interest income	1.065	-
Income gained from Building, Land and Property	36.590	9.418
Other income / (expenses)	(104.318)	14.565
Gains obtained from financial assets	**133.589.338**	**69.454.279**
Foreign exchange loss	(11.521.181)	(7.675.418)
Losses obtained from financial assets	**(11.521.181)**	**(7.675.418)**
Net financial gains and losses recognized in the income statement	**122.068.157**	**61.778.861**

5 Segment information

A segment is a severable part of Company’s product or service production (operating segments) or economic environment (geographical section) in which risk and benefits of products and services produced may be distinguished from other segments.

Scope sections: As of the end of the reporting period, since the Company carries operations in the non-life insurance field which is followed as a sole reporting section, segment reporting is not presented.

Reporting by geographical sections: Since the main geographical area in which Company operates is Turkey, reporting by geographical sections is not presented.

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

6 Tangible fixed assets

Movement of tangible fixed assets between the periods of January 1 - December 31, 2016 and January 1 - December 31, 2015 are as follows:

	January 1, 2016	Addition	Disposal	December 31, 2016
Cost:				
Investment properties (Note 7)	1.410.850	240.150	-	1.651.000
Furniture and fixtures	9.549.299	5.800.593	(1.448.563)	13.901.329
Motor vehicles	322.587	-	-	322.587
Other tangible assets (including leasehold improvements)	5.871.622	2.151.954	(1.120.786)	6.902.790
Fixed assets obtained via leasing	797.040	-	(724.231)	72.809
Advances given for tangible fixed assets	176.968	-	(176.968)	-
	18.128.366	**8.192.697**	**(3.470.548)**	**22.850.515**
Accumulated depreciation:				
Investment properties (Note 7)	(53.783)	(31.280)	-	(85.063)
Furniture and fixtures	(5.373.761)	(1.860.724)	1.377.506	(5.856.979)
Motor vehicles	(226.154)	(49.331)	-	(275.485)
Other tangible assets (including leasehold improvements)	(2.094.366)	(1.142.086)	981.607	(2.254.845)
Fixed assets obtained via leasing	(797.039)	-	724.230	(72.809)
	(8.545.103)	**(3.083.421)**	**3.083.343**	**(8.545.181)**
Net book value	**9.583.263**	**5.109.276**	**(387.205)**	**14.305.334**

	January 1, 2015	Addition	Disposal	December 31, 2015
Cost:				
Investment properties (Note 7)	2.835.850	-	(1.425.000)	1.410.850
Furniture and fixtures	8.383.422	1.757.892	(592.015)	9.549.299
Motor vehicles	320.427	2.160	-	322.587
Other tangible assets (including leasehold improvements)	5.059.748	1.084.856	(272.982)	5.871.622
Fixed assets obtained via leasing	911.541	-	(114.501)	797.040
Advances given for tangible fixed assets	-	176.968	-	176.968
	17.510.988	**3.021.876**	**(2.404.498)**	**18.128.366**
Accumulated depreciation:				
Investment properties (Note 7)	(155.605)	(32.928)	134.750	(53.783)
Furniture and fixtures	(4.477.194)	(1.383.134)	486.567	(5.373.761)
Motor vehicles	(163.054)	(63.100)	-	(226.154)
Other tangible assets (including leasehold improvements)	(1.451.708)	(878.726)	236.068	(2.094.366)
Fixed assets obtained via leasing	(911.540)	-	114.501	(797.039)
	(7.159.101)	**(2.357.888)**	**971.886**	**(8.545.103)**
Net book value	**10.351.887**	**663.988**	**(1.432.612)**	**9.583.263**

Revaluation is not applied over tangible fixed assets.

There is no change in depreciation calculation methods in current year.

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

7. Investment properties

As of balance sheet date, details of investment properties as follows:

	December 31, 2016	December 31, 2015
	Book value	Book value
Malatya – Office	46.294	46.294
Konya – Karatay, Land	6.931	6.931
İstanbul Esenyurt Flat	85.000	85.000
Heybeli Ada- House	749.022	749.022
İzmir Bornova- Building	523.603	523.603
Sapanca	240.150	-
Total	**1.651.000**	**1.410.850**
Accumulated depreciations	(85.063)	(53.783)
Net book value	**1.565.937**	**1.357.067**

Rent income gained from investment properties in current year is TL 36.590 (December 31, 2015: TL 9.418)

8. Intangible fixed assets

Movement of intangible fixed assets between the periods of January 1 - December 31, 2016 and January 1 - December 31, 2015 are as follows:

	January 1, 2016	Additions	Disposals	December 31, 2016
Cost:				
Other intangible fixed assets	10.269.484	2.256.311	-	12.525.795
Advances given	200.000	1.294.829	-	1.494.829
	10.469.484	**3.551.140**	**-**	**14.020.624**
Accumulated amortization:				
Other intangible fixed assets	(5.688.381)	(1.570.310)	-	(7.258.691)
Net book value	**4.781.103**	**1.980.830**	**-**	**6.761.933**

	January 1, 2015	Additions	Disposals	December 31, 2015
Cost:				
Other intangible fixed assets	8.875.549	1.415.175	(21.240)	10.269.484
Advances given	-	200.000	-	200.000
	8.875.549	**1.615.175**	**(21.240)**	**10.469.484**
Accumulated amortization:				
Other intangible fixed assets	(4.570.281)	(1.131.670)	13.570	(5.688.381)
Net book value	**4.305.268**	**483.505**	**(7.670)**	**4.781.103**

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

9. Investments in associates

	December 31, 2016		December 31, 2015	
	Registered value	**Share rate%**	**Registered value**	**Share rate%**
Tarım Sig. Havuz İşlt. A.Ş.	220.125	4,17	220.125	4,17
Associates, net	**220.125**		**220.125**	

Name	Total Assets	Total Equity	Retained earnings/ (losses)	Net profit/ (loss) of the period	Audited	Period
Tarım Sig. Havuz İşlt. AŞ	15.153.713	9.070.575	-	1.121.565	None	**December 31, 2016**
Tarım Sig. Havuz İşlt. AŞ	12.325.052	7.949.010	-	790.460	None	**December 31, 2015**

10. Reinsurance assets and liabilities

Reinsurance assets and liabilities of Company's cedent business title as a result of the current reinsurance agreements are showed detailed in the table below.

Reinsurance assets	December 31, 2016	December 31, 2015
Reinsurer's share of outstanding claim reserve (Note 17)	381.598.506	262.167.751
Reinsurer's share of unearned premiums reserve (Note 17)	186.237.499	163.991.224
Reinsurer's share of equalization reserve (Note 17)	52.284.152	39.851.216
Receivables from reinsurance firms (Note 12)	3.778.004	1.033.372
Reinsurer's share of unexpired risks reserve (Note 17)	3.609.717	2.329.804
Total	**627.507.878**	**469.373.367**

There is not recognized impairment related with reinsurance assets.

Reinsurance liabilities	December 31, 2016	December 31, 2015
Payables to reinsurance firms, net (Note 19)	97.941.255	67.536.381
Deferred commission income (Note 19)	37.964.557	33.446.835
Total	**135.905.812**	**100.983.216**

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

10. Reinsurance assets and liabilities (continued)

Gains and losses which recognized in the income statement according to the Company's reinsurance agreements are shown in the table below:

	December 31, 2016	December 31, 2015
Ceded premiums to reinsurer in the current period	(322.192.156)	(296.661.805)
Reinsurer's share of unearned premiums reserve at the beginning of the year	(163.991.224)	(120.882.717)
Reinsurer's share of unearned premiums reserve at the end of the year	186.237.499	163.991.224
Earned reinsurer premiums	**(299.945.881)**	**(253.553.298)**
Reinsurer share of claims paid in the current period (Note 17)	93.476.608	91.114.427
Reinsurer share of outstanding claims reserve at the beginning of the year (Note 17)	(262.167.751)	(128.813.202)
Reinsurer share of outstanding claims reserve at the end of the year (Note 17)	381.598.506	262.167.751
Reinsurer's share in claims (Note 17)	**212.907.363**	**224.468.976**
Accrued commission income in the period from reinsurers (Note 32)	58.935.615	59.543.916
Deferred commission income at the beginning of the year	33.446.835	29.935.524
Deferred commission income at the end of the year (Note 19), (Note 32)	(37.964.557)	(33.446.835)
Commission income earned from reinsurers (Note 32)	**54.417.893**	**56.032.605**
Change in unexpired risk reserves, reinsurer share (Note 17)	1.279.913	(7.158.158)
Change in equalization reserve, reinsurer share (Note 17)	12.432.936	11.937.603
Total, net	**(18.907.776)**	**31.727.728**

11. Financial assets

Details of Company's held for trading financial assets are as follows:

As of December 31, 2016: None.

	December 31, 2015			
	Nominal value	Acquiring cost	Fair value	Book value
Debt Instruments:				
Investment funds – TL	19.997.485	19.997.485	20.707.516	20.707.516
Total financial assets held for trading	**19.997.485**	**19.997.485**	**20.707.516**	**20.707.516**

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

11. Financial assets (continued)

Details of Company's financial assets held to maturity are as follows:

As of December 31, 2016: None.

	December 31, 2015			
	Nominal value	**Acquiring cost**	**Fair value**	**Book value**
Debt securities:				
Bank bills – TL	10.550.000	10.016.633	10.425.440	10.425.440
Total financial assets held to maturity	**10.550.000**	**10.016.633**	**10.425.440**	**10.425.440**

There is not overdue but not impaired yet financial assets in Company's financial asset portfolio.

There is not security that represents borrowing which is issued in the current period or amortized in the current period of previously issued.

Movement of financial assets in the period is as follows:

		December 31, 2016		
	Held for trading FV	**Available for sale FV**	**Held to maturity**	**Total**
Value at the beginning of the period	20.707.516	-	10.425.440	31.132.955
Acquisitions in the current period	-	-	11.029.093	11.029.093
Disposals (amortization and sales)	(22.069.584)	-	(21.866.904)	(43.936.488)
Change in fair value of financial assets (Note 16)	1.362.068	-	412.371	1.774.440
Value at the end of the year	**-**	**-**	**-**	**-**

		December 31, 2015		
	Held for trading FV	**Available for sale FV**	**Held to maturity**	**Total**
Value at the beginning of the period	-	-	39.472.113	39.472.113
Acquisitions in the current period	19.997.485	-	24.317.998	44.315.483
Disposals (amortization and sales)	-	-	(52.176.300)	(52.176.300)
Change in fair value of financial assets (Note 16)	710.031	-	408.807	1.118.838
Change in acquisition cost of amortized financial assets	-	-	(1.597.178)	(1.597.178)
Value at the end of the year	**20.707.516**	**-**	**10.425.440**	**31.132.956**

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

12. Loans and receivables

	December 31, 2016	December 31, 2015
Receivables from main operations (Note 4.2)	270.125.580	217.277.880
Other receivables (Note 4.2)	1.064.537	749.720
Due from related parties (Note 4.2), (Note 45)	1.158	18.427
Total	**271.191.275**	**218.046.027**
Short term receivables	266.216.759	201.355.945
Middle and long term receivables	4.974.516	16.690.082
Total	**271.191.275**	**218.046.027**

(*) As of December 31, 2016 Company's other receivables amounted TL 1.064.537 (December 31, 2015 – TL 749.720) consists of receivables from TCIP, deposits and commitments given and other receivables.

As of December 31, 2016 and 2015 details of Company's receivable from main operations account is as follows:

	December 31, 2016	December 31, 2015
Receivables from agency, broker and intermediaries	238.175.928	194.274.512
Allowance for doubtful receivables from main operations- subrogation receivables	43.755.793	34.082.503
The amounts to be collected via subrogation and salvage	24.758.741	17.752.817
Receivables from main operations- Legal follow-up	6.141.792	6.370.139
Receivables from insured	3.939.383	4.034.725
Receivables from reinsurance firms (Note 10)	3.778.004	1.033.372
Receivables from insurance companies	4.108.934	2.860.833
Rediscount of receivables from insurance operations	(1.344.525)	(1.632.491)
Total receivable from insurance operations	**323.314.050**	**258.776.410**
Allowance for doubtful receivable from main operations – subrogation receivables (Note 4.2)	(43.755.793)	(34.082.503)
Allowance for doubtful receivable from main operations – legal and execution follow-up (Note 4.2)	(4.884.480)	(4.884.901)
Impairment provision of premium receivables from agency, broker and intermediaries	(3.496.739)	(2.268.379)
Provision of subrogation and salvage receivable	(1.051.458)	(262.747)
Total provisions for receivables from insurance operations	**(53.188.470)**	**(41.498.530)**
Receivables from main operations, net	**270.125.580**	**217.277.880**

Company makes provisions for receivables as following the dated September 20, 2010 published by Undersecretariat of Treasury "Circular numbered 2010/13 Related with Subrogation and Salvage Income" which states following the 6 months of claim payment of accrued subrogation receivables for in debt insurance firm or following the 4 months for 3rd parties. As of December 31, 2016 Company has made provisions for receivable amounted to TL 391.040 (December 31, 2015 – TL 262.747) for the subrogation receivables not collected in the periods stated in the circular above.

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

12. Loans and receivables (continued)

As of December 31, 2016 and 2015 aging of receivables from main operations is as follows:

	December 31, 2016		December 31, 2015	
	Gross Amount	Booked provision	Gross Amount	Booked provision
Not yet due receivables	268.868.268	-	161.018.834	-
0-30 days overdue receivables	-	-	21.972.884	-
31-60 days overdue receivables	-	-	14.800.597	-
61-180 days overdue receivables	-	-	12.436.049	-
181-365 days overdue receivables (*)	4.548.197	(4.548.197)	4.768.433	(2.531.126)
More than 1 year overdue receivables	6.141.792	(4.884.480)	9.697.110	(4.884.901)
Doubtful subrogation receivables from main operations	43.755.793	(43.755.793)	34.082.503	(34.082.503)
Total	**323.314.050**	**(53.188.470)**	**258.776.410**	**(41.498.530)**

(*) As following the article dated February 3, 2005 and numbered B.02.1.HM.O.SGM.0.3.1/01/05 which is published by Undersecretariat of Treasury, if subrogation transactions are made via case/execution way related amounts are followed in the financial statements under allowance for doubtful receivables from main operations and allowance for doubtful receivable with the same amount is booked. Additionally in the financial statements prepared as of December 31, 2016 and 2015, Company recognizes and make provisions according to the bases stated in the circular dated September 20, 2010 and numbered 2010/13 published by Undersecretariat of Treasury.

Movement of provision for receivables from insurance operations in the period as follows:

	December 31, 2016	December 31, 2015
Provision for receivables from insurance operations at the beginning of the period	41.498.530	27.855.374
Booked provisions in the period for agency receivables	1.227.938	2.207.243
Booked provisions in the period for subrogation and salvage receivables	10.462.002	11.435.913
Provision for receivables from insurance operation at the end of the year	**53.188.470**	**41.498.530**

As of December 31, 2016 and 2015, details of received mortgage and other commitments for receivables are as follows:

	December 31, 2016	December 31, 2015
Mortgage bonds	23.725.000	24.350.000
Guarantee letters	19.180.500	19.525.500
Other commitments received	4.723.324	3.004.405
Other guarantee and bails	5.733.902	5.283.641
Total	**53.362.726**	**52.163.546**

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

12. Loans and receivables (continued)

Doubtful receivable amounts booked for due and not yet due receivables

a) Movement of allowance for doubtful receivables (due) in legal and execution follow-up in the period as follows:

	December 31, 2016	December 31, 2015
Receivable provision in legal and execution follow-up at the beginning of the period	4.884.901	3.602.498
Cancellations in the period	(16.079)	(1.102)
Booked provision in current period	15.658	1.283.505
Receivable provision in legal and execution follow-up at the end of the year	**4.884.480**	**4.884.901**

b) Movement of premium receivable provisions in the period as follows:

	December 31, 2016	December 31, 2015
Premium receivable provision at the beginning of the period	2.268.379	1.343.539
Cancellations in the period	-	(424.753)
Booked provision in current period	1.228.360	1.349.593
Premium receivable provision at the end of the year	**3.496.739**	**2.268.379**

c) Movement of subrogation receivable provision which is subject to a suit in the period as follows:

	December 31, 2016	December 31, 2015
Receivable provision which is subject to a suit at the beginning of the year	34.082.503	21.782.881
Net booked provision in current period	9.673.290	12.299.622
Receivable provision which is subject to a suit at the end of the year	**43.755.793**	**34.082.503**

d) Movement of subrogation and salvage receivables provisions in the period as follows:

	December 31, 2016	December 31, 2015
Subrogation and salvage receivables provision at the beginning of the year	262.747	1.126.456
Booked/cancelled provisions in the current period	788.711	(863.709)
Subrogation and salvage receivables provision at the beginning of the year	**1.051.458**	**262.747**

Company's receivable and payable relationship with shareholders, subsidiaries and associates are stated detailed in Note 45.

Receivables and payables which does not have an exchange rate guarantee and represented via foreign currencies and the separate amounts of current foreign exchange moneys and their conversion rate to TL is stated in Note 4.2.

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

13. Derivative financial instruments

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

14. Cash and cash equivalents

As of December 31, 2016 and 2015 the details of cash and cash equivalents is as follows:

	December 31, 2016	December 31, 2015
Bank deposits	1.512.991.801	584.202.352
Bank guaranteed credit card receivables with a maturity of less than 3 months	437.818.457	264.204.425
Other Cash and Cash Equivalents	716.365	939.643
Total	**1.951.526.623**	**849.346.420**

As of December 31, 2016 and 2015 details of bank deposits account as follows:

		December 31, 2016		December 31, 2015	
		Original amount	TL amount	Original amount	TL amount
Demand:					
	USD	145.061	510.499	142.192	413.437
	EUR	602.164	2.233.969	290.039	921.628
	GBP	3.644	15.739	707	3.041
	JPY	83.000	2.492	40.174	967
	TL	6.636.039	6.636.039	1.563.067	1.563.067
Time:					
	USD	328.176	1.154.917	885.019	2.573.282
	EUR	92.600	343.536	275.003	873.850
	TL	1.502.094.610	1.502.094.610	577.853.080	577.853.080
Total			**1.512.991.801**		**584.202.352**

As of December 31, 2016 and 2015 other cash and cash equivalents consist of credit card receivables. Credit card receivables are hold for 26 and 90 days blockage in account.

As of December 31, 2016 maturity of amounted TL 1.503.593.063 (December 31, 2015 – TL 581.300.212) time deposits is between 3 to 749 days (December 31, 2015 – 1 to 736 days). As of December 31, 2016 time deposits TL interest rate is between %10,85 - %13,70 (December 31, 2015 - %10,45 - %13,75) and foreign currency time deposits interest rate is between %0,10 - %0,20 (December 31, 2015 - %0,10 - %0,20).

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

14. Cash and cash equivalents (continued)

Details of financial assets which Company gave as a commitment on behalf of Undersecretariat of Treasury as a need of insurance operations is as follows:

	December 31, 2016			
	Nominal value	**Acquisition cost**	**Fair value**	**Book value**
Time deposits (Note 17)	159.700.000	159.700.000	172.150.564	172.150.564
Total	**159.700.000**	**159.700.000**	**172.150.564**	**172.150.564**

	December 31, 2015			
	Nominal value	**Acquisition cost**	**Fair value**	**Book value**
Time deposits (Note 17)	72.050.000	72.050.000	78.707.657	78.707.657
Total	**72.050.000**	**72.050.000**	**78.707.657**	**78.707.657**

15. Capital

Paid Capital

As of December 31, 2016 and 2015 Company's registered capital is TL 40.000.000 and Company's capital is comprised of issued and worth of Kuruş 1 nominal value for each one of 4.000.000.000 numbers of shares.

There is no privilege recognized to equity shares which represents the capital.

As of December 31, 2016 and 2015 Sompo Japan Nipponkoa Insurance Inc is the capital group which has a dominance on Company's capital directly or implicitly.

Sompo Japan Insurance Inc. has merged with Nipponkoa Insurance Co., Ltd. and Company's title has changed as Sompo Japan Nipponkoa Insurance Inc. as of September, 2014.

There is not Company's own equity shares which is kept by Company or Company's associate or Company's subsidiaries. There is not equity shares in Company to issue for float shares by force of futures and contracts.

Company's main shareholder in 2010, Fiba Holding A.Ş. has signed a contract on June 15, 2010 with Sompo Japan Nipponkoa Insurance Inc. to transfer the all the shares it holds to. Following the permission of Undersecretariat of Treasury dated on October 8, 2010 and numbered 47481, on November 2, 2010 Company has transferred its majority shares to Sompo Japan Nipponkoa Insurance Inc.

With Board of Directors decision dated October 31, 2016 and numbered 538, the 399.600.000 number of shares with a nominal value of TL 3.996.000 which European Bank for Reconstruction and Development holds has been transferred to Sompo Japan Nipponkoa Insurance Inc.

Legal reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"), The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% p.a., until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% p.a. of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

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

15. Capital (continued)

Movement table of legal reserves is as follows:

	December 31, 2016	December 31, 2015
Legal reserves at the beginning of the year	17.548.971	15.572.167
Transfer from current year profit	1.359.596	1.976.804
Legal reserves at the end of the year	**18.908.567**	**17.548.971**

Extraordinary reserves

Movement table of extraordinary reserves as follows:

	December 31, 2016	December 31, 2015
Extraordinary reserves at the beginning of the year	184.843.911	147.284.626
Transfer from current year profit	25.832.315	37.559.285
Extraordinary reserves at the end of the year	**210.676.226**	**184.843.911**

Other profit reserves

At dated July 4, 2007 and numbered 2007/3 published by Undersecretariat of Treasury "Circular of Orientation of Provisions of Insurance, Reinsurance and Pension Firms to the numbered 5684 Provisions of Insurance Laws" for the year 2007 it is sentenced not to book earthquake damage provision. However, previously booked earthquake damage provisions (earthquake damage provision amount which is stated in balance sheet as of December 31, 2006) are required to transfer to voluntary reserves according to the temporary 5th item of mentioned law, for this purpose it is stated that the current earthquake damage provision amount as of December 31, 2006 and including the gains obtained via directing related amount to investment, related provisions are going to be transferred to 549.01 account "transferred earthquake damage provisions" which will be identified as of September 1, 2007 and it will not be a subject to dividend payment and will not be transferred to another account under no circumstances. Following related circular Company has stated TL 8.808.507 (December 31, 2015 – TL 8.808.057) earthquake damage provision under other profit reserves which Company has booked in its December 31, 2006 financials due to the earthquake damage provision Company has booked and including the gains obtained via directing related amount to investment.

16. Other Provisions and Capital Component of Discretionary Participation

As of December 31, 2016 and 2015 there is not any other reserves which is stated under equity except the previously booked earthquake damage provision which is recognized under "other profit reserves". As of December 31, 2016 and 2015 Company does not have a contract with a future of capital component of discretionary participation.

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

17. Insurance liabilities and reinsurance assets

Details of Company’s insurance technical provisions as of December 31, 2016 and 2015 is as follows:

	December 31, 2016	December 31, 2015
Gross unearned premiums reserve	1.228.527.916	633.470.787
Reinsurer’s share of unearned premiums reserve (Note 10)	(186.237.499)	(163.991.224)
SSI’s share of unearned premiums reserve	(75.646.023)	(26.836.292)
Unearned premiums reserve, net	**966.644.394**	**442.643.271**
Gross outstanding claim reserve	1.120.440.020	548.821.922
Reinsurer’s share of gross outstanding claim reserve (Note 4.2) (Note 10)	(381.598.506)	(262.167.751)
Outstanding claim reserve, net	**738.841.514**	**286.654.171**
Equalization reserve	74.168.862	58.124.761
Reinsurer’s share of equalization reserve (Note 10)	(52.284.152)	(39.851.216)
Equalization reserve, net	**21.884.710**	**18.273.545**
Unexpired risks reserve	3.756.908	19.824.141
Reinsurer’s share of unexpired risks reserve (Note 10)	(3.609.717)	(2.329.804)
Unexpired risks reserve, net	**147.191**	**17.494.337**
Total technical provisions, net	**1.727.517.809**	**765.065.324**
Short term	1.705.633.099	746.791.779
Middle and long term	21.884.710	18.273.545
Total technical provisions, net	**1.727.517.809**	**765.065.324**

Unearned premiums reserve:

	December 31, 2016		
	Gross	Reinsurer and SSI share	Net
Unearned premiums reserve at the beginning of the year	633.470.787	(190.827.516)	442.643.271
Written premiums in the period	2.236.156.139	(461.931.278)	1.774.224.861
Earned premiums in the period	(1.641.099.010)	390.875.272	(1.250.223.738)
Unearned premiums reserve at the end of the year	**1.228.527.916**	**(261.883.522)**	**966.644.394**

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

17. Insurance liabilities and reinsurance assets (continued)

	December 31, 2015		
	Gross	**Reinsurer and SSI share**	**Net**
Unearned premiums reserve at the beginning of the year	357.634.493	(128.275.153)	229.359.340
Written premiums during the period	1.063.474.233	(333.908.325)	729.565.908
Earned premiums during the period	(787.637.939)	271.355.962	(516.281.977)
Unearned premiums reserve at the end of the year	**633.470.787**	**(190.827.516)**	**442.643.271**

Outstanding claim reserve:

	December 31, 2016		
	Gross	**Reinsurer and SSI share**	**Net**
Outstanding claim reserve at the beginning of the year	548.821.922	(262.167.751)	286.654.171
Reported claims in the period and the changes in estimations of outstanding claim reserve at the beginning of the year	1.124.996.431	(212.907.363)	912.089.068
Claim payments during the period	(553.378.333)	93.476.608	(459.901.725)
Outstanding claim reserve at the end of the year	**1.120.440.020**	**(381.598.506)**	**738.841.514**

	December 31, 2015		
	Gross	**Reinsurer and SSI share**	**Net**
Outstanding claim reserve at the beginning of the year	337.531.642	(128.813.202)	208.718.440
Reported claims in the period and the changes in estimations of outstanding claim reserve at the beginning of the year	595.272.848	(224.468.976)	370.803.872
Claim payments during the period	(383.982.568)	91.114.427	(292.868.141)
Outstanding claim reserve at the end of the year	**548.821.922**	**(262.167.751)**	**286.654.171**

	December 31, 2016			December 31, 2015		
	Gross	**Reinsurer share**	**Net**	**Gross**	**Reinsurer share**	**Net**
Incurred and reported claims	702.653.500	(320.748.298)	381.905.202	431.373.405	(228.409.120)	202.964.285
Incurred but not reported claims	417.786.520	(60.850.208)	356.936.312	117.448.517	(33.758.631)	83.689.886
Total	**1.120.440.020**	**(381.598.506)**	**738.841.514**	**548.821.922**	**(262.167.751)**	**286.654.171**

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

17. Insurance liabilities and reinsurance assets (continued)

Equalization reserve:

		December 31, 2016	
	Gross	**Reinsurer share**	**Net**
Equalization reserve at the beginning of the year	58.124.761	(39.851.216)	18.273.545
Net change	16.044.101	(12.432.936)	3.611.165
Equalization reserve at the end of the year	**74.168.862**	**(52.284.152)**	**21.884.710**

		December 31, 2015	
	Gross	**Reinsurer share**	**Net**
Equalization reserve at the beginning of the year	42.975.751	(27.913.613)	15.062.138
Net change	15.149.010	(11.937.603)	3.211.407
Equalization reserve at the end of the year	**58.124.761**	**(39.851.216)**	**18.273.545**

Unexpired risk reserve:

		December 31, 2016	
	Gross	**Reinsurer share**	**Net**
Unexpired risk reserve at the beginning of the year	19.824.141	(2.329.804)	17.494.337
Net change	(16.067.233)	(1.279.913)	(17.347.146)
Unexpired risk reserve at the end of the year	**3.756.908**	**(3.609.717)**	**147.191**

		December 31, 2015	
	Gross	**Reinsurer share**	**Net**
Unexpired risk reserve at the beginning of the year	19.401.907	(9.487.962)	9.913.945
Net change	422.234	7.158.158	7.580.392
Unexpired risk reserve at the end of the year	**19.824.141**	**(2.329.804)**	**17.494.337**

Claims development table

The main assumption used to predict the outstanding claim reserve is Company's claim development experience from the past periods. Company management uses its own judgments while determining how external factors like legal decisions and changes in regulations will affect the outstanding claim reserve. Sensitivity of some estimations like legal changes and uncertainties during the prediction process is not measurable. Besides, long delays between the time of claim incurred and the time payment is made inhibits the determination of outstanding claim reserve definitely as of balance sheet date. Therefore, total liabilities may differ depending on the subsequent events and the differences occurred due to the re-estimation of liabilities are reflected to financial statement in upcoming periods.
The development of insurance liabilities enables to measure the Company's performance of estimation of total claim liabilities. The numbers that is shown in the upside of below tables, from the years claims has incurred in, show the change of Company's total estimations for claims in the subsequent years.
The numbers that is shown in the underside of the tables, give the outstanding claim reserves stated in financial statements and their confirmation.

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

17. Insurance liabilities and reinsurance assets (continued)

December 31, 2016								
Claim year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Claim year	165.691.286	158.811.121	188.752.805	214.667.782	269.378.483	496.318.042	690.717.354	2.184.336.873
1 year later	168.076.843	165.391.790	196.308.163	218.389.776	279.959.576	527.599.455		1.555.725.603
2 years later	178.418.131	176.936.871	206.288.797	227.602.688	300.128.180			1.089.374.667
3 years later	187.303.622	188.082.117	210.660.064	238.365.704				824.411.507
4 years later	196.522.363	197.261.782	219.829.476					613.613.621
5 years later	204.130.511	205.848.280						409.978.791
6 years later	212.298.171							212.298.171
Gross incurred claim	**212.298.171**	**205.848.280**	**219.829.476**	**238.365.704**	**300.128.180**	**527.599.455**	**690.717.354**	**2.394.786.620**
Total payments made up to today	188.838.148	171.069.326	186.700.512	204.625.095	255.255.664	391.890.098	411.765.443	1.810.144.286
Total provision in financial statements	23.460.023	34.778.954	33.128.964	33.740.609	44.872.516	135.709.357	278.951.911	584.642.334
Gross outstanding claims reserves, lawsuit discounts and exchange difference which is booked for prior of 2010								118.011.166
Gross IBNR amount booked as of December, 2016 period								417.786.520
Total gross outstanding claim reserve amount stated in financial statements at the end of the year								**1.120.440.020**

December 31, 2015								
Claim year	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Claim year	199.047.880	165.691.286	158.811.121	188.752.805	214.667.782	269.378.483	496.318.042	1.692.667.399
1 year later	228.875.523	168.076.843	165.391.790	196.308.163	218.389.776	279.959.576		1.257.001.671
2 years later	233.452.591	178.418.131	176.936.871	206.288.797	227.602.689			1.022.699.079
3 years later	239.551.671	187.303.622	188.082.117	210.660.063				825.597.473
4 years later	274.723.476	196.522.363	197.261.782					668.507.621
5 years later	282.728.070	204.130.511						486.858.581
6 years later	295.541.389							295.541.389
Gross incurred claims	**295.541.389**	**204.130.511**	**197.261.782**	**210.660.063**	**227.602.689**	**279.959.576**	**496.318.042**	**1.911.474.052**
Total payments made up to today	239.633.619	182.558.356	165.748.334	181.703.491	194.819.991	243.854.201	300.162.423	1.508.480.415
Total provision in financial statements	55.907.770	21.572.155	31.513.448	28.956.572	32.782.698	36.105.375	196.155.619	402.993.637
Gross outstanding claims reserves, lawsuit discounts and exchange difference which is booked for prior of 2009								28.379.767
Gross IBNR amount booked as of December, 2015 period								117.448.518
Total gross outstanding claim reserve amount stated in financial statements at the end of the year								**548.821.922**

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

17. Insurance liabilities and reinsurance assets (continued)

December 31, 2016								
Claim year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Claim year	138.761.671	129.523.914	141.169.567	168.827.560	220.020.264	308.382.993	532.214.006	1.638.899.975
1 year later	140.824.456	134.829.335	147.825.429	173.259.936	226.137.672	329.875.624		1.152.752.452
2 years later	150.941.677	146.017.994	156.084.279	180.311.176	245.494.893			878.850.021
3 years later	159.389.561	154.601.048	159.917.167	189.152.946				663.060.721
4 years later	167.860.776	159.136.713	168.097.784					495.095.274
5 years later	174.207.837	165.561.758						339.769.595
6 years later	182.572.649							182.572.649
Gross incurred claim	**182.572.649**	**165.561.758**	**168.097.784**	**189.152.946**	**245.494.893**	**329.875.624**	**532.214.006**	**1.812.969.660**
Total payments made up to today	162.113.074	146.618.082	148.065.173	167.229.705	210.727.945	284.125.763	362.765.278	1.481.645.019
Total provision in financial statements	20.459.575	18.943.677	20.032.612	21.923.240	34.766.949	45.749.861	169.448.728	331.324.641
Net outstanding claims reserves, lawsuit discounts and exchange difference which is booked for prior of 2010								50.580.561
Net IBNR amount booked as of December, 2016 period								356.936.312
Total net outstanding claim reserve amount stated in financial statements at the end of the year								**738.841.514**

December 31, 2015								
Claim year	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Claim year	143.820.068	138.761.671	129.523.914	141.169.567	168.827.560	220.020.264	308.382.993	1.250.506.038
1 year later	149.843.149	140.824.456	134.829.335	147.825.429	173.259.936	226.137.672		972.719.978
2 years later	153.811.728	150.941.677	146.017.994	156.084.279	180.311.176			787.166.855
3 years later	160.239.047	159.389.561	154.601.048	159.917.167				634.146.822
4 years later	166.703.907	167.860.776	159.136.713					493.701.396
5 years later	171.578.731	174.207.837						345.786.567
6 years later	176.614.755							176.614.755
Gross incurred claim	**176.614.755**	**174.207.837**	**159.136.713**	**159.917.167**	**180.311.176**	**226.137.672**	**308.382.993**	**1.384.708.312**
Total payments made up to today	162.242.858	155.839.327	141.469.171	142.437.346	159.272.770	200.016.174	232.508.623	1.193.786.268
Total provision in financial statements	14.371.897	18.368.510	17.667.542	17.479.821	21.038.406	26.121.498	75.874.370	190.922.044
Net outstanding claims reserves, lawsuit discounts and exchange difference which is booked for prior of 2009								12.042.241
Net IBNR amount booked as of December, 2015 period								83.689.886
Total net outstanding claim reserve amount stated in financial statements at the end of the year								**286.654.171**

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

17. Insurance liabilities and reinsurance assets (continued)

Guarantees to be provided for life and non-life insurance branches and guarantees provided for life and non-life insurances based on assets

	December 31, 2016			December 31, 2015		
	To be provided(**)	Provided(*)	Book value	To be provided(**)	Provided(*)	Book value
Non-life:						
Financial assets (Note 11) (*)	159.415.251	159.700.000	172.150.564	72.035.132	72.050.000	78.707.657
Total	**159.415.251**	**159.700.000**	**172.150.564**	**72.035.132**	**72.050.000**	**78.707.657**

(*) In accordance with the article 6 of Communiqué regarding "The Financial Structure of Insurance, Reinsurance and Pension Companies", government bonds classified under financial assets are shown by using the daily prices published by CBRT as of December 31, 2016 and 2015.

(**) In accordance with the article 7 of Communiqué regarding "The Financial Structure of Insurance, Reinsurance and Pension Companies", insurance companies and pension companies operating in the life and personal accident branches have to provide their guarantees following the 2 months of capital adequacy calculation periods. In accordance with Communiqué regarding "The Financial Structure of Insurance, Reinsurance and Pension Companies" Companies send their capital adequacy table to Undersecretariat of Treasury for the June and December periods within the 2 months period.

Insurance guarantee amounts given by branches

	December 31, 2016	December 31, 2015
Third party liability for motor vehicles (MTPL)	6.992.291.487.653	3.001.083.725.813
Fire and natural disasters	435.183.684.347	398.402.745.186
General losses	102.729.329.532	93.829.586.089
Marine	102.463.578.551	81.450.010.891
Health	66.061.072.164	42.270.846.490
Accident	23.728.600.865	18.517.585.310
General liability	21.289.677.540	16.503.542.299
Motor Vehicles	18.841.852.458	14.517.589.882
Legal protection	13.841.274.345	9.001.569.307
Financial losses	11.108.127.986	10.771.425.332
Water Crafts	668.509.603	347.212.147
Aircraft	612.409.120	1.536.935.445
Water crafts liability	491.768.482	488.204.331
Total	**7.789.311.372.646**	**3.688.720.978.522**

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

17. Insurance liabilities and reinsurance assets (continued)

Number of life policies, the number and mathematical reserve amount of the life policies that enter and exit during the year:

None.

Number and net premium amounts of life policies that ender during the year and their distribution by individual and group:

None.

Number and net premium amounts of life policies that exit during the year and their distribution by individual and group:

None.

Accrued subrogation and salvage income

As of December 31, 2016 Company has subrogation and salvage income amounted TL 15.890.503 (December 31, 2015 – TL 13.050.632).

Deferred production expenses

Hanging in the following periods of paid commissions to related intermediaries for premium production is capitalized under the "prepaid expenses" account. Prepaid expenses amounted TL 166.143.288 (December 31, 2015 – TL 100.381.785) consists of deferred production commissions amounted TL 156.557.030 (December 31, 2015 – TL 94.793.346) and other prepaid expenses amounted TL 9.586.258 (December 31, 2015 – TL 5.588.439).

Movement of deferred production commissions as of December 31, 2016 and 2015 is as follows:

	December 31, 2016	December 31, 2015
Deferred production commissions at the beginning of the year	94.793.346	59.493.283
Commissions to intermediaries accrued during the period (Note 32)	296.432.012	171.900.639
Commissions recognized as expense during the period (Note 32)	(234.668.328)	(136.600.576)
Deferred production commissions at the end of the year	**156.557.030**	**94.793.346**

Individual pension

None.

18. Investment contract liabilities

None.

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

19. Trade and other payables, deferred income

	December 31, 2016	December 31, 2015
Payables from main operations	121.319.863	90.619.268
Income related to future months/years and expense accruals	41.012.557	35.115.723
Taxes and other similar liabilities to be paid and their provisions	56.423.711	20.954.584
Other payables	49.210.765	27.988.253
Dues to related parties	-	-
Total	**267.966.896**	**174.677.828**
Short term payables	262.680.257	171.333.751
Middle and long term payables	5.286.639	3.344.077
Total	**267.966.896**	**174.677.828**

With "Numbered 6111 Law to make change in Restructuring of Some Receivables and Social Insurance and General Health Insurance Law and Some Other Law and Delegated Legislations" dated February 25, 2011 and numbered 27857 came into force by issued in Official Gazette and dated August 27, 2012 and numbered 28038 issued in the Official Gazette "Regulation of Rules and Procedures Related with the Collection of Service Fees which is presented to Whom it may Concern due to the Traffic Accidents" and written premiums between the time period of Regulation numbered 2012/17 and all of the payable amount TL 38.281.713 (December 31, 2015 – TL 21.686.823) to be ceded to SSI for those premiums, is classified under current liabilities as "Other Payables".

As of December 31, 2016 and 2015 other payables consist of premiums to be ceded to SSI related with treatment costs and payments to make for external benefit and services.

Income related to future months and expense accruals consist of deferred commission income amounted TL 37.964.557 (December 31, 2015 – TL 33.446.835) (Note 10) and other expense accruals amounted to TL 3.032.995 (December 31, 2016 – TL 1.378.525).

Details of Company's payables from main operations account as of December 31, 2016 and 2015 is as follows:

	December 31, 2016	December 31, 2015
Payables to reinsurance firms (Note 10)	100.195.091	69.977.565
Payables to agency and insurance companies	14.671.445	10.246.069
Rediscount on payables to reinsurance firms (Note 10)	(2.253.836)	(2.441.184)
Total payables from insurance operations	**112.612.700**	**77.782.450**
Other payables from main operations	8.707.163	12.836.818
Payables from main operations	**121.319.863**	**90.619.268**

As of December 31, 2016 and 2015 other payables from main operations consist of payables to suppliers and authorized services.

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

19. Trade and other payables, deferred income (continued)

Calculated corporation tax and prepaid taxes are detailed in the table below.

	December 31, 2016	December 31, 2015
Provision of calculated corporate tax (Note 35)	(35.322.692)	(8.263.889)
Prepaid taxes and funds in current period	39.322.145	10.790.431
Prepaid taxes and funds	**3.999.453**	**2.526.542**

Calculated corporate tax and the taxes to be paid in the current period are detailed in the table below.

	December 31, 2016	December 31, 2015
Corporate tax liability provision on period profit	35.322.692	8.263.889
Prepaid taxes and other liabilities on period profit	(18.288.135)	(8.263.889)
Corporate tax to be paid	**17.034.557**	**-**

20. Financial payables

	December 31, 2016	December 31, 2015
Other financial payables (*)	-	663.359
	-	**663.359**

(*) Amount which is related to spot loans that Company used for the employees' SSI payments.

21. Deferred taxes

Items that resulted in deferred tax assets and liabilities as of December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
Impairment provision expense for receivables from main operations	1.051.603	662.814
Equalization reserve	3.964.864	3.229.579
Provision for retirement pay and unused vacation	683.615	526.670
Unexpired risk reserve	29.438	3.498.867
Provision for business cases	117.107	110.325
Provision for sales commission	11.487	11.487
Difference between local Tax Legislation and Reporting Standards for tangible and intangible fixed assets	(725.211)	(440.890)
Financial items valuation differences – rediscounts	(463.165)	(525.636)
Bonus provision	785.257	628.917
Sliding scale commission provision	2.071.975	405.389
Other	843.806	346.956
Deferred tax asset, net	**8.370.776**	**8.454.478**

	2016	2015
Beginning of period - 1 January	8.454.478	6.941.626
Deferred tax income, net (Note 35)	(179.667)	1.485.992
Deferred tax income/ (loss) which is stated under equity	95.965	26.860
End of period	**8.370.776**	**8.454.478**

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

22. Retirement social aid liabilities

None.

23. Provision for other liabilities and expenses

Details of provision for other risks as of December 31, 2016 and 2015 is shown below:

	December 31, 2016	December 31, 2015
Short-term employee rights premium provisions	3.926.285	3.144.585
Business case provisions	585.536	551.623
Allowance for cost expenses	**4.511.821**	**3.696.208**
Provisions for employment termination benefit	1.709.776	1.193.153
Unused vacation provision	1.708.300	1.440.204
Total provisions for other risks	**7.929.897**	**6.329.565**

Movement of provision for employment termination benefit in the period is as follows:

	December 31, 2016	December 31, 2015
Provision for employment termination benefit at the beginning of the period	1.193.153	992.682
Payments during the period	(655.267)	(461.902)
Provision booked during the period	692.065	528.069
Actuarial loss	479.825	134.304
Provision for employment termination benefit at the end of the year	**1.709.776**	**1.193.153**

Movement of unused vacation provision in the period is as follows:

	December 31, 2016	December 31, 2015
Unused vacation provision at the beginning of the period	1.440.204	1.290.091
Payments during the period	(144.145)	(134.921)
Provision booked during the period	412.241	285.034
Unused vacation provision at the end of the year	**1.708.300**	**1.440.204**

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

23. Provision for other liabilities and expenses (continued)

Movement of business cases provision in the period is as follows:

	December 31, 2016	December 31, 2015
Business case provisions at the beginning of the year	551.623	332.880
Payments during the period	(154.366)	(95.843)
Provision amount booked / (cancelled) during the period	188.279	314.586
Business case provision at the end of the year	**585.536**	**551.623**

Details of other payables as of December 31, 2016 and 2015 is shown below.

	December 31, 2016	December 31, 2015
Payables to suppliers	2.479.556	2.493.835
Attorney’s fee	4.230	14.845
Other payables	3.582.027	769.593
Other payables	**6.065.813**	**3.278.273**

Tax Inspection Board of T.C. Ministry of Finance has launched a limited tax investigation related to the Banking and Insurance Transaction Tax for the years 2009, 2010, 2011 and 2012 and as a consequence of the tax inspection, for the year 2009, 2010, 2011 and 2012 tax of TL 2.120.453 and tax penalty of TL 2.974.716 total of TL 5.095.169 tax and tax penalty imposed to the Company. Company has utilized from the capital amnesty under the law of “6736” dated August 3, 2016 which is about restructuring of some receivables and paid TL 1.060.256 tax and TL 181.419 tax penalty of total TL 1.241.675 tax and tax penalty on November 30, 2016.

24. Net insurance premium income

January 1 - December 31, 2016	Motor Vehicles	Motor Vehicles Liability	Fire and natural disasters	General losses	Marine	Accident	Other	Total
Premiums received	376.883.369	1.403.116.448	163.839.920	165.626.059	26.517.267	13.403.526	86.769.550	2.236.156.139
Premiums transferred to the reinsurance	(1.269.555)	(2.013.790)	(133.965.844)	(132.394.779)	(18.278.119)	(2.305.317)	(31.964.752)	(322.192.156)
Premiums transferred to the SSI	-	(139.539.347)	-	-	-	(199.775)	-	(139.739.122)
Total	**375.613.814**	**1.261.563.311**	**29.874.076**	**33.231.280**	**8.239.148**	**10.898.434**	**54.804.798**	**1.774.224.861**

January 1 - December 31, 2015	Motor Vehicles	Motor Vehicles Liability	Fire and natural disasters	General losses	Marine	Accident	Other	Total
Premiums received	263.971.490	377.010.921	158.771.609	149.597.575	30.068.245	8.854.840	75.199.553	1.063.474.233
Premiums transferred to the reinsurance	(2.227.805)	(261.724)	(127.945.127)	(111.447.615)	(22.608.613)	(1.665.321)	(30.505.600)	(296.661.805)
Premiums transferred to the SSI	-	(37.100.694)	-	-	-	(145.826)	-	(37.246.520)
Total	**261.743.685**	**339.648.503**	**30.826.482**	**38.149.960**	**7.459.632**	**7.043.693**	**44.693.953**	**729.565.908**

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

25. Fee income

None.

26. Investment income / (expense)

Shown in the "Financial risk management" note (Note 4.2) above.

As of December 31, 2016, the amount of Insurance Transaction Tax is TL 7.729.558 (December 31, 2015 – TL 3.426.039).

27. Net income accrual on financial assets

Shown in the "Financial risk management" note (Note 4.2) above.

28. Assets that their fair value differences reflected to the profit or loss

Shown in the "Financial risk management" note (Note 4.2) above.

29. Insurance rights and demands

	December 31, 2016	December 31, 2015
Claims paid as deducted reinsurer's share	(459.901.725)	(292.868.141)
Change in unearned premium reserve as deducted reinsurer's share and SSI	(524.001.123)	(213.283.931)
Change in outstanding claims reserve as deducted reinsurer's share	(452.187.343)	(77.935.731)
Change in equalization reserve as deducted reinsurer's share	(3.611.165)	(3.211.407)
Change in provision for unexpired risk reserve as deducted reinsurer's share	17.347.146	(7.580.392)
Total	**(1.422.354.210)**	**(594.879.602)**

30. Investment agreement rights

None.

31. Mandatory Other Expenses

Grouping of expenses based on the characteristics and functions of the company is given in the note 32.

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

32. Expense by nature

Details of operating expenses for the periods ended December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Commission expenses (Note 17)	(234.668.328)	(136.600.576)
Intermediary commissions accrued during the period (Note 17)	(296.432.012)	(171.900.639)
Change in deferred production commissions (Note 17)	61.763.684	35.300.063
Employee benefit expenses (Note 33)	(54.357.886)	(43.270.283)
Commission income earned from reinsurers (Note 10)	54.417.893	56.032.605
Accrued commission income from reinsurers during the period (Note 10)	58.935.615	59.543.916
Change in deferred commission income (Note 10)	(4.517.722)	(3.511.311)
Rent expenses	(3.928.671)	(3.505.581)
Management and service expenses	(2.197.096)	(1.807.780)
IT expenses	(3.422.485)	(2.512.349)
Vehicle expenses	(2.470.648)	(2.163.685)
Marketing and sales expenses	(6.033.165)	(3.528.042)
Communication expenses	(718.044)	(617.626)
Travel expenses	(520.181)	(403.089)
Taxes and funds	(276.091)	(246.778)
Printed matter and office supplies expenses	(683.680)	(532.035)
Mail and cargo expenses	(287.713)	(265.938)
Consulting expenses	(448.568)	(277.518)
Bank charges expenses	(226.233)	(115.000)
Total	**(255.820.896)**	**(139.813.675)**

33. Employee Benefit Expenses

Details of the employee benefit expenses for the periods ended December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
Salary and wages	(36.314.248)	(29.363.134)
Other vested benefits	(7.234.370)	(5.466.671)
Bonus, premium and commissions	(5.300.894)	(4.281.683)
Employer's share of social security premium	(5.508.374)	(4.158.795)
Total	**(54.357.886)**	**(43.270.283)**

34. Financial Cost

All financial costs for the period are shown in the note "Financial risk management" above (Note 4.2). There is no financial allowance for the cost of production or the cost of fixed assets.

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

35. Income Taxes

Items composing the income tax expenses stated in the financial statements is as follows:

	December 31, 2016	December 31, 2015
Corporate tax liability:		
Calculated corporate tax provision (Note 19)	(35.322.692)	(8.263.889)
Deferred Tax:		
Deferred tax income/(loss) (Note 21)	(179.667)	1.485.992
Deferred tax income/ (loss) which is stated under equity	95.965	52.013
Total	**(35.406.394)**	**(6.725.884)**

As of December 31, 2016 and 2015 confirmation of Company's operational profit before taxes arised in Company's financial statements and Company's actual income tax provision calculated via active tax rate are detailed in the table below:

	December 31, 2016		December 31, 2015	
		Tax rate (%)		Tax rate (%)
Profit before tax	**177.524.285**		**33.969.808**	
Income tax provision by legal tax rate	(35.504.857)	20,00	(6.793.962)	20,00
Non-deductible expenses	(60.838)	(0,03)	(23.671)	(0,07)
Other	159.301	0,09	91.749	0,27
Total income tax loss/ (income)	**(35.406.394)**	**(19,94)**	**(6.725.884)**	**(19,80)**

36. Net foreign exchange gains

Shown in the "Financial risk management" note (Note 4.2) above.

37. Earnings per share

Earnings per share is calculated by dividing net profit for the period by weighted average number of shares.

	December 31, 2016	December 31, 2015
Profit by account period	142.021.926	27.191.911
Weighted average number of shares	4.000.000.000	4.000.000.000
Earnings per share (TL)	0,0355	0,0068

38. Dividends per share

General Assembly Meeting took place on March 29, 2016 Company’s net profit for the period from the operations of financial year 2015 is transferred to the profit reserves.

39. Cash Generated from Operations

Cash flow from main main operations are disclosed in the statement of cash flow.

40. Equity Share Convertible Bonds:

None.

41. Cash Convertible Privileged Equity Shares:

None.

42. Risks

During the ordinary operations Company faces many legal conflicts, cases and claims for damages mainly from insurance operations. These cases are reflected to financial statements by providing necessary provisions in allowance for cost expenses and outstanding claims reserve.

As of December 31, 2016 total amount of all cases against the Company is TL 195.236.722 (December 31, 2015 – TL 163.356.780) on the other hand possible responsibility amount that Company is obliged to pay if the case concludes against the Company including the opened cases and execution proceedings made is TL 264.545.969. Company considered the related provision amount TL 264.545.969 (December 31, 2015 – TL 196.985.743) against the Company in the related provision accounts in accompanying financial statements.

As of December 31, 2016, if all the cases that Company sues concludes in favor of the Company, gross amount of TL 64.955.170 (December 31, 2015 - TL 54.343.377) subrogation collection is expected and considering the reinsurer shares by providing income accrual amounted TL 43.755.793 (December 31, 2015 – TL 34.082.503) (Note 12) with the same amount receivable provision is reflected to bookings. For the cases Company has opened for its doubtful receivables from agencies, total amount of TL 4.884.480 (December 31, 2015 – TL 4.884.901) (Note 12) provision is booked. At the same time for the business cases against the Company amounted TL 585.536 (December 31, 2015 – TL 551.623) (Note 23) provision is booked.

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

43. Commitments

Details of guarantees given by the Company in the non-life insurance branches in accordance with its activities are disclosed in Note 17.

As part of operational lease total minimum rent payment amounts to be paid for the real estates which is rented for the usage of head office and region offices and rent vehicles assigned to sales team is as follows:

TL commitments	December 31, 2016	December 31, 2015
Less than 1 year	227.143	265.932
More than a year, less than five years	219.050	382.793
Sum of minimum rent payments to be paid	**446.193**	**648.725**

USD Dollars commitments	December 31, 2016	December 31, 2015
Less than 1 year	964.620	891.594
More than a year, less than five years	1.510.500	2.234.697
Sum of minimum rent payments to be paid	**2.475.120**	**3.126.291**

Euro commitments	December 31, 2016	December 31, 2015
Less than 1 year	3.750	3.750
More than a year, less than five years	3.750	3.750
Sum of minimum rent payments to be paid	**7.500**	**7.500**

44. Business merges:

None.

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

45. Related Party Transactions

Sompo Japan Nipponkoa Insurance Inc. And the groups to which they are affiliated and the associates and subsidiaries of these groups are defined as related parties for these financial statements.

	December 31, 2016	December 31, 2015
Sompo Japan Nipponkoa Insurance Inc.	1.158	18.427
Receivables from affiliates	**1.158**	**18.427**

	December 31, 2016	December 31, 2015
Sompo Japan Nipponkoa Insurance Company of Europe	380.207	(116.649)
Sompo Japan Nipponkoa Insurance Company of Europe Germany Branch	24.212	95.008
Sompo Japan Nipponkoa Insurance Inc.	4.531.129	3.666.140
Canopius Managing Limited	-	-
Payables from insurance operations	**4.935.548**	**3.644.499**

	December 31, 2016	December 31, 2015
Sompo Japan Nipponkoa Insurance Company of Europe	396.930	58.983
Sompo Japan Nipponkoa Insurance Company of Europe Germany Branch	32.734	38.652
Sompo Japan Nipponkoa Insurance Inc.	10.406.730	13.111.361
Canopius Managing Limited	-	155.219
Commission Taken	**10.836.394**	**13.364.215**

	December 31, 2016	December 31, 2015
Sompo Japan Nipponkoa Insurance Company of Europe	1.366.270	382.082
Sompo Japan Nipponkoa Insurance Company of Europe Germany Branch	126.919	152.902
Sompo Japan Nipponkoa Insurance	25.197.155	27.312.026
Canopius Managing Limited	-	517.398
Ceded Premium	**26.690.344**	**28.364.408**

	December 31, 2016	December 31, 2015
Sompo Japan Nipponkoa Insurance Company of Europe	208.981	77.830
Sompo Japan Nipponkoa Insurance Company of Europe Germany Branch	47.441	22.900
Sompo Japan Nipponkoa Insurance Inc.	9.445.035	15.452.503
Claim	**9.701.457**	**15.553.233**

	December 31, 2016	December 31, 2015
Sompo Japan Nipponkoa Insurance Inc.	17.898	3.778
Non-operating income	**17.898**	**3.778**

45. Related Party Transactions (continued)

No guarantees has taken for receivables from related parties.

There is not any booked doubtful receivable provision and it's payables for receivables from shareholders, subsidiaries and associations.

There is not any liabilities like warranty, commitment, bail, advance and endorsement on behalf of shareholders, subsidiaries and associations.

46. Events occurred after reporting period

Company has purchased fixed assets on February 21, 2017 for Region Coordinatorship in İzmir worth of TL 6.300.000.

47. Other

47.1 Details of "Other" items in the balance sheet which exceed 20% of its respective account group of 5% of total assets:

Amount of "Other Miscellaneous Receivables" which is classified under "Other Receivables" is TL 997.048 (December 31, 2015 – TL 687.412), it consists of TCIP's (Turkish Catastrophe Insurance Pool) current balance and adjustment of reverse balances.

47.2 Due from and due to personnel classified in "Other receivables" and "Other short-term or long-term payables" that exceed 1%of total assets:

None.

47.3 Receivables from salvage and subrogation followed under off-balance sheet items:

None.

47.4 Income and expenses related to prior periods and the amounts and sources of expenses and losses:

None.

Possessed real rights on properties and their values:

None.

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

47. Other (continued)

47.5 Other information that has been obliged to present by Undersecretariat of Treasury

Provision and rediscount income/ (expense) for the period:

a) Provision expenses

Details of provision and rediscount expenses for the ended periods as at December 31, 2016 and 2015 is as follows:

	December 31, 2016	December 31, 2015
Impairment provision expenses booked for receivables from main operations, net	(10.901.229)	(14.506.865)
Unused vacation provision expenses	(268.096)	(150.113)
Retirement pay provision expenses	(36.798)	(66.167)
Business cases provision (expense)/ cancellation	(33.913)	(218.743)
Provisions account	**(11.240.036)**	**(14.941.888)**

	December 31, 2016	December 31, 2015
Rediscounted interest income / (losses)	(1.081.357)	(1.547.638)
Rediscount account	**(1.081.357)**	**(1.547.638)**

	December 31, 2016	December 31, 2015
Unearned premium provisions	(524.001.123)	(213.283.931)
Outstanding claim reserve	(452.187.343)	(77.935.731)
Unexpired risk reserve	17.347.146	(7.580.392)
Equalization reserve	(3.611.165)	(3.211.407)
Technical provisions	**(962.452.485)**	**(302.011.461)**

b) Other expense and losses

	December 31, 2016	December 31, 2015
Non-deductible expenses(-)	(304.190)	(118.355)
Other expense and losses(-	(1.428)	(1.715)
Other expense and losses (-)	**(305.618)**	**(120.070)**

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

47. Other (continued)

c) Other income and revenues

	December 31, 2016	December 31, 2015
Late charge income	2.127.450	1.069.337
Other income and revenues	**2.127.450**	**1.069.337**

d) Other Long-term deferred income

	December 31, 2016	December 31, 2015
Commission income	31.905	-
Long-term deferred income	**31.905**	**-**

e) Other technical expenses

	December 31, 2016	December 31, 2015
Assistance service expenses	(13.771.693)	(4.361.674)
Other technical expenses	(19.829.586)	(8.914.787)
Other technical expenses	**(33.601.279)**	**(13.276.461)**

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

47. Other (continued)

47.6 Convenience translation of the statements of profit distribution as of December 31, 2016

	Footnote	Current year December 31, 2016	Prior year December 31, 2015
I. DISTRIBUTION OF PROFIT FOR THE PERIOD			
1.1. PROFIT FOR THE PERIOD		177.524.285	33.969.808
1.2. TAXES PAYABLE AND LEGAL LIABILITIES		(35.502.359)	(6.777.897)
1.2.1. Corporate Tax (Income Tax)		(35.322.692)	(8.263.889)
1.2.2. Income Tax Deduction		-	-
1.2.3. Other Taxes and Liabilities		(179.667)	1.485.992
A NET PROFIT FOR THE PERIOD (1.1 – 1.2)		**142.021.926**	**27.191.911**
1.3. PREVIOUS YEARS'S LOSSES (-)		-	-
1.4. FIRST LEGAL RESERVE		7.101.096	1.359.596
1.5. LEGAL RESERVES KEPT IN THE COMPANY (-)		-	-
B NET DISTRIBUTABLE PROFIT FOR THE PERIOD [(A - (1.3 + 1.4 + 1.5)]		**134.920.829**	**25.832.315**
1.6. FIRST DIVIDENDS TO SHAREHOLDERS (-)		-	-
1.6.1. To Common Shareholders		-	-
1.6.2. To Preferred Shareholders		-	-
1.6.3 To Owners Of Participating Redeemed Shares		-	-
1.6.4 To Owners Of Profit-sharing Securities		-	-
1.6.5 To Owners Of Profit And Loss Sharing Securities		-	-
1.7. DIVIDENDS TO EMPLOYEES (-)		-	-
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9. SECOND DIVIDENDS TO SHAREHOLDERS (-)		-	-
1.9.1. To Common Shareholders		-	-
1.9.2. To Preferred Shareholders		-	-
1.9.3. To Owners Of Participating Redeemed Shares		-	-
1.9.4. To Owners Of Profit-sharing Securities		-	-
1.9.5. To Owners Of Profit And Loss Sharing Securities		-	-
1.10. SECOND LEGAL RESERVE (-)		-	-
1.11. STATÜTORY RESERVES (-)		-	-
1.12. EXTRAORDINARY RESERVES		-	-
1.13. OTHER RESERVES		-	-
1.14. SPECIAL FUNDS		-	-
II. DISTRIBUTION FROM RESERVES		-	-
2.1. DISTRIBUTED RESERVES		-	-
2.2. SECOND LEGAL RESERVE (-)		-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1. To Common Shareholders		-	-
2.3.2 To Preferred Shareholders		-	-
2.3.3. To Owners Of Participating Redeemed Shares		-	-
2.3.4 To Owners Of Profit-sharing Securities		-	-
2.3.5 To Owners Of Profit And Loss Sharing Securities		-	-
2.4. DIVIDENDS TO EMPLOYEES (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. PROFIT PER SHARE		-	-
3.1. TO COMMON SHAREHOLDERS		-	-
3.2. TO COMMON SHAREHOLDERS (%)		-	-
3.3. TO PREFERRED SHAREHOLDERS		-	-
3.4. TO PREFERRED SHAREHOLDERS (%)		-	-
IV. DIVIDENS PER SHARE		-	-
4.1. TO COMMON SHAREHOLDERS		-	-
4.2. TO COMMON SHAREHOLDERS (%)		-	-
4.3. TO PREFERRED SHAREHOLDERS		-	-
4.4. TO PREFERRED SHAREHOLDERS (%)		-	-

General Assembly Meeting took place on March 29, 2016 Company's net profit for the period from the operations of financial year 2015 is decided to transfer to the profit reserves. Authorized member for profit distribution is General Assembly and as of financial statements date General Assemly meeting did not take place yet. Since profit distribution proposal for financial year 2016 is not yet prepared by Board of Directors, in 2016 profit distrubition table only distributable net income for the period is stated.