

2016 ANNUAL REPORT



**ANADOLU HAYAT
EMEKLİLİK**

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DIRECTORY

**OFFERING SERVICE TO
NEARLY 3 MILLION CLIENTS
WITH ITS CUSTOMER-
FOCUSED APPROACH AND
DISTINCTIVE PRACTICES
IN THE SECTOR, ANADOLU
HAYAT EMEKLİLİK SUSTAINED
ITS STABLE AND PROFITABLE
GROWTH ALSO IN 2016.**

LIFE INSURANCE AND PRIVATE PENSION FUNDS

SECTOR'S LEADER



LIFE INSURANCE AND PRIVATE PENSION FUNDS^{1,2}
TRY MILLION

13,061

⁽¹⁾ Pension Monitoring Center (PMC) 30 December 2016 (including state contributions)
⁽²⁾ Life Insurance Information and Monitoring Center (HAYMER) (31 December 2016)



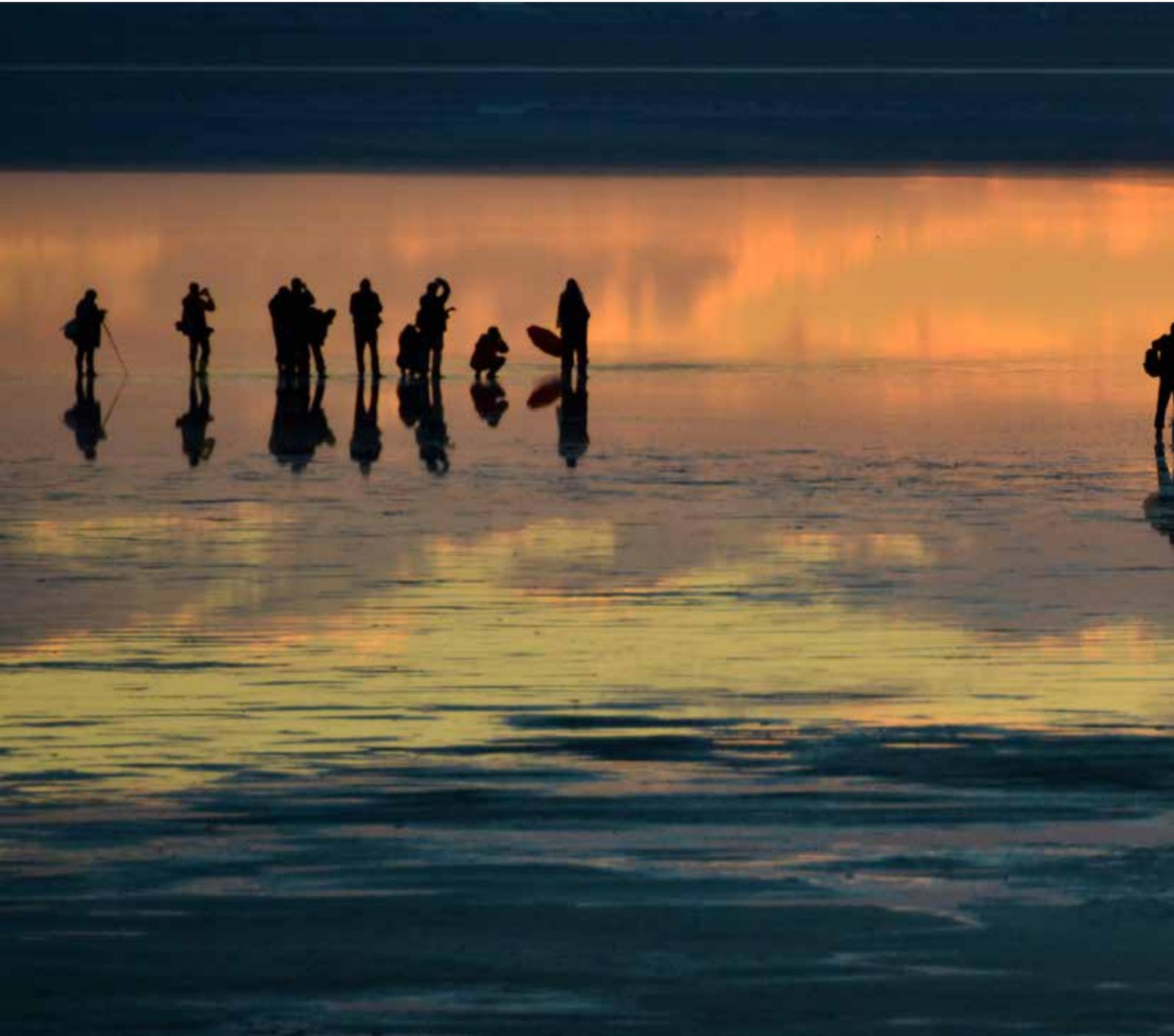
TURKEY'S MOST ADMIRABLE PRIVATE
PENSION COMPANY ³

NUMBER OF PRIVATE PENSION
CONTRACTS AND CERTIFICATES

MOST
ADMIRABLE

SECTOR'S
LEADER

⁽³⁾"Turkey's Most Admired Companies 2016" survey conducted by Capital magazine



NUMBER OF PRIVATE PENSION
CONTRACTS AND CERTIFICATES ⁴
THOUSAND

1,290

PRIVATE PENSION FUNDS ⁵
TRY MILLION

11,366

⁽⁴⁾ Pension Monitoring Center (PMC) 30 December 2016

⁽⁵⁾ Pension Monitoring Center (PMC) 30 December 2016 (including state contributions)



LIFE INSURANCE FUNDS

SECTOR'S LEADER



LIFE INSURANCE FUNDS ⁶
TRY MILLION

1,695

LIFE INSURANCE POLICYHOLDERS ⁶
THOUSAND

2,037

⁶ Life Insurance Information and Monitoring Center (HAYMER) (31 December 2016)

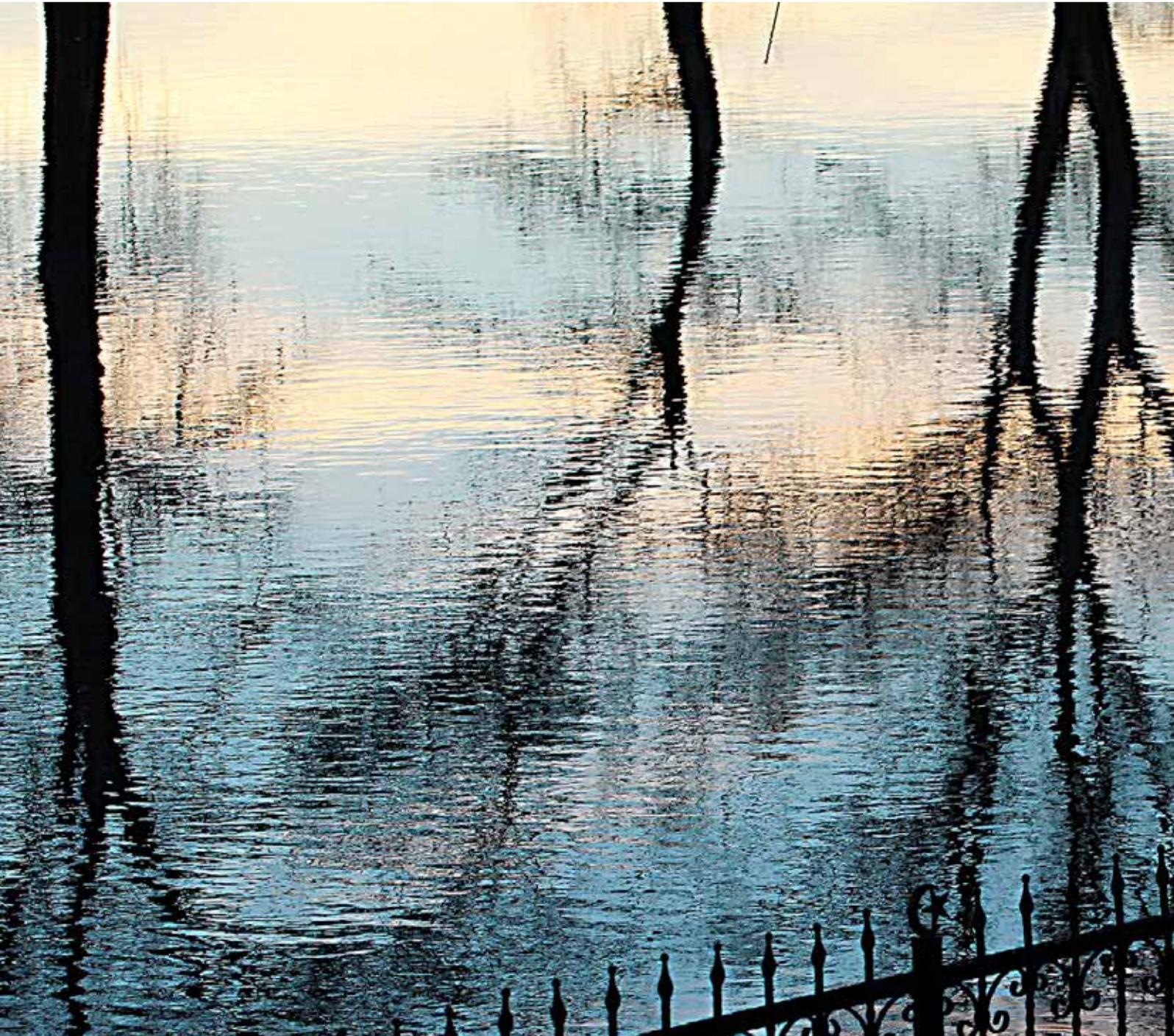


TURKEY'S BEST LIFE INSURANCE
COMPANY ⁷

TOTAL ASSETS ⁸
TRY MILLION

BEST

14,392



EQUITY ⁸
TRY MILLION

861

NET PROFIT ⁸
TRY MILLION

190

⁽⁷⁾ World Finance Global Insurance Awards 2016 "Best Life Insurer in Turkey"
⁽⁸⁾ As of 31 December 2016



GENERAL INFORMATION



Nimet Gönenç Çınaroğlu / Shots from Life as Seen by Women '16

AT A GLANCE

OUR VISION, OUR MISSION, OUR CORPORATE STRATEGY

26 YEARS OF ANADOLU HAYAT EMEKLİLİK

MESSAGE FROM THE CHAIRMAN

MESSAGE FROM THE CEO

AN OVERVIEW OF THE WORLD AND TURKISH ECONOMIES IN 2016 AND 2017 OUTLOOK

ANADOLU HAYAT EMEKLİLİK BY NUMBERS

STRATEGIC GOALS OF ANADOLU HAYAT EMEKLİLİK

ANADOLU HAYAT EMEKLİLİK AT A GLANCE

THE COMPANY CREATING THE HIGHEST AMOUNT OF FUNDS IN THE AGGREGATE OF LIFE INSURANCE AND PRIVATE PENSION

Anadolu Hayat Emeklilik started operations in 1990 as Turkey's first life insurance company.

Having acquired private pension company status upon establishment of the private pension system in Turkey in 2003, the Company began offering services under the company name Anadolu Hayat Emeklilik A.Ş.

Anadolu Hayat Emeklilik, which addresses a broad audience of policyholders and participants with its value-added product and service mix, assures high level of customer satisfaction on the back of its extensive service network and technological infrastructure.

Providing service via district sales offices in İstanbul (3), Ankara (2), İzmir, Adana, Bursa, Antalya, Trabzon and Kocaeli, a branch office in the Turkish Republic of Northern Cyprus besides its head office in İstanbul, Anadolu Hayat Emeklilik commands a widespread service organization with its strong bancassurance network, direct sales force and nearly 300 agencies.

Beyond being the company that steers the sector, Anadolu Hayat Emeklilik further builds on its identity as the company creating the highest amount of funds in the aggregate of life insurance and private pension, while continuing to lead the growth of the sector.

A subsidiary of Türkiye İş Bankası A.Ş. (İşbank), Anadolu Hayat Emeklilik is the first publicly traded pension company in Turkey.

The Company's shares are quoted on the Borsa İstanbul (BIST) Stars Market under the symbol ANHYT.

ANADOLU HAYAT EMEKLİLİK ADDRESSES A BROAD AUDIENCE OF CUSTOMERS
WITH ITS VALUE-ADDED PRODUCT AND SERVICE MIX.

ANADOLU HAYAT EMEKLİLİK AT A GLANCE

Our Vision

To be the leading company in Turkey in all aspects of financial planning that are of concern to the future of Turkey and the Turkish people.

Our Mission

To develop and to nurture in people an awareness of the need to safeguard their own futures and the futures of their loved ones, to offer financial solutions that ease people's doubts about the future and enhance the quality of their lives and to contribute to the development of the national economy by creating long-term financial resources.

Our Corporate Strategy

- Contribute to the stable growth of the industry by developing and maintaining a diverse range of products capable of satisfying customers' needs and demands in terms of life insurance and private pensions.
- Increase our market share by combining our success in offering innovative products and creating value through an extensive service network.
- Provide our customers with financial security and enable them to save up for their retirement by taking advantage of the company's experience and effectiveness in the industry to achieve superior performance in the management of pension funds.
- Maintain a sustainable level of profitability that is above the market average.

Ümmü Kandilcioğlu / Shots from Life as Seen by Women '16



CONTRIBUTING TO THE STABLE GROWTH OF THE INDUSTRY IS ONE OF THE CORE STRATEGIES OF ANADOLU HAYAT EMEKLİLİK.

26 YEARS OF ANADOLU HAYAT EMEKLİLİK

THE AUTHOR OF “FIRSTS” IN ITS INDUSTRY...

1990

- Anadolu Hayat Emeklilik A.Ş. was founded as Turkey's first life insurance company taking over the life insurance activities carried out by Anadolu Anonim Türk Sigorta Şirketi.

1991

- District offices were opened in Ankara, Bursa, Adana and İzmir.

1995

- First payouts on maturity were made in the “Insurance of the Future”.

1999

- Lefkoşa Branch was set up in the Turkish Republic of Northern Cyprus to conduct life insurance activities. Sirkeci and Kadıköy branches were opened.

2000

- Anadolu Hayat Emeklilik A.Ş. became the first and only life insurance company whose shares are publicly traded.

2001

- “Life for everyone” policy, Turkey's first-ever insurance coverage without any age limitation and without requiring any health conditions was introduced.
- Bursa, Adana, İzmir and İstanbul branches were reorganized as Marmara, South Anatolia, Aegean District Offices, and İstanbul District Office 1 and 2.

2003

- In accordance with the “Private Pension Savings and Investment System Law”, the Company was transformed into a private pension company.
- The first private pension contract was issued on October 27.

2004

- Undersigning yet another first, the Company introduced the “Pension Plan for Housewives” that provides income for housewives without social security and supplementary income in older ages.
- According to legislation, the Company's health insurance portfolio and activities were transferred to Anadolu Anonim Türk Sigorta Şirketi.
- Online payment of private pension contributions and life insurance premiums via the internet was enabled.

2005

- Bancassurance activities carried out with the parent company İşbank were expanded by agency agreements with Türk Ekonomi Bankası A.Ş. (TEB) and HSBC Bank A.Ş. (HSBC).

2006

- With the support of the Ministry of National Education, the Company initiated the social responsibility project “Girls: The Insurance of Our Future” in cooperation with the Association for Supporting Contemporary Living (ÇYDD).
- Bancassurance activities were expanded through agency agreements with Anadolubank A.Ş. and TSKB A.Ş.

2007

- First pensioners of the private pension system were entitled to pension benefits.
- An agency agreement was signed with Bank Pozitif A.Ş.
- “Shots from Life as Seen by Women” photography contest has been held for the first time.

ANADOLU HAYAT EMEKLİLİK WAS NAMED THE “BEST LIFE INSURER IN TURKEY” BY WORLD FINANCE, AN EMINENT BUSINESS AND FINANCE MAGAZINE, FOR THE SECOND TIME.

26 YEARS OF ANADOLU HAYAT EMEKLİLİK

2008

- Anadolu Hayat Emeklilik became the first pension company to hit the 300,000 participants mark under the private pension system.
- The Company exceeded TRY 1 billion in total funds.
- PPS+ packages were started to be sold covering either one of "Life Insurance with Serious Illness Cover", "Annual Life Insurance" or "Life for Everyone Insurance" products in addition to the Private Pension Plan.
- A new variant was added to life insurance policies issued in connection with loans, and Loan Support Insurance incorporating unemployment cover was added to its product range.
- The competition "Young Ideas by Owner" was launched, thereby enabling university students' idea conception related to the industry.

2009

- The Company became the first pension company to reach 400,000 participants in the private pension system (PPS).
- Targeting İşbank credit card customers, Credit Card Protection Insurance policy, which provides cover in the event of death, disablement and unemployment was launched.
- Private Pension Plans portfolio was further expanded with "Master's Pension Plan", which incorporates the special features of "Life-Cycle Fund Exchange Model" and "Auto Re-Balancing System", a first in Turkey.

2010

- The Company became the first pension company to reach 500,000 participants in the private pension system.
- Volume of the participants' private pension funds topped TRY 2 billion.
- An agency agreement was signed with Albaraka Türk Katılım Bankası A.Ş. (Albaraka Türk).
- Anadolu Hayat Emeklilik was named the "Most Admired Private Pension Company" at the "Turkey's Most Admired Companies 2010" survey conducted by Capital magazine.

- The Company set up "Emerging Markets Flexible Pension Growth Fund" (BRIC Plus Fund) and "Alternative Flexible Pension Income Fund" (Alternative Income Fund) and started their sales.
- "Pension Income Plan" targeting private pension system participants was put on sale.

2011

- Anadolu Hayat Emeklilik became the first company to reach TRY 3 billion in funds in the private pension system.
- "Personal Accident Insurance" providing cover for potential risks resulting from accidents was put on sale for individual customers.
- With the aim of new customer acquisition activities alternative delivery channels were started to be used.
- Agency and cooperation agreements with Türk Ekonomi Bankası (TEB) expired.
- An implementation was introduced enabling participants holding İşbank credit cards incorporating Maximum card features to transfer the MaxiPoints earned to their private pension accounts as additional contribution.

2012

- Anadolu Hayat Emeklilik became the first pension company to reach TRY 4 billion in total funds and 600,000 participants in the private pension system.
- Anadolu Hayat Emeklilik was named the "Most Admired Private Pension Company" in the "Turkey's Most Admired Companies 2012" survey conducted by Capital magazine.
- "Standard Critical Illness Insurance" was launched.
- The Company set up and began selling the "Dynamic Balanced Pension Fund" (Dynamic Balanced Fund) and the "Income Oriented Mixed Debt Instruments Pension Fund" (Mixed Fund).
- Mediterranean District Office was established and started operations.

2013

- Anadolu Hayat Emeklilik became the first pension company to reach TRY 5 billion in total funds in the private pension system.

IN 2016, ANADOLU HAYAT EMEKLİLİK EXCEEDED TRY 10 BILLION IN TOTAL FUNDS IN THE PRIVATE PENSION SYSTEM.

- Anadolu Hayat Emeklilik was named the “Most Admired Private Pension Company” in the “Turkey’s Most Admired Companies 2013” survey conducted by Capital magazine.
- “AHE Gold Fund” was introduced.
- “Contribution Pension Fund” (Contribution Fund) and “Alternative Contribution Pension Fund” (Alternative Contribution Fund) were set up, whereby state contributions will be placed in investments.
- The scope of the new customer acquisition activities of the alternative delivery channels was widened with retention and deepening activities.
- Anadolu Hayat Emeklilik participants received the highest amount of state contribution.
- The Company began selling “Investment Insurance for My Child” insurance policy that is designed for investment for the future of children at an age of 0-15.

2014

- Anadolu Hayat Emeklilik became the first pension company to reach TRY 7 billion in total funds in the private pension system.
- Anadolu Hayat Emeklilik was named the “Most Admired Private Pension Company” in the “Turkey’s Most Admired Companies 2014” survey conducted by Capital magazine.
- Anadolu Hayat Emeklilik participants received the highest amount of state contribution.
- Corporate website and internet branch were revamped.
- East Black Sea District Office was set up and started operations.

2015

- The Company became the first pension company to reach 1 million participants in the private pension system.
- The uncle/aunt themed advertising campaign entitled ‘Bana Amca/Teyze Dediler’ received six different awards including the big prize in the Crystal Apple Turkey Advertising Awards Competition, and the Golden Effie in the 7th Effie Awards Turkey Marketing Effectiveness Competition, while garnering seven different awards in the Mediacat Felis Awards.

- Anadolu Hayat Emeklilik participants received the highest amount of state contribution.
- The “Youth Pension Plan”, Turkey’s first pension plan designed for the youth, was introduced.
- “İşbank Subsidiaries Index Fund” was put on sale.
- “Life Insurance Linked to Commercial Loans” was introduced.
- Critical illness insurance product range was expanded and “Female Critical Illness Insurance” and “Comprehensive Critical Illness Insurance” were put on sale.
- Anadolu Hayat Emeklilik was named the best Zurich Employee Benefits Network service partner.
- Anadolu Hayat Emeklilik “Mobile Branch” application was launched.
- District offices were renamed to “District Sales Offices”.
- Western Black Sea, Thrace and Central Anatolia II District Sales Offices were set up and started their operations.

2016

- The Company exceeded TRY 10 billion in total funds in the Private Pension System.
- Once again Anadolu Hayat Emeklilik participants received the highest amount of state contributions.
- The Company was named the “Most Admired Private Pension Company” for the fifth time in the “Turkey’s Most Admired Companies” survey conducted by Capital magazine.
- Anadolu Hayat Emeklilik was named the “Best Life Insurer in Turkey” by World Finance, crowned with this award for the second time by this eminent business and finance magazine.
- Anadolu Hayat Emeklilik was recognized as the “Best Overall Insurance Company in the Levant Region” in 2016 at the Middle East Insurance Forum.
- Credit-linked life insurance product began to be offered via İşbank Internet Branch and İşcep mobile branch.
- “Commercial Life Insurance” aimed at İşbank’s commercial segment customers was introduced.
- “Shots from Life as Seen by Women” photography contest was held for the tenth time.

MESSAGE FROM THE CHAIRMAN



ANADOLU HAYAT EMEKLİLİK SUSTAINED ITS STABLE, WELL-BALANCED AND PROFITABLE GROWTH ALSO IN 2016.

Mahmut Magemizoğlu
Chairman

2016 has been a tough year for global economy and for Turkey.

The monetary policy practices of the central banks of developed countries, particularly of the US Federal Reserve (Fed), the UK's decision to exit European Union, presidential elections in the US, geopolitical risks aggravated especially in the Middle East, the low performance of the Chinese economy and the upturn of oil prices following the OPEC's decision to cut production were the main topics on the global economy agenda of 2016.

Following the unexpected outcome of the US presidential elections in November 2016, the Fed made its awaited decision in its last meeting in December, taking into consideration the economic growth momentum of US, and hiked its policy rate by 25 base points. Although global markets priced the rate hike, the Fed's surprise came in its 2017 projection, signaling the possibility of three rate hikes in the coming year. The most important result of these developments has been the excessive appreciation of the US dollar particularly against emerging market currencies.

Developed countries carry on with loose monetary policies in an effort to revive economic activity that has yet to capture permanent upward momentum after the global crisis. However, the desired results that remain evasive bring along discussions over the need to introduce fiscal policies and structural reforms. The UK's decision to exit the EU (Brexit) has also substantially increased the risks in relation to global economy. Also, political uncertainties

stemming from the upcoming elections in 2017 in many European countries thin the predictability of the area's economy. Despite this backdrop, the Eurozone economy outdid the growth rate of the US in 2016, for the first time since 2008, and captured 1.7% growth.

The World Economic Outlook update published by the International Monetary Fund (IMF) maintained the growth projections for the global economy unchanged, and estimated global growth at 3.1% for 2016, while projecting it at 3.4% in 2017. Notwithstanding, the IMF also notes that the growth performance of emerging countries in 2017 may remain below the previously released projections, in view of decelerated foreign capital inflow to these countries and depreciated currencies of many emerging countries in 2016.

The Turkish economy attained 4.5% growth on an annual basis in the first half of 2016. In the third quarter, however, the domestic political events, shrank tourism and loss of business days resulted in 1.8% contraction in the economy. Annual growth rate in the first three quarters of 2016 was 2.2%. In the last quarter, on the other hand, economic activity regained a growth trend with the support of the decision to loosen macro-prudential measures coupled with public sector outlays. In 2016, the Turkish economy is estimated to register 2.5% growth.

In the turbulent aftermath of the US presidential elections, Turkey's risk premiums went up, TRY depreciated quickly, and long-term interest rates

THE WORLD ECONOMIC OUTLOOK UPDATE PUBLISHED BY THE INTERNATIONAL MONETARY FUND (IMF) MAINTAINED THE GROWTH PROJECTIONS FOR THE GLOBAL ECONOMY UNCHANGED, AND ESTIMATED GLOBAL GROWTH AT 3.1% FOR 2016, WHILE PROJECTING IT AT 3.4% IN 2017.

MESSAGE FROM THE CHAIRMAN

increased. There was a marked rise in the prices of basic goods category in connection with the loss of value of the Turkish lira. In this context, Consumer Prices Index in 2016 was registered as 8.53%.

While foreign trade volume followed a low course in 2016, the depreciated Euro against the US dollar alleviated the effect of exports on current deficit, which adopted an uptrend in the second half of the year also due to the negative effect lent by tourism revenues. On the other hand, the positive impact of low oil and commodity prices in 2016 will possibly lessen as Brent-oil price picks up. Yet, the activity in tourism upon mended relationships with Russia and the increasing trend observed in exports represent positive developments with respect to the current deficit.

In the period ahead, reduction of geopolitical risks in particular, which have been ongoing for some time, is regarded as the primary factor for potential positive turn to be taken by indicators.

2016 has been the scene to important developments that will drive savings ratio.

Because of the voluntary structure of the Private Pension System (PPS) positioned in the third level in our country, the system's growth was driven by individual enrolment and participation adopted a certain speed. It can also be suggested that the state contribution introduced at the onset of 2013 also

bore very positive effects on the sector's growth momentum. 2016 saw acquisition of a concrete form, and realization, of the opinions voiced since the inception of the PPS in 2003, stating that the system should be broad-based, which would let it expand more firmly.

Within the frame of the target for investing savings in long-term financial instruments for the purpose of increasing domestic savings, which takes place in the government's 2017-2019 Medium Term Program, an article has been supplemented to the Private Pension Savings and Investment System Law on 25 August 2016. Accordingly, arrangements were made for private and public sector employees under the age of 45 as of the date on which their workplaces have been included within the scope, and new hires within the same scope will be automatically enrolled in a private pension plan by their employers.

As similar practices are in place in various countries such as the USA, the UK and New Zealand, the introduction of the Auto Enrolment System in Turkey is intended to help increase domestic savings ratio. The system also aims at encouraging employees to save up for their retirement to maintain the level of welfare they have while employed in their retirement period, as well. Incorporating significant state incentives targeting employees, the system's participant base is anticipated to see a fast expansion, which in turn should contribute to the development of capital markets.

BECAUSE OF THE VOLUNTARY STRUCTURE OF THE PRIVATE PENSION SYSTEM (PPS) POSITIONED IN THE THIRD LEVEL IN OUR COUNTRY, THE SYSTEM'S GROWTH WAS DRIVEN BY INDIVIDUAL ENROLMENT AND PARTICIPATION ADOPTED A CERTAIN SPEED.

We are representing an experience of more than 25 years.

Anadolu Hayat Emeklilik sustained its stable, well-balanced and profitable growth also in 2016. In parallel with our successful results, TRY 100 million cash dividends have been paid in the reporting period to our shareholders out of our 2015 profit.

In 2016, our Company's net profit attained a strong growth and reached TRY 190.3 million. Representing our Company's financial strength and the trust our customers hold in us, our total assets went up by 21% to TRY 14.4 billion, and our shareholders' equity reached TRY 860.9 million. Our technical profitability on life, non-life and private pension branches in which we are active also increased by 23% to TRY 133 million.

In 2016, Anadolu Hayat Emeklilik retained its title as the company creating of highest amount of funds in the sector with its total funds of TRY 13 billion attained in life insurance and private pension system.

Drawing on our experience and know-how of more than 25 years, we constantly leverage our brand equity. Named "Turkey's Most Admired Private Pension Company" for the fifth consecutive year in the annual "Turkey's Most Admired Companies" survey conducted by Capital Magazine, Anadolu Hayat Emeklilik was also selected the "Best Life Insurer in Turkey" for the second time by World Finance, one of the world's eminent business and finance magazines.

In keeping with the regulatory arrangements and new practices that undergo a speedy evolution, Anadolu Hayat Emeklilik ensures that its employees and distribution channels constantly receive training and develop, while renewing its technological infrastructure and further upgrading its service quality.

As Turkey's first publicly-held private pension company, Anadolu Hayat Emeklilik will continue to generate added value for the industry and the national economy with its solid shareholding structure, sustainable and successful financial performance, and customer-centric approach to service that reflects İşbank's corporate culture.

I would like to extend my sincere thanks to our esteemed customers, shareholders, employees, agencies and business partners, to whom we owe our existence in this line of business that is built upon trust.

Yours sincerely,



Mahmut Magemizoğlu
Chairman of the Board of Directors

IN 2016, ANADOLU HAYAT EMEKLİLİK RETAINED ITS TITLE AS THE COMPANY CREATING HIGHEST AMOUNT OF FUNDS IN THE SECTOR WITH ITS TOTAL FUNDS OF TRY 13 BILLION ATTAINED IN LIFE INSURANCE AND PRIVATE PENSION SYSTEM.

MESSAGE FROM THE CEO



IN 2016, ANADOLU HAYAT EMEKLİLİK REMAINED THE SECTOR'S LEADER IN THE NUMBER OF CONTRACTS AND CERTIFICATES, RETIREES AND IN STATE CONTRIBUTION FUNDS IN THE PRIVATE PENSION SYSTEM.

Mehmet Uğur Erkan
CEO & Board Member

Growth continues in life insurance and private pension businesses.

Although 2016 has been the scene to a number of negative occurrences both in the world and in Turkey, life insurance and Private Pension System carried on with their stable growth. High real growth in life insurance brought along intensified competition, while the agenda of the private pension segment was occupied by occupational auto enrolment carried out under a regulatory arrangement that proceeded quickly from the second half of the reporting period.

Regulatory arrangements, which came into force by early 2016, entailed downward revision of the deduction structure based on international standards, and added to the attraction of the pension products offered in the system, however, resulting in contracted profit margins for the business line. Therefore, private pension branch has embarked upon a period where operating scale and effective cost management have gained further importance.

To this backdrop, the Private Pension System sustained its stable expansion. At the end of the year, total funds including state contributions amounted to TRY 60.8 billion, up by 27%, whereas the number of participants increased by 10% to top 6.6 million people. Total contributions in the industry reached TRY 44.4 billion.

Pension mutual funds delivered satisfactory returns, in spite of the fluctuations triggered by the global, regional and domestic circumstances of 2016. While funds investing in FC assets yielded high returns as they did in previous years, real returns on funds in the stock and flexible category were at reasonable levels. Average return on the industry's funds was registered as 10.9% nominally and 2.2% in real terms, while AHE BRIC Plus Fund set up by our Company has been the highest return generator in the industry in the same period with an annual figure of 54.8%.

Premium production on life insurance expanded by 34% nominally and 23.4% in real terms as compared with 2015, and reached TRY 5,039 million. In the same timeframe, premiums written in term life insurance augmented by 39% and constituted 91% of total premium production. Premium production on life insurance was accountable for 12% of the insurance industry's total premium production, as was the case in 2015. This ratio is 55% in OECD countries, showing that life insurance branch still maintains its high development potential in our country.

When we look at the shares of premiums written in life insurance on the basis of distribution channels according to year-end 2016 data, it can be seen that the bank channel upped its share from 80% at year-end 2015 to 83% due to the density of term life insurance linked to banking products.

We have consolidated our position with a high performance in both branches we are engaged in.

As at 30 December 2016, our Company reached 1,120,399 people in the number of participants and TRY 11.4 billion in funds under management in the Private Pension System. The number of participants of our Company that went up 9% in 2016 served to preserve our 17% market share in this department. The Company got 19% market share in total funds, which grew by 27%. With these results, Anadolu Hayat Emeklilik remained the company with the highest state contribution funds, as well as retaining its leadership in total funds in the aggregate of private pension and life insurance branches.

Driven by 52% enlargement in term life insurance, a growth rate that surpassed the industry's average, Anadolu Hayat Emeklilik rose to the position of the second highest generator of life insurance premiums, with total premiums written amounting to TRY 501 million. With TRY 395 million written in premiums in 2016, term life insurance got 79% share out of life insurance premium production. During the reporting

DRIVEN BY 52% ENLARGEMENT IN TERM LIFE INSURANCE, A GROWTH RATE THAT SURPASSED THE INDUSTRY'S AVERAGE, ANADOLU HAYAT EMEKLİLİK ROSE TO THE POSITION OF THE SECOND HIGHEST GENERATOR OF LIFE INSURANCE PREMIUMS, WITH TOTAL PREMIUMS WRITTEN AMOUNTING TO TRY 501 MILLION.

MESSAGE FROM THE CEO

period, our Company registered TRY 1,695 million in total life insurance funds, thus, preserving its leadership of the sector with 30% market share.

Owing to this successful performance, Anadolu Hayat Emeklilik remained the sector's leader with TRY 13 billion in total funds in private pension and life insurance branches. Additionally, the Company ranked in:

- No. 2 spot with a 17% market share in the number of participants,
- No. 1 spot with a 17% market share in the number of contracts and certificates,
- No. 1 spot with a 26% market share in the number of retirees.
- No. 1 spot with a 20% market share in state contribution funds,
- No. 2 spot with a 10% market share in total premium production on life insurance,

Auto enrolment indicates at a major breakthrough.

Stipulating auto enrolment of wage-earners under the age of 45 in a private pension plan by their employers, Auto Enrolment System entered into force as of 1 January 2017. The new system encourages individuals to generate a complementary income so that they can maintain their accustomed standards of living in their retirement. It is believed that Auto Enrolment, which is a secondary occupational system within the social security system, will also help expand the participant base, increase long-term domestic savings ratio, provide significant fund accumulation in the system, and positively influence the deepening of capital markets.

The practice is basically founded on monthly automatic salary deductions of at least 3% of the employee's income forming the basis of the premium. With no contribution payment obligation imposed on the employer, the system also provides a remarkable state support to employees. This is regarded as a strong advantage made available to encourage participants to remain within the system in the long term.

Approximately 6 million people are anticipated to participate in the Auto Enrolment System during 2017. With the added impact of auto enrolment, total funds including state contributions in the system

is projected to be in the order of TRY 77 million at year-end 2017, and this amount is expected to reach TRY 253 billion in 10 years.

We have upgraded our service infrastructure in line with the new arrangement.

A holistic look at the occupational Auto Enrolment System, fast enlargement expected in the participant base, and its effect on profitability reveals the need for pension companies to align their sales and service models with the new format. In this framework, a main competitive element arises as development of marketing, sales, operation and customer services activities so as to encompass institutional customers and more effective use of digital channels.

During 2016, our Company undertook comprehensive projects for restructuring institutional sales and service model, as well as for alignment with Auto Enrolment System legislation. These activities resulted in the development of the most competitive product and service infrastructure for our individual and institutional customers. This modern infrastructure and innovative practices will ensure that our Company will maintain its pioneering role in the industry also in auto enrolment.

We are carrying out our activities in compliance with our strategies and in view of competitive conditions and regulatory requirements.

Our Company believes in the importance of adopting flexible and dynamic management in order to quickly respond to the needs stemming from regulatory and macroeconomic developments and from competitive conditions, and to predict opportunities and risks so as to take a position proactively.

Under the basic insurance software upgrade initiative launched in 2014 in order to align the Company's technological infrastructure with our forward-looking strategic goals, the first phase covering private pension is slated for completion in the first quarter of 2017. In parallel, other projects, which are targeting content and design development of digital channels addressing individual and institutional customers and enriching the scope of the Customer Relationship Management (CRM) implementation with new functions, were carried out

We have a strong claim in bancassurance.

The collaboration we are actively carrying out with our principal shareholder, İşbank, is one of the most efficient and most successful bancassurance implementations in Turkey. We perform our sales activities through our direct sales team, agencies, and İşbank branches, and we keep creating value based on an emphatic customer experience.

Bancassurance is crucial in life insurance branch, particularly in term life insurance production, which is offered in conjunction with banking products. During 2016, amount of term life insurance premium generated via the bank channel increased 54% year-to-year. In 2017, efforts will be concentrated in increasing production in term life insurance policies, both stand-alone and linked to commercial banking products. For the private pension branch, our Company and our primary distribution channel İşbank will focus on institutional marketing and sales activities in line with the changing market dynamics.

Our target in the period ahead is to increase our powerful synergy in bancassurance in all aspects and carry our achievements further.

2017 and the period that follows promise a rapid development.

Auto enrolment was one of the most important agenda items of 2017 for us. While the long saving period that people under the age of 45, which is the target customer group of auto enrolment, will experience until retirement creates advantages for pension companies, it also gives rise to risks. Activities that will be undertaken to retain the individuals in the system come at the top of topics the industry will need to deal with in the period ahead. Proper planning and intensive communication strategy in this department could bring a significant growth rate for the entire sector.

The market leader in the group-based contract category in private pension branch, Anadolu Hayat Emeklilik aims to strengthen its current position with competitive products and services it offers also in the new institutional market that will be formed by auto enrolment.

In addition, target customer groups outside the scope of Auto Enrolment System now have increased importance. In this context, communication,

marketing and sales activities addressing housewives and young customer segments will be continued; our Company has long been putting these segments in its focal point and differentiated itself through special product and service delivery. In addition, preparations are underway for introducing innovative products and services targeting the customer groups under the age of 18, since regulatory initiatives that will enable this segment to enter the Private Pension System are expected to go live.

In the life insurance branch, while it is forecasted that term life insurance linked to consumer loans will get the highest share out of total production, products associated with commercial banking products and stand-alone products are anticipated to raise their shares. Along this line, our Company also targets to broaden the customer base through giving more weight to selling stand-alone term life and saving products, in addition to term life policies linked to loans.

On the other hand, the updated legislation allowed pension companies to obtain licenses for health and illness branch. As pension companies will be able to individually offer critical illness and permanent disability coverage, diversity in this respect in the industry is anticipated to increase.

As Anadolu Hayat Emeklilik, we will keep creating value consistently for all our stakeholders, and particularly for our policyholders in 2017. Our robust financial structure that will enable us to attain our targets, our select intellectual capital, modern technological infrastructure, efficient processes and quality service notion allow us to hold a more confident outlook for the future.

I would like to sincerely thank our policyholders for their trust, and our principal shareholder İşbank, our other shareholders, all our production channels and employees for their support and contributions to our results.

Yours sincerely,



M. Uğur Erkan
CEO

AN OVERVIEW OF THE WORLD AND TURKISH ECONOMIES IN 2016 AND 2017 OUTLOOK

NEW INITIATIVES IN PRIVATE PENSION AND INSURANCE INDUSTRIES

The World Economy

In 2016, highlights of the global economy agenda included the monetary policy practices of advanced countries' central banks led by the US Federal Reserve (the Fed), the UK decision to exit the European Union, the US presidential election, heightened geopolitical risks, the performance of the Chinese economy, and the course of oil prices. During 2016, economic growth rate of developed countries lost pace, whereas economic activity in emerging countries showed recovery, even if at a limited extent.

Developed countries continue with extraordinarily loose monetary policy practices with the goal of reviving the economic activity that has been unable to acquire a permanently upward momentum in the aftermath of the global crisis. Nonetheless, the desired results that proved to be evasive brought the discussions about the necessity to introduce fiscal policies and structural reforms on the table. The UK decision to exit the EU (Brexit) also caused

significant increase in risks pertaining to the economy. Furthermore, political uncertainties that will result from the elections that will be carried out in a number of European countries in the coming period also lessen the predictability of the region's economy.

Brexit that added to the uncertainties relating to the economic outlook has been one of the factors that led the FED to postpone its rate hike decision. In the first eleven months of the year, the FED kept the policy rate in the order of 0.25-0.50%. On the other hand, the fact that the US presidential election was won by the candidate whose campaign promises included loose monetary policies such as lower tax rates and accelerated infrastructural investments increased the anticipations that economic growth will gain momentum and inflation will adopt an uptrend in the country. This situation might drive FED to act more rapidly in hiking rates in 2017. Following the first rate increase that came in December 2015, the Fed made the second hike in December 2016.

Real Growth (%)	2015	2016 (E)	2017 (P)
World Output	3.2	3.1	3.4
Advanced Economies	2.1	1.6	1.9
USA	2.6	1.6	2.3
Eurozone	2.0	1.7	1.6
Japan	1.2	0.9	0.8
Emerging Market and Developing Economies	4.1	4.1	4.5
Change in World Trade Volume (%)	2.7	1.9	3.8
Inflation (%)			
Advanced Economies	0.3	0.7	1.7
Emerging Market and Developing Economies	4.7	4.5	4.5

Source: IMF World Economic Outlook, January 2017 (E): Estimate, (P): Projection

During 2016, low and even negative interest environment in developed countries fuelled investors' interest, who were in pursuit of returns, towards emerging countries, in turn allowing a positive performance in capital inflows to these countries. While this will partially be the case in 2017, the fact that fiscal loosening packages began replacing the monetary policies in certain developed countries might bring about higher interest rates also in developed countries, thereby slowing down the capital flows directed to emerging countries.

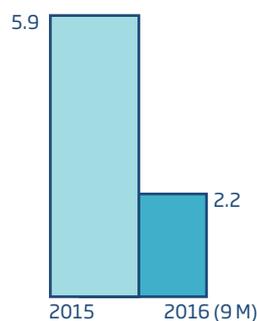
During 2017, the decisions taken particularly by the Fed, and also by the central banks of other developed countries will be watched closely. Furthermore, the protective policies that may be adhered to by the new administration in the US, the anti-EU tendencies gaining strength in Europe following Brexit, and aggravated geopolitical risks in the Middle East might put pressure on global economy. The normalization steps the Fed will take with regard to the monetary policy are expected to be gradual so as not to exert additional pressure on economic activity. In the Eurozone and Japan, on the other hand, expansionary monetary policies are anticipated to live on. In view of the possible use of fiscal policies to support economic activity, the global economy is expected to show partial recovery in 2017.

The Turkish Economy

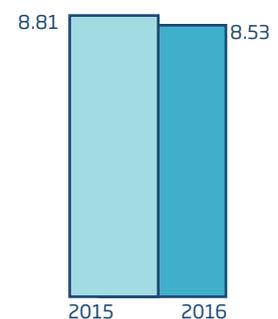
The Turkish economy registered 4.5% growth on an annual basis in the first two quarters of 2016. In the third quarter, however, the economy dwindled by 1.8% due to domestic political events, shrank tourism and loss of workdays. In the first three quarters of 2016, annual growth rate was in the order of 2.2%. In the last quarter, on the other hand, economic activity readopted a growth trend with the support of the decisions to loosen macroprudential measures and public outlays. Within this frame, growth is forecasted to be in the order of 2.5% in 2016.

The declined tourism revenues despite the contracted foreign trade deficit in 2016 reflected negatively on current deficit, which expanded by 5% on an annual basis in the first eleven months of the year and reached USD 28.6 billion. 12-month cumulative current deficit was USD 33.7 billion as at November 2016. Portfolio investments displayed a positive outlook in the financing of current deficit as compared to the previous year, whereas net foreign direct investments lost momentum. Banks and non-banking sectors carried on with international borrowing without any problems. It is anticipated that the rise in commodity prices coupled with the weak performance of tourism revenues might prove to be effective on the rise of current deficit in the remaining part of the year.

GDP Growth Rate - Fixed Prices
(%)



Inflation
(%)



AN OVERVIEW OF THE WORLD AND TURKISH ECONOMIES IN 2016 AND 2017 OUTLOOK

In 2016, central government's budget revenues and outlays grew by 14.8% and 15.3%, respectively. The budget deficit increased by 24.4% from TRY 23.5 billion in 2015 to TRY 29.3 billion in 2016. In view of the government's targets, the steps taken to support the economy are anticipated to serve to accelerate the expansion in the budget deficit at year-end 2017.

The annual CPI was 8.5% in December. Core inflation indicators, kept under close watch by the Central Bank of the Republic of Turkey (CBRT), exhibited an improving trend since August. In the period ahead, the course of TRY, combined with the movements in the highly volatile food prices and domestic demand conditions will possibly play an important role in inflation.

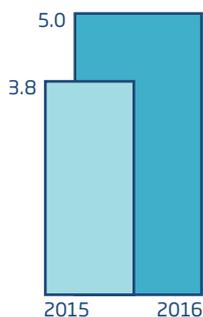
From March 2016, the CBRT initiated simplification steps in its monetary policy, and decreased the overnight lending rate (marginal funding rate), which makes up the upper band of the interest rate corridor, by 250 basis points in the aggregate in the March-September period. In addition, the CBRT adopted liquidity measures in an effort to support the financial system after the coup d'état attempt of July 15th. Having kept its interest rate policy unchanged in October, the CBRT increased the upper band of the

interest rate corridor and one-week repo rate by 25 and 50 basis points, respectively, in November, in view of the increased volatility of exchange rates, thereby implementing a measured tightening in the monetary policy. Consequently, marginal funding rate was 8.25%, borrowing rate was 7.25%, and one-week repo rate was 8% as of November. The weighted average funding cost of the CBRT, on the other hand, declined from 8.8% at the onset of the year to 8.3% at year-end. The CBRT's policies affected the funding costs in the banking industry positively. Nevertheless, the credit demand was weak throughout the three quarters of 2016, which showed some recuperation particularly in October, as macroprudential measures directed towards consumer loans were loosened.

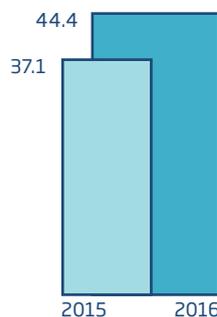
The Turkish Life Insurance and Private Pension Sectors

Auto enrolment that came into force in the Private Pension System as of 2017 is crucial for reaching higher saving ratios, which is a requisite of sustainable economic structuring, and for increasing the coverage of the system. Possessing a significant function in securing long-term funds, life insurance also maintains its high potential.

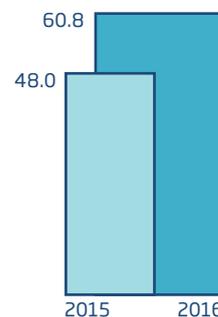
Total Premium Production - Life Insurance (TRY billion)



Total Contributions - Private Pension System (TRY billion)



Total Funds - Private Pension System * (TRY billion)



* Including state contribution

During 2016, 22 life insurance and pension companies realized production in life insurance in Turkey, with 18 of them also operating in the private pension sector.

In 2016, private pension and life insurance sectors carried on with their stable growth, and saw increased competition, company mergers, and new regulatory arrangements introduced.

Based on the 2016 data of the Insurance Association of Turkey (IAT), premium production on life insurance grew by 34% year-on-year to TRY 5,039 million. As was the case in 2015, the said premium production corresponded to 12% of the total production by the overall insurance sector. This figure is around 55%* in OECD countries; as such, life insurance branch still preserves its high potential in our country.

According to year-end 2016 data of the IAT, based on the distribution of premium production on life branch by distribution channels, the bancassurance channel increased its share from its year-end 2015 figure of 80% to 83%.

In 2016 that marked the system's thirteenth year, total funds managed in the private pension system surpassed TRY 60.8 billion and the number of participants in the system topped 6.6 million as of 30 December 2016. In the reporting period, the number of participants and total funds under management grew by 10% and 27%, respectively. Looking at these results, it can be seen that the sector sustained its stable growth on the back of the momentum captured in total funds.

It is believed that the auto enrolment practice that came into force in the private pension system as of 2017 will contribute to the growth of the national economy and will lend significant momentum to the development of the sector. When it is considered that merely 7% of the contracts in the system are employer-based, it is anticipated that the new practice will intensify employer-based participation and grow participant base. As a result, number of participants and total funds are projected to increase rapidly.

During 2017, life insurance policies sold in connection with retail and commercial banking products are anticipated to maintain their weight in life insurance business, and diversity of free-standing products are expected to rise.

(*) SwissRe, Sigma, World Insurance in 2015

AUTO ENROLMENT THAT WILL ENTER INTO FORCE IN THE PRIVATE PENSION SYSTEM AS OF 2017 IS CRUCIAL FOR REACHING HIGHER SAVING RATIOS, WHICH IS A REQUISITE OF SUSTAINABLE ECONOMIC STRUCTURING, AND FOR INCREASING THE COVERAGE OF THE SYSTEM. POSSESSING A SIGNIFICANT FUNCTION IN SECURING LONG-TERM FUNDS, LIFE INSURANCE ALSO MAINTAINS ITS HIGH POTENTIAL.

ANADOLU HAYAT EMEKLİLİK BY NUMBERS

SUCCESSFUL PERFORMANCE, SUSTAINABLE PROFITABILITY

Summary Financial Information

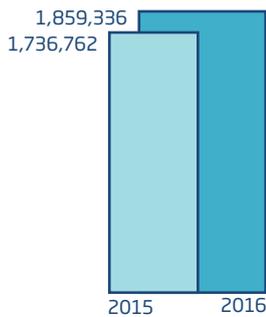
Financial Highlights (TRY thousand)	2016	2015	Change (%)
Total Premium and Contribution Production ^(*)	1,859,336	1,736,762	7
Mathematical Provisions	1,682,434	1,700,163	-1
Pension Funds ^(**)	11,359,421	8,933,550	27
General Technical Profit	133,012	108,259	23
Total Assets	14,391,682	11,889,176	21
Paid-in Capital	430,000	410,000	5
Shareholders' Equity	860,855	778,205	11
Financial Income	123,363	87,545	41
Pretax Profit	229,804	175,845	31
Net Profit	190,274	145,067	31

Key Ratios	(%)	(%)
Pretax Profit/Shareholders' Equity	23	20
Premium and Contribution Production/Total Assets	13	15
Shareholders' Equity/Total Assets	6	7

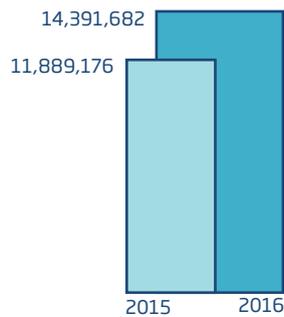
(*) Based on the data released by the Pension Monitoring Center (PMC) as of 30 December 2016. Total premium figures include premiums from personal accident branch.

(**) Including state contribution funds.

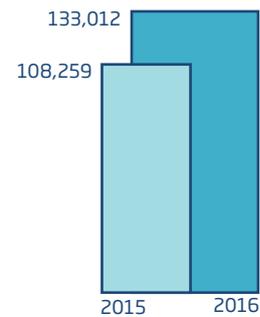
Total Premium and Contribution Production (TRY thousand)



Total Assets (TRY thousand)



General Technical Profit (TRY thousand)



Capital and Shareholder Structure

Shareholder	Share Amount (TRY)	Share (%)
Türkiye İş Bankası A.Ş.	273,194,212	63.53
Anadolu Anonim Türk Sigorta Şti.	86,000,000	20.00
Millî Reasürans T.A.Ş.	4,299,999	1.00
Publicly-held	66,505,789	15.47
Total	430,000,000	100.00

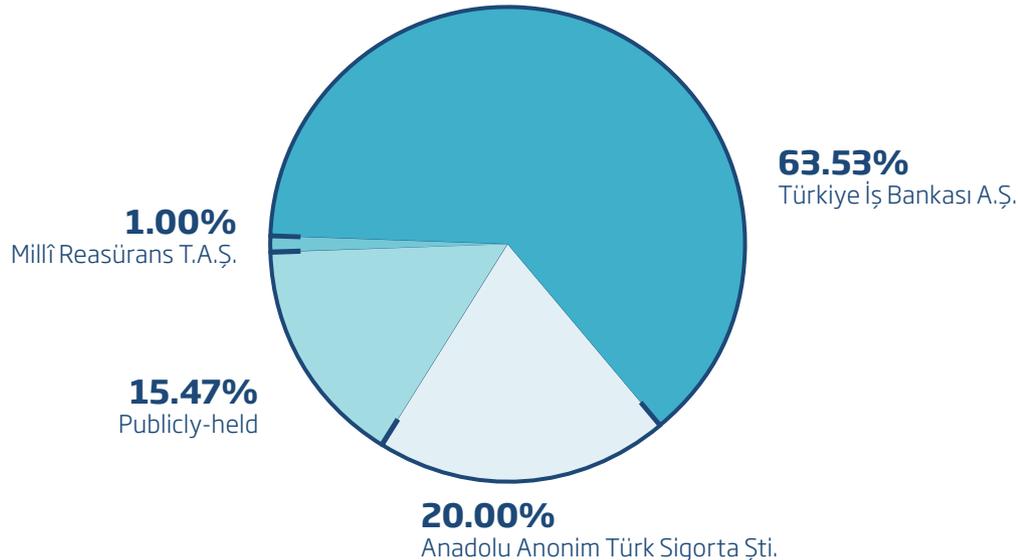
*The ratio of publicly-held shares is 17%. As of 31 December 2016, Türkiye İş Bankası A.Ş., holds 1.53% of the publicly-held shares.

At the Board of Directors meeting of Anadolu Hayat Emeklilik held on 29 April 2016, it has been decided to raise the Company's issued capital of TRY 410,000,000 by TRY 20,000,000 to TRY 430,000,000; of the incremental amount, TRY 10,000,000 will be covered from extraordinary reserves and TRY 10,000,000 from statutory reserves. Along the line, it has been deemed fit by the Capital Markets Board of Turkey (CMB) decision dated 24 June 2016 and numbered 20/685 that shares with a nominal value of TRY 20,000,000, which will be issued by reason of the capital increase, be registered with the CMB; the registration procedure has been finalized as of 13 July 2016.

Out of 43,000,000,000 shares representing the capital in the amount of TRY 430,000,000, 100,000,000 are Class A and the remaining 42,900,000,000 are Class B shares. As at

the date of the balance sheet, all of Class A shares are held by the Company's shareholder, Türkiye İş Bankası A.Ş. (İşbank). Holders of Class A shares are not granted any privileges save for the nomination of the Board Directors. Seven members of the Board Directors are elected by the General Assembly from amongst candidates nominated by Class A shareholders, and four from amongst those nominated by Class B shareholders. The Company's articles of association do not allow creation of new Class A shares in capital increases.

The Company did not repurchase any of its own shares in the reporting period. The Company has only one associate, İş Portföy Yönetimi A.Ş., in which it holds 20% share in capital. İş Portföy Yönetimi A.Ş. does not own any share in our Company. Shares held in the Company by the members of the Board of Directors and the Executive Committee are negligible.



ANADOLU HAYAT EMEKLİLİK BY NUMBERS

BIST 100 INDEX AND ANADOLU HAYAT EMEKLİLİK MARKET CAPITALIZATION (2000-2016, USD)



BIST 100 INDEX AND ANADOLU HAYAT EMEKLİLİK MARKET CAPITALIZATION (2000-2016, TRY)



STRATEGIC GOALS OF ANADOLU HAYAT EMEKLİLİK

THE POWER OF EXPERIENCE OF MORE THAN 25 YEARS

Anadolu Hayat Emeklilik has been pursuing its operations with the goal of leading the sectors in which it is engaged ever since its incorporation. The Company is set apart from its peers with its in-depth know-how, competent human resource, powerful brandname and deep-rooted corporate culture. The financial strength of its parent İşbank is one of the key strengths of Anadolu Hayat Emeklilik.

Defining its targets based on its commitment to further leverage its successful performance as one of the strong and reliable companies of the insurance and pension industries, Anadolu Hayat Emeklilik makes optimum use of its know-how, experience and capital accumulation to achieve profitable and sustainable growth.

Anadolu Hayat Emeklilik remains strictly adhered to its mission of contributing to the development of the national economy by raising and nurturing in people an awareness of the need to safeguard their futures, offering financial solutions that cater to the needs of individuals and corporations, and creating long-term, stable funds.

Anadolu Hayat Emeklilik pursues its operations in keeping with its vision to be Turkey's top and most preferred life insurance and pension company in all aspects and to take place among the world's leading companies in terms of quantity and quality where the degree of economic integration is constantly increasing.

The key priorities for the Company include cementing the leading position in the sector through innovative products and practices, efficiently positioning products and services in line with customer segments and sales channels, and maximizing customer experience and services.

Initiatives and efforts are underway to realize digital transformation, which is the key to securing sustainable growth and efficiency in business processes. One of the main focal points is to carry out these initiatives with integrated, agile and solution-oriented systems.

Ensuring constant development of the human resource that represents the Company's most valuable asset and investing in qualified people are among the main strategic goals.

THE FIRST PUBLICLY TRADED PENSION COMPANY IN TURKEY, ANADOLU HAYAT EMEKLİLİK CARRIES OUT ITS ACTIVITIES WITH THE STRENGTH, TRUST AND SENSE OF RESPONSIBILITY BESTOWED UPON IT BY BEING ONE OF THE LEADING ENTERPRISES OF THE RESPECTIVE INDUSTRIES AND THE NATIONAL ECONOMY.

ACTIVITIES IN 2016



Yeşim Kılıç / Shots from Life as Seen by Women '16

**AN OVERVIEW OF ANADOLU HAYAT EMEKLİLİK'S POSITION IN THE INDUSTRY AND ITS ACTIVITIES
IN 2016**

RESEARCH AND DEVELOPMENT

AN OVERVIEW OF ANADOLU HAYAT EMEKLİLİK'S POSITION IN THE INDUSTRY AND ITS ACTIVITIES IN 2016

THE MOST ADMIRABLE PENSION COMPANY WITH ITS HIGH QUALITY SERVICE AND CUSTOMER SATISFACTION

In the 26 years since its incorporation, Anadolu Hayat Emeklilik secured itself a position as one of the leading enterprises in the national economy and in its respective industry alike, by making efficient use of its know-how, experience and capital accumulation.

Carrying out its operations with the strength, trust and sense of responsibility bestowed upon it by this position, Anadolu Hayat Emeklilik continued to offer innovative products and services and delivered on its emphatic customer experience promise on the back of high service quality and efficient distribution channel management in life insurance and private pension branches during 2016.

Based on its successful performance in 2016 enabled by the correct strategies and policies pursued, Anadolu Hayat Emeklilik sustained its leadership in total funds under management in private pension and life insurance branches. The Company ranked 1st in the sector in terms of the number of nearly 1.3 million contracts and certificates and approximately TRY 1.5 billion state contribution funds in the Private Pension System in the reporting period.

During 2016, Anadolu Hayat Emeklilik;

- Secured 9% rise in the number of participants and 27% enlargement in total funds including state contributions based on the Pension Monitoring Center (PMC) data of 30 December 2016,
- Reached TRY 11,366 million in total funds under management (including state contributions) and 1,120,399 participants,
- Is the sector's leader with 17% market share in the number of contracts and certificates as at 30 December 2016,
- Achieved 10% market share on the basis of a premium production of TRY 501 million in life insurance branch according to Insurance Information and Monitoring Center data of 31 December 2016,
- Outgrew the sector's average in term life insurance, and produced TRY 395 million corresponding to a year-on rise by 52%. The Company remained the sector's leader in terms of fund value held by life insurance policyholders, which reached TRY 1.7 billion,
- Increased its total assets by 21% year-to-year and reached TRY 14.4 billion as at year-end 2016,
- Once again manifested its ability to create sustainable and lasting value with a net profit of TRY 190 million,
- Was named the "Most Admired Private Pension Company" for the fifth time in "Turkey's Most Admired Company" survey conducted by Capital magazine, and "Turkey's Best Life Insurer" for the second time by World Finance, one of the most eminent business and finance magazines in the world,
- Carried out channel management in bancassurance activities with the goal of high productivity, by constantly reinforcing its competence in making

IN 2016, ANADOLU HAYAT EMEKLİLİK CONTINUED TO OFFER INNOVATIVE PRODUCTS AND SERVICES AND DELIVERED ON ITS EMPHATIC CUSTOMER EXPERIENCE PROMISE ON THE BACK OF HIGH SERVICE QUALITY AND EFFICIENT DISTRIBUTION CHANNEL MANAGEMENT IN LIFE INSURANCE AND PRIVATE PENSION BRANCHES.

AN OVERVIEW OF ANADOLU HAYAT EMEKLİLİK'S POSITION IN THE INDUSTRY AND ITS ACTIVITIES IN 2016

optimum use of the distribution channels, and kept strengthening its active agency channel,

- Completed its preparations promising customer satisfaction in the private pension auto enrolment practice that came into force as of 2017 based on its active and pioneering role in the industry,
- Expanded the customer base of the Mobile Branch by upgrading it in compliance with customer needs,
- Achieved significant rises in the number of followers of Facebook, Twitter, Google+, LinkedIn and Youtube pages through intense action on social networks,
- Paid utmost attention to achieving full compliance with the corporate governance principles and regulatory requirements that define the framework of its operations, and kept carefully observing the transparency principles in all of its practices.

Marketing and Sales

In 2016, Anadolu Hayat Emeklilik carried out marketing and sales activities for new product and service development in line with its goals and policies, and these activities focused on growing the Company's business value and ensuring continued competitive superiority.

Customer retention efforts continued vigorously, resulting in retention ratios above the sector averages.

In the management of its pension funds, Anadolu Hayat Emeklilik maintains cooperation predominantly with İş Asset Management, as well as other leading asset management companies in the sector.

Suzan Cömert Özata / Shots from Life as Seen by Women '16



ANADOLU HAYAT EMEKLİLİK OFFERS SERVICE WITH A RICH PRODUCT RANGE TO INDIVIDUAL AND CORPORATE PARTICIPANTS IN THE PRIVATE PENSION BRANCH.

Auto Enrolment System

Auto enrolment implementation in private pension will serve to intensified occupational enrolment, expanded participants base for the system, and rapid growth of the industry. Having completed its product, service and infrastructure developments, Anadolu Hayat Emeklilik is geared up to act as the guide being the industry's pioneering company.

Solutions customized with a proactive approach

Anadolu Hayat Emeklilik offered customized solutions that meet its customers' expectations from different segments with its products and services in life insurance and private pension branches also in 2016.

In the private pension branch, Anadolu Hayat Emeklilik offers services with a rich product portfolio covering pension plans and pension mutual funds with different content and fees, and encompassing various alternatives that respond to the investment and risk expectations of individual and corporate participants.

In line with the needs of private pension participants, the Company continued to offer the services of contribution payment guarantee for housewives, career coaching for the youth, and social security advisory and investment advisory for all customers.

In the life insurance branch, new life insurance products, either stand alone or linked to loans, have been put on the market in line with the needs of customers and distribution channels.

The efficiency and capacity of the distance sales channel were increased, and new customer acquisition and cross-selling activities were carried out using channel-specific products.

Infrastructural work has been completed for making personalized offers in inbound calls and IVR system.

Within the scope of Key Account Management, diversity and quality of services offered to key customers have been increased based on one-on-one service notion.

Campaigns: A powerful tool for attaining sales targets

Using campaigns as a powerful tool for strengthening the cooperation among its distribution channels and for achieving sales targets, Anadolu Hayat Emeklilik maintains an increasing level of success on the axis of "customer satisfaction".

In 2016, effective customer relationship initiatives conducted for increasing customer retention and depth were supported with campaigns.

Campaigns were organized to promote and secure increased use of the Mobile Branch, and to increase the sales of segment-based pension plans, and life insurance policies offering cover against critical illnesses and enabling savings on behalf of children.

A powerful brand on social networks

Efforts for increasing the interaction rate and the number of followers on social networks continued in 2016 and campaigns were held along the same lines. As a result of proactive initiatives, significant rises were attained in the number of followers on all social networks. On an annual basis, the number of followers went up by 25% with Facebook, 78% with Twitter, 36% with Google+, 14% with LinkedIn and 89% with Youtube. On the other hand, the campaigns and initiatives on the search network and display network, which were conducted with the vision of creating sales leads and consolidating the brand image, proved to be significant contributors.

USING CAMPAIGNS AS A POWERFUL TOOL FOR STRENGTHENING THE COOPERATION AMONG ITS DISTRIBUTION CHANNELS AND FOR ACHIEVING SALES TARGETS, ANADOLU HAYAT EMEKLİLİK MAINTAINS AN INCREASING LEVEL OF SUCCESS ON THE AXIS OF "CUSTOMER SATISFACTION".

AN OVERVIEW OF ANADOLU HAYAT EMEKLİLİK'S POSITION IN THE INDUSTRY AND ITS ACTIVITIES IN 2016

Customer Services

Digitization serving to deliver the products and services mix to customers through diverse channels and to increased interaction

Due to the fast-paced increase of digital interaction and intensive use of digital channels by consumers independent from place and time, it has become essential to position products and services also on these channels.

Having put this awareness into life with a proactive strategy and having created a dedicated expertise and capability for the management of digital channels, Anadolu Hayat Emeklilik kept enriching its digital channels so as to improve the customer experience and enhance its service quality in 2016.

Access provided any time, anywhere with Anadolu Hayat Emeklilik Mobile Branch

Developed in view of customer needs and user experiences, the Mobile Branch gives the customers access to information about private pension and life insurance products, as well as the capability to execute their transactions any time anywhere. During 2016, 168,000 Anadolu Hayat Emeklilik customers received service via the Mobile Branch application.

The retail Internet Branch of Anadolu Hayat Emeklilik, which is designed to provide an environment of easier and faster access, querying and transacting to customers, was visited by nearly 575,000 customers during 2016.

Increased efficiency in customer relations

In an effort to upgrade service levels and increase productivity, the IVR flow of the Call Center has been revamped in 2016, vesting it in a capability to respond to customer needs more effectively. The outbound calls and inbound calls teams were expanded, thereby achieving growth in the volume and diversity of the

calls handled. During 2016, the Call Center responded to approximately 1.3 million calls and placed more than 750,000 outbound calls. A total of 884,031 transactions were executed within the scope of customer operations during the reporting period.

Distribution Channels

High-level customer reach through efficient channel management

Anadolu Hayat Emeklilik manages its nationwide distribution channel structure on the basis of a sales and distribution strategy focused on efficiency and productivity. The Company ensures an extensive customer reach via:

- district sales offices in İstanbul (3), Ankara (2), İzmir, Adana, Bursa, Antalya, Trabzon and Kocaeli, and a branch in the Turkish Republic of Northern Cyprus,
- direct sales force,
- bank branches that serve as the Company's agencies,
- private agencies network, and
- alternative distribution channels.

One of the most efficient companies in bancassurance

One of the most efficient users of the bancassurance channel in Turkey, Anadolu Hayat Emeklilik also boasts one of the most extensive distribution channels in this respect.

Within the scope of bancassurance, Anadolu Hayat Emeklilik sustained its collaboration with its parent İşbank throughout 2016, enjoying an unrivaled competitive edge with respect to multi-channel use thanks to İşbank's broad network covering more than 1,350 branches, cutting-edge technology and alternative distribution channels.

ANADOLU HAYAT EMEKLİLİK CONDUCTS INITIATIVES THAT INCREASE ITS EFFICIENCY AND CUSTOMER INTERACTION ON DIGITAL CHANNELS IN LINE WITH ITS CORPORATE GOALS.

Delivering private pension and life insurance products to a broad customer base through the bancassurance channels covering more than 1,350 branches, the Company realized 86% of its annual new business figure in private pension branch via the bancassurance channel in 2016. Also, the bancassurance channel took 97% share out of the term life insurance premium production in the reporting period.

A direct sales team of 523 people all over Turkey

Anadolu Hayat Emeklilik preserved its leadership in the number of contracts in the Private Pension System in 2016. Serving as a bridge between the customers and the Company, direct sales team consisted of 523 people at year-end 2016.

The Company's capability in providing solutions is best represented by the performance of the direct sales team in the marketing of private pension and life insurance products. Offering service to the customers in İşbank's branches in all cities in Turkey, the team was responsible for 80% of the private pension products sold in 2016.

300 agencies across the country

Anadolu Hayat Emeklilik's strong network of nearly 300 agencies displayed a successful sales performance also in 2016. The agency network got 15% share in total contributions and premium collections in private pension, saving and endowment products.

Private Pension Intermediaries

Agencies and sales representatives offering service as intermediaries in the Private Pension System are required to pass the e-BEAS (Electronic Private Pension Intermediaries Exam).

Anadolu Hayat Emeklilik made sure that all of its private pension intermediary candidates across all distribution channels took the e-BEAS in 2016. The number of Anadolu Hayat Emeklilik private pension intermediaries reached 3,262 people by the end of the year.

Human Resources

The greatest asset of Anadolu Hayat Emeklilik: Human Resource

The successful performance of Anadolu Hayat Emeklilik is underpinned by its experienced, highly knowledgeable, creative and dynamic team that shares common values and is capable of reflecting the deep-rooted corporate culture in its activities and approach to service.

The total number of Anadolu Hayat Emeklilik employees including the direct sales team reached 1,048 as at year-end 2016. Boasting a young team, 67.4% of the Company's human resource consists of employees in the 18-34 age interval.

One of the most preferred employers in the sector for its corporate qualities, brand equity and HR implementations, Anadolu Hayat Emeklilik makes a difference with the value attached to its employees, and the contemporary training and career opportunities offered.

Anadolu Hayat Emeklilik organizes employee training programs designed to ensure that they keep abreast of new practices, provide them with self-development opportunity, and further raise the bar in its services to policyholders. Within the scope of the training programs focused mostly on the Private Pension System, and professional and personal development, average training time per person was 29.3 hours during the reporting period.

Within the frame of the collaboration agreement with İstanbul Bilgi University, "Management Skills Training" was introduced for managers and management trainees. Covering 350 managers and management trainees in total, including sales managers, the training programs will be carried on.

"Employee Satisfaction Questionnaires" and "Internal Customer Satisfaction Questionnaires" are being administered in a bid to offer a more pleasant and productive working environment to the employees. The feedback from these questionnaires is used as input for remarkable initiatives that will lead to transformation.

AN OVERVIEW OF ANADOLU HAYAT EMEKLİLİK'S POSITION IN THE INDUSTRY AND ITS ACTIVITIES IN 2016

Corporate Communications

Social responsibility projects

Believing that women play a significant role in the economic and social development of our country, Anadolu Hayat Emeklilik designs its long-lived social responsibility projects based on this notion so as to support their improvement.

"Girls: The Insurance of our Future" Project

Initiated with 500 girls in 2005 with the motive of supporting girls who are financially unable to continue their education, and having expanded its scope with an additional 100 high school students in 2010, the project "Girls: The Insurance of our Future" had many graduates in the past eleven years. Under the project, the students study in the insurance departments of Trade Vocational High Schools on scholarship from Anadolu Hayat Emeklilik and with the support of the Ministry of National Education, and they pursue further studies at the schools of banking and insurance.

Anadolu Hayat Emeklilik encourages the voluntary participation of its employees in social responsibility projects. In this context, women employees of Anadolu Hayat Emeklilik offer mentoring to "Girls: The Insurance of our Future" project as "Life Volunteers" since 2008. Through mentoring, Life Volunteers help the students have a better understanding about their future professions, and also support them any time they need.

"Shots from Life as Seen by Women" Photography Competition

"Shots from Life as Seen by Women" photography competition aims to contribute to the social and cultural development of the Turkish women, and offers them a platform where they can freely express themselves.

The tenth edition of the photography competition "Shots from Life as Seen by Women" initiated in 2007 was held in 2016 with the theme "About Life" and attracted 47,117 photographs of 11,109 women competitors. In 2016, the jury assessed 5,671 photographs submitted by 1,629 participants, and selected photos were exhibited in various venues. 44 photographs that won a prize and deemed worthy of being exhibited were collected in a special catalogue.

Communication activities

Based on the insight that "some things are claimed automatically in life", an advertising campaign calling upon the employees to claim their future benefiting from the experience of Anadolu Hayat Emeklilik within the scope of auto enrolment in the private pension system was carried out on TV, printed media, radio channels, digital media, and movie theaters.

Advertising activities on various media were used to communicate that the Company exceeded TRY 10 billion total funds under management and preserved its high market share in the Private Pension System.



First Prize - Nimet Gönenç Çınaroğlu

Second Prize - Ümmü Kandilcioğlu

Third Prize - F. Dilek Uyar



Advertising films themed #aşktanemeklilolunmaz (there is no retirement from love) and #anneliktenemeklilolunmaz (there is no retirement from motherhood) were produced to be broadcast on social media accounts, and were promoted on digital media and radio stations.

Q&A video films providing the answers to frequently asked questions about private pension and life insurance were produced and posted on the corporate website, Youtube and social network channels.

Commercials continued to be aired at Cinemaximum movie theaters and posters promoting the Private Pension System were set up.

In 2016, press conferences were carried on in order to enhance the brand image, maintain contact with the press and increase brand awareness.

SEO (search engine optimization) initiatives were taken on to make sure that the corporate website takes place in the top places within search engine results, and SEM (search engine marketing) initiatives were undertaken on the display network in order to create sales leads via the website.

Various internal communication activities were carried on within the frame of different events in an effort to promote internal communication and corporate awareness.

Giving the Company employees the chance to express the way they see life and seeking to promote intracompany communication, "Shots from Life as Seen by Employees" photography competition was held for the tenth time.

Awards: The result of experience and hard work

The long-established history and customer-focused approach of Anadolu Hayat Emeklilik are acknowledged and recognized not only by its customers, but also by eminent organizations. In 2016, the results of the hard work and commitment were crowned with awards. Representing the trust held by its customers and the commitment of its employees, the received awards gave strength to Anadolu Hayat Emeklilik, while also endorsing its mission towards its stakeholders and the society at large.

Selected the "Best Life Insurer in Turkey" by World Finance, one of the world's eminent business and finance magazines, Anadolu Hayat Emeklilik claimed this award for the second time. The award received within this program that recognizes companies that manage and steer change also proved that the strategic vision of Anadolu Hayat Emeklilik is also acknowledged on international platforms.

In Turkey's Most Admired Companies Survey conducted by Capital magazine, which has become traditional by now, Anadolu Hayat Emeklilik was named the "Most Admired Private Pension Company" for the fifth time, and was honored with the "Best Overall Insurance Company in the Levant Region" award in 2016 at the Middle East Insurance Forum held in Bahrain.

BELIEVING THAT WOMEN PLAY A SIGNIFICANT ROLE IN THE ECONOMIC AND SOCIAL DEVELOPMENT OF OUR COUNTRY, ANADOLU HAYAT EMEKLİLİK DESIGNS ITS SOCIAL RESPONSIBILITY PROJECTS BASED ON THIS NOTION SO AS TO SUPPORT WOMEN'S IMPROVEMENT.

RESEARCH AND DEVELOPMENT

LONG-TERM APPROACH ENVISIONING CHANGE

Anadolu Hayat Emeklilik recognizes the importance of flexible and dynamic management for quickly responding to requirements resulting from macroeconomic developments and competitive market conditions, as well as for anticipating and proactively taking position for opportunities and risks. Guided in its activities by the awareness that such agility can only be enabled through efficient workflows and reliable, easily accessible, manageable and integrated technological infrastructure, the Company initiated the replacement of its core insurance system in 2014 and approached the end of the first phase of this transformation. Having arrived at the user acceptance phase, intense work is underway for finalizing the project and launching the system by early 2017.

In addition to the work for compliance with the Auto Enrolment System legislation, Anadolu Hayat Emeklilik also carried out comprehensive projects with the objective of restructuring its corporate sales and service model in 2016:

- Automation of quotation processes with CRM- Corporate Opportunity Management
- Developing integrated individual and corporate customer segmentation on the business rules engine
- Renewing the Corporate Branch to secure compliance with the Auto Enrolment System
- Establishing the Corporate Service Center

In 2016, in addition to the work centered on the core system replacement and auto enrolment compliance projects, Anadolu Hayat Emeklilik also carried out projects aimed at enriching the features of the Mobile and Internet Branches; restructuring the Interactive Voice Response System; designing new products for the bancassurance channel; modernization of the data center and the technological infrastructure, and developing security solutions in accordance with quality standards.

Upon its introduction in 2017, AHECAM tablet application, a new solution complementary to the smart pen technology made available to sales teams, is targeted to minimize operational costs, and provide fast and quality service to customers.

Anadolu Hayat Emeklilik effectively carries on with resource, capacity, planning and monitoring activities within the frame of its project-based change and management approach.

The projects that will be conducted in 2017 in line with the identified strategic goals will play a significant role in the sustained sectoral leadership of Anadolu Hayat Emeklilik.

ANADOLU HAYAT EMEKLİLİK RESPONDS TO THE NEW BUSINESS SYSTEM, WHERE FAST-TRACK CHANGES SET THE RULES RIGHT FROM THE BEGINNING, BY ACCEPTING AN APPROACH THAT EMBRACES CHANGE AND ADOPTS LONG TERM FORESIGHT.

CORPORATE GOVERNANCE



F. Dilek Uyar / Shots from Life as Seen by Women '16

ORGANIZATION CHART

BOARD DIRECTORS

DECLARATIONS OF INDEPENDENCE BY INDEPENDENT MEMBERS OF THE BOARD OF DIRECTORS

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SENIOR MANAGEMENT

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HUMAN RESOURCES POLICY

DIVIDEND PAYMENT POLICY

CHANGES IN THE LEGISLATION DURING THE FISCAL YEAR

CHANGES TO THE ARTICLES OF ASSOCIATION DURING THE REPORTING PERIOD

OTHER MATERIAL DISCLOSURES CONCERNING THE REPORTING PERIOD

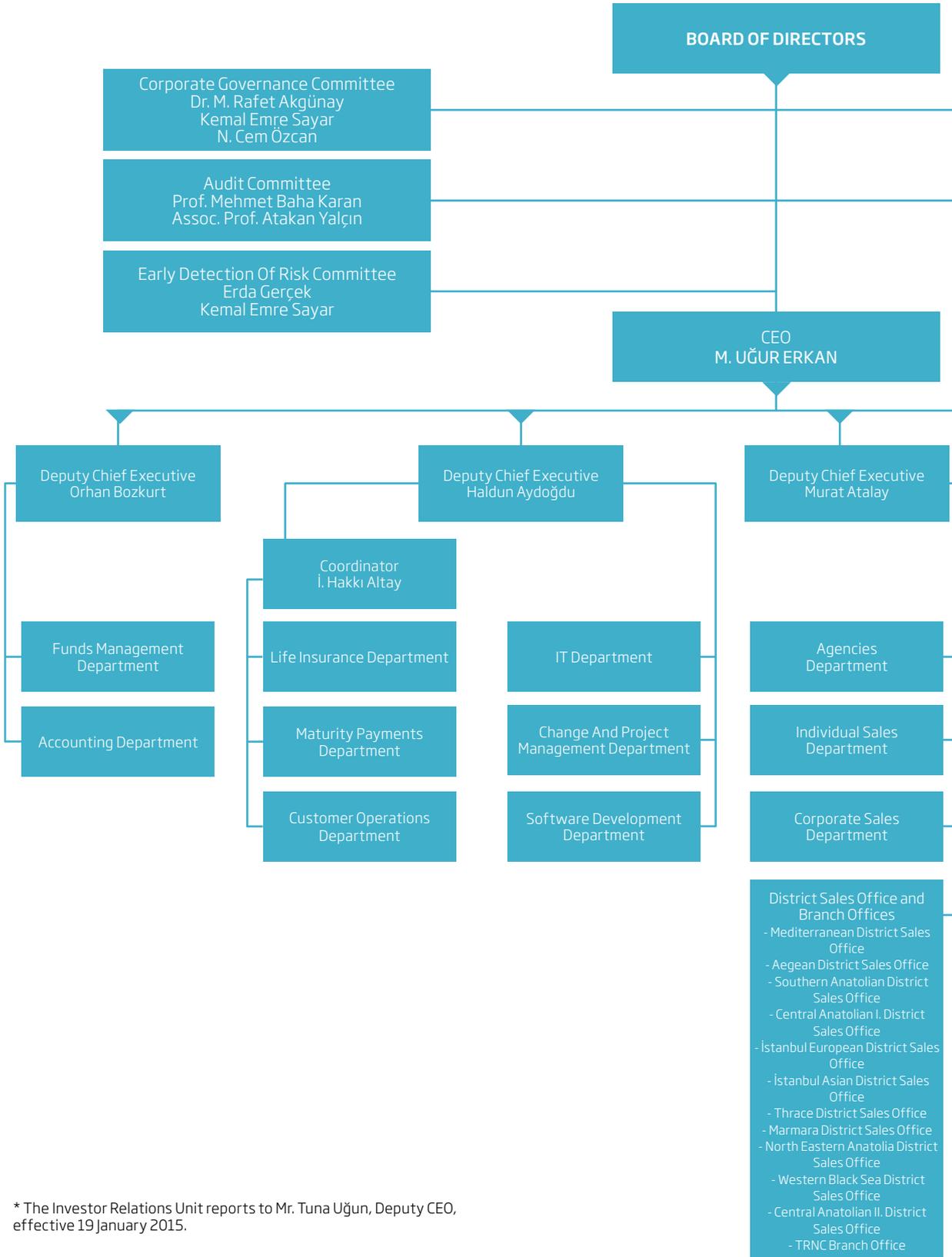
TRANSACTIONS EXECUTED WITH THE RISK GROUP IN WHICH THE COMPANY IS INCLUDED

AN ASSESSMENT OF INDEPENDENT AUDIT, INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES BY THE BOARD OF DIRECTORS

THE INDEPENDENT AUDITOR'S REPORT RELATED TO ANNUAL REPORT

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

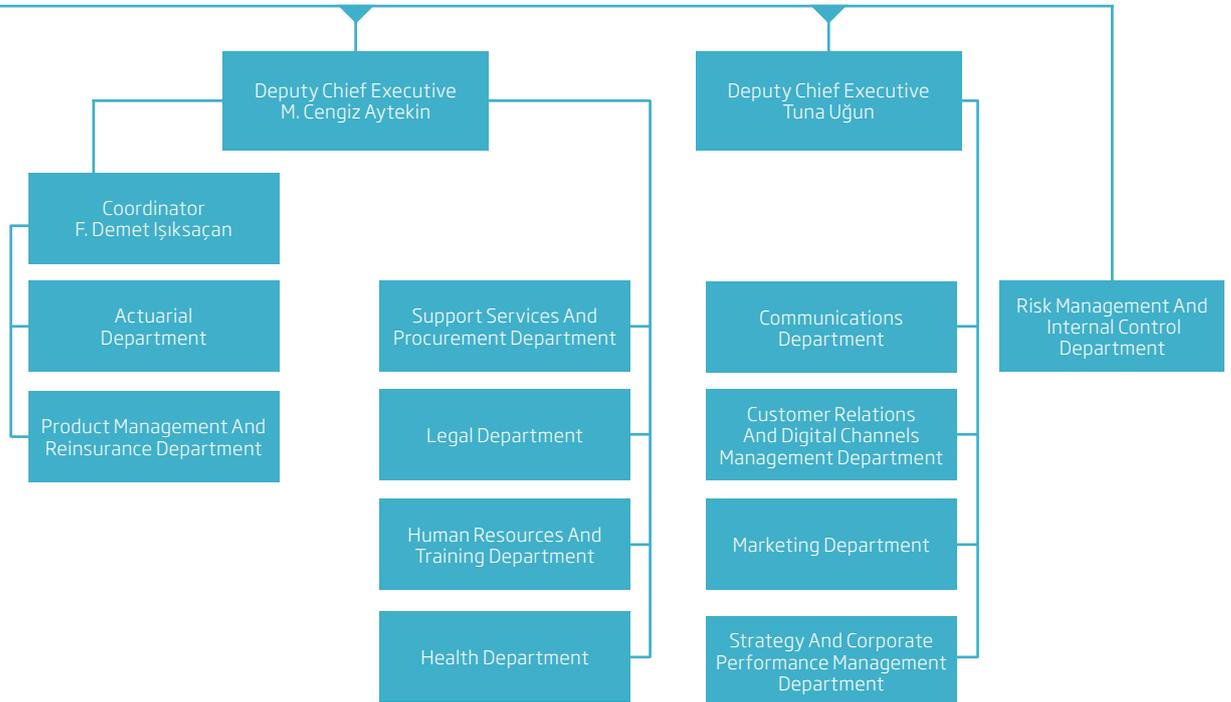
ORGANIZATION CHART *



* The Investor Relations Unit reports to Mr. Tuna Uğun, Deputy CEO, effective 19 January 2015.

SECRETARIAT TO THE BOARD OF DIRECTORS

BOARD OF INTERNAL AUDIT
M. SELAHATTİN BAYRAKTAROĞLU



BOARD DIRECTORS



1- MAHMUT MAGEMİZOĞLU**Chairman of the Board of Directors**

1959, Antakya. He holds a degree in Business Administration from the Middle East Technical University and a master's degree in Investment Analysis from the University of Stirling (UK). Mr. Magemizoğlu has begun his career at İşbank in 1982 as an Assistant Inspector, where he held various positions until 1999 and worked as the Head of the Equity Participations Department from 1999 until 2005. Serving as Deputy Chief Executive of İşbank since 2005, Mr. Magemizoğlu has also been holding the position of the Chairman of the Board of Directors at Anadolu Hayat Emeklilik since 19 June 2009.

2- BURAK SEZERCAN**Vice Chairman of the Board of Directors**

1974, Kocaeli. Burak Sezercan graduated from the Department of Political Science and International Relations at Boğaziçi University in 1996. He completed his master's studies in banking and international finance at the City University Cass Business School (UK) in 2002. Having started his career on the Board of Auditors of İşbank in 1996, he was promoted to assistant manager in the Risk Management Department in 2005, unit manager in the same department in 2008, and Head of Strategy and Corporate Performance Management Department in 2011. Currently serving as the Head of Retail Banking Marketing Department, Mr. Sezercan has been elected a Board Director of Anadolu Hayat Emeklilik on 28 July 2016. He is also a Board Member at Erişim Müşteri Hizmetleri A.Ş.

3- M. UĞUR ERKAN**Director & CEO**

1964, Ankara. He holds a degree in economics from the Faculty of Economic and Administrative Sciences at the Middle East Technical University. He started his career in 1986 as an assistant inspector trainee on the Board of Inspectors of İşbank. He worked as an assistant manager in the Bank's Information Processing Department in 1994, and assistant manager in the Software Development Department from 1995 to 1998, when he was appointed as group head in the same department. Brought to the position of Deputy CEO of Anadolu Hayat Emeklilik on 14 July 2003, Mr. Erkan has been appointed as the CEO of Anadolu Hayat Emeklilik effective 25 July 2014.

4- TUNCAY ERCENK**Director**

1950, Siverek/Şanlıurfa. He holds a degree in law from İstanbul University. Mr. Erchenk worked as a self-employed lawyer registered with the Bar Association of Antalya from 1978 until 2002 and also served two terms of office as a Board member at the Bar Association of Antalya between 1984 and 1990. He also served as a member of the Parliament during the term of the 22nd government from 2002 until 2007, during which time he was a member of the Grand National Assembly of Turkey Committee on Constitution. Having been a Board Director at İşbank from 2008 to 2011, Mr. Erchenk has been elected a Board Director of Anadolu Hayat Emeklilik on 24 May 2011.

5- PROF. DR. MEHMET BAHA KARAN**Director (Independent)**

1955, Amasya. He got his degree in Business Administration from the Middle East Technical University in 1978, and his Ph.D. in Business Administration from Gazi University in 1984. Having worked as an associate professor at Hacettepe University, Business Administration Department from 1996 through 2002, he has been a Professor with the same university since 2003. After functioning as the founding director of the Hacettepe University Financial Research Center (1998-2004) and a vice dean of the Faculty of Economics and Administrative Sciences at Hacettepe University (2007-2009), Prof. Karan was the chair of Hacettepe University Department of Business Administration between 2009-2012. He also had the positions of chair, member of the board of directors and manager in various international professional organizations including, among others, the Multinational Finance Society and Professional Risk Managers' International Association (PRMIA). Elected a Board Director of Anadolu Hayat Emeklilik on 29 March 2012, Mr. Karan is also an Independent Board Director at İş Leasing.

BOARD DIRECTORS

6- ASSOC. PROF. ATAKAN YALÇIN

Director (Independent)

1971, Istanbul. He received his degree in Electrical and Electronics Engineering from Boğaziçi University in 1994. He got his MBA from the Southern Methodist University in 1996 and his Ph.D. in Finance from the Boston College in 2002. He taught at Brandeis University (2000), Boston College (2003-2004), and Koç University (2004-2012). He currently serves as the Department Head of the International Finance Program in the Faculty of Business at Özyeğin University. Teaching courses on financial management, portfolio management, and derivative securities, Assoc. Prof. Yalçın's research in the field of economics has appeared in leading journals such as the Journal of Empirical Finance, Journal of Banking and Finance, Journal of Financial Research and Journal of Marketing. He is also a member of the CFA Institute, as well as various academic councils. Elected a Board Director of Anadolu Hayat Emeklilik on 29 March 2012, Mr. Yalçın is also an Independent Board Director at Anadolu Sigorta.

7- ERDA GERÇEK

Director (Independent)

1966, Eskişehir. He holds a degree in economics from Boğaziçi University. Erda Gerçek started his career in the Treasury Department of Citicorp Zurich in 1989, where he later managed the principal-guaranteed products from Swiss and UK pension funds. In 1991, he set up the Global Emerging Markets division at the same group and also worked as Latin America and EMEA strategist. He undertook two secondments to the Hong Kong office as the group's Far East strategist and Chief Investment Officer and was in charge of the Asia Pacific region. In addition to managing the global funds of Citi Asset Management (CAM), he was also the portfolio manager of Korea, Thailand, Greece, Portugal and Turkey in the same period. In 2004, he set up the Group's Hedge Funds. In tandem

with his strategist role, he assumed the responsibility for portfolio management, managing and marketing Long-Short Market Neutral and 130-30 products. Within the Citigroup, he gave courses to employees of market and economy regulators and especially central banks of various countries. He also worked as trainer in the group's Management Trainee program. Erda Gerçek currently offers training programs in strategy and global markets in and out of Turkey, provides consultancy services, and teaches in the graduate programs of various universities in Turkey. He has been elected a Board Director of Anadolu Hayat Emeklilik on 24 March 2014.

8- DR. M. RAFET AKGÜNAY

Director (Independent)

1953, Ankara. He holds a degree in public administration from the Faculty of Economic and Administrative Sciences at the Middle East Technical University. After completing a master's degree in the USA, he received a doctorate degree from the Department of International Relations at the Middle East Technical University. He started his professional life as a junior career officer in the Department of Cyprus and Greece Affairs at the Ministry of Foreign Affairs in 1977. He worked in various postings in Nicosia, Tel Aviv and Athens under the Ministry of Foreign Affairs between 1980 and 1985. He then worked as Section Head, Department of International Security Affairs of the Ministry (1985-1987), Faculty Advisor and Senior Turkish Representative in the NATO Defense College (1987-1991), Division Head of Military Affairs, Department of International Security Affairs of the Ministry of Foreign Affairs, Counselor and Deputy Chief of Mission in the Turkish Embassy in Washington DC (1993-1997), Deputy Director General of the Directorate General of Policy Planning under the Ministry of Foreign Affairs (1997-1998), Chief of Staff to the President of the Republic of Turkey

(1998-2000), Turkish Ambassador in Beijing (2000-2004), and Chief Foreign Policy Advisor to the Prime Minister and Deputy Undersecretary for Multilateral Political Affairs and International Political Organizations (2005-2008). He held the position of Special Envoy for Countering Terrorism in 2007 and 2008. Following his posting as the Turkish Ambassador in Ottawa from 2008 until 2012, he voluntarily retired. Ambassador (R) Dr. Akgünay works as Advisor to the President and Faculty Member at the Middle East Technical University Northern Cyprus Campus and also serves on the Consultative Council to the President of the Turkish Republic of Northern Cyprus, which was formed to assist the President of the TRNC in the negotiations. Mr. Akgünay has been elected a Board Director of Anadolu Hayat Emeklilik on 24 March 2014.

9- F. CEM EYÜBOĞLU

Director

1959, İstanbul. He received his degree in economics from İstanbul University and began his career at İşbank Küçükmustafapaşa branch in 1983. He later worked at İşbank in the External Affairs Department (1988), Asset Management Department (1990), Antalya branch (1995-1998), Dalaman branch (1999), Akdeniz Regional Directorate (2000), Isparta branch (2003), Denizli branch (2006), Antalya Commercial Sales Regional Directorate (2007), and Antalya Regional Sales Directorate (2011). Currently serving as Senior Vice President of Retail Banking Sales, Mr. Eyüboğlu has been elected a Board Director of Anadolu Hayat Emeklilik on 18 April 2014.

10- SERDAR YILMAZ

Director

1973, İzmir. He received his bachelor's degree in electrical and electronics engineering from the Middle East Technical University in 1995 and his master's degree in 1998. He got an MBA from Bilgi University in 2014. After starting his career as a developer in İşbank's Software Development Department in 1995, he worked as an Application Architect and Project Manager at Softtech from 2004 to 2008. In 2008, he was assigned as an Assistant Manager to IT Architecture and Security Division of İşbank, where he became a Unit Manager in 2009. He functioned as IT Architecture Director until 2012, when he became IT Architecture and Data Management Director. Serving as Data Management Division Head since 30 January 2015, Mr. Yılmaz has been elected a Board Director of Anadolu Hayat Emeklilik on 26 March 2015.

11- KEMAL EMRE SAYAR

Director

1976, Ankara. A graduate of TED Ankara College, he received his bachelor's degree in industrial engineering from the Middle East Technical University. He then got an MS in Information Technologies in Management from Sabancı University and an MA in Economics and Finance from Boğaziçi University. He started his career as an assistant inspector on İşbank's Board of Auditors in 1999, where he subsequently worked in the Change Management Department, strategy and Corporate Performance Management Department and the Subsidiaries Department. Currently serving as a Unit Manager in the Subsidiaries Department of İşbank, Mr. Sayar has been elected a Board Director of Anadolu Hayat Emeklilik on 27 November 2015. Kemal Emre Sayar also holds seats on the Boards of Directors of Anadolu Anonim Türk Sigorta Şirketi and Milli Reasürans T.A.Ş.

DECLARATIONS OF INDEPENDENCE BY INDEPENDENT MEMBERS OF THE BOARD OF DIRECTORS

İstanbul, 26 February 2016

To: Anadolu Hayat Emeklilik A.Ş.

Corporate Governance Committee

I hereby declare that I satisfy the criteria of independence pursuant to applicable legislation within the framework of the criteria covered in the Communiqué on the Determination and Implementation of Corporate Governance Principles, and submit my candidacy as an independent member of the Board of Directors for your consideration at the General Assembly to be convened in March 2016.

Yours sincerely,



Prof. Mehmet Baha Karan

İstanbul, 26 February 2016

To: Anadolu Hayat Emeklilik A.Ş.

Corporate Governance Committee

I hereby declare that I satisfy the criteria of independence pursuant to applicable legislation within the framework of the criteria covered in the Communiqué on the Determination and Implementation of Corporate Governance Principles, and submit my candidacy as an independent member of the Board of Directors for your consideration at the General Assembly to be convened in March 2016.

Yours sincerely,



Dr. Merih Rafet Akgünay

İstanbul, 26 February 2016

To: Anadolu Hayat Emeklilik A.Ş.

Corporate Governance Committee

I hereby declare that I satisfy the criteria of independence pursuant to applicable legislation within the framework of the criteria covered in the Communiqué on the Determination and Implementation of Corporate Governance Principles, and submit my candidacy as an independent member of the Board of Directors for your consideration at the General Assembly to be convened in March 2016.

Yours sincerely,



Assoc. Prof. Atakan Yalçın

İstanbul, 26 February 2016

To: Anadolu Hayat Emeklilik A.Ş.

Corporate Governance Committee

I hereby declare that I satisfy the criteria of independence pursuant to applicable legislation within the framework of the criteria covered in the Communiqué on the Determination and Implementation of Corporate Governance Principles, and submit my candidacy as an independent member of the Board of Directors for your consideration at the General Assembly to be convened in March 2016.

Yours sincerely,



Erda Gerçek

OUTSIDE POSITIONS HELD BY THE BOARD DIRECTORS AND EXECUTIVES

Information is presented below on the positions held outside of the Company by the members of the Board Directors and Senior Executives.

Name	Position in the Company	Outside Positions Held
Mahmut Magemizoğlu	Chairman of the Board of Directors	Deputy Chief Executive at İşbank Chairman of the Board of Directors at Milli Re
Burak Sezercan	Vice Chairman of the Board of Directors	Division Manager at İşbank Member of the Board of Directors at Erişim Müşteri Hizmetleri A.Ş.
Mehmet Uğur Erkan	Board Director and CEO	Member of the Board of Directors at the Pension Monitoring Center / Head of the Life and Pension Management Committee at the Insurance Association of Turkey / Insurance Information and Monitoring Center Board Member
Fehmi Cem Eyüboğlu	Board Director	Division Manager at İşbank
Serdar Yılmaz	Board Director	Division Manager at İşbank
Kemal Emre Sayar	Board Director	Unit Manager at İşbank Member of the Board of Directors at Anadolu Sigorta Member of the Board of Directors at Milli Re
Prof. Mehmet Baha Karan	Independent Board Director	Faculty Member at Business Administration Department at Hacettepe University, Faculty of Administrative Sciences Independent Member of the Board of Directors at İş Leasing
Assoc. Prof. Atakan Yalçın	Independent Board Director	Department Head, International Finance Department at Özyeğin University Independent Member of the Board of Directors at Anadolu Sigorta
Dr. Merih Rafet Akgünay	Independent Board Director	Adviser to the President and Faculty Member at Middle East Technical University TRNC Campus
Erda Gerçek	Independent Board Director	Executive at Thales Training and Consultancy Faculty Member at Koç University
Mustafa Cengiz Aytekin	Deputy Chief Executive Officer	Member of Turkish Insurance Law Association Vice Chairman of the Legal Examination and Investigation Committee at the Insurance Association of Turkey (TSB)
Fatma Demet Işıksaçan	Coordinator	Member of the Actuarial Society of Turkey Member of the Life Insurance Committee at the Insurance Association of Turkey (TSB)

SENIOR MANAGEMENT EXECUTIVE BOARD



1- MEHMET UĐUR ERKAN Board Director and CEO

1964, Ankara. He holds a degree in economics from the Faculty of Economic and Administrative Sciences at the Middle East Technical University. He started his career in 1986 as an assistant inspector trainee on the Board of Inspectors of İşbank. He worked as an assistant manager in the Bank's Information Processing Department in 1994, and assistant manager in the Software Development Department from 1995 to 1998, when he was appointed as group head in the same department. Brought to the position of Deputy CEO of Anadolu Hayat Emeklilik on 14 July 2003, Mr. Erkan has been appointed as the CEO of Anadolu Hayat Emeklilik effective 25 July 2014.

2- ORHAN BOZKURT Deputy Chief Executive Officer

1956, Rize. He is a graduate of Galatasaray School of Economics and Business Administration of İstanbul Academy of Economic and Commercial Sciences. He started working as an Assistant Inspector at Anadolu Sigorta in 1982. Mr. Bozkurt has been serving as a Deputy Chief Executive Officer at Anadolu Hayat Emeklilik since 12 June 2007.

3- HALDUN AYDOĐDU Deputy Chief Executive Officer

1973, Ankara. He holds a degree in electrical and electronics engineering from the Middle East Technical University. He started working as a Software Specialist at İşbank in 1995, where he functioned as the Software Team Leader (1999-2003), Project Leader (2003-2006), assistant manager in the Operational Solutions Division (2007-2010), and Head of the Operational Solutions Division (2010-2011). He joined Anadolu Hayat Emeklilik as Coordinator on 1 July 2011. Mr. Aydođdu has been serving as a Deputy Chief Executive Officer since 1 February 2013.

4- MURAT ATALAY Deputy Chief Executive Officer

1973, Ankara. He holds a degree in statistics from the Faculty of Science at Hacettepe University. He joined İşbank in 1996 as an assistant specialist and functioned as a specialist and manager in various Head Office divisions. He was a Board Director representing İşbank at Anadolu Hayat Emeklilik from 24 May 2011 until 31 October 2014. Serving as the Head of Retail Banking Marketing Division of İşbank since 2011, Mr. Atalay has been appointed as Deputy Chief Executive Officer of Anadolu Hayat Emeklilik on 1 November 2014.

5- TUNA UĐUN Deputy Chief Executive Officer

1972, Adana. He graduated from the Economics Department (in English) at Marmara University. He joined Anadolu Hayat Emeklilik in 1994 as a fund management specialist trainee in the Pension Accounting and Finance Department, where he was promoted to II. manager in the newly established Funds Management Department in 2000. Having started to work in the Private Pension Department, the establishment process of which he led, he rose to the position of assistant manager and manager in the same department in 2004 and 2007, respectively. Having served as the Marketing Manager since 2008, Mr. Tuna Uđun has been brought to the position of Deputy Chief Executive on 29 December 2014.

6- MUSTAFA CENGİZ AYTEKİN Deputy Chief Executive Officer

1964, Safranbolu. He holds a degree in law from İstanbul University. He joined Anadolu Hayat Emeklilik as a lawyer in 1995. He was promoted to the position of Assistant Legal Counsel in 1999, Legal Counsel in 2004, and Chief Legal Counsel in 2014. Mr. M. Cengiz Aytেকin has been appointed as Deputy Chief Executive Officer on 29 December 2014.

COORDINATORS



1- İSMAİL HAKKI ALTAY
Coordinator

1970, Trabzon. He got his degree in economics from the Economic and Administrative Sciences Department at Hacettepe University. He began his career as an assistant inspector at Anadolu Hayat Emeklilik on 4 August 1997. He was appointed as inspector (grade 2) at Marmara District Office on 5 April 2004 and as Assistant Manager at the same branch on 1 April 2006. Having been assigned to the Customer Relations and Operations Department on 1 May 2007 and as Manager on 1 April 2009, Mr. Altay has been serving as Coordinator since 9 October 2013.



2- FATMA DEMET İŞIKŞACAN
Coordinator

1973, Ankara. She holds a bachelor's degree in business administration from the Faculty of Economic and Administrative Sciences at the Middle East Technical University and a master's degree in actuarial science from Hacettepe University. After working in Oyak Head Office from 1996 until 1999, she joined Anadolu Hayat Emeklilik on 9 September 1999 as an assistant specialist in the Actuarial Department. She earned the title actuary on 15 July 2003. Promoted to the position of assistant manager on 1 January 2008 and manager on 17 February 2010, Ms. F. Demet İşıkşacan has been serving as a Coordinator since 9 October 2013.

MANAGERS RESPONSIBLE FOR INTERNAL SYSTEMS

MEHMET SELAHATTİN BAYRAKTAROĞLU
Head of the Board of Internal Audit

1969, Artvin. He holds a degree in Public Administration from the Middle East Technical University, Faculty of Economic and Administrative Sciences. He started working as an Assistant Internal Auditor at Anadolu Hayat Sigorta in 1994. At the İstanbul District Office 2, he functioned as an Assistant Manager between 2001-2006 and then as a Manager from 2006 onwards. Mr. Bayraktaroğlu has been appointed as the Head of the Board of Internal Audit on 12 June 2007, a position he still holds.

NİLGÜN KILIÇUZAR

Risk Management and Internal Control Department

1968, Eskişehir. She holds a degree in Business Administration from the Middle East Technical University, Faculty of Economic and Administrative Sciences. She started her career at Anadolu Hayat Sigorta as an Assistant Specialist in 1990. After functioning as a Specialist and a Manager in various divisions, Ms. Kılıçuzar has been serving as a Manager at the Risk Management and Internal Control Department since 2011. She also serves as Vice Chairman of Anti-Money Laundering/Combating the Financing of Terrorism Committee of the Insurance Association of Turkey.

İŞBANK

İşbank, the first national bank of Turkish Republic, was founded on 26 August 1924 at the initiative of Atatürk, consequent to the decisions made in the First Economy Congress in İzmir. İşbank, which has taken a leading stance at every stage of economic and commercial life, assumed various roles in a number of fields, mainly in industry and trade, and made significant contributions through 92 years since its foundation.

As the largest private bank of Turkey in terms of total assets, loans, deposits and shareholders' equity, İşbank provides its customers quick access to financial services through its extensive branch network and alternative distribution channels.

İşbank's superior scale and its competence of service delivery are defined by its excellent and extensive network that consists of:

- 24,576 employees
- 1,351 domestic and 23 international branches
- 6,527 ATMs

Having pioneered the establishment and growth of many new industries in the country with its corporate identity championing innovation in every aspect, İşbank controls a portfolio of equity stakes in leading companies that are active in a wide range of endeavors.

The financial participations operating in a variety of business lines from investment banking to portfolio management and from leasing to private pension make İşbank unique.

Having crowned its trusted company image with its achievements in 2016, İşbank continued to build on product and service diversity offered through alternative distribution channels, and to consistently augment its transaction volumes.

As of 2016 year-end, 31.76% of İşbank's shares are on free float and they are publicly traded on Borsa İstanbul.

HUMAN RESOURCES POLICY

Our Company defines and conducts its human resources policy in light of our country's social, cultural, and economic conditions and the following principles:

In recruitment, the Company espoused the principle that individuals are to be given equal opportunity under identical conditions. Hiring criteria are set forth in writing for each job position and are strictly complied with in practice.

Job descriptions and assignments and performance criteria are determined by the Company management and announced to employees.

When making training, assignment, and promotion decisions, particular care is taken to making use of objective data and to observing the Company's best interests, to the maximum extent possible.

Training plans are developed and training policies are formulated in an effort to help our employees improve their knowledge and skills.

Our Company's employees are members of the Labor Union of Bank-Finance and Insurance Companies. Any decisions or developments concerning them are communicated to the employees or their representatives, and the opinion of the said union is sought in such decisions.

The Company provides a working environment and working conditions that are safe and efforts are undertaken to improve these conditions depending on social and technological requirements.

Our employees are kept informed on decisions made or developments that occur concerning them.

Measures are taken to prevent discrimination among employees based on race, religion, language, or sex; create a working environment that is respectful of human rights; and prevent all physical, mental, and emotional abuse within the Company.

It is not deemed appropriate to appoint a representative to handle relations with our employees.

Hiring Practices

The general principles and criteria adhered to by Anadolu Hayat Emeklilik in all its hiring practices are summarized below. To be hired by the Company, a person must:

- Be a citizen of Turkey.
- Be at least 18 and not more than 30 years of age.
- Have completed any active military service obligations if applicable or have obtained a deferment.
- Not have been deprived of their civil rights.
- Never have been convicted of any of the offenses specified in insurance and private pension system law, whether or not officially pardoned.
- Be healthy enough to work and travel anywhere in Turkey.
- For janitorial positions, hold at least a high-school diploma. For white-collar positions, be a graduate of at least a two-year vocational school as defined in the applicable legislation, or of four-year faculties.
- Be under no service obligation to any government agency or private concern.
- Successfully pass the qualifying examination and/or interview for the position being hired into.

Job Applications

Whenever vacant positions are available, they are announced on the Company's internet website. Applications for such positions may be submitted by mail, by fax, in person, and from the website. All applications that are received are placed in a single pool. The Company's Human Resources and Training Department is responsible for receiving all job applications, conducting written and/or oral exams, announcing exam results, and all other recruitment-related matters.

HUMAN RESOURCES POLICY

Progression

To be promoted to a higher position:

- the employee must have served for the minimum periods of time specified by headquarters in his current position;
- the employee must have earned a good performance score substantiating his promotion;
- there must be a vacancy to which the employee can be promoted;
- the employee must have successfully completed whatever course, examination, thesis, project, or similar qualifying requirements that the Company requires for the position.

Performance Management

Performance appraisal system is in place at the Company in order to measure the individual contribution of each employee in supporting the Company towards achievement of its corporate objectives. In this frame, all company employees are evaluated once a year.

The performance appraisal system aims to establish objective criteria for the employees' career progressions and to determine their training needs.

Job Security

Job security for our employees is provided under a collective bargaining agreement arrangement between the Company and BASİSEN (Labor Union of Bank-Finance and Insurance Companies).

Compensation Policy

Employees' salaries are adjusted annually in accordance with current conditions and as specified in a collective bargaining agreement that is renewed every other year. Salaries and bonuses are paid on the last day of each month. In addition to salary and bonuses, personnel are entitled to a broad range of fringe benefits such as health insurance coverage, employer's contributions to the private pension system on the employee's behalf, personal life insurance, and company-provided transportation and lunchtime meals.

Training

AHE Academy

The Company set up the AHE Academy in order to systematize the training and development activities directed towards our employees, by incorporating the cultural aspect as well.

Through the AHE Academy, the Company invests in its human capital and aims to make the customer-focused culture permanent.

Anadolu Hayat Emeklilik supports its employees' professional and personal development, offers various activities that are aligned with their career paths and aim to equip its employees so as to enable them to look from different perspectives.

Training Programs

Company employees are provided with in-house and extramural training opportunities to foster their professional and personal development. National and international resources are made use of for these training programs.

When personnel are first hired, they are put through an orientation program and given training in basic insurance and private pension system issues. After this and for the rest of their careers, training is provided so that they have all the knowledge and skills they may need for whatever position they may be filling.

The annual training programs are designed with the primary goal of building on employees' competencies and preparing them as necessary for their future positions.

DIVIDEND PAYMENT POLICY

The Company's dividend distribution principles applicable to shareholders and other persons participating in the profit are governed by the provisions of the Turkish Commercial Code, Capital Market legislation, other legislation governing our Company, and our articles of association.

The dividend payment proposals that the Board of Directors submits to the General Assembly of Shareholders are prepared in a manner to preserve the delicate balance between shareholders' expectations and the Company's need to grow, taking into consideration the future expectations regarding the Company's activities, capital adequacy targets and the conditions prevailing the capital markets, as well as the Company's profitability.

The Board of Directors has adopted a dividend payment policy that is based on proposing to the General Assembly of Shareholders that at least 30% of net distributable profit out as free shares of stock and/or in cash.

There are no preferred stocks in the Company's profit distribution.

There are no founder's shares nor is it a Company practice to give shares of profits to members of the Board of Directors.

As required by our articles of association, a maximum of 3% of the total amount remaining after the first dividend has been set aside is paid out to our employees as their share of the profits, subject to a cap of three monthly salaries.

Cash dividend payouts are made until no later than the end of the second month following the date of the General Assembly Meeting in which the dividend distribution decision is adopted. Dividend distribution in the form of dematerialized shares takes place following legal permissions.

Advances on dividends may be paid subject to the principles and procedures set out in the Capital Market legislation.

CHANGES IN THE LEGISLATION DURING THE FISCAL YEAR

Information about the key changes in the legislation published during the fiscal year, which concern the Company's operations, are presented below.

Law

Personal Data Protection Law no. 6698 has been published in the Official Gazette dated 7 April 2016. The purpose of the Personal Data Protection Law is to protect individuals' basic rights and freedom in general, and privacy, in particular, in the processing of personal data, and to set out the principles and procedures to be abided by real and legal persons handling personal data.

Law no. 6740 Amending Private Pension Savings and Investment System Law has been published in the Official Gazette dated 25 August 2016. As of 1 January 2017, employees are required to be automatically included in a private pension plan via their employers within the frame of principles set out in the Law. Necessary developments need to be completed for compliance with the legislation in line with the principles and procedures specified in the Law. Due to the auto enrolment of employees in a pension plan, pension companies need to tailor their plans and technical infrastructures to suit auto enrolment.

Regulation

Regulation on State Contributions in the Private Pension System has been published in the Official Gazette dated 5 February 2016. The regulation made changes to the principles and procedures in relation to calculation, payment and investment of state contributions to be paid in consideration of participants' contributions in the private pension system; the scope, refunding or offsetting unearned amounts or amounts established to have been paid unfairly, and other formalities regarding state contributions.

Regulation on Deferment of Transactions within the frame of Prevention of Laundering of Proceeds from Crime and Financing of Terrorism has been published in the Official Gazette dated 29 July 2016. The purpose of the Regulation is to set out the principles and procedures for suspending or disallowing any transaction doubted to be linked to the crime of laundering the assets subject to

a transaction attempted or currently in progress before or via obligors, or doubted to be linked to the crime of financing of terrorism, within the scope of prevention of laundering proceeds of crime and financing of terrorism and effective fight against these crimes under the Law no. 5549 on the Prevention of Laundering Proceeds of Crime dated 11 October 2006.

The Regulation Amending the Regulation on the Establishment and Operating Principles of Pension Mutual Funds has been published in the Official Gazette dated 17 December 2016. The Regulation covers arrangements relating to funds, in which contributions of participants included in the private pension system by their employers within the scope of auto enrolment, will be invested.

Regulation Amending the Regulation on State Contributions in the Private Pension System has been published in the Official Gazette 17 December 2016. The Regulation covers arrangements relating to state contribution practices within the frame of auto enrolment of employees by their employers in the private pension system.

Regulation Amending the Regulation on Private Pension System has been published in the Official Gazette dated 17 December 2016. The Regulation introduced arrangements relating to practices, information, documents, forms and pension mutual funds within the frame of auto enrolment of employees in the private pension system by their employers.

Circular

Circular on the Private Pension System (2016/39) has been published on 30 December 2016. The Circular set out the implementation principles within the frame of the changes made to Private Pension System.

CHANGES TO THE ARTICLES OF ASSOCIATION DURING THE REPORTING PERIOD

Related to increasing our Company's authorized capital from TRY 450,000,000.- to TRY 900,000,000.- and to extension of the permission for the authorized capital to cover the years from 2016 through 2020, the new version of "Article 6 - Capital and Shares" of our articles of association, which has been approved by the Capital Markets Board of Turkey (CMB), has been registered on 15 April 2016 and promulgated on 21 April 2016.

DRAFT AMENDMENT TO THE ARTICLES OF ASSOCIATION OF ANADOLU HAYAT EMEKLİLİK A.Ş.

ARTICLE 6 – FORMER VERSION	ARTICLE 6 – NEW VERSION
Capital and Shares	Capital and Shares
<p>Article 6- The Company has adopted the registered capital system in accordance with the provisions of the Capital Market Law, and switched to the aforementioned system based on the Capital Markets Board of Turkey (CMB) permission dated 15.06.2000 and numbered 67/1039. The Company's registered capital is TRY 450,000,000 (four hundred and fifty million), divided into 45,000,000,000 (forty-five billion) shares each with a nominal value of TRY 0.01.</p>	<p>Article 6- The Company has adopted the registered capital system in accordance with the provisions of the Capital Market Law, and switched to the aforementioned system based on the Capital Markets Board of Turkey (CMB) permission dated 15.06.2000 and numbered 67/1039. The Company's registered capital is TRY 900,000,000 (nine hundred million), divided into 90,000,000,000 (ninety billion) shares each with a nominal value of TRY 0.01.</p>
<p>The Company's issued capital is TRY 410,000,000.- (four hundred and ten million). Of this amount, which is fully paid-up, TRY 1,000,000 (one million) is represented by 100,000,000 (one hundred million) Class A shares each with a nominal value of TRY 0.01, and TRY 409,000,000 (four hundred and nine million) is represented by 40,900,000,000 (forty billion and nine hundred million) Class B shares each with a nominal value of TRY 0.01, issued on various dates.</p>	<p>The Company's issued capital is TRY 410,000,000.- (four hundred and ten million). Of this amount, which is fully paid-up, TRY 1,000,000 (one million) is represented by 100,000,000 (one hundred million) Class A shares each with a nominal value of TRY 0.01, and TRY 409,000,000 (four hundred and nine million) is represented by 40,900,000,000 (forty billion and nine hundred million) Class B shares each with a nominal value of TRY 0.01, issued on various dates.</p>
New Class A shares may not be issued in capital increases.	New Class A shares may not be issued in capital increases.
<p>Permission granted by the CMB for authorized capital is valid from 2011 through 2015 (5 years). Even if the authorized capital so permitted is not reached by the end of 2015, in order for the Board of Directors to pass a capital increase decision after 2015, it is mandatory to get authorization from the General Assembly of Shareholders for a new period of time upon getting permission from the CMB for the previously permitted or a new maximum capital amount. The Company will be deemed to have exited the registered capital system in case of failure to obtain the said authorization.</p>	<p>Permission granted by the CMB for authorized capital is valid from 2016 through 2020 (5 years). Even if the authorized capital so permitted is not reached by the end of 2020, in order for the Board of Directors to pass a capital increase decision after 2020, it is mandatory to get authorization from the General Assembly of Shareholders for a new period of time of up to five years upon getting permission from the CMB for the previously permitted or a new maximum capital amount. In the absence of the said authorization, capital increases may not be carried out by way of a Board of Directors resolution.</p>
<p>From 2011 through 2015, the Board of Directors is authorized to increase the issued capital up to the authorized capital through issuing registered shares in accordance with the provisions of the Capital Market Law, as and when it deems necessary.</p>	<p>From 2016 through 2020, the Board of Directors is authorized to increase the issued capital up to the authorized capital through issuing registered shares in accordance with the provisions of the Capital Market Law, as and when it deems necessary.</p>
<p>While the nominal value of each share was TRY 1,000.-, the same was first changed to 1 New Kuruş pursuant to the Law Amending the Turkish Commercial Code no. 5274, and then to 1 Kuruş due to the elimination of the word "New" from the phrases "New Turkish Lira" and "New Turkish Kuruş" effective from 1 January 2009, based on the Council of Ministers Decision numbered 2007/11963 dated 4 April 2007. Due to this change, total number of shares decreased; accordingly, 10 shares with a value of TRY 1,000.- have been exchanged with one share with a nominal value of 1 (New) Kuruş. The shareholders' rights arising from the shares they hold in relation to the said exchange are reserved.</p>	<p>Shares representing the capital are followed-up in dematerialized form within the frame of dematerialization principles.</p>
<p>The phrases "Turkish Lira" herein are phrases that have been inserted pursuant to the Council of Ministers Decision mentioned above.</p>	<p>Decisions about capital increases are publicly disclosed by way of material event disclosures.</p>
<p>Shares representing the capital are followed-up in dematerialized form within the frame of dematerialization principles.</p>	<p>Save for capital increases covered from internal sources, the capital may not be increased unless cash prices of shares are paid in full.</p>
<p>Decisions about capital increases are publicly disclosed by way of material event disclosures.</p>	
<p>Save for capital increases covered from internal sources, the capital may not be increased unless cash prices of shares are paid in full.</p>	

CHANGES TO THE ARTICLES OF ASSOCIATION DURING THE REPORTING PERIOD

The new version of "Article 6 - Capital and Shares" of our articles of association, which has been amended under the Turkish Commercial Code and the Capital Market Law for increasing our Company's issued capital from TRY 410,000,000.- to TRY 430,000,000.- within the authorized capital, and which has been approved by the Capital Markets Board of Turkey (CMB), has been registered on 13 July 2016 and promulgated on 19 July 2016.

DRAFT AMENDMENT TO THE ARTICLES OF ASSOCIATION OF ANADOLU HAYAT EMEKLİLİK A.Ş.

ARTICLE 6 - FORMER VERSION

Capital and Shares

Article 6- The Company has adopted the registered capital system in accordance with the provisions of the Capital Market Law, and switched to the aforementioned system based on the Capital Markets Board of Turkey (CMB) permission dated 15.06.2000 and numbered 67/1039. The Company's registered capital is TRY 900,000,000 (nine hundred million), divided into 90,000,000,000 (ninety billion) shares each with a nominal value of TRY 0.01.

The Company's issued capital is TRY 410,000,000.- (four hundred and ten million). Of this amount, which is fully paid-up, TRY 1,000,000 (one million) is represented by 100,000,000 (one hundred million) Class A shares each with a nominal value of TRY 0.01, and TRY 409,000,000 (four hundred and nine million) is represented by 40,900,000,000 (forty billion and nine hundred million) Class B shares each with a nominal value of TRY 0.01, issued on various dates.

New Class A shares may not be issued in capital increases.

Permission granted by the CMB for authorized capital is valid from 2016 through 2020 (5 years). Even if the authorized capital so permitted is not reached by the end of 2020, in order for the Board of Directors to pass a capital increase decision after 2020, it is mandatory to get authorization from the General Assembly of Shareholders for a new period of time that will not be more than five years upon getting permission from the CMB for the previously permitted or a new maximum capital amount. In the absence of the said authorization, capital increases may not be carried out by way of a Board of Directors resolution.

From 2016 through 2020, the Board of Directors is authorized to increase the issued capital up to the authorized capital through issuing registered shares in accordance with the provisions of the Capital Market Law, as and when it deems necessary.

Shares representing the capital are followed-up in dematerialized form within the frame of dematerialization principles.

Decisions about capital increases are publicly disclosed by way of material event disclosures.

Save for capital increases covered from internal sources, the capital may not be increased unless cash prices of shares are paid in full.

ARTICLE 6 - NEW VERSION

Capital and Shares

Article 6- The Company has adopted the registered capital system in accordance with the provisions of the Capital Market Law, and switched to the aforementioned system based on the Capital Markets Board of Turkey (CMB) permission dated 15.06.2000 and numbered 67/1039. The Company's registered capital is TRY 900,000,000 (nine hundred million), divided into 90,000,000,000 (ninety billion) shares each with a nominal value of TRY 0.01.

The Company's issued capital is TRY 430,000,000.- (four hundred and thirty million). Of this amount, which is fully paid-up, TRY 1,000,000 (one million) is represented by 100,000,000 (one hundred million) Class A shares each with a nominal value of TRY 0.01, and TRY 429,000,000 (four hundred and twenty-nine million) is represented by 42,900,000,000 (forty-two billion and nine hundred million) Class B shares each with a nominal value of TRY 0.01, issued on various dates.

New Class A shares may not be issued in capital increases.

Permission granted by the CMB for authorized capital is valid from 2016 through 2020 (5 years). Even if the authorized capital so permitted is not reached by the end of 2020, in order for the Board of Directors to pass a capital increase decision after 2020, it is mandatory to get authorization from the General Assembly of Shareholders for a new period of time that will not be more than five years upon getting permission from the CMB for the previously permitted or a new maximum capital amount. In the absence of the said authorization, capital increases may not be carried out by way of a Board of Directors resolution.

From 2016 through 2020, the Board of Directors is authorized to increase the issued capital up to the authorized capital through issuing registered shares in accordance with the provisions of the Capital Market Law, as and when it deems necessary.

Shares representing the capital are followed-up in dematerialized form within the frame of dematerialization principles.

Decisions about capital increases are publicly disclosed by way of material event disclosures.

Save for capital increases covered from internal sources, the capital may not be increased unless cash prices of shares are paid in full.

OTHER MATERIAL DISCLOSURES CONCERNING THE REPORTING PERIOD

Disclosures on the Special Audit and Public Audit Conducted During the Reporting Period

During 2016, T.R. Prime Ministry Undersecretariat of Treasury Insurance Supervision Board conducted a process audit on PPS state contribution transactions. Under the audit, the practices, processes and transactions in relation to the Company's state contribution payments were examined within the scope of the Regulation on State Contributions in the Private Pension System.

Within the scope of the Consolidated Audit of Türkiye İş Bankası A.Ş. (the Bank) conducted pursuant to Article 66 of the Banks Law no. 5411, our Company, which is a subsidiary of the Bank, has been audited by T.R. Prime Ministry Undersecretariat of Treasury Insurance Supervision Board between 23 February 2016 - 26 April 2016.

The semi-annual independent audits of the Company were performed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Major Lawsuits Brought against the Company

There are no major lawsuits brought against the Company during 2016, which might have a potential impact on the Company's financial standing and activities.

Penalties and Sanctions against the Company and Board Directors on account of Practices Contradicting with the Provisions of Legislation

There were no penalties and sanctions of material nature imposed on account of practices contradicting with the provisions of legislation in 2016.

Grants and Donations, Expenses Incurred within the Frame of Social Responsibility during the Reporting Period

In 2016, the Company's grants and donations totaled TRY 306,314, out of which TRY 300,000 was allocated to T.R. Ministry of Family and Social Policies within the scope of July 15th Solidarity Campaign, TRY 5,214 to the Association for Supporting Contemporary Life (in Turkish: ÇYDD), our partner in a social responsibility

project, and TRY 1,100 to foundations extending support to education and handicapped individuals.

Information on General Assembly

All of the resolutions adopted at the Ordinary General Assembly meeting held on 22 March 2016 have been realized.

Rights Provided to Board Directors and Senior Executives

Financial rights and other benefits provided to the Board Directors and senior executives during 2016 are presented below.

- **Financial Rights**

In the fiscal year ended 31 December 2016, wages and similar benefits provided to the chairman and the members of the Board of Directors amounted to TRY 1,353,000, and to senior executives such as the CEO and Deputy Chief Executive Officers amounted to TRY 3,849,992.

- **Other Means**

Under other means including, among others, business trip expenses, entertainment expenses and insurance premium payments, the Company provided means in kind and in cash worth TRY 25,130 to the Chairman and Board Directors, and TRY 893,426 to senior executives such as the CEO and Deputy Chief Executive Officers.

In addition, an insurance coverage of TRY 3,652,092 in total has been defined for senior executives within the frame of term life insurance.

TRANSACTIONS EXECUTED WITH THE RISK GROUP IN WHICH THE COMPANY IS INCLUDED

During the reporting period, the Company collected TRY 23,359,381 (31 December 2015: TRY 19,393,604) employer contribution for private pension plans from related parties, and accrued TRY 450,874 employer premium for life insurance (31 December 2015: TRY 591,110). Other material transactions executed with related parties in the fiscal years that ended on 31 December 2016 and 31 December 2015 are presented below:

	31 December 2016 (TRY)	31 December 2015 (TRY)
Milli Reasürans T.A.Ş. - premiums written, ceded	750,396	749,957
Premiums written, ceded	750,396	749,957
Milli Reasürans T.A.Ş. - commission income from reinsurers	94,536	112,948
Commission income from reinsurers	94,536	112,948
Türkiye İş Bankası A.Ş. - interest income from deposits	7,939,817	4,329,278
Türkiye İş Bankası A.Ş. - rent income	10,609	6,079
Investment income	7,950,426	4,335,352
İş Portföy Yönetimi A.Ş. - investment consultancy fee	376,806	224,830
İş Portföy Yönetimi A.Ş. - settlement and custody expense	285	-
İş Yatırım Menkul Değerler A.Ş. - MKK service commission	5,261	21,000
İş Yatırım Menkul Değerler A.Ş. - consultancy fee	-	59,000
Türkiye İş Bankası A.Ş. - settlement and custody expense	20,136	20,319
Investment expense	402,488	325,149
Türkiye İş Bankası A.Ş. - commission of policy production	104,804,664	72,631,219
İş Portföy Yönetimi A.Ş. - portfolio management fee of pension funds	19,596,486	17,383,500
İş Merkezleri Yönetim ve İşletim A.Ş. - building administrative expense	4,673,765	5,242,845
İş Gayrimenkul Yatırım Ortaklığı A.Ş. - rent expense	4,967,147	4,664,437
İş-Net Elektronik Bilgi Üretim Dağ. Tic. ve İletişim A.Ş. - communication expense	1,026,038	1,093,696
Erişim Müşteri Hizmetleri A.Ş. - call center service expense	6,836,123	1,862,996
Softtech Yazılım Teknoloji Araştırma Geliştirme ve Pazarlama Ticaret A.Ş. - software support expense	332,673	366,936
TSKB Gayrimenkul Değerleme A.Ş. - real estate appraisal fee	17,961	24,569
Türkiye İş Bankası A.Ş. - commission of premium collection and banking services	1,265,070	962,468
Türkiye İş Bankası A.Ş. - fund operation service expense	1,309,134	1,077,736
Türkiye İş Bankası A.Ş. - rent expense	674,776	690,549
Türkiye İş Bankası A.Ş. - other rent expense	176,835	114,098
Anadolu Anonim Türk Sigorta Şirketi - premium paid	2,509,431	2,660,213
Anadolu Anonim Türk Sigorta Şirketi - rent expense	229,425	170,435
Other expenses	148,419,528	108,945,697

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

	31 December 2016 (TRY)	31 December 2015 (TRY)
Türkiye İş Bankası A.Ş. - receivables from credit card collections	176,843,731	152,668,110
Cash and cash equivalents	176,843,731	152,668,110
Türkiye İş Bankası A.Ş. - bank deposits	94,828,000	106,424,185
Cash at banks	94,828,000	106,424,185
Anadolu Anonim Türk Sigorta Şirketi - premium receivables	-	151,113
Receivables from main operations	-	151,113
Türkiye İş Bankası A.Ş. - commission payables	10,800,238	7,316,156
Milli Reasürans T.A.Ş. - premium payables	273,458	312,091
Payable from main operations	11,073,696	7,628,247
Türkiye İş Bankası A.Ş. - settlement and custody commission	5,364	3,950
Anadolu Anonim Türk Sigorta Şirketi - premium payables	66,236	9,678
Payables to shareholders	71,600	13,628
İş Portföy Yönetimi A.Ş.	4,956,589	5,005,658
İş Merkezleri Yönetim ve İşletim A.Ş.	779,702	651,487
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	1,064	-
İş-Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim A.Ş.	141,736	49,335
Erişim Müşteri Hizmetleri A.Ş.	1,494,580	591,732
Softtech Yazılım Teknoloji Araştırma Geliştirme ve Pazarlama Ticaret A.Ş.	35,655	69,536
TSKB Gayrimenkul Değerleme A.Ş.	14,365	-
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	-	132
Other payables	7,423,691	6,367,880

The conclusion of the Associated Company Report 2016, which is prepared pursuant to Article 199 of the Turkish Commercial Code no 6102, is copied below:

"Between our Company and our controlling shareholder İşbank or other Group Companies affiliated to İşbank, there is:

- No transfer of receivables, payables or assets,
- No legal transaction creating liability such as providing suretyship, guarantee or endorsement,
- No legal transaction that might result in transfer of profit.

All legal transactions with the controlling company and group companies affiliated thereto during the 2016 operating year have been carried out on an arm's length basis, according to the terms and conditions known to us, and necessary counter-performances have been provided, and the Company did not register loss."

AN ASSESSMENT OF INDEPENDENT AUDIT, INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES BY THE BOARD OF DIRECTORS

Independent Auditor

Periodic financial reports are prepared within the framework of current laws and regulations and insurance accounting standards in such a way as to show the Company's true financial standing. Such reports are independently audited and publicly disclosed as prescribed by law.

The Company's independent auditor is rotated at regular intervals. In this respect, the Company abides by the provisions of the "Regulation on Independent Auditing in Insurance, Reinsurance and Pension Companies" dated 12 July 2008 and numbered 26934.

External audits at our Company are performed on an entirely independent basis and its external auditors operate completely within the framework of truthfulness, professional honesty, and candor and without any involvement in a conflict of interest whatsoever. No payments are made to any independent auditor in our employ other than such fees as are reasonable in light of existing market conditions.

The factors that strengthen the independence of firms from which we obtain independent auditing services are: the existence of an Audit Committee, the possession of an effective accounting and internal audit system, and adherence to rules of ethics that give importance to truthful public disclosure of company-related matters.

The Board of Internal Audit

The Board of Internal Audit carries out its activities within the frame of the Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies that was published in the Official Gazette issue 26913 dated 21 June 2008. The Board reports

directly to the Board of Directors and is organized independently in administrative terms.

The Internal Audit Plan and Schedule of the Board of Internal Audit is developed within the frame of the Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies, and enters into force upon its approval by the Board of Directors. In this context, the Board of Internal Audit reports on all Headquarters units, district sales offices and branches at least once a year, and on all agencies at least once in every three years. In addition to these auditing activities, investigations and reviews are conducted, as well as process audits.

In 2016, 22 headquarters units, 11 district sales offices and 1 branch adding up to 34 units in total were audited. In addition, 5 process audit and 7 investigation reports and 1 review report were issued. Auditing of agencies continued during 2016, and 151 agencies were audited in this frame. Reports resulting from audits have been submitted to the Board of Directors.

In 2016, the Board of Internal Audit was staffed by 10 inspectors and 4 assistant inspectors. To support their professional development and to expand their professional knowledge, the Company facilitated participation of the members of the Board of Internal Audit in various training programs. In addition, one member of the Board of Internal Audit acquired Assistant Actuary and three others acquired Intern Actuary titles. Revisions and updates are made as necessary to ensure alignment of the auditing activities and the resulting audit reports with the "International Standards for the Professional Practice of Internal Auditing" and current conditions.

The Board of Internal Audit has made it a mission to contribute value to the Company's activities, while

increasing efficiency and productivity, as well as to provide independent and objective assurance to the Company's Senior Management that the Company's activities are carried out in accordance with the Law, other applicable legislation, internal strategies and policies. In addition, the Board carries on with its activities to train and gear up the managers for the Company in the long run through investments made into the human resource.

Risk Management and Internal Control Department

Risk Management and Internal Control Department conducts its activities within the frame of the "Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies" published in the Official Gazette issue 26913 dated 21 June 2008. The Department reports directly to the CEO.

It is intended to have a control system which enables due and effective management, mitigation and control of the risks involved in the Company's activities and which is structured to cover all operations of the Company. The system is designed to encompass the principles, standards, legislation, methods, procedures and guidelines that all employees at any level are responsible for fully, accurately and efficiently abiding by and implementing, as well as risk mitigating systems, facilities, mechanisms and all similar elements. In this framework, operational activities and risk elements at the Company are evaluated and priority is given to compliance efforts. New products and new implementations put on the market are reviewed, and subjected to risk assessments and compliance checks.

Efforts are spent to make sure that the internal control system that make up the control functions of the Company and encompasses all the units is kept in compliance with the legislation and standards, and efficient with respect to its structure and operation. The basic strategy turned towards these goals is to conduct internal control activities independently, productively and effectively based on a risk-focused approach and within the frame of applicable legislation and internationally accepted principles and standards.

The control system aimed at the activities carried out by the Company units basically consists of the following: compliance and conformity controls, tangible asset controls, review of adherence to limits set by the Company and tracking limit overruns, controls pertaining to the approval and authorization system, inquiry and reconciliation controls, controls for information and communication systems, controls for the financial reporting systems, and controls for communication channels.

Reports covering internal control activities and risk monitoring, assessment and management activities is submitted to the Board of Directors at regular intervals.

The Department had 7 members during 2016. The employees were provided with training opportunities to enhance their professional development and expand their knowledge.

THE INDEPENDENT AUDITOR'S REPORT RELATED TO ANNUAL REPORT

CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITOR'S REPORT RELATED TO ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To Anadolu Hayat Emeklilik Anonim Şirketi General Assembly,

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

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

Board of Directors' Responsibility for the Annual Report

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

Auditor's Responsibility

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

Our audit has been conducted in accordance with the Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") published by the POA and the insurance legislation. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable

assurance about whether the financial information included in the annual report is consistent with the financial statements and provide fair presentation.

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

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

Opinion

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

Report on Other Regulatory Requirements

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

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

A member of KPMG International Cooperative



Alper Güvenç
Partner
27 February 2017
İstanbul, Turkey

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Our Company believes that compliance with corporate governance principles is at least as important as its financial performance and that such compliance is of great benefit from the standpoints both of the development of national and international capital markets and of the advancement of our own company's interests.

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

Our articles of association do not contain any provisions stipulating:

- Exercise of the request for appointment of a special auditor as an individual right,
- Distribution of advances on dividends,
- Participation of stakeholders in the management of the Company,
- Expansion of the scope of minority rights beyond the provisions of applicable legislation
- Adoption of resolutions concerning demerger or share exchange that would result in a change in the Company's capital, management structure and its assets, buying/selling, letting or renting tangible/intangible assets or making donations or grants in substantial amounts, and providing guarantee such as suretyship or mortgage in favor of third parties.

Furthermore, minority rights are not represented on our Board of Directors.

There have never been any conflicts of interest among stakeholders over the limited number of principles that have so far not been implemented.

Changes were made to the Company's articles of association in the General Assembly Meeting convened on 22 March 2016. The changes that were made within the scope of the Corporate Governance Communiqué and other applicable legislation are presented in a dedicated section in the present Annual Report, under the heading "Changes in the Articles of Association During the Fiscal Year". Two amendments made to "Article 6 - Capital and Shares" have been registered in the Trade Registry Gazette issues 9059 dated 21 April 2016 and 9118 dated 19 July 2016.

The Company's determination and assessment of the level of our Company's compliance with Corporate Governance Principles, and opinions concerning the furtherance of the level of compliance in terms of scope and nature are presented below.

PART II - SHAREHOLDERS

2.1. INVESTOR RELATIONS UNIT

The Investor Relations Unit in the Company was set up in 2014. The unit reports to Mr. Tuna Uğun, Deputy CEO, effective 19 January 2015.

In our Company, the functions of the Investor Relations Unit are mainly performed by the Accounting Department, whereas investor contacts are carried out together with the Funds Management Department.

Licenses held by the managers dealing with investor relations, and their contact information are presented below:

Name	Position	Telephone	E-mail
Mr. Tuna Uğun	Deputy CEO	+90 212 317 70 05	yatirimciiliskileri@anadoluhayat.com.tr
Mr. N. Cem Özcan*	Manager (Investor Relations Unit Manager)	+90 212 317 71 04	yatirimciiliskileri@anadoluhayat.com.tr
Mr. C. Ozan Sezer**	Assistant Manager	+90 212 317 70 18	yatirimciiliskileri@anadoluhayat.com.tr

* License Information: Capital Markets Activities Level 3 License and Corporate Governance Rating License

** License Information: Capital Markets Activities Level 3 License, Corporate Governance Rating License, Credit Rating License, Derivatives License

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

This unit plays an active part in the protection of shareholding rights and facilitates their exercise, mainly regarding the right to obtain and review information, and establishes the communication between the Board of Directors and shareholders.

The Unit presents the report produced by the Investor Relations Unit in relation to its activities to the Corporate Governance Committee and the Board of Directors.

In essence, the Investor Relations Unit carries out the following tasks:

- Ensure that records pertaining to the correspondence between the investors and the Company, and other information and documents are maintained in a reliable, secure, and up-to-date manner
- Respond to the Company shareholders' written requests for Company-related information
- Prepare the documents related to the general assembly meetings that need to be made available for shareholders' information and review, and take necessary measures to ensure that general assembly meetings are conducted in accordance with the requirements of applicable legislation, the Company's articles of association and other internal regulations
- Oversee and monitor fulfillment of obligations arising from the capital market legislation, including any matter related to corporate governance and public disclosure.

Up-to-date information and disclosures that may have an effect on the exercise of shareholding rights are made available to investors on the Company website.

In 2016, all verbal information requests received from researchers and our investors in relation to our Company and/or publicly disclosed financial statement results were answered. Requests for meetings received during the reporting period from national and international investment companies were accepted and necessary information was provided. In total, 32 investor presentations were made and 17 teleconferences were held in 2016. In these meetings, presentations were made on our sector and our Company, and the investors' questions were answered.

50 queries and information requests received at the email accounts yatirimciiliskileri@anadoluhayat.com.tr and investorrelations@anadoluhayat.com.tr that were set up for answering the questions of national and international investors have been responded to.

2.2 SHAREHOLDERS' EXERCISE OF THEIR RIGHT TO OBTAIN INFORMATION

All information requested by shareholders is provided, except that which is in the nature of a trade secret or has not been publicly disclosed.

Shareholders' requests for information are handled by the Investor Relations Unit employees and responded to within the framework of the disclosure policy. Information and disclosures that may have an effect on the exercise of shareholding rights are posted on the corporate website.

Given that the General Assembly must honor the request for appointment of a special auditor pursuant to applicable legislation and that such request constitutes one of the exceptions to the principle of adherence to agenda, the request for the appointment of a special auditor has not been stipulated under the articles of association, based on the concern that problems might arise in practice with regard to protection of the confidentiality of trade secrets or undisclosed information. Pursuant to Article 438 of the Turkish Commercial Code, the right to request appointment of a special auditor is reserved for every shareholder, provided that such shareholder meets the criteria specified under the law.

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

2.3. GENERAL ASSEMBLY MEETINGS

Our Company's Ordinary General Assembly Meeting for 2015 was held on 22 March 2016 at the address İş Kuleleri Kule 1 Kat 41 Levent 34330 Beşiktaş/ İSTANBUL. Shareholders controlling TRY 364 million worth of shares corresponding to 89% of our Company's TRY 410 million paid-in capital took part in this assembly.

While the Company's Board Directors, officials responsible for drawing up the financial statements, partner from the Independent Audit Firm auditing

the financial statements of the Company, some Company employees and other concerned individuals participated in the meeting, other stakeholders or media representatives did not attend the meeting.

Announcement summoning the meeting, which covered the information below, was published three weeks before the meeting date in the Turkish Trade Registry Gazette, the newspapers Dünya and Milliyet, and was posted on the website at the address www.anadoluhayat.com.tr, on the Electronic General Meeting System (e-GEM) under the Central Registry Agency and on the Public Disclosure Platform (in Turkish: KAP) under Borsa İstanbul (BIST).

Care is taken that General Assembly announcements cover:

- The meeting date and hour,
- The meeting place,
- Agenda,
- Necessary information about the agenda items,
- Specimen proxy statements,
- Former and current versions of the amended article(s) as approved by the related authorities, if the agenda covers any amendments to the articles of association,
- The body summoning the assembly,
- If another General Assembly of shareholders is being reconvened because a previous one was postponed for any reason, the reason for the postponement and the quorum that will be required at the new assembly,
- The addresses for the Company's head office and branches, stating that the annual report, unconsolidated financial statements, consolidated financial statements, annual activity report of the Board of Directors, audit report, and the profit distribution proposal of the Board of Directors are available for review by shareholders at these locations, in ordinary meeting announcements.

As of the date on which the announcement of the invitation to a general assembly of shareholders is made, copies of the annual report, financial statements and reports, the agenda, other documents pertaining to the items on the agenda, the current text of the articles of association, and if the articles of association

are to be amended, the texts and justifications of the amendments are all made available for the inspection of shareholders at the Company's headquarters and branches.

In the Ordinary General Assembly Meeting held on 22 March 2016, shareholders agreed unanimously to:

1. form the presiding board,
 2. forego reading out the annual report on the grounds that it had previously been made available for shareholders' review, and read out only the "opinion" section of the Independent Auditor's Report,
 3. read out the financial statements in outline,
 5. individually acquit the Company's Board Directors in relation to the Company's activities and operations in 2015,
 6. accept the Board of Directors' proposal concerning the distribution of profits as covered in the Annual Report,
- and agreed by majority of votes to:
4. changes in the memberships of the Board of Directors during the reporting period,
 - 7- amend Article 6 of the Company's articles of association and increase the registered authorized capital,
 8. ratify the election of the Board Directors,
 9. authorize the members of the Board of Directors to conduct the transactions specified in Articles 395 and 396 of the Turkish Commercial Code,
 10. accept the motions for determining the remuneration to be paid to Board Directors,
 11. agree to the designation of the independent audit firm,
 12. ratify the limit for the donations intended to be made during 2016.

Under a separate agenda item, shareholders have been informed that the Company's donations in 2015 totaled TRY 9,383.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

During the General Assembly Meeting, none of our shareholders exercised their right to pose questions.

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

The Company's donations and grants in aid are handled under the Donations Guidelines approved by the Board of Directors in 2006. If any revisions are made to the Donations Guidelines currently in force, the same shall be laid down at the General Assembly for approval.

Pursuant to legislation, electronic general meeting system has been introduced starting with the General Assembly meeting for 2012. The Company's articles of association contain no provisions stipulating that our General Assembly Meetings must be held open to the public, including stakeholders and the media.

Minutes of the General Assembly meetings in written form are made available for electronic access at our website at www.anadoluhayat.com.tr.

Maximum attention is paid to achieve full compliance with the requirements of law so as to facilitate participation in general assembly meetings. It is believed that Company shareholders encounter no difficulties in participating in General Assemblies and to date, no complaint on this issue has ever been received from a shareholder.

All information and documents pertinent to the General Assembly are also accessible on the Company website at the address www.anadoluhayat.com.tr. The website covers total number of shares reflecting the Company's shareholding structure and relevant voting rights, number of shares representing the preferential class of shares and relevant voting rights, grounds for dismissal and substitution of Board Directors if the General Assembly meeting agenda includes such dismissal, substitution or election as an item, information on individuals that will be nominated to the Board of Directors, requests by shareholders, Capital Markets Board (CMB) and/or any public authority or agency that governs the Company for the inclusion of items on the agenda, the relevant Board of Directors decision if the agenda covers revisions to the articles of association, as well as the former and revised versions thereof.

During 2016, shareholders possessing management control, or Board Directors, or executives with administrative responsibility, or their spouses or

relatives by blood or marriage unto the second degree did not engage in any transactions of material nature, on their own or other's behalf, that might lead to a conflict of interest with the Company and/or its subsidiaries, nor did they engage in any business transaction that falls within the Company's scope, either on their own or other's behalf, or join another company engaged in the same kind of business as a partner with unlimited liability.

During 2016, no transaction of material nature as per the legislation took place such as the Company's assignment of, or creation of real rights on, or letting all or substantial part of its assets; taking over or renting a material asset, stipulation of privileges or changing the scope or subject matter of existing privileges; or delisting. Unless a General Assembly decision is required for such transactions, approval of the majority of independent Board Directors is sought for the execution of Board of Directors decisions pertaining to such transactions. In the absence of the approval of the majority of independent Board Directors in material transactions and if it is desired to execute the said transactions despite opposition by majority of independent Board Directors, the transaction shall be laid down at the General Assembly meeting for approval. In such a case, essentially the grounds for the opposition of independent Board Directors should be publicly disclosed, notified to the CMB and read out in the General Assembly meeting to be held. If parties to the transaction of material nature are related parties, then related parties may not vote in General Assembly meetings. When the General Assembly adopts resolutions on transactions of material nature, provisions of Article 29/6 of the Capital Market Law will apply.

According to legislation, the Board of Directors is authorized to pass decisions of material nature save for those for which the General Assembly is authorized.

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

Changes in management or organizational activities that took place in the prior fiscal year or are planned in the future, if any, are presented for the information

of shareholders together with the grounds for such changes, before the General Assembly Meeting.

In this framework, the following are made available for the examination of shareholders at the General Assembly Meetings:

- Explanations concerning changes in the Company's organizational structure and their justifications
- The relevant report on the matter by the consultant company, if one is hired; otherwise information and documents on the subject prepared by the Company
- If there are organizational changes in subsidiaries or affiliates, the annual reports, and full-year financial reports for the most recent two fiscal years of all the companies affected by the organizational changes.

When preparing agendas for general assembly, care is taken to presenting each item to be voted on under a separate heading; to make the headings as clear and explicit as possible so as not to be interpreted in any other way; to refrain from including such legally prohibited items as "Other" or "Miscellaneous".

Specimen proxy statements for shareholders that wish to have themselves represented at meetings are published along with assembly announcements and are also made available for the use of shareholders in electronic format.

The principles and procedures that govern voting at the Company's General Assemblies of shareholders are presented below in main outline.

- Each share of stock is entitled to one vote.
- If a share of stock has more than one owner, such votes may be cast only by a proxy representing them all.
- Shareholders may be represented at the General Assemblies by a proxy to be nominated from amongst shareholders or non-shareholders
- Proxies who are shareholders in the Company are authorized to cast votes for the shareholders they represent, in addition to their own votes.
- The format of the proxy form shall be determined by the Board of Directors subject to the requirements of the Capital Markets Board. The proxy form must

be in writing. The proxy shall be obliged to cast the vote in line with the assignor's wish, provided that the shareholder assigning the authority has specified the same in the authorization certificate.

- Voting at General Assembly meetings is by an open show of hands. However, upon demand by participating Shareholders representing one tenth of the capital, secret voting will be carried out.

Compliance is achieved with the Capital Markets Board requirements with respect to voting at General Assembly meetings.

The principles and procedures that govern voting at general assemblies of shareholders are also read out at the beginning of the assembly.

Issues that shareholders have told the Investor Relations Unit they wish to have included on assembly agendas are given consideration by the Board of Directors when it prepares an assembly's agenda.

Pursuant to the applicable legislation and to the articles of association, ordinary General Assembly meetings must be held within three months following the end of each fiscal year.

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

News and analyses pertaining to disputed issues appearing in the media concerning the Company are presented for the information of shareholders at general assemblies.

Questions that shareholders ask of the Board of Directors are responded to provided that the answers are pertinent to the exercise of shareholder rights and do not fall within the scope of trade secrets.

The chair of the General Assembly Meeting makes advance preparations for conducting the assembly in accordance with the Turkish Commercial Code and applicable legislation, and gathers the necessary information. The chair conducts the assembly effectively and in such a way to ensure that shareholders are able to exercise their rights.

Care is taken to answer every question raised during the General Assembly Meeting by the shareholders

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

Directors, authorized employees responsible for the preparation of financial statements, and officials from the Independent Audit Firm and other relevant people to offer explanations on the agenda topics that are of specialty pays attention to be present in the meeting to the extent possible.

Each item on the agenda of a General Assembly of Shareholders is voted on individually. To forestall any doubts about the results of voting, votes are counted and the results of the voting are announced to all shareholders before the assembly is adjourned.

2.4. VOTING RIGHTS AND MINORITY RIGHTS

According to our articles of association, each share of stock is entitled to one vote.

Our Company's capital is divided into Class A and Class B shares.

As of 31 December 2016, our Company's issued capital amounts to TRY 430 million consisting of 100,000,000 Class A shares worth a total of TRY 1 million and 42,900,000,000 Class B registered shares worth a total of TRY 429 million.

As required by our articles of association, seven of the members of the Board of Directors are elected from among nominees designated by Class A shareholders and four from among nominees designated by Class B shareholders.

Class A shares have no privileges other than the nomination privilege mentioned above. New Class A shares are not issued when share capital increases take place.

No shareholder is involved in a cross-shareholding relationship with the Company.

The Company pays maximum attention to ensure exercise of minority rights granted under the Turkish

Commercial Code and the Capital Market Law, and no stipulations were incorporated in our articles of association due to the fact that the legal provisions governing this matter have been expanded.

Minority shareholding interests are not represented on the Board of Directors, which is formed at the discretion of our General Assembly.

The articles of association contain no provisions governing the cumulative voting method.

There is no upper limit on the number of votes a shareholder may cast at a General Assembly.

Voting rights are acquired the moment the shares on which they are contingent are acquired. There are no rules stipulating that voting rights may be exercised only after a specific period of time has passed after shares are acquired.

Our articles of association contain no provisions preventing non-shareholders from voting in proxy.

Shareholders may exercise their voting rights personally at General Assemblies and may do so through any other party irrespective of the shareholder status of that party.

A non-corporate shareholder may only be represented by a single proxy at a General Assembly. If a corporate shareholder is represented by more than one individual at an assembly, only one of them may cast votes. The proxy statement must identify the individual who is authorized to cast votes.

All shareholders are treated equally, including minority and foreign shareholders.

2.5. ENTITLEMENT TO DIVIDENDS

Adopted by the Board of Directors on 10 March 2006 and announced on the İstanbul Stock Exchange on the same date, the Company's Dividend Distribution Policy was incorporated in the agenda of the 2005 Annual General Assembly Meeting held on 27 March 2006. On 27 February 2014, the Board of Directors decided to amend the Dividend Payment Policy; the said decision was ratified in the 2013 Ordinary General Assembly Meeting. Published in annual reports and on the corporate website, the dividend distribution policy is presented below.

Anadolu Hayat Emeklilik A.Ş. Dividend Payment Policy

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

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

The Board of Directors has adopted a dividend payment policy that is based on proposing to the General Assembly of Shareholders that at least 30% of net distributable profit for the period be paid out as bonus shares and/or in cash.

There are no preferred stocks in the Company's profit distribution.

There are no founder's shares nor is it a company practice to give shares of profits to Members of the Board of Directors.

As required by our articles of association, a maximum of 3% of the total amount remaining after the first dividend has been set aside is paid out to our employees as their share of the profits, subject to a cap of three monthly salaries.

Cash dividend payout is made until no later than the end of the second month following the date of the General Assembly Meeting in which the dividend distribution decision is adopted. Dividend payout in the form of dematerialized shares takes place following the legal permissions.

Advances on dividends may be distributed subject to the principles and procedures stipulated in the Capital Market legislation. The Company's cash dividend payout in 2016 amounted to TRY 100 million.

2.6. TRANSFER OF SHARES

In our articles of association there are no clauses that restrict transfer of shares.

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. COMPANY INTERNET SITE AND ITS CONTENT

The Company disclosure policy, which is approved by the Board of Directors, is posted on the corporate website. In case of any changes in the disclosure policy, the points subject to change and the reasons therefor are publicly disclosed via the Public Disclosure Platform upon approval of the Board of Directors. The disclosure policy, which has been updated in line with the Board of Directors decision dated 29 December 2014, has been announced via the Public Disclosure Platform and posted on the corporate website.

The disclosure policy covers the main headings below:

- General framework
- Authority and responsibility
- Public disclosure work and the methods and tools used
- Other announcements made
- Forward-looking assessments
- Designation of individuals with administrative responsibility
- Corporate website

In our Company, the Board of Directors is authorized and responsible for monitoring, overseeing and improving the public disclosure policy.

The Investor Relations Unit is assigned with the coordination of the disclosure function. The disclosure function is coordinated by the employees in the said unit in close cooperation with the Board of Directors and the managers responsible for financial management and reporting.

The disclosure policy covers principles regarding public disclosure of forward-looking information.

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

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In addition to the information that are mandatory to be disclosed as per the legislation, the website features trade registry data, most recent shareholding and management structure, detailed information on preferential shares, the most recent version of the articles of association and the dates and numbers of Trade Registry Gazettes in which the changes are promulgated, material event disclosures, financial reports, annual reports, prospectuses and public offering circulars, internal guidelines on the operating principles and procedures of the Company's General Assembly, general assembly meeting agendas, lists of attendants and minutes of general assembly meetings, proxy voting form, general assembly informational documents, corporate governance principles compliance report, dividend payment policy, disclosure policy, compensation policy, policy for preventing laundering proceeds of crime and financing of terrorism, code of ethics, information on transactions with related parties, share information, contact information, and frequently asked questions and their answers. In this framework, the website covers Company-related information covering the past five years at a minimum. Part of the information is also translated into, and made available in, English so as to enable international investors to make use of them. Material event disclosures that are required to be publicly disclosed pursuant to the capital market legislation and financial statements excluding notes are announced on the Public Disclosure Platform simultaneously in English in addition to Turkish. The notes to the financial statements announced at the end of June and December are translated into English and posted on the website. The disclosures in English are prepared in summary that are consistent with the Turkish originals, and are accurate, complete, direct, intelligible, and adequate to help with the decision-making of the individuals who will make use of the disclosure.

The information to be disclosed to the public are made available for public use on the Public Disclosure Platform (www.kap.org.tr) and the Company's website so as to help the individuals and establishments that will make use of the disclosure with their decision-making, in a manner that is timely, accurate, complete, intelligible, interpretable and easily accessible at low cost.

Importance is attached to opinions and suggestions received through the corporate website and they are taken into consideration. Care is taken to keep the internet site up-to-date at all times.

The address of the internet site takes place on the Company's letterhead.

3.2. ANNUAL REPORT

The Company's annual reports are prepared by the Board of Directors so as to present a complete view of the Company's financial status, in accordance with the legislation, and in sufficient detail to cover the information listed in Corporate Governance Principles.

PART IV - STAKEHOLDERS

4.1. KEEPING STAKEHOLDERS INFORMED

Care is taken to keeping stakeholders -those who have an interest in our Company and include shareholders, employees, creditors, customers, suppliers, non-governmental organizations, the government, and potential investors in our Company- informed on issues concerning our Company that are of interest to them in writing, to the extent possible. The Company's relationships with stakeholders are governed by written agreements as far as possible.

In situations where the rights of stakeholders are not governed by law or contract, the Company safeguards them within the framework of the rules of good faith, to the degree possible, and mindful of the Company's own reputation.

The corporate governance structure provides the means to all stakeholders including employees and their representative bodies to communicate their concerns about any illegal or unethical practices to the Corporate Governance Committee and the Audit Committee, and safeguards their right to do so.

The Company's quality policy pledges to offer and maintain quality products and services on the back of the teams enjoying expertise and experience, strong technological and financial infrastructure, constant development and improvement concept, combined with its experienced and extensive agency network.

The Company pays regard to ensuring continued quality and standards in service across all phases of its life insurance and private pension services. Customer

demands are responded to quickly and policyholders are informed in case of any delays. It is of particular importance for the Company to constantly upgrade the quality of service offered within the context of best service delivery to our customer portfolio.

Attention is paid to confidentiality of customers' and suppliers' information that is of trade secret nature.

4.2. STAKEHOLDER PARTICIPATION IN MANAGEMENT

Our shareholders participate in the decision-making process in relation to Company management by way of voting in the General Assembly Meetings.

While the articles of association contain no provisions on stakeholder participation in the Company's management, the Company's internal regulations cover practices to this end.

The Suggestion System Regulation targeting the company employees has been introduced as of 1 May 2006. Suggestions for innovations and improvements are evaluated within the framework of this regulation and put into effect in the Company.

The Company meets with its sales organization twice a year at which time they are informed about the Company's activities, their suggestions are heard, and successful intermediaries are rewarded.

4.3. HUMAN RESOURCES POLICY

The principles of the human resources policy adopted by our Company are set out below.

Job descriptions and assignments and performance criteria were determined by management and announced to employees.

When hiring, it is a principle that individuals are to be given equal opportunity under identical conditions. Hiring criteria are set forth in writing for each job position and are strictly complied with in practice.

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

When making training, assignment, and promotion decisions, particular care is taken to making use of objective criteria and to protecting the Company's best interests.

Launched for the purpose of increasing the efficiency of internal communication, the Company's corporate portal is used to share the current announcements, insurance and private pension legislation, and supplementary references with our employees.

Training plans are developed and implemented so as to enable our employees to improve their knowledge and skills.

Our Company's employees are members of the Union of Bank and Insurance Workers (in Turkish: BASİSEN). Collective agreements are signed by and between the Company and BASİSEN once in two years. The principles applicable to salaries and compensations to be paid to employees are determined under the collective agreement. Our Company supports active acknowledgment of the freedom of association and the right to collectively bargain. Our collective agreement is shared with our employees on the Company's corporate portal.

To handle the relations with employees, there are union representatives who are designated by the Union of Banking and Insurance Workers organized at our Company from amongst our headquarters and district office employees. Our union representative employees play an important role in the handling of relations between our Company and our employees. On the other hand, matters our employees wish to be covered in the collective agreement are gathered from all employees in writing, and considered during the agreement process.

Safe working environment and conditions are provided for our employees; work is undertaken to improve these conditions depending on social and technological necessities. Accordingly, Occupational Health and Safety practices are monitored.

Our employees are kept informed about any company decisions that are made and about developments that may be of concern to them.

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

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

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The provisions of the suggestion system regulation are applied to promote Company employees' creative ideas about the company activities and practices, collect and evaluate individual ideas, and to appreciate and reward those deemed successful.

4.4. CODE OF ETHICS AND SOCIAL RESPONSIBILITY

Operating as a publicly traded company in the private pension and life insurance branches, Anadolu Hayat Emeklilik A.Ş. (the Company) strives to achieve its productivity, profitability and continuous growth targets on the back of its parent groups' corporate culture, business ethics, and the corporate awareness created under the "Codes of Ethics" presented below, as well as the applicable legislation and pertinent requirements. Every company employee at every level is liable to abide by these rules of ethics and to ensure compliance therewith in whatever new work flows and organizational structures may be developed. In general the Company's activities are to be conducted in a manner that is in compliance with the law, honest, impartial, trustworthy, transparent and socially responsible.

Company employees are obliged to abide by these rules of ethics without exception, to cause others to comply with them, and to arrange workflows accordingly. Neither the Company nor the employees may waive these rules in any decisions or arrangements.

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

In addition, the Company, in its activities, acts in compliance with the regulations governing the environment, consumers and public health.

No charges were filed or no sanctions were imposed against our Company on account of any environmental protection infringement to date.

Within the frame of the social responsibility principle that is regarded as part of our rules of ethics, Anadolu Hayat Emeklilik upheld the nation's interests since its inception, and has been striving to propagate life insurance and private pension system in Turkey based on its commitment to social responsibility.

Anadolu Hayat Emeklilik believes that women pose great significance for our country's progress. Accordingly, the Company designs its social responsibility projects so as to support their improvement.

The project that is dedicated to support girls who are financially unable to continue their education, "Girls: The Insurance of our Future" began its twelfth year in 2016.

Annually organized since 2007, "Shots from Life as Seen by Women" photography competition aims to contribute to the social and cultural development of the Turkish women, and offer them a platform where they can freely express themselves through photographs.

Press meetings are organized to maintain relations with the media and to increase recognition of our Company and the sector.

PART V - BOARD OF DIRECTORS

5.1. STRUCTURE AND FORMATION OF THE BOARD OF DIRECTORS

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

Inasmuch as our Company has no ultimate non-corporate controlling shareholders, all of the Board Directors are assumed to be naturally able to act with independence and therefore, have the advantage of being able to act impartially in their decisions by holding the interests of the Company and of its stakeholders above everything else.

There are four independent members on the Board of Directors. The independent Board Directors have not served as members for more than six years in the past ten years. While the term of office for an independent Board Director is one year, they can be reelected upon being nominated.

The Corporate Governance Committee functioning as the Nomination Committee nominated four candidates for independent Board Director status, and the report on whether the candidates fulfill the criteria of independence has been presented to the Board of Directors on 29 February 2016.

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

The General Assembly decision pertaining to the appointment of the independent Board Director has been disclosed on the corporate website.

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

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

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

In the fulfillment of its decision-making functions, the Board of Directors' fundamental concerns are to:

- Maximize the Company's market value
- Ensure that the Company's activities are conducted in such a way as to secure long-term, stable gains for its shareholders
- Maintain the delicate balance between shareholders' expectations and the Company's need to grow.

The Board of Directors define the strategic goals of the Company, determines the human resources and financial resources the Company will need, and audits the management performance.

At the same time, the Board of Directors also oversees the compliance of the Company activities with the legislation, articles of association, internal regulations, and the policies formulated.

The Board of Directors plays a leading role in ensuring efficient communication between the Company and shareholders, and in the elimination and resolution of potential conflicts. To this end, the Board of Directors closely cooperates with the Corporate Governance Committee and the Investor Relations Unit.

When choosing new members to fill vacancies on the Board attention is given to the following matters:

- Candidates are required to be present at general assemblies of shareholders at which Board elections are to be held.
- Shareholders are provided with complete information about candidates.
- Shareholders have the right to put questions to candidates.
- Candidates are required to inform shareholders about what, if any, seats they hold on the boards of other companies and state whether or not they will comply with Company regulations about such matters.

Attention is given to the conduct of regular Board meetings, which are held at least once a month.

Approval of the majority of independent Board Directors is sought for the Board of Directors decisions pertaining to the Company's transactions of a material nature with related parties and to furnishing guarantee, pledge and mortgage in favor of third parties. If majority of the independent Board Directors do not approve the transaction, this is publicly disclosed, providing adequate information on the transaction within the frame of public disclosure requirements, and the transaction is laid down for the approval of the General Assembly. The matter is decided in the said General Assembly meeting through voting where the parties to the transaction and their respective related parties may not cast votes, thus involving other shareholders in such decisions at the General Assembly. Meeting quorum shall not be sought for General Assembly meetings that will be held for circumstances specified in this article. Decisions are

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made with the simple majority of those eligible to vote. Board of Directors and General Assembly decisions passed in violation of the principles herein shall be null and void. The articles of association cover provisions governing these aspects.

There are no administrative or judicial sanctions imposed against the Company or the Board Directors.

There are no woman members on the Board of Directors. It is intended to work on devising a policy for constituting at least 25% of the Board of Directors of woman members.

The résumés of Prof. Mehmet Baha Karan and Assoc. Prof. Atakan Yalçın, the members of the Audit Committee, are incorporated in the Annual Report and these individuals possess adequate experience in finance.

Information about the members of the Board of Directors is presented below:

Name	Position	Educational Background/ University/Faculty/Department	Company	Position	Professional Experience (Years)	Tenure of Office with our Company
Mahmut Magemizoğlu	Chairman	Middle East Technical University/ Faculty of Administrative Sciences/Business Administration	Türkiye İş Bankası A.Ş./In-Group	Deputy CEO	34	7 years 6 months
Burak Sezercan	Vice Chairman	Boğaziçi University/Faculty of Economics And Administrative Sciences/ Political Science and International Relations	Türkiye İş Bankası A.Ş./In-Group	Division Manager	20	5 months
M. Uğur Erkan	Director & CEO	Middle East Technical University/Faculty of Economic and Administrative Sciences/ Economics	Anadolu Hayat Emeklilik A.Ş.	CEO	30	13 years 5 months
Prof. Mehmet Baha Karan	Independent Director	Middle East Technical University / Faculty of Administrative Sciences/ Business Administration	Hacettepe University/ Non-Group	Faculty Member	36	4 years 9 months
Assoc. Prof. Atakan Yalçın	Independent Director	Boğaziçi University/Faculty of Engineering/Electrical and Electronic Engineering	Özyeğin University/ Faculty of Business/Non-Group	Head of International Finance Department	21	4 years 9 months
Dr. Merih Rafet Akgünay	Independent Director	Middle East Technical University/ Faculty of Economic and Administrative Sciences/Public Administration	Middle East Technical University Northern Cyprus Campus/Non-Group	Advisor to the President and Faculty Member	39	2 years 9 months
Erda Gerçek	Independent Director	Boğaziçi University/ Department of Economics	Thales Training and Consultancy Company/Koç University Faculty Member/Non-Group	Director / Faculty Member	27	2 years 9 months
Tuncay Ercenk	Director	İstanbul University/Faculty of Law	-	-	39	5 years 7 months
F. Cem Eyüboğlu	Director	İstanbul University/ Department of Economics	Türkiye İş Bankası A.Ş./In-Group	Division Manager	33	2 years 8 months
Serdar Yılmaz	Director	Middle East Technical University /Faculty of Engineering/ Electrical and Electronic Engineering	Türkiye İş Bankası A.Ş./In-Group	Division Manager	21	1 year 11 months
Kemal Emre Sayar	Director	Middle East Technical University / Faculty of Engineering / Industrial Engineering	Türkiye İş Bankası A.Ş./In-Group	Unit Manager	17	1 year 3 months

INFORMATION ON BOARD DIRECTORS WHO RESIGNED DURING THE REPORTING PERIOD

Board Directors who resigned in 2016:

Engin Topaloğlu (04.12.2014 - 28.07.2016)

INFORMATION ON BOARD OF DIRECTORS MEETINGS

During 2016, Anadolu Hayat Emeklilik Board of Directors held 12 meetings, 7 of which were convened with full participation of the members. In 5 other meetings, full participation could not be achieved due to justified excuses of the Board Directors. Out of these meetings that were held without full participation, and two were convened in the absence of one Director, three in the absence of two Directors.

OTHER INFORMATION

During 2016, our Board Directors did not perform any transactions under the authorization received from the General Assembly so that they can perform the transactions specified under articles 395 and 396 of the Turkish Commercial Code.

5.2. OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS

A draft of the agenda for a Board meeting is prepared by the CEO and finalized in line with the recommendations of the Chairman and other directors.

Special care is taken to setting meeting dates that will allow all Board Directors to attend and to hold the meetings with all directors in attendance except in unforeseen exceptional cases.

As a rule, at each regular meeting of the Board, the date of the next scheduled meeting is set and Members are subsequently reminded of this in writing.

Utmost care is paid to ensure that the information and documents pertaining to items on the Board's agenda are normally sent out to Members for them to examine at least seven days before the meeting date. In situations where this is not possible, every effort is made to ensure that all members are equally informed about the matters involved.

A secretariat has been set up that is responsible for executing the activities of the Board of Directors, keeping the Company's Directors informed, and for communicating with them.

A Board's first meeting is preferably held on the same day that it is elected into office.

At this first meeting, the Chairman and Deputy Chairman are elected, duties are assigned, and committees are formed.

The Board meets regularly at least once a month as previously scheduled and occasionally as circumstances warrant.

In principle, Board Directors take part in all meetings.

Each Board Director is entitled to a single vote. All directors' votes carry equal weight and no Director has a positive or negative veto power.

As stipulated in our articles of association, the Board convenes with a simple majority of its membership and decisions are passed by a simple majority of those present.

The Board convened 12 times during 2016.

No Company Director cast a dissenting vote against any Board decision passed during 2016.

There were no related party transactions or transactions of material nature that have been laid down for the approval of our Independent Directors.

The Board of Directors establishes the internal control systems of the Company, after obtaining the opinions of the related Board of Directors committees, and annually reviews the efficiency of risk management and internal control systems.

The Company's Board Directors and executives are insured with a coverage of USD 75,000,000 per claim and annual total against the risk of loss they may cause to the Company due to their fault in the performance of their duties, within the scope of the liability insurance policy that names Türkiye İş Bankası A.Ş. and its subsidiaries (İşbank Group) as the Insured.

5.3. NUMBER, STRUCTURES AND INDEPENDENCE OF COMMITTEES WITHIN THE BOARD OF DIRECTORS

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

Due to the structure of the Board of Directors, the Corporate Governance Committee also functions as

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the Nomination Committee and the Remuneration Committee.

There are two non-executive Board Directors in each one of the Committees. The Corporate Governance Committee consists of three members.

As a matter of principle, Board Directors do not undertake roles in several committees.

Furthermore, as there are no ultimate non-corporate controlling shareholders in our Company, it is assumed that all of the Board Directors serving in committees are naturally able to act with independence and therefore, have the advantage of acting impartially in their decisions.

The Corporate Governance Committee is formed by the Board of Directors within the scope of corporate governance principles and firstly from amongst its own members. When necessary, specialist individuals who are not members of the Board of Directors may be assigned to the committee. The Chief Executive Officer does not take place in this committee. The Committee consists of a minimum of two members. The majority of the Committee members consist of non-executive Board Directors. The head of the Committee is elected from amongst independent Directors. While the term of office for the Corporate Governance Committee is, in essence, coeval with that of the Board of Directors; the Committee will remain in office until the completion of the predetermined adjustment process, when the Board of Directors is succeeded. To the extent possible, the Committee meets consistently with the Board of Directors meetings. Committee decisions are adopted on the basis of the majority of votes cast.

Dr. Rafet Akgünay, Kemal Emre Sayar and N. Cem Özcan serve on the Corporate Governance Committee at the Company. The Committee head is Dr. Rafet Akgünay.

The Audit Committee is formed by the Board of Directors from amongst its members. The Committee must consist of at least two members. The majority of the Committee members must consist of non-executive Board Directors. The head of the Committee is elected from amongst independent Directors. The term of office for the Audit Committee is coeval with that of the Board of Directors. The Committee meets at least quarterly. Committee decisions are adopted on the basis of the majority of votes cast.

Prof. Mehmet Baha Karan serves as the head of the Audit Committee, and Assoc. Prof. Atakan Yalçın as its member.

The term of office of the Early Detection of Risk Committee is coeval with that of the Board of Directors. The Committee spends efforts to early detect the risks that might endanger the existence, progress and survival of the Company, to ensure implementation of necessary measures and remedies in relation to the identified risks, and to manage the risk. The Committee reviews the risk management systems at least on an annual basis. The Committee presents an assessment of the situation in its quarterly report to the Board of Directors, pointing at the perils, if any, and indicating the remedies.

Erda Gerçek serves as the head of the Early Detection of Risk Committee, and Kemal Emre Sayar as its member.

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

Our executive Directors and CEO do not serve on any committee.

The objectives, members, structures and activities of committees take place in the annual report.

5.4. RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

Board of Internal Audit carries out its activities within the frame of the Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies published in the Official Gazette issue 26913 dated 21 June 2008. In this context, the Board of Internal Audit reports directly to the Board of Directors and is organized independently in administrative terms.

The Board of Internal Audit reports on all units at the headquarters, district offices, and branches at least once a year, and on all agents at least once in three years, in accordance with the Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies. The reporting is performed in line with the audit plan and program approved by the Board of Directors, on the basis of International

Internal Audit Standards, employing a risk-focused approach. In addition to these internal audit activities, investigations and examinations are also conducted.

Risk Management and Internal Control Department conducts its activities within the frame of the Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies published in the Official Gazette issue 26913 dated 21 June 2008. The Department reports directly to the CEO.

It is intended to have a system that enables due and effective management, mitigation and control of the risks involved in the Company's activities. In this framework, operational activities and risk elements at the Company are evaluated and priority is given to compliance efforts. New products and new implementations put on the market are reviewed, and subjected to risk assessments and compliance checks.

The internal control system makes up the control functions of the Company and encompasses all units; hence, constant efforts are spent to keep the system efficient and aligned with the legislation and standards with respect to structure and operation. The basic strategy directed towards this goal is to conduct internal control activities independently, productively and effectively, based on a risk-focused approach and within the frame of applicable legislation and internationally accepted principles and standards.

Directed towards the activities carried out by the Company units, the control system basically consists of the following: compliance and conformity controls, tangible asset controls, review of adherence to limits set by the Company and tracking limit overruns, controls pertaining to the approval and authorization system, inquiry and reconciliation controls, controls for information and communication systems, controls for the financial reporting systems, and controls for communication channels.

Reports covering risk monitoring, assessment and management activities, along with the internal control activities are submitted to the Board of Directors regularly.

The activities of the Department are administered directly by the CEO. The Board Director responsible for Internal Systems is also responsible toward the Board of Directors for the formation of the Department and

ensuring, monitoring and coordinating its operability, adequacy and effectiveness.

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

5.5. STRATEGIC GOALS OF THE COMPANY

The Company's vision is:

"To be the leading company in Turkey in all aspects of financial planning that are of concern to the future of Turkey and the Turkish people."

Its mission is:

- To develop and to nurture in people an awareness of the need to safeguard their own futures and the futures of their loved ones;
- To offer financial solutions that ease people's doubts about the future and enhance the quality of their lives; and
- To contribute to the development of the national economy by creating long-term financial resources.

Our corporate strategy is formulated as follows:

- Maintain the product diversity that caters to the customer needs and demands in life insurance sector and private pension system, and contribute to the stable growth of the sector,
- Combine our success in introducing innovative products and creating value with our extensive service network, and thus secure increased market share,
- Display high performance in the management of pension funds and provide financial protection and savings to our customers in the private pension system,
- Keep our profitability sustainable above the market average.

The Company's vision, mission and corporate strategy have been publicly disclosed on our website at the address www.anadoluhayat.com.tr.

Our annual business programs that also include our strategic goals are determined by the management

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in view of the competitive conditions, the overall economic conjuncture, general expectations in national and international financial markets, and the Company's medium- and long-term objectives, and presented to the Board of Directors for its approval.

The proposed strategies and goals are approved by the Board upon thorough and comprehensive debates thereon.

Performance with respect to approved strategies and goals is regularly reviewed at monthly Board meetings at which the Company's activities, financial structure, and related issues are assessed and evaluated.

In order to effectively and continuously carry out its supervision and control functions, the Board of Directors in principle meets every month.

At such meetings, consideration is given basically to the Company's activities, the degree of achievement of the goals set in the approved annual business program, the Company's position in the sector, its financial performance, and the degree of compliance with international standards achieved in its reporting and activities.

5.6. FINANCIAL RIGHTS

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

Company directors receive no financial benefits other than the honorarium that is paid to them.

The amount to be paid as an honorarium is determined by shareholders at a general assembly.

The compensation policy developed for the Company's managers and employees at any level is put into writing, presented to the shareholders for their information as a separate agenda item at the 2011 General Assembly. The said compensation policy is published on the Company website.

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

The Board Directors and executives with administrative responsibility have never utilized, directly or indirectly, cash or non-cash loans from the Company, nor did the Company lend money or give suretyship or provide any similar guarantee to any Board Director or executive with administrative responsibility. Therefore, the Company was not confronted with any conflict of interest that arose due to such reasons.

INFORMATION ON GENERAL ASSEMBLY



Leyla Emektar / Shots from Life as Seen by Women '16

INFORMATION ON GENERAL ASSEMBLY MEETING

2015 PROFIT DISTRIBUTION TABLE

2016 PROFIT DISTRIBUTION PROPOSAL TABLE

INFORMATION ON GENERAL ASSEMBLY MEETING

2016 Ordinary General Assembly Meeting Agenda

22 March 2017, Wednesday

Oditoryum Binası İş Kuleleri 34330 Levent-Beşiktaş/İstanbul

10:00 Hours

Agenda:

1. Opening, electing a Presiding Board, and authorizing the Presiding Board to sign the minutes of the Ordinary General Assembly Meeting
2. Presentation and discussion on the Board of Directors' 2016 Annual Report, and presentation of the Statutory Auditors' report for 2016
3. Presentation, discussion and approval of the financial statements for 2016
4. Approval of the election made for seats vacated on the Board of Directors during the reporting pursuant to article 363 of the Turkish Commercial Code and article 10 of the articles of association
5. Acquittal of the Company's Directors
6. Decision on distribution of profits
7. Election of the members of the Board of Directors and determination of their terms of office
8. Authorizing the Board Directors to carry out the transactions set out in Articles 395 and 396 of the Turkish Commercial Code
9. Determination of the remuneration of Board Directors
10. Designation of the independent audit firm
11. Presentation of information on grants and donations made during the reporting period
12. Approval of the limit for the donations and grants intended to be made during 2017.

2015 PROFIT DISTRIBUTION TABLE

ANADOLU HAYAT EMEKLİLİK A.Ş. 2015 PROFIT DISTRIBUTION TABLE (TRY)			
1-	Paid-in/Issued Capital		410,000,000
2-	General Legal Reserves (according to Legal Records)		89,189,221
	If there are privileges for distribution of profits according to the articles of association, information on such privileges		THERE ARE NO PRIVILEGES FOR DISTRIBUTION OF PROFITS
		Based on CMB (Consolidated)	Based on Legal Records (Unconsolidated)
3-	Profit for the Period (*)	180,135,820	179,320,326
4-	Taxes Payable (-)	-30,778,000	-30,778,000
5-	Net Profit for the Period (=)	149,357,820	148,542,326
6-	Losses in Prior Years (-)	-	-
7-	First Legal Reserves (-)	7,427,116	7,427,116
8-	NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	141,930,704	141,115,210
9-	Donations during the Year (+)	9,383	
10-	Net Distributable Profit for the Period Including Donations, Based on Which First Dividend will be Computed	141,940,087	
11-	First Dividend to Shareholders		
	- Cash	28,388,017	
	- Bonus Shares	-	
	- Total	28,388,017	
12-	Dividends Distributed to Owners of Privileged Shares	-	
13-	Other Distributed Dividends	3,406,281	
	- To Board Members		
	- To Employees	3,406,281	
	- To People Other than Shareholders	-	
14-	Dividends Distributed to Owners of Redeemed Shares	-	
15-	Second Dividend to Shareholders	71,611,983	
16-	General Legal Reserves	8,290,628	
17-	Statutory Reserves	11,013,641	11,013,641
18-	Special Reserves	-	-
19-	EXTRAORDINARY RESERVES (**)	19,220,154	18,404,660
20-	Other Resources to be Distributed	-	-

(*) Pursuant to the Dividend Guide issued by the Capital Markets Board of Turkey (CMB) in January 2014, dividend distribution has been based on the consolidated profit figure. "Provision for Dividends to Personnel" in the amount of TRY 3,475,000, which is set aside as per TAS 19, was added to the profit for the period as at 31 December 2015.

(**) At the end of dividend distribution, the figure in the amount of TRY 18,404,660 for extraordinary reserves based on CMB will be taken into account.

INFORMATION ON DIVIDEND RATIO					
DIVIDEND RATIOS TABLE					
GROUP	TOTAL DIVIDENDS DISTRIBUTED		TOTAL DIVIDENDS DISTRIBUTED / NET DISTRIBUTABLE PROFIT FOR THE PERIOD	TOTAL DIVIDENDS DISTRIBUTED / NET DISTRIBUTABLE PROFIT FOR THE PERIOD	
	CASH (TRY)	BONUS (TRY)	RATE (%)	AMOUNT (TRY)	RATE (%)
A	207,317.07	-	0.15	0.2073171	20.73171
NET (***)	84,792,682.93	-	59.74	0.2073171	20.73171
TOTAL	85,000,000.00	-	59.89	-	-

RATIO OF DIVIDENDS DISTRIBUTED TO NET DISTRIBUTABLE PROFIT FOR THE PERIOD INCLUDING DONATIONS	
AMOUNT OF DIVIDENDS DISTRIBUTED TO SHAREHOLDERS (TRY)	RATIO OF DIVIDENDS DISTRIBUTED TO NET DISTRIBUTABLE PROFIT FOR THE PERIOD INCLUDING DONATIONS (%)
100,000,000.00	70.45%

(***) 15% income tax deduction, which is applicable for full-fledged taxpayer enterprises for cash dividend payouts, will not be applied.

2016 PROFIT DISTRIBUTION PROPOSAL TABLE

ANADOLU HAYAT EMEKLİLİK A.Ş. 2016 PROFIT DISTRIBUTION PROPOSAL TABLE (TRY)			
1-	Paid-in/Issued Capital		430,000,000
2-	General Legal Reserves (according to Legal Records)		104,906,965
	If there are privileges for distribution of profits according to the articles of association, information on such privileges		THERE ARE NO PRIVILEGES FOR DISTRIBUTION OF PROFITS
		Based on CMB (Consolidated)	Based on Legal Records (Unconsolidated)
3-	Profit for the Period (*)	235,326,870	234,344,456
4-	Taxes Payable (-)	-39,530,000	-39,530,000
5-	Net Profit for the Period (=)	195,796,870	194,814,456
6-	Losses in Prior Years (-)	-	-
7-	First Legal Reserves (-)	9,740,722	9,740,722
8-	NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	186,056,148	185,073,734
9-	Donations during the Year (+)	306,314	
10-	Net Distributable Profit for the Period Including Donations	186,362,462	
11-	First Dividend to Shareholders		
	- Cash	37,272,492	
	- Bonus Shares	-	
	- Total	37,272,492	
12-	Dividends Distributed to Owners of Privileged Shares	-	
13-	Dividends Distributed to Board Members, employees, etc.	4,463,510	
14-	Dividends Distributed to Owners of Redeemed Shares	-	
15-	Second Dividend to Shareholders	102,727,508	
16-	Second Legal Reserves	12,296,351	
17-	Statutory Reserves	14,432,015	14,432,015
18-	Special Reserves	-	-
19-	Extraordinary Reserves (**)	14,864,272	13,881,858
20-	Other Resources to be Distributed	-	-

(*) Pursuant to the Dividend Guide issued by the Capital Markets Board of Turkey (CMB) in January 2014, dividend distribution has been based on the consolidated profit figure. "Provision for Dividends to Personnel" in the amount of TRY 4,540,000, which is set aside as per TAS 19, was added to the profit for the period as at 31 December 2016.

(**) At the end of dividend distribution, the figure in the amount of TRY 13,881,858 for extraordinary reserves based on CMB will be taken into account.

INFORMATION ON DIVIDEND RATIO						
DIVIDEND RATIOS TABLE						
GROUP		TOTAL DIVIDENDS DISTRIBUTED		TOTAL DIVIDENDS DISTRIBUTED / NET DISTRIBUTABLE PROFIT FOR THE PERIOD	TOTAL DIVIDENDS DISTRIBUTED / NET DISTRIBUTABLE PROFIT FOR THE PERIOD	
		CASH (TRY)	BONUS (TRY)	RATE (%)	AMOUNT (TRY)	RATE (%)
NET	A	276,744.19	-	0.15	0.2767442	27.67442
(***)	B	118,723,255.81	-	63.81	0.2767442	27.67442
	TOTAL	119,000,000.00	-	63.96	-	-

RATIO OF DIVIDENDS DISTRIBUTED TO NET DISTRIBUTABLE PROFIT FOR THE PERIOD INCLUDING DONATIONS	
AMOUNT OF DIVIDENDS DISTRIBUTED TO SHAREHOLDERS (TRY)	RATIO OF DIVIDENDS DISTRIBUTED TO SHAREHOLDERS TO NET DISTRIBUTABLE PROFIT FOR THE PERIOD INCLUDING DONATIONS (%)
140,000,000.00	75.12%

(***) 15% income tax deduction, which is applicable for full-fledged taxpayer enterprises for cash dividend payouts, will not be applied.

FINANCIAL POSITION



Nilgün Yılmaz / Shots from Life as Seen by Women'10

**SUMMARY REPORT OF THE BOARD OF DIRECTORS FOR THE GENERAL ASSEMBLY OF
SHAREHOLDERS**

INFORMATION ON FINANCIAL STRUCTURE

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5-YEAR SUMMARY FINANCIAL INFORMATION INCLUDING THE REPORTING PERIOD

SUMMARY REPORT OF THE BOARD OF DIRECTORS FOR THE GENERAL ASSEMBLY OF SHAREHOLDERS

Dear Shareholders,

Ever since its inception, our Company has espoused it as a fundamental philosophy to maintain customer-focus before its shareholders, investors and customers with respect to all of its corporate values, with a special focus on offering the best practices of modern private pension and life insurance businesses; giving the foreground to its robust capitalization, transparent implementations and customer satisfaction; being innovative and creative; putting its resources and new technologies to use towards increasing productivity, and achieving maximum involvement in social activities by a strict commitment to its social responsibilities.

Anadolu Hayat Emeklilik successfully transported its know-how and capital accumulation gained in the life insurance branch to the private pension segment regarded as a crucial part of the social security system. The Company defined it as a key objective to sustain its leadership in the market on the back of its pioneering and innovative practices in life insurance and in the private pension segment by fortifying its position among the leading financial services companies of the capital market as the first publicly-floated private pension company in the system.

2016 saw a period dominated by a positive atmosphere in the aftermath of the general elections of 1 November 2015, followed by a period of serious pressure on political and economic stability due to the coup d'état attempt of July 15 and the ensuing events. Within the scope of arrangements in the Medium Term Program for steering savings into long term financial instruments with the goal of increasing domestic savings, a supplementary article has been added to the Private Pension Savings and Investment System Law on 25 August 2016. The article set out that out of the employees who have not turned the age of 45 on 1 January 2017, when the law came into effect, and who fall under items (a) and (c) of Article 4 (1) of the Social Insurance and General Health Insurance Law will be automatically enrolled in a pension plan by their employers. Within the frame of these circumstances, in 2016, consistent growth persisted and competition intensified in the life insurance segment, whereas

the contraction tendency in profit margins continued and the anticipations stemming from auto enrolment legislation relatively curbed the industry's growth in the private pension segment.

During 2016, our Company concentrated on reorganizing corporate sales service model, development of products and services addressing diverse target audiences in the private pension branch, and conducting product, sales and marketing activities aimed at increasing the premium productions derived on credit-linked and free-standing life policies with the aim of sustaining its consistent and profitable growth in keeping with its strategic direction. Other key areas of focus included utilization of alternative delivery channels and increasing their efficiency, regularly monitoring key performance indicators through employment of corporate performance management, revision of the business model in connection with amended legislation and changing market conditions, and insurance software infrastructure update.

Total dividends paid in cash to our shareholders in 2016 amounted to TRY 100 million, and all of the resolutions adopted at the Annual General Assembly Meeting held on 22 March 2016 have been realized.

Carrying out their activities in alignment with the regulatory arrangements and targeting to ensure that our Company's overall operation and practices are conducted in a manner that is structured, efficient and transparent, the Board of Directors Committees continued with their efforts and work during the reporting period. The Risk Management and Internal Control Department issues quarterly Risk Assessment Report and Compliance Report, biannual Internal Control Report and, monthly Risk Monitoring Report, and performs daily "Value at Risk" computations on a daily basis. In addition, annual and quarterly reports are being produced in accordance with the Financial Crimes Investigation Board (in Turkish: MASAK) legislation. The data derived from the said reports, which are approved by the Company's Board of Directors, are used to ensure that potential risk exposure is regularly assessed and monitored.

Based on the sectoral data for 2016:

- Total premium production in life insurance amounted to TRY 5 billion. Of this production figure, 85% has been generated by the top 10 companies in the sector.
- As of 30 December 2016, the number of participants in the private pension system increased to 6.6 million people, while total funds of participants, including state contributions, amounted to TRY 60.8 billion. The total contributions in the sector as at the same date are announced as TRY 44.4 billion.
- In 2016, state contributions deposited in participants' accounts amounted to TRY 3 billion.
- The consolidation initiatives in the industry continued with the acquisition of Ergo Pension by Fiba Pension. Also, the fact that Asya Pension has been put up for sale by the Savings Deposit Insurance Fund (SDIF) has taken place among the remarkable events in 2016.
- In view of the Company's current mission, vision, corporate strategies and primary goals, 2016 has been a period during which we preserved our pioneering position in the sectors we are engaged in and attained successful financial results.
- In 2016, our Company's premium production (in life/non-life insurance) amounted to TRY 501 million. Term life insurance production, on the other hand, grew by 52% and reached TRY 395 million.
- As of 30 December 2016, 1,290,319 private pension contracts were issued for 1,120,399 participants and TRY 8,189 million were collected in contributions. Total funds of our Company's participants, including state contributions, arrived at TRY 11,366 million.
- Anadolu Hayat Emeklilik has been the company whose participants were paid the highest amount of state contributions in 2016, as in the past years.
- Being the first publicly-floated private pension company, Anadolu Hayat Emeklilik retained its title as the company creating highest funds in life insurance and private pension system also in 2016.

- Having concluded its activities in 2016 successfully, our Company increased its net profit by 31% to TRY 190.3 million and its total assets by 21% to TRY 14,392 million.
- In the reporting period, our Company derived TRY 133 million in technical profit, up by 23% year-on-year.

Highlights of our Company's 2016 activities aimed at achieving increased share in private pension and life insurance segment and attaining sustainable profitable growth are presented below:

- Products and services were efficiently positioned in line with the needs of customer segments and sales channels. Priority was given to expanding the customer base through active use of channels with high cost-efficiency and enhancing the quality on the back of after-sales retention and deepening activities.
- The Company's growth momentum was effectively sustained by improving the efficiency of bancassurance activities carried out with İşbank, in particular, and other banks that the Company partners with, and by increasing the capacity of alternative distribution channels.
- Intense sales, marketing, infrastructure and communication activities were carried out in order to be effectively positioned in the Auto Enrolment System.
- Customer services activities of the Company during 2016 were carried out with the aim of enhancing the level of service delivery to customers and increasing competitive strength so as to resolve business needs with the use of the most fitting technologies. Within this frame;
 - The hours of the Call Center service was increased through outsourcing, due to the need to increase the capability of incoming call services and to enhance the quality. The technical infrastructure of the Call Center was upgraded and was vested in the capability to more efficiently respond to customer needs.

SUMMARY REPORT OF THE BOARD OF DIRECTORS FOR THE GENERAL ASSEMBLY OF SHAREHOLDERS

- Corporate Service Center was set up and services rendered by Corporate Customer Representatives were segmented, which were then started to be carried out by Corporate Service Center.
- Agent Support Center was set up to respond to product, service and process-related queries of our Company's intermediaries to help resolve the issues they are confronted with in the sales and after-sales processes.
- Girls: The Insurance of Our Future", our social responsibility project ongoing since 2005 and dedicated to support the girls who are financially unable to continue their education, was carried on.
- The Company was named the "Most Admired Private Pension Company" for the fifth time in the Capital magazine's annual survey of Turkey's most admired companies. In addition, Anadolu Hayat Emeklilik was recognized as the Best Life Insurer in Turkey by World Finance, one of the world's most eminent business and finance magazines, and was honored with this title for the second time.

Drawing on its solid shareholding structure, its successful financial performance, its corporate culture and the customer-focused approach to service it has espoused, our Company will continue to create added value for the sector and the national economy, being Turkey's first publicly-floated pension company.

Our efforts will continue uninterruptedly to achieve regulatory alignment and to constantly upgrade the quality of service offered to the participants in the Private Pension System that addresses an even broader target audience thanks to the unique state contribution advantage.

With the launch of the Auto Enrolment System, our Company will sustain its active and pioneering role in the corporate market.

Our priorities will continue to cover keeping Company employees and distribution channels informed and trained on the rapidly changing regulatory environment, new implementations and requirements, as well as constantly increasing the trust and interest in our Company and the sector through our management and practices.

Our Corporate Governance Principles Compliance Report and the financial statements for 2016 are presented on the following pages for your information and approval.

We would like to take this opportunity to express our gratitude to our founder İşbank and our other shareholders, our customers who place their trust in our Company, and all our distribution channels and all our employees for their contributions that made the results achieved possible.

Sincerely,

Board of Directors

INFORMATION ON FINANCIAL STRUCTURE

With its capital backed by its strong shareholding structure since its foundation and its business philosophy focused on sustainable profitability in the branches in which it is active, Anadolu Hayat Emeklilik always succeeded in taking place among the industry's strongest companies with respect to financial structure.

A key indicator of a strong financial structure, the Capital Adequacy Statement is reported at regular intervals in line with the legal requirements, and as such, it is registered before the public authority that our Company possesses a capital in excess of the capital amount necessary to cover its liabilities.

Capital Adequacy Table presented hereinbelow show that the Company's shareholders' equity in 2016 is above the required shareholders' equity amounts.

Capital Adequacy Table (31.12.2016) (*)	
Required Capital for Asset Risks	183,628,146
Required Capital for Reinsurance Risks	1,622,916
Required Capital for Excessive Premium Increases	77,278
Required Capital for Outstanding Claims	3,183,422
Required Capital for Hardware Risks	23,739,157
Required Capital for FX Risks	2,773,581
Total Required Capital	215,024,500
Current Capital (**)	877,070,183
Excessive Capital	662,045,683

(*) Capital Adequacy Table dated 31 December 2016 has not been submitted to the Undersecretariat of Treasury as of the date the annual report is released.

(**) As per the legislation, equalization provision in the amount of TRY 16,215,351 was included in the equity capital.

An Assessment of the Operations of the Company's Segments

Anadolu Hayat Emeklilik closed 2016 posting a technical profit of TRY 133.01 million in life insurance, personal accident insurance and private pension branches in which it is active.

The distribution of balance sheet and income statement items according to branches was based on the distribution key that was set out in the "Circular on the Principles and Procedures for Keys Used in Financial Statements Drawn Up within the Frame of Uniform Chart of Accounts in Insurance" dated 4 January 2008 published by the Undersecretariat of Treasury.

The table below shows the contributions of the branches in which the Company is active to our financial structure with respect to asset sizes.

31 December 2016 (TRY)	Life	Private Pension	Personal Accident	Total
Segment assets	2,269,857,500	12,096,896,943	24,927,759	14,391,682,202
Total segment assets	2,269,857,500	12,096,896,943	24,927,759	14,391,682,202
Segment liabilities	(2,272,244,556)	(12,094,512,161)	(24,925,485)	(14,391,682,202)
Total segment liabilities	(2,272,244,556)	(12,094,512,161)	(24,925,485)	(14,391,682,202)
Other segment information				
Depreciation and amortization	(5,470,622)	(6,154,898)	(60,078)	(11,685,598)

INFORMATION ON FINANCIAL STRUCTURE

31 December 2016 (TRY)	Life	Private Pension	Personal Accident	Total
Continuing operations:				
Technical income	700,849,526	236,760,325	448,281	938,058,132
Technical expense	(588,363,510)	(215,669,232)	(1,013,807)	(805,046,549)
Total of other income and expense	45,313,657	50,981,578	497,638	96,792,873
Income before tax	157,799,673	72,072,671	(67,888)	229,804,456
Income tax expense	-	-	-	(39,530,000)
Net profit for the period	157,799,673	72,072,671	(67,888)	190,274,456

Financial Assets

Life insurance and private pension funds created before our Company are invested within the frame of processes, which are defined by the provisions of applicable legislation, and are constantly monitored by the public authorities. These invested Funds are recognized in the balance sheet assets in line with the provisions of the International Accounting Standards, which we are obliged to comply with.

Our primary goal is to ensure maximization of benefits for our Company and for all our shareholders.

The Company manages financial assets into which the funds that belong to our Company and those into which life branch funds are invested. The Company's fund management principles are formulated in compliance with the requirements of effective cash and asset management. These assets are presented hereinbelow in order.

Financial Assets (TRY)	Cost Value	Fair Value	Book Value
Financial Assets Held for Trading Purpose	32,645,402	36,591,886	36,591,886
Loans (receivables from reverse repo transactions)	19,000,000	19,007,705	19,007,705
Available-for-Sale Financial Assets	695,733,381	736,560,931	736,560,931
Total	747,378,783	792,160,522	792,160,522
Financial Investments with Risks on Saving Life			
Policyholders	1,555,932,983	1,580,922,429	1,580,922,429
Total	1,555,932,983	1,580,922,429	1,580,922,429

Private Pension funds, on the other hand, are managed by İş Portföy Yönetimi and HSBC Portföy Yönetimi, companies in line with the decisions passed by the relevant Fund Committees.

Private Pension Funds	Number	Amount (TRY)
AH1 Bond Fund	48,265,004,040.48	2,497,424,369.07
AH2 Liquid Fund	17,185,878,189.71	678,928,117.88
AH3 First Public Foreign Borrowing Fund	11,850,369,059.20	582,836,701.44
AH4 Second Public Foreign Borrowing Fund	6,221,485,783.37	236,111,606.96
AH5 Equity Fund	5,517,341,587.45	438,556,930.76
AH6 Developed Countries Flexible Fund	4,741,101,119.30	204,393,610.35
AH8 Conservative Fund	15,780,440,594.78	700,446,416.68
AH9 Balanced Fund	31,832,119,092.91	1,682,645,815.25
AH0 Aggressive Fund	10,769,585,765.17	796,787,802.84
AGE Alternative Gain Fund	15,594,506,875.81	232,155,423.86
ABE BRIC Plus Fund	5,495,690,872.57	103,703,686.77
AHC Mixed Fund (TRY)	14,294,908,810.78	217,325,498.65
AHL Dynamic Flexible Fund	3,349,590,484.88	46,713,388.90
AET Contribution Fund	120,057,212,553.48	1,441,166,779.49
AER Alternative Contribution Fund	3,251,818,506.11	41,854,155.99
AEA Gold Fund	22,011,520,894.84	309,636,064.43
AG1 Group Bound Fund	3,911,689,686.20	191,176,010.03
AG2 Group Eurobond Fund	1,012,809,217.65	35,342,990.46
AG3 Group Equity Fund	1,019,517,613.56	55,066,185.34
AG4 Group Conservative Fund	3,254,745,982.98	144,513,976.39
HS1 Bond-Bill Fund	11,516,400,715.21	379,799,379.19
AHB White Equity Fund	2,340,737,996.83	76,684,917.51
ATK Standard Fund	8,975,997,481.22	225,153,920.82
ATE İş Bankası Subsidiaries Index Fund (*)	1,371,235,726.48	40,997,205.75
Total		11,359,420,954.81

(*) Anadolu Hayat Emeklilik A.Ş. Orange Balanced Fund has been changed as Anadolu Hayat Emeklilik A.Ş. İşbank Subsidiaries Index Fund in accordance with the allowance no. 9290 of The Capital Markets Board at 28 August 2015, respectively change has been executed at 1 October 2015.

ASSESSMENT OF FINANCIAL STANDING, PROFITABILITY AND CLAIMS PAYMENT ABILITY

During 2016, stable growth persisted and competition intensified in the life insurance business, whereas shrinking trend in profit margins continued and the expectations regarding the auto enrolment legislation relatively restricted the sector's growth in the private pension business.

In spite of this, Anadolu Hayat Emeklilik completed 2016 with successful results and maintained its stable and profitable growth. The Company kept creating added value for the sector and for the national economy owing to its strong shareholding structure, sound financial structure, and corporate culture.

Along these lines, the Company posted TRY 133.01 million in technical profit at year-end 2016, and increased its net profit by 31% year-on to TRY 190.3 million. The Company's gross profit was worth TRY 229.8 million.

Asset Performance

The Company increased its total assets by 21% and reached an asset size of TRY 14,392 million.

Within asset items, "Receivables from Main Operations" and "Financial Assets and Investments with Risks on Policyholders" items take the top places in terms of size. Financial investments with risks on policyholders, which make up 67% of the latter, refer to the amount of financial assets into which the policyholders' funds under the Company's management are invested.

Receivables from pension operations, which mostly refer to the total amount of accumulation in Private Pension Funds reached by the contributions deposited by our participants with the Company under the private pension system, grew 27% year-on and rose from TRY 8,960 million to TRY 11,389 million.

In 2016, private pension funds made up 87% of the total funds managed by our Company that were worth TRY 13,061 million.

Taking place among our asset items, FX assets amounting to TRY 535 million cover 100% of our existing FX liabilities.

Liability Performance

In Anadolu Hayat Emeklilik's balance sheet, liabilities consist of payables due to pension operations by 80%, technical provisions by 13%, and shareholders' equity and other liability items by 7%.

Running in reciprocation with the receivables from pension operations under assets with respect to the private pension portfolio, the payables due to pension operations item registered 27% year-on growth, driven by the performance displayed in the valorization of savings of existing participants as well as in new productions.

As of 31 December 2016, the minimum amount of shareholders' equity necessary for the Company as calculated on the principles set by the Turkish Treasury was TRY 215 million; the Company's equity capital as of the said date stood at TRY 877 million, including the equalization provision. Carrying on its activities in life insurance and private pension branches as the sectoral leader, our Company has maintained its strong shareholders' equity ever since its foundation.

Claims Payment Ability

Claims paid in life insurance branch by the Company in 2016 for policy maturity and death benefits totaled TRY 171 million.

Our claim payments for policy maturity and death benefits consist of life insurance and accumulation-based products from the prior periods, and items related to our production covering both aspects. The amount paid by the Company on accumulating products at the expiration of the insurance period was TRY 121 million.

These disbursements are basically covered through disposal of marketable securities that belong to our policyholders and registered under the Company's assets.

Our claim payments for death benefits amounted to TRY 50 million in 2016 with a rise of 41% year-on-year.

When our existing capital structure, shareholders' equity and profit generation potential are taken into consideration in addition to the above-mentioned matters, our Company's claims payment ability is regarded quite high.

5-YEAR SUMMARY FINANCIAL INFORMATION INCLUDING THE REPORTING PERIOD

Financial Highlights and Key Ratios

Financial Highlights (TRY thousand)	2012	2013	2014	2015	2016
Total Premium and Contribution Production*	1,080,701	1,387,211	1,529,967	1,736,762	1,859,336
Total Technical Profit	52,929	52,293	67,461	108,259	133,012
Total Assets	7,222,090	7,985,808	10,247,750	11,889,176	14,391,682
Nominal Capital	300,000	350,000	380,000	410,000	430,000
Shareholders' Equity	524,680	614,389	701,951	778,205	860,855
Financial Income	63,514	65,436	79,070	87,545	123,363
Pretax Profit	105,675	98,958	134,769	175,845	229,804
Net Profit	79,575	83,648	106,654	145,067	190,274
Key Ratios	(%)	(%)	(%)	(%)	(%)
Pretax Profit/Average Shareholders' Equity (ROAE)	17	15	16	20	23
Premium and Contribution Production/Total Assets	15	17	15	15	13
Shareholders' Equity/Total Assets	7	8	7	7	6

* Total premium figures include premiums from non-life branch.

Premium and Private Pension Contribution Production (TRY thousand)

Private Pension Contribution Production									
2012	2013	Change (%)	2014	Change (%)	2015	Change (%)	2016	Change (%)	
712,733	992,202	39	1,164,288	17	1,334,210	15	1,357,936	2	
Life /Non-Life Premium Production									
2012	2013	Change (%)	2014	Change (%)	2015	Change (%)	2016	Change (%)	
367,968	395,009	7	365,679	(7)	402,552	10	501,400	25	
Premium and Private Pension Contribution Production									
2012	2013	Change (%)	2014	Change (%)	2015	Change (%)	2016	Change (%)	
1,080,701	1,387,211	28	1,529,967	10	1,736,762	14	1,859,336	7	
Mathematical Reserves									
2012	2013	Change (%)	2014	Change (%)	2015	Change (%)	2016	Change (%)	
2,205,674	1,871,476	(15)	1,841,516	(2)	1,700,163	(8)	1,682,434	(1)	
Pension Funds									
2012	2013	Change (%)	2014	Change (%)	2015	Change (%)	2016	Change (%)	
4,277,830	5,231,179	22	7,384,777	41	8,933,550	21	11,359,421	27	

Policy Maturity and Death Benefit Payments (TRY thousand)

Policy Maturity									
2012	2013	Change (%)	2014	Change (%)	2015	Change (%)	2016	Change (%)	
168,239	257,875	53	280,822	9	182,417	(35)	120,607	(34)	
Death Benefit Payments									
2012	2013	Change (%)	2014	Change (%)	2015	Change (%)	2016	Change (%)	
23,111	32,154	39	35,631	11	35,326	(1)	49,942	41	
Total									
2012	2013	Change (%)	2014	Change (%)	2015	Change (%)	2016	Change (%)	
191,350	290,029	52	316,453	9	217,743	(31)	170,549	(22)	

5-YEAR SUMMARY FINANCIAL INFORMATION INCLUDING THE REPORTING PERIOD

Technical Results (TRY thousand)

Life Insurance									
2012	2013	Change (%)	2014	Change (%)	2015	Change (%)	2016	Change (%)	
33,416	63,412	90	63,802	1	86,478	36	112,486	30	
Non-Life Insurance									
2012	2013	Change (%)	2014	Change (%)	2015	Change (%)	2016	Change (%)	
18	16	(11)	(33)	(-)	(240)	(-)	(566)	(-)	
Private Pension									
2012	2013	Change (%)	2014	Change (%)	2015	Change (%)	2016	Change (%)	
19,495	(11,135)	(-)	3,692	(+)	22,021	(+)	21,091	(4)	
Total									
2012	2013	Change (%)	2014	Change (%)	2015	Change (%)	2016	Change (%)	
52,929	52,293	(1)	67,461	29	108,259	60	133,011	23	

Financial Income (TRY thousand)

2012	2013	Change (%)	2014	Change (%)	2015	Change (%)	2016	Change (%)	
63,514	65,436	3	79,070	21	87,545	11	123,363	41	
Financial Expenses and Other Expenses									
2012	2013	Change (%)	2014	Change (%)	2015	Change (%)	2016	Change (%)	
(10,768)	(18,770)	74	(11,762)	(37)	(19,958)	70	(26,570)	33	
Pretax Profit									
2012	2013	Change (%)	2014	Change (%)	2015	Change (%)	2016	Change (%)	
105,675	98,958	(6)	134,769	36	175,845	30	229,804	31	
Shareholders' Equity									
2012	2013	Change (%)	2014	Change (%)	2015	Change (%)	2016	Change (%)	
524,680	614,389	17	701,951	14	778,205	11	860,855	11	
Total Assets									
2012	2013	Change (%)	2014	Change (%)	2015	Change (%)	2016	Change (%)	
7,222,090	7,985,808	11	10,247,750	28	11,889,176	16	14,391,682	21	

RISK MANAGEMENT



Ece Tüysüzoğlu / Shots from Life as Seen by Women '16

ACTIVE COMMITTEES AND AN ASSESSMENT BY THE BOARD OF DIRECTORS
RISK MANAGEMENT POLICIES AND AN ASSESSMENT BY THE BOARD OF DIRECTORS

ACTIVE COMMITTEES AND AN ASSESSMENT BY THE BOARD OF DIRECTORS

Corporate Governance Committee, Audit Committee and Early Detection of Risk Committee have been set up to facilitate effective and transparent execution of the Board of Directors' duties and responsibilities, in alignment with the obligations imposed by applicable legislation.

Pursuant to Article 4.5.1 of the Communiqué Serial: IV No: 56 on Determination and Implementation of Corporate Governance Principles enforced upon its publication in the Official Gazette issue 28158 dated 30 December 2011, the Corporate Governance Committee, which has been set up based on the Board of Directors decision no 353/1 dated 14 March 2005, also functions as the Nomination Committee and the Remuneration Committee.

In the Board of Directors Meeting held on 23 June 2014, operating principles of the Audit Committee, Corporate Governance Committee and Early Detection of Risk Committee, which have been identified within the scope of the Capital Markets Board of Turkey (CMB) Corporate Governance Communiqué no. II-17.1, have been defined and publicly disclosed.

Our committees carry out their activities in line with regulatory requirements, target to ensure that the Company's overall conduct and practices are executed in a fashion that is structured, efficient and transparent, keep the Board of Directors informed on material developments in a timely manner and as necessary, and observe strict harmony and coordination with the executive officers of the Company in their activities. Information on the objectives, members, structures and activities of the committees is presented below.

CORPORATE GOVERNANCE COMMITTEE

Objectives

To monitor the Company's compliance with corporate governance principles and to engage in activities and make recommendations to the Board of Directors to improve such compliance.

Members

Dr. Merih Rafet Akgünay, Independent Director (Committee Head)
Kemal Emre Sayar, Director (Committee Member)
Necdet Cem Özcan (Committee Member)

Structure

The Corporate Governance Committee will be formed of at least two members to be elected from among Board Directors and the Investor Relations Unit Manager.

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

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

The Investor Relations Department/Unit Manager must be a full-time employee of the Company and must be assigned as a member of the Corporate Governance Committee.

A member's term of office on the Corporate Governance Committee is terminated when his/her term of office on the Board of Directors expires.

Activities

The committee performs the following duties and responsibilities with respect to corporate governance:

- The Corporate Governance Committee establishes whether the corporate governance principles are implemented in the Company, as well as the grounds for non-implementation, if applicable; identifies conflicts of interest, if any, arising from failure to fully comply with these principles, and presents proposals to the Board of Directors for the improvement of corporate governance practices;
- The committee oversees the activities of the Investor Relations Department. Within this context, the committee sets and regularly reviews the basic principles for the Company's communication with investors;
- The Corporate Governance Committee works in cooperation with the Investor Relations Department to present suggested improvements for ensuring efficient communication between the Company and shareholders, and elimination and resolution of potential conflicts to the Board of Directors.

- The committee reviews the Company's Corporate Governance Compliance Report before it is published within the Company's Annual Report, and presents its comments to the Board of Directors.
- The committee makes proposals and assessments regarding the determination or revision of the Company's disclosure policy, and presents the same to the Board of Directors. The committee reviews that the Disclosure Policy covers the minimum content as stipulated by the legislation with respect to the Company's communication with stakeholders, as well as the scope, quality, consistency and accuracy of documents, presentations and explanations prepared by the Company for informative purposes, and oversees that the same are developed in accordance with the Disclosure Policy;
- The committee carries out activities to ensure that the corporate governance culture is established within the Company, and is espoused by managers and employees working at any level. The committee follows up the developments related to corporate governance in and out of Turkey, and examines their possible implications for the Company.
- The duties and responsibilities of the Corporate Governance Committee with respect to nomination are presented below:
 - Creation of a transparent system regarding identification, assessment, and training of nominees eligible for the Board of Directors and managerial positions with administrative responsibility, and establishing the related policies and strategies;
 - Regular evaluation of the structure and efficiency of the Board of Directors and presentation of its suggestions for possible revisions to the Board of Directors;
 - The committee is charged with performing the duties set out in the legislation concerning the nomination of independent members to the Board of Directors, which are announced every year by the Board and which are compulsory to be implemented by the Group to which the Company is affiliated.
- The committee's duties and responsibilities with respect to remuneration are presented below:
 - Setting and overseeing the principles, criteria and practices applicable for the remuneration of Board Directors and executives with administrative responsibility, taking into consideration the Company's long-term targets;
 - Presenting its suggestions regarding the remuneration to be paid to Board Directors and executives with administrative responsibility, which will be determined in view of the extent the remuneration criteria have been achieved;
 - Developing suggestions and assessments for the formulation and revision of the Company's compensation policy, which sets out the remuneration principles for the Board Directors and executives with administrative responsibility, and presenting its opinions to the Board of Directors. The Corporate Governance Committee shall fulfill other duties and responsibilities to be assigned to it by the Board of Directors in relation to its field of activity.

EARLY DETECTION OF RISK COMMITTEE

Objectives

To early detect the risks that might endanger the existence, progress and survival of the Company, implement necessary measures and remedies in relation to the identified risks, and manage the risk.

Members

Erda Gerçek, Director (Committee Head)
Kemal Emre Sayar, Director (Committee Member)

Structure

The Early Detection of Risk Committee consists of a minimum of two members to be elected from among the Board Directors.

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

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

A member's term of office on the Early Detection of Risk Committee is terminated when his/her term of office on the Board of Directors expires.

ACTIVE COMMITTEES AND AN ASSESSMENT BY THE BOARD OF DIRECTORS

Activities

- The Early Detection of Risk Committee works to early detect the risks that might endanger the existence, progress and survival of the Company, to ensure necessary measures are adopted in relation to the identified risks, and to manage the risk.
- The committee informs the Board of Directors of its suggestion and comments in writing regarding the creation and development of the Company's risk management system, which will be aimed at minimizing the impact of risks that might affect the shareholders in particular and all stakeholders in general.
- The committee reviews the Company's risk management systems at least on an annual basis.
- The Early Detection of Risk Committee oversees that risk management practices are carried out in accordance with the decisions of the Board of Directors and the committee;
- The committee reviews the determinations and assessments about risk management that will be incorporated in the Company's annual report.
- The Early Detection of Risk Committee shall fulfill other duties and responsibilities to be assigned to it by the Board of Directors in relation to its field of activity.

AUDIT COMMITTEE

Objectives

To monitor the operation and effectiveness of the Company's accounting system, public disclosure of financial information, and process of independent auditing.

Members

Prof. Mehmet Baha Karan, Independent Director (Committee Head)

Assoc. Prof. Atakan Yalçın, Independent Director (Committee Member)

Structure

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

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

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

To the extent possible, at least one member of the Audit Committee should preferably have minimum five years of experience in audit/accounting and finance. A member's term of office on the Audit Committee is terminated when his/her term of office on the Board of Directors expires.

Activities

The duties and responsibilities of the Audit Committee are presented below:

- The Audit Committee oversees the operation and efficiency of the Company's accounting system, public disclosure of financial information, independent auditing, internal control and internal audit systems.
- The Audit Committee supervises the selection of the independent audit firm, preparation of independent audit contracts and initiation of the independent audit process, and every phase of the work carried out by the independent audit firm.
- The Audit Committee determines the independent audit firm from which the company will procure services and the services to be supplied therefrom, and submits the same for the approval of the Board of Directors.
- The Audit Committee establishes the methods and criteria for the handling and resolution of complaints received by the Company in relation to the Company's accounting, internal control and internal audit systems and its independent audit; and for addressing the Company employees' notifications about the Company's accounting and independent audit within the frame of confidentiality principle;
- The Audit Committee assesses the conformity of annual and interim financial statements to be publicly disclosed to the accounting principles pursued by the Company, as well as their accuracy and fairness, and reports its written assessments to the Board of Directors, by incorporating the opinions of the Company's responsible managers and of the independent audit firm.
- The Audit Committee shall fulfill other duties and responsibilities to be assigned to it by the Board of Directors in relation to its field of activity.
- During the period 1 January 2016-31 December 2016, the Audit Committee presented five assessments to the Board of Directors.

RISK MANAGEMENT POLICIES AND AN ASSESSMENT BY THE BOARD OF DIRECTORS

Risk management policies describe the key principles and norms related to the risk management system and processes. The requirements under the policy are set by the Board of Directors, the approval of which is required for any revisions. At a minimum, the risk management system and processes must be introduced and the risk limits set must be adhered to.

The Board of Directors is responsible for setting the risk management principles and norms that will be implemented across the Company; updating the risk policies in connection with the changes in the circumstances governing operations; establishing and operating effective risk management system and processes; monitoring the Company's risk level; establishing risk limits and checking actualizations versus these limits, and introducing necessary measures.

Risk limits that are set for the purpose of measuring, evaluating and monitoring the risk levels are enforced based on a Board of Directors decision as and when deemed necessary and important.

The key considerations in setting the risk limits are the risk measurement results and the Company's risk appetite.

Separate from risk limits, indicators of developments and occurrences that will negatively impact the risk level are detected and monitored as early warning signals.

Risk Management Policies Implemented on the Basis of Types of Risks

The Risk Management Policy is pivotal for supporting and developing the Company's corporate structure. The policy is, in essence, intended to set the key principles and norms related to the risk management system and processes; to introduce the risk management system and processes specified in the policy, and to achieve conformity with the risk limits set.

The activities falling under the Risk Management Policy are carried out within the framework set by the insurance and private pension legislation, and other legislation governing the Company. The Company's risk exposure is individually monitored, assessed and controlled under the following categories: insurance

underwriting and pension branch risk, credit risk, market risk, operational risk, assets and liabilities management risk, structural interest rate risk, liquidity risk, property investment risk, capital investment risk and reputation risk.

Risk Management and Internal Control Department is responsible for describing, measuring, analyzing, monitoring and reporting risks. Other responsibilities of the department include following up the developments in risk management, improving the methods employed, and submitting reports to the Board of Directors on required legal reporting, notification and follow-up activities. In addition, the department also acts as the Compliance Unit with regard to the enforcement of the Law no 5549 on Prevention of Laundering Proceeds from Crime and related regulations.

Insurance Underwriting and Pension Branch Risk Policy

Insurance underwriting and pension branch risk refers, with respect to the insurance branch, to the risk that might arise from failure to correctly and effectively employ the underwriting technique while providing coverage for probable incidents; and with respect to the private pension branch, to the risk of sustaining loss due to the generated revenues that fall short of the costs incurred.

In insurance and pension branch products, the basic principle is to establish the actuarial structure in line with technical profit forecasts within the frame of precautionary principle. Along this line, technical income and expenses for insurance and pension branches are set within the frame of the principles defined in insurance and private pension legislation, taking into consideration the Company's risk appetite.

The management of insurance underwriting risk is based on the principle of composing a low-risk portfolio of policyholders. To this end, the policyholder portfolio is effectively monitored. The Company's income and risk limits are regularly followed-up to determine whether they are at the level to cover the risk underwritten by the Company.

RISK MANAGEMENT POLICIES AND AN ASSESSMENT BY THE BOARD OF DIRECTORS

Assets and Liabilities Risk Policy

Under the assets and liabilities risk that expresses all financial risks apart from the credit risk which stem from the Company's assets and liabilities, structural interest rate risk, liquidity risk, capital investment risk and real estate investment risk are considered.

In the composition of the Company's assets and liabilities, return on asset items and cost of liability items, cashing-in and reinvestment times are taken into account. The Company's needs, alternative borrowing sources, profitability of the lending and lending facilities are taken into account when identifying and utilizing the sources for funding assets.

The basic principle is to ensure that the transactions carried out in the money and capital markets are "well diversified" so as to avoid any concentration in any investment instrument, maturity, currency, interest type and other similar parameters and in view of the risk level created thereby.

When managing the liquidity risk, the Company composes its portfolio in a structure that is compatible with the functions of deriving profit on the portfolio and of market risk management. Hence, key considerations include the maturity distribution of the portfolio composed as such, its having a profit-focus while uncompromising from liquidity requirements, and the risk versus return balance.

Market risk limits are set by the Board of Directors in accordance with the Company's risk appetite. Adherence to limits is constantly monitored by the Risk Management and Internal Control Department and related executive units. In the event of limit overruns, the violation and the reasons therefor are reported to the Board of Directors, accompanied by the executive units' comments. Action to be taken in the event of a limit overrun is decided by the Board of Directors.

Careful consideration is given to the creditworthiness of those issuing financial instruments that pose a market risk. Basically, the issuer of the financial instrument should have been assigned an "investment grade" in terms of credit risk rating.

Within the frame of structural interest rate risk, the exposure stemming from the interest sensitivity of all of the Company's assets, liabilities, income and expenses are followed up separately from the interest risk that is addressed under the market risk.

Decisions on capital investments (new investments, increasing/decreasing the investment level or withdrawal from an investment) are made by the Company's Board of Directors. Capital investments are managed based on a portfolio approach, observing the balance between the risk undertaken and the return generated.

Credit Risk Policy

Credit Risk refers to the probability of loss the Company might sustain due to the failure of indebted parties (agencies, reinsurers, etc.) to the Company to fulfill the contractual requirements and their failure to satisfy their obligations in part or in whole.

The basic principle is to manage counterparty transactions, which are of a nature to give rise to credit risk, so as not to create concentration, and in a well-diversified manner by keeping an eye on the risk level created. To this end, the credit risk exposure is monitored by way of various criteria including counterparty, collateral, sector, maturity and currency.

The minimum scope of the credit risk evaluation process covers monitoring, and reporting on, the risk levels of insurance brokers, reinsurers, companies in which shareholding stakes are acquired, and banks/ financial institutions from which financial services are procured.

Early detection and definition of the issues are essential for effective credit risk management.

Operational Risk Policy

Operational risk is the risk of loss that might result from inadequate or inoperational internal processes, people, systems or external factors. The basic principle is to consider operational risks with respect to their likelihood and the impact they would create in the event they occurred, and to take necessary countermeasures.

When managing operational risk, controls are designed to eliminate or mitigate the risk of sustaining loss due to the risk exposure of the activities. Risk Management and Internal Control Department monitors, and reports on, the efficiency and adequacy of the controls, as well as the enforcement of the action plans adopted.

Reputation Risk Policy

Reputation risk refers to potential loss that may result from loss of confidence in the Company or injury to the Company's reputation stemming from the negative thoughts of various parties including current or potential customers, shareholders, competitors and regulatory authorities about the Company, or from regulatory non-compliance.

The principal elements of reputation risk (financial performance, service continuity, customer satisfaction, regulatory compliance, corporate culture and corporate governance understanding, organization and conduct, employee competence, etc.) are taken individually and as a whole. Appropriate systems and controls are created to efficiently manage the elements that constitute a risk.

Auditing of Risk Management System and Processes

The risk management system and processes are audited by the Company's Board of Internal Audit. The Board of Directors determines the principles relating to execution of action plans for the conduct of the audit, the reporting of audit results, and remedy of errors and irregularities identified in the audits.

The Company's risk management and assessment process consists of providing information to the Board of Directors on topics such as:

- Adequacy of the Company's risk management system and processes,
- Compliance with limits,
- Accuracy and quality of the data used in the risk management process,
- Accuracy and quality of limit violation reports,
- Compliance with the policy and implementation procedures.

The process also includes laying down proposals regarding the possible measures that can be adopted, as well as reporting stages.

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

31 DECEMBER 2016 UNCONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ
INDEPENDENT AUDITOR'S REPORT



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To the Board of Directors of Anadolu Hayat Emeklilik Anonim Şirketi

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal systems relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal system. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ
INDEPENDENT AUDITOR'S REPORT

Other Related Legislation Reports of Independent Auditors

- 1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 30 January 2017.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2016, the Company's bookkeeping activities are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
- 3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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



Alper Güvenç
Partner

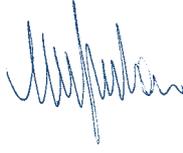
30 January 2017
İstanbul, Türkiye

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

UNCONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

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

Istanbul, 30 January 2017



M. Uğur Erkan

Member of the Board of Directors/
Chief Executive Officer



Orhan Bozkurt

Vice Chief Executive Officer



N. Cem Özcan

Accounting Manager



F. Demet Işıksaçan

Actuary (Registration Number: 37)

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

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ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

ASSETS			
	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
I- Current Assets			
A- Cash and Cash Equivalents	14	326,886,784	302,999,458
1- Cash	14	8,370	3,385
2- Cheques Received		-	-
3- Banks	14	146,204,151	145,598,543
4- Cheques Given and Payment Orders	14	(2,745)	-
5- Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months	14	180,677,008	157,397,530
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments with Risks on Policyholders	11	2,373,082,951	2,380,294,753
1- Available-for-Sale Financial Assets	11	747,069,736	704,042,404
2- Held to Maturity Investments		-	-
3- Financial Assets Held for Trading	11	36,591,886	33,213,002
4- Loans and Receivables	11	19,007,705	10,866,879
5- Provision for Loans and Receivables		-	-
6- Financial Investments with Risks on Saving Life Policyholders	11	1,580,922,429	1,636,933,658
7- Company's Own Equity Shares		-	-
8- Diminution in Value of Financial Investments	11	(10,508,805)	(4,761,190)
C- Receivables from Main Operations	12	11,449,563,544	9,015,053,555
1- Receivables from Insurance Operations	12	28,651,470	24,112,811
2- Provision for Receivables from Insurance Operations	12	(2,574)	(2,574)
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited to Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders	12	31,647,263	31,439,625
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Operations	12	11,389,267,385	8,959,503,693
9- Doubtful Receivables from Main Operations	12	117,996	117,996
10- Provision for Doubtful Receivables from Main Operations	12	(117,996)	(117,996)
D- Due from Related Parties	12	5,221	8,031
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel	12	5,221	8,031
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
E- Other Receivables	12	10,663,493	7,134,993
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		82,836	53,102
4- Other Miscellaneous Receivables	47	10,628,177	7,083,855
5- Rediscount on Other Miscellaneous Receivables		(47,520)	(1,964)
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
F- Prepaid Expenses and Income Accruals	4.2	23,523,085	13,727,270
1- Deferred Commission Expense		17,170,562	8,908,651
2- Accrued Interest and Rent Income		204,671	169,394
3- Income Accruals		-	-
4- Other Prepaid Expenses		6,147,852	4,649,225
G- Other Current Assets	4.2	18,199	18,627
1- Stocks to be Used in the Following Months		-	-
2- Prepaid Taxes and Funds		8,133	8,133
3- Deferred Tax Assets		-	-
4- Job Advances		10,066	10,494
5- Advances Given to Personnel		-	-
6- Inventory Count Differences		-	-
7- Other Miscellaneous Current Assets		-	-
8- Provision for Other Current Assets		-	-
I- Total Current Assets		14,183,743,277	11,719,236,687

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

ASSETS			
	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
II- Non-Current Assets			
A- Receivables from Main Operations			
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited for Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Business		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-
B- Due from Related Parties			
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscout on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
C- Other Receivables			
1- Finance Lease Receivables		764,981	1,072,433
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables		1,064,916	1,419,888
5- Rediscout on Other Miscellaneous Receivables		(299,935)	(347,455)
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
D- Financial Assets			
1- Investments in Equity Shares	9, 45.d	12,762,193	12,762,193
2- Investments in Associates	9,45.d	12,762,193	12,762,193
3- Capital Commitments to Associates		-	-
4- Investments in Subsidiaries		-	-
5- Capital Commitments to Subsidiaries		-	-
6- Investments in Joint Ventures		-	-
7- Capital Commitments to Joint Ventures		-	-
8- Financial Assets and Financial Investments with Risks on Policyholders		-	-
9- Other Financial Assets		-	-
10- Impairment in Value of Financial Assets		-	-
E- Tangible Assets			
1- Investment Properties	6	162,607,274	137,613,779
2- Impairment for Investment Properties	7	144,262,511	119,545,113
3- Owner Occupied Property	6	4,610,000	4,610,000
4- Machinery and Equipments	6	24,339,733	19,763,450
5- Furniture and Fixtures	6	3,824,369	3,780,465
6- Motor Vehicles	6	486,876	541,760
7- Other Tangible Assets (Including Leasehold Improvements)	6	3,637,120	3,456,710
8- Tangible Assets Acquired Through Finance Leases	6	533,750	634,906
9- Accumulated Depreciation	6	(19,087,085)	(14,718,625)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
F- Intangible Assets			
1- Rights	8	31,273,866	17,154,965
2- Goodwill	8	44,936,482	29,612,153
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortisation (Depreciation)	8	(26,661,466)	(20,061,162)
7- Advances Paid for Intangible Assets		12,998,850	7,603,974
G- Prepaid Expenses and Income Accruals			
1- Deferred Commission Expense		530,611	1,336,099
2- Income Accruals		-	-
3- Other Prepaid Expenses and Income Accruals		530,611	1,336,099
H- Other Non-Current Assets			
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Stocks to be Used in the Following Years		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets		-	-
6- Other Miscellaneous Non-Current Assets		-	-
7- Amortisation on Other Non-Current Assets		-	-
8- Provision for Other Non-Current Assets		-	-
II- Total Non-Current Assets		207,938,925	169,939,469
TOTAL ASSETS		14,391,682,202	11,889,176,156

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

LIABILITIES			
	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
III- Short-Term Liabilities			
A- Financial Liabilities	20	45,376,520	101,214,252
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Liabilities		-	-
3- Deferred Leasing Costs		-	-
4- Current Portion of Long Term Debts		-	-
5- Principal Installments and Interests on Bonds Issued		-	-
6- Other Financial Assets Issued		-	-
7- Valuation Differences of Other Financial Assets Issued		-	-
8- Other Financial Liabilities	20	45,376,520	101,214,252
B- Payables Arising from Main Operations	19	11,598,054,883	9,135,523,858
1- Payables Arising from Insurance Operations	19	14,097,447	9,482,564
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies	19,10	1,084,011	1,505,123
4- Payables Arising from Individual Pension Business	19	11,581,732,535	9,124,225,331
5- Payables Arising from Other Main Operations		1,140,890	310,840
6- Discount on Payables from Other Main Operations		-	-
C- Due to Related Parties	19	117,850	18,544
1- Due to Shareholders	19,45	62,231	9,678
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		55,571	8,836
6- Due to Other Related Parties	19	48	30
D- Other Payables	19	20,144,860	18,616,986
1- Deposits and Guarantees Received	19	823,067	437,995
2- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables	19,47	19,321,793	18,178,991
4- Discount on Other Miscellaneous Payables		-	-
E- Insurance Technical Provisions	17	1,818,688,743	1,809,975,372
1- Reserve for Unearned Premiums - Net	17	29,184,804	16,599,281
2- Reserve for Unexpired Risks - Net		9,479	-
3- Mathematical Provisions - Net	17	1,682,433,974	1,700,163,219
4- Provision for Outstanding Claims - Net	17	90,385,972	81,652,180
5- Provision for Bonus and Discounts - Net		459,163	314,937
6- Other Technical Provisions - Net	17	16,215,351	11,245,755
F- Provisions for Taxes and Other Similar Obligations		13,013,112	13,610,176
1- Taxes and Funds Payable		5,174,343	4,702,749
2- Social Security Premiums Payable		1,836,850	1,530,639
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Similar Payables		76,744	-
5- Corporate Tax Payable	35	39,530,000	30,778,000
6- Prepaid Taxes and Other Liabilities Regarding Current Period Income	35	(33,604,825)	(23,401,212)
7- Provisions for Other Taxes and Similar Liabilities		-	-
G- Provisions for Other Risks	23	15,679,205	13,698,218
1- Provision for Employee Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	23	15,679,205	13,698,218
H- Deferred Income and Expense Accruals	19	5,581,134	4,192,937
1- Deferred Commission Income	19	190,391	320,353
2- Expense Accruals	19	1,635,679	1,617,895
3- Other Deferred Income and Expense Accruals	19	3,755,064	2,254,689
I- Other Short-Term Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		-	-
3- Other Various Short-Term Liabilities		-	-
III - Total Short-Term Liabilities		13,516,656,307	11,096,850,343

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

LIABILITIES			
	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
IV- Long-Term Liabilities			
A- Financial Liabilities			
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Liabilities		-	-
3- Deferred Leasing Costs		-	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued		-	-
7- Other Financial Liabilities		-	-
B- Payables Arising from Main Operations			
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business		-	-
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations		-	-
C- Due to Related Parties			
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables			
1- Deposits and Guarantees Received		-	-
2- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables		-	-
4- Discount on Other Miscellaneous Payables		-	-
E-Insurance Technical Provisions			
1- Reserve for Unearned Premiums - Net		-	-
2- Reserve for Unexpired Risks - Net		-	-
3- Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Provisions - Net		-	-
F-Other Liabilities and Relevant Accruals			
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks			
1- Provision for Employee Termination Benefits	22,23	12,709,099	12,077,567
2- Provision for Pension Fund Deficits	22,23	12,709,099	12,077,567
H-Deferred Income and Expense Accruals			
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Long-Term Liabilities			
1- Deferred Tax Liabilities	21	1,461,964	2,042,793
2- Other Long-Term Liabilities	21	1,461,964	2,042,793
IV- Total Long-Term Liabilities		14,171,063	14,120,360

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

UNCONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

EQUITY			
	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
V- Equity			
A- Paid in Capital	2.13,15	430,000,000	410,000,000
1- (Nominal) Capital	2.13,15	430,000,000	410,000,000
2- Unpaid Capital		-	-
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences		-	-
5- Register in Progress Capital		-	-
B- Capital Reserves		-	-
1- Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Assets Sale That Will Be Transferred to Capital		-	-
4- Currency Translation Adjustments		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		141,680,085	124,237,836
1- Legal Reserves	15	104,906,965	89,189,221
2- Statutory Reserves	15	1,321,820	308,179
3- Extraordinary Reserves	15	8,489,678	85,019
4- Special Funds		-	-
5- Revaluation of Financial Assets	15,16	26,974,478	33,530,383
6- Other Profit Reserves	15	(12,856)	1,125,034
D- Retained Earnings		98,900,291	98,900,291
1- Retained Earnings		98,900,291	98,900,291
E- Accumulated Losses		-	-
1- Accumulated Losses		-	-
F- Net Profit for the Period		190,274,456	145,067,326
1- Net Profit for the Period		190,274,456	145,067,326
2- Net Loss for the Period		-	-
3- Profit not Available for Distribution		-	-
V- Total Equity		860,854,832	778,205,453
TOTAL EQUITY AND LIABILITIES		14,391,682,202	11,889,176,156

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ
**UNCONSOLIDATED STATEMENT OF INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2016**

(Currency: Turkish Lira (TRY))

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

	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
I-TECHNICAL SECTION			
A- Non-Life Technical Income	5	448,281	453,292
1- Earned Premiums (Net of Reinsurer Share)		448,281	453,292
1.1- Written Premiums (Net of Reinsurer Share)	24	624,669	292,638
1.1.1- Written Premiums, gross		835,356	444,083
1.1.2- Written Premiums, ceded	10	(210,687)	(151,445)
1.1.3- Premiums Transferred to Social Security Institutions		-	-
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		(166,909)	160,654
1.2.1- Reserve for Unearned Premiums, gross		(174,600)	151,934
1.2.2- Reserve for Unearned Premiums, ceded	10	7,691	8,720
1.2.3- Reserve for Unearned Premiums, Social Security Institution Share		-	-
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		(9,479)	-
1.3.1- Reserve for Unexpired Risks, gross		(11,455)	-
1.3.2- Reserve for Unexpired Risks, ceded		1,976	-
2- Investment Income - Transferred from Non-Technical Section		-	-
3- Other Technical Income (Net of Reinsurer Share)		-	-
3.1- Other Technical Income, gross		-	-
3.2- Other Technical Income, ceded		-	-
4- Accrued Salvage and Subrogation Income		-	-
B- Non-Life Technical Expense	5	(1,013,807)	(693,713)
1- Incurred Losses (Net of Reinsurer Share)		(450,502)	(239,570)
1.1- Claims Paid (Net of Reinsurer Share)		(440,010)	(201,792)
1.1.1- Claims Paid, gross		(622,673)	(202,842)
1.1.2- Claims Paid, ceded	10	182,663	1,050
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		(10,492)	(37,778)
1.2.1- Change in Provisions for Outstanding Claims, gross		79,629	(192,513)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10	(90,121)	154,735
2- Change in Provision for Bonus and Discounts (Net of Reinsurer and Less the Amounts Carried Forward)		(904)	(2,868)
2.1- Provision for Bonus and Discounts, gross		(2,395)	(2,853)
2.2- Provision for Bonus and Discounts, ceded		1,491	(15)
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)		(12,834)	(4,377)
4- Operating Expenses	32	(549,567)	(446,898)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
5.1- Change in Mathematical Provisions, gross		-	-
5.2- Change in Mathematical Provisions, ceded		-	-
6- Change in Other Technical Provisions (Net of Reinsurer and Less the Amounts Carried Forward)		-	-
6.1- Change in Other Technical Provisions, gross		-	-
6.2- Change in Other Technical Provisions, ceded		-	-
C- Net Technical Income-Non-Life (A - B)		(565,526)	(240,421)
D- Life Technical Income	5	700,849,526	602,512,365
1- Earned Premiums (Net of Reinsurer Share)		475,432,266	391,777,533
1.1- Written Premiums (Net of Reinsurer Share)	24	487,850,880	389,666,628
1.1.1- Written Premiums, gross		500,565,012	402,108,156
1.1.2- Written Premiums, ceded	10	(12,714,132)	(12,441,528)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		(12,418,614)	2,110,905
1.2.1- Reserve for Unearned Premiums, gross		(12,201,672)	2,320,011
1.2.2- Reserve for Unearned Premiums, ceded	10	(216,942)	(209,106)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.3.1- Reserve for Unexpired Risks, gross		-	-
1.3.2- Reserve for Unexpired Risks, ceded		-	-
2- Investment Income	26	214,833,562	202,869,090
3- Unrealised Gains on Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		10,583,698	7,865,742
4.1- Other Technical Income, gross		10,583,698	7,865,742
4.2- Other Technical Income, ceded		-	-
5- Accrued Salvage Income		-	-

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

**UNCONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Currency: Turkish Lira (TRY))

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

	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
I- TECHNICAL SECTION			
E- Life Technical Expense	5	(588,363,510)	(516,034,331)
1- Incurred Losses (Net of Reinsurer Share)		(448,861,326)	(426,598,484)
1.1- Claims Paid (Net of Reinsurer Share)		(434,691,400)	(410,546,882)
1.1.1- Claims Paid, gross		(441,215,466)	(416,524,714)
1.1.2- Claims Paid, ceded	10	6,524,066	5,977,832
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		(14,169,926)	(16,051,602)
1.2.1- Change in Provisions for Outstanding Claims, gross		(15,056,693)	(16,457,077)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10	886,767	405,475
2- Change in Provision for Bonus and Discounts (Net of Reinsurer and Less the Amounts Carried Forward)		(143,322)	(151,569)
2.1- Provision for Bonus and Discounts, gross		(338,699)	(785,219)
2.2- Provision for Bonus and Discounts, ceded		195,377	633,650
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		2,267,138	26,541,485
3.1- Change in Life Mathematical Provisions, gross		2,631,401	27,113,549
3.1.1- Change in Actuarial Mathematical Provisions, gross		10,258,365	12,677,832
3.1.2- Change in Profit Share Provisions (Provision for Financial Investments with Risks on Saving Life Policyholders), gross		(7,626,964)	14,435,717
3.2- Change in Life Mathematical Provisions, ceded	10	(364,263)	(572,064)
3.2.1- Change in Actuarial Mathematical Provisions, ceded		(364,263)	(572,064)
3.2.2- Change in Profit Share Provisions (Provision for Financial Investments with Risks on Saving Life Policyholders), ceded		-	-
4- Change in Other Technical Provisions (Net of Reinsurer and Less the Amounts Carried Forward)		(4,956,762)	(3,111,931)
5- Operating Expenses	32	(136,669,238)	(112,713,832)
6- Investment Expenses		-	-
7- Unrealized Losses on Investments		-	-
8- Investment Income Transferred to the Non-Life Technical Section		-	-
F- Net Technical Income- Life (D - E)		112,486,016	86,478,034
G- Pension Business Technical Income	5.25	236,760,325	209,057,996
1- Fund Management Income	25	173,816,154	144,258,249
2- Management Fee	25	21,201,113	26,382,176
3- Entrance Fee Income	25	37,075,268	32,046,757
4- Management Expense Charge in case of Suspension	25	4,514,878	5,988,654
5- Income from Individual Service Charges		-	-
6- Increase in Value of Capital Allowances Given as Advance		-	-
7- Other Technical Expense	25	152,912	382,160
H- Pension Business Technical Expense	5	(215,669,232)	(187,036,638)
1- Fund Management Expense		(24,572,325)	(22,343,282)
2- Decrease in Value of Capital Allowances Given as Advance		-	-
3- Operating Expenses	32	(181,706,419)	(157,256,379)
4- Other Technical Expenses		(9,224,477)	(7,271,804)
5- Fine Payments		(166,011)	(165,173)
I- Net Technical Income - Pension Business (G - H)		21,091,093	22,021,358

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
II-NON-TECHNICAL SECTION			
C- Net Technical Income - Non-Life (A-B)		(565,526)	(240,421)
F- Net Technical Income - Life (D-E)		112,486,016	86,478,034
I - Net Technical Income - Pension Business (G-H)		21,091,093	22,021,358
J- Total Net Technical Income (C+F+I)		133,011,583	108,258,971
K- Investment Income	26	123,362,928	87,544,586
1- Income from Financial Assets		63,413,825	49,470,505
2- Income from Disposal of Financial Assets		6,752,452	8,121,324
3- Valuation of Financial Assets		16,579,813	9,348,486
4- Foreign Exchange Gains	36	4,785,452	4,000,624
5- Income from Associates	26	2,306,721	1,800,342
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment	7,26	27,699,339	13,101,595
8- Income from Derivative Transactions		-	-
9- Other Investments	26	1,825,326	1,701,710
10- Income Transferred from Life Section		-	-
L- Investment Expense		(21,483,949)	(15,478,304)
1- Investment Management Expenses (inc. interest)		(2,284,577)	(1,723,406)
2- Diminution in Value of Investments		(995,480)	(214,252)
3- Loss from Disposal of Financial Assets		(5,235,169)	(2,469,411)
4- Investment Income Transferred to Non-Life Technical Section		-	-
5- Loss from Derivative Transactions		-	-
6- Foreign Exchange Losses	36	(1,283,125)	(1,297,946)
7- Depreciation and Amortisation Expenses	6,8	(11,685,598)	(9,773,289)
8- Other Investment Expenses		-	-
M- Income and Expenses From Other and Extraordinary Operation		(5,086,106)	(4,479,927)
1- Provisions	47	(3,992,100)	176,649
2- Rediscounts		1,964	(349,419)
3- Specified Insurance Accounts		-	-
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Assets)	21	(158,032)	(3,676,464)
6- Deferred Taxation (Deferred Tax Liabilities)		-	-
7- Other Income		25,717	5,872
8- Other Expenses and Losses		(963,655)	(636,565)
9- Prior Year's Income		-	-
10- Prior Year's Expenses and Losses		-	-
N- Net Profit for the Period	37	190,274,456	145,067,326
1- Profit for the Period		229,804,456	175,845,326
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(39,530,000)	(30,778,000)
3- Net Profit for the Period	37	190,274,456	145,067,326
4- Monetary Gains and Losses		-	-

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

(Para Birimi: Türk Lirası (₺) olarak ifade edilmiştir.)

Audited - Changes in Equity - 31 December 2015

	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustments
I - Balance at the end of the year period - 31 December 2014		380,000,000	-	44,449,594	-	-
II - Change in Accounting Standards		-	-	-	-	-
III - Restated balances (I+II) -1 January 2015		380,000,000	-	44,449,594	-	-
A- Capital increase (A1+A2)		30,000,000	-	-	-	-
1- In cash		-	-	-	-	-
2- From reserves		30,000,000	-	-	-	-
B- Purchase of own shares		-	-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-	-
D- Change in the value of financial assets	15	-	-	(10,919,211)	-	-
E- Currency translation adjustments		-	-	-	-	-
F- Other gains or losses	15	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-
H- Net profit for the period		-	-	-	-	-
I - Dividends paid	38	-	-	-	-	-
J - Transfers from retained earnings	15	-	-	-	-	-
IV - Balance at the end of the period - 31 December 2015		410,000,000	-	33,530,383	-	-

Audited - Changes in Equity - 31 December 2016

	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustments
I - Balance at the end of the year period - 31 December 2015		410,000,000	-	33,530,383	-	-
II - Change in Accounting Standards		-	-	-	-	-
III - Restated balances (I+II) -1 January 2016		410,000,000	-	33,530,383	-	-
A- Capital increase (A1+A2)		20,000,000	-	-	-	-
1- In cash		-	-	-	-	-
2- From reserves		20,000,000	-	-	-	-
B- Purchase of own shares		-	-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-	-
D- Change in the value of financial assets	15	-	-	(6,555,905)	-	-
E- Currency translation adjustments		-	-	-	-	-
F- Other gains or losses	15	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-
H- Net profit for the period		-	-	-	-	-
I - Dividends paid	38	-	-	-	-	-
J - Transfers from retained earnings	15	-	-	-	-	-
IV - Balance at the end of the period - 31 December 2016		430,000,000	-	26,974,478	-	-

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

	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Period	Retained Earnings	Total
	79,990,885	2,239,098	1,210,171	106,654,108	87,406,963	701,950,819
	-	-	-	-	-	-
	79,990,885	2,239,098	1,210,171	106,654,108	87,406,963	701,950,819
	-	(8,928,236)	(21,071,764)	-	-	-
	-	-	-	-	-	-
	-	(8,928,236)	(21,071,764)	-	-	-
	-	-	-	-	-	-
	-	-	(981,087)	-	-	(981,087)
	-	-	2,981,724	-	-	(7,937,487)
	-	-	-	-	-	-
	-	-	-	2,270,001	-	2,270,001
	-	-	-	-	-	-
	-	-	-	145,067,326	-	145,067,326
	-	-	-	(62,164,119)	-	(62,164,119)
	9,198,336	6,997,317	19,071,009	(46,759,990)	11,493,328	-
	89,189,221	308,179	1,210,053	145,067,326	98,900,291	778,205,453

	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Period	Retained Earnings	Total
	89,189,221	308,179	1,210,053	145,067,326	98,900,291	778,205,453
	-	-	-	-	-	-
	89,189,221	308,179	1,210,053	145,067,326	98,900,291	778,205,453
	-	(10,000,000)	(10,000,000)	-	-	-
	-	-	-	-	-	-
	-	(10,000,000)	(10,000,000)	-	-	-
	-	-	-	-	-	-
	-	-	(1,137,890)	-	-	(1,137,890)
	-	-	-	-	-	(6,555,905)
	-	-	-	-	-	-
	-	-	-	3,474,999	-	3,474,999
	-	-	-	-	-	-
	-	-	-	190,274,456	-	190,274,456
	-	-	-	(103,406,281)	-	(103,406,281)
	15,717,744	11,013,641	18,404,659	(45,136,044)	-	-
	104,906,965	1,321,820	8,476,822	190,274,456	98,900,291	860,854,832

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
A. Cash flows from operating activities			
1. Cash provided from insurance activities		681,083,186	711,084,812
2. Cash provided from reinsurance activities		-	510,776
3. Cash provided from individual pension business		259,757,540	227,159,906
4. Cash used in insurance activities		(585,308,184)	(667,316,127)
5. Cash used in reinsurance activities		(421,112)	-
6. Cash used in individual pension business		(210,922,935)	(183,848,046)
7. Cash provided by/(used in) operating activities		144,188,495	87,591,321
8. Interest paid		(4,742,954)	-
9. Income taxes paid		(30,778,000)	(28,115,000)
10. Other cash inflows		15,955,195	20,548,968
11. Other cash outflows		(36,929,021)	(18,716,296)
12. Net cash provided by operating activities		87,693,715	61,308,993
B. Cash flows from/(used in) investing activities			
1. Proceeds from disposal of tangible assets		936,973	-
2. Acquisition of tangible assets	6,8	(26,334,644)	(17,860,746)
3. Acquisition of financial assets		(426,814,105)	(246,681,210)
4. Proceeds from disposal of financial assets		288,132,051	151,979,060
5. Interests received		143,420,869	90,282,557
6. Dividends received		7,256,819	6,416,365
7. Other cash inflows		142,647,519	107,146,998
8. Other cash outflows		(110,449,237)	(9,338,943)
9. Net cash used in investing activities		18,796,245	81,944,081
C. Cash flows from/(used in) financing activities			
1. Equity shares issued		-	-
2. Cash provided from loans and borrowings		-	-
3. Finance lease payments		-	-
4. Dividends paid	38	(103,406,281)	(62,164,119)
5. Other cash inflows		-	-
6. Other cash outflows		-	-
7. Net cash used in financing activities		(103,406,281)	(62,164,119)
D. Effect of exchange rate fluctuations on cash and cash equivalents			
E. Net decrease in cash and cash equivalents		3,083,679	81,088,955
F. Cash and cash equivalents at the beginning of the period	14	266,075,591	184,986,636
G. Cash and cash equivalents at the end of the period	14	269,159,270	266,075,591

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION
FOR THE YEAR ENDED 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

	Note	Audited Current Period 31 December 2016 (**)	Audited Prior Period 31 December 2015
I. DISTRIBUTION OF THE PERIOD PROFIT			
1.1. PERIOD PROFIT (*)		235,326,870	180,135,820
1.2. TAXES AND DUTIES PAYABLE		(39,530,000)	(30,778,000)
1.2.1. Corporate Tax (Income Tax)		(39,530,000)	(30,778,000)
1.2.2. Income Tax Deductions		-	-
1.2.3. Other Taxes and Legal Duties		-	-
A. CURRENT PERIOD PROFIT (1.1 - 1.2)		195,796,870	149,357,820
1.3. ACCUMULATED LOSSES (-)		-	-
1.4. FIRST LEGAL RESERVES (-)		9,740,723	7,427,116
1.5. OTHER STATUTORY RESERVES (-)		-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5))]		186,056,147	141,930,704
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	(28,388,017)
1.6.1. To owners of ordinary shares		-	(28,388,017)
1.6.2. To owners of privileged shares		-	-
1.6.3. To owners of redeemed shares		-	-
1.6.4. To holders profit sharing bonds		-	-
1.6.5. To holders of profit and loss sharing certificates		-	-
1.7. DIVIDENDS TO PERSONNEL (-)		-	(3,406,281)
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	(71,611,983)
1.9.1. To owners of ordinary shares		-	(71,611,983)
1.9.2. To owners of privileged shares		-	-
1.9.3. To owners of redeemed shares		-	-
1.9.4. To holders profit sharing bonds		-	-
1.9.5. To holders of profit and loss sharing certificates		-	-
1.10. SECOND LEGAL RESERVES (-)		-	(8,290,628)
1.11. STATUTORY RESERVES (-)		-	(11,013,641)
1.12. EXTRAORDINARY RESERVES		-	(19,220,154)
1.13. OTHER RESERVES		-	-
1.14. SPECIAL FUNDS		-	-
II. DISTRIBUTION OF RESERVES			
2.1. APPROPRIATED RESERVES		-	-
2.2. SECOND LEGAL RESERVES (-)		-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1. To owners of ordinary shares		-	-
2.3.2. To owners of privileged shares		-	-
2.3.3. To owners of redeemed shares		-	-
2.3.4. To holders of profit sharing bonds		-	-
2.3.5. To holders of profit and loss sharing certificates		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. EARNINGS PER SHARE			
3.1. TO OWNERS OF ORDINARY SHARES		0.45534	0.36429
3.2. TO OWNERS OF ORDINARY SHARES (%)		45.534	36.429
3.3. TO OWNERS OF PRIVILEGED SHARES		0.45534	0.36429
3.4. TO OWNERS OF PRIVILEGED SHARES (%)		45.534	36.429
IV. DIVIDEND PER SHARE			
4.1. TO OWNERS OF ORDINARY SHARES	38	-	-
4.2. TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3. TO OWNERS OF PRIVILEGED SHARES		-	-
4.4. TO OWNERS OF PRIVILEGED SHARES (%)		-	-

(*) Consolidated current year profit is used for profit distribution as per the "Profit Share Guidebook" issued by the Capital Markets Board on 23 January 2014 dated. Provision for dividend expense amounting to TRY 4,540,000 is added to the profit for the year ended 31 December 2016.

(**) As of the reporting date, the General Assembly Meeting has not been held; therefore, only distributable net profit is presented in the 2016 profit distribution table above.

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

1 General information

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

Anadolu Hayat Emeklilik Anonim Şirketi (the "Company") has been operating since 31 May 1990 and the shareholding structure of the Company is presented below. As at 31 December 2016, the shareholder having direct or indirect control over the shares of the Company is Türkiye İş Bankası AŞ ("İş Bankası") by 84.53% of the outstanding shares of the Company.

Name	31 December 2016		31 December 2015	
	Shareholding amount (TRY)	Shareholding rate (%)	Shareholding amount (TRY)	Shareholding rate (%)
Türkiye İş Bankası AŞ ⁽¹⁾	273,194,212	63.53	254,815,000	62.15
Anadolu Anonim Türk Sigorta Şirketi	86,000,000	20.00	82,000,000	20.00
Milli Reasürans TAŞ	4,299,999	1.00	4,100,000	1.00
Publicly traded	66,505,789	15.47	69,085,000	16.85
Paid in capital	430,000,000	100.00	410,000,000	100.00

⁽¹⁾ The rate of publicly traded shares is 17%. As at 31 December 2016, Türkiye İş Bankası AŞ. owns the 1.53% of the publicly traded shares.

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

The Company was registered in Turkey and has the status of 'Incorporated Company' in accordance with the regulations of Turkish Commercial Code. The address of the Company's registered office is Meltem Sokak No: 10 İş Kuleleri Kule: 2 Kat: 16, Levent 34330 Beşiktaş/İstanbul.

1.3 Business of the Company

The activities of the Company involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and related personal accident branches, establishing retirement funds, developing internal rules and regulations related to these funds, carrying out retirement, annual income insurance, portfolio management and custody contracts for the assets of the funds held in custody.

As at 31 December 2016, the Company has 26 individual pension investment funds (31 December 2015: 24).

1.4 Description of the main operations of the Company

The Company issues policies in insurance branches specified in the above note 1.3 - *Business of the Company* and contracts in individual pension business by conducting its operations in accordance with the Insurance Law No. 5684 (the "Insurance Law") issued on 14 June 2007 dated and 26552 numbered Official Gazette and Individual Pension Savings and Investment System Law No. 4632 (the "Individual Pension Law") and other communiqués and regulations in force issued by the Prime Ministry Undersecretariat of the Treasury of the Turkish Republic (the "Turkish Treasury") based on the Insurance Law and the Individual Pension Law.

The Company's shares are listed on the Borsa İstanbul ("BIST"). In accordance with Article 136 (5) in Section VIII of the Capital Markets Law, insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting; therefore, the Company performs its operations accordingly.

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

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(Currency: Turkish Lira (TRY))

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1.5 The average number of the personnel during the period in consideration of their categories

The average number of the personnel during the period in consideration of their categories is as follows:

	31 December 2016	31 December 2015
Senior level managers	8	8
Directors	107	104
Officers	372	372
Contracted personnel	3	3
Sales personnel	542	478
Other	11	12
Total	1,043	977

1.6 Wages and similar benefits provided to the senior management

For the year ended as of 31 December 2016, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, and deputy general managers amounted to TRY 5,202,992 (31 December 2015: TRY 4,458,961).

1.7 Explanation about the distribution of investment income and operating expenses (personnel expenses, administrative expenses, research and development expenses, marketing and selling expenses, and expenses for the services bought from third parties) in the financial statements

Procedures and principles related to keys used in the financial statements of the companies are determined in accordance with the 4 January 2008 dated and 2008/1 numbered "Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan" issued by the Turkish Treasury. In accordance with the above mentioned Communiqué, known and exactly distinguishable operating expenses are directly recorded under life, non-life or individual pension segments. Other non-distinguishable expenses, which are not exactly distinguished, are distributed between insurance segments and individual pension segment in accordance with the number of policies and contracts at the end of last 3 years and arithmetic average of contribution premium and earned premium within the last 3 years in accordance with the 9 August 2010 dated and 2010/9 numbered "Amendments Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan" issued by the Turkish Treasury. Amendment is effective from 1 January 2011. The portion of insurance segments calculated as described above is distributed between life and non-life branches in accordance with the average of 3 ratios calculated by dividing "number of the policies produced within the last three years", "gross premiums written within the last three years", and "number of the claims reported within the last three years" to the "total number of the policies", "total gross written premiums", and the "total number of the claims reported", respectively.

Income from the assets invested against non-life technical provisions is transferred to technical section from non-technical section.

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

As at the reporting period, distribution of the operating expense between life, non-life and pension branches is presented in note 5 - *Segment distribution*.

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

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

1.9 Name or other identity information about the reporting entity and the changes in this information after previous reporting period

Trade name of the Company	: Anadolu Hayat Emeklilik Anonim Şirketi
Registered address of the head office	: Meltem Sokak No: 10 İş Kuleleri Kule: 2 Kat: 16 Levent 34330 Beşiktaş/İstanbul
The web page of the Company	: www.anadoluhayat.com.tr
E-mail address of the Company	: hizmet@anadoluhayat.com.tr
Phone	: 0212 317 70 70
Fax	: 0212 317 70 77

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

1.10 Events after the reporting period

None.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

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

In Article 4 of related communiqué; insurance contracts, subsidiaries, jointly controlled partnerships and subsidiaries consolidated financial statements and the accounting, financial statements and footnotes to be announced publicly relating to the regulation of procedures and principles determined by Turkish Treasury stated that it would be issued with communiqué.

Comparative financial statements with prior period and other companies' financial statements provided that regulated to content and form of financial statements of companies which were published as "Communiqué on Presentation of Financial Statements" in Official Gazette 18 April 2008 dated and 26851 numbered.

2.1.2 Other accounting policies appropriate for the understanding of the financial statements

Accounting in hyperinflationary countries

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the Turkish Lira based on TAS 29 - *Financial Reporting in Hyperinflationary Economies* as at 31 December 2004. TAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting period, and that corresponding figures for previous years be restated in the same terms.

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With respect to the 4 April 2005 dated and 19387 numbered declaration of the Turkish Treasury, the Company restated its financial statements as at 31 December 2004 and prepared opening financial statements of 2005 in accordance with the "Restatement of Financial Statements in Hyperinflationary Periods" of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Markets" published in the Official Gazette dated 15 January 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Turkish Treasury. Accordingly, as at 31 December 2016, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognised or recorded before 1 January 2005 are measured as restated to 31 December 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognised or recorded after 1 January 2005 are measured at their nominal costs or values.

Other accounting policies

Information regarding to other accounting policies is explained above in the section of note 2.1.1 - *Information about the principles and the special accounting policies used in the preparation of the financial statements* and each on its own caption in following sections of this report.

2.1.3 Functional and presentation currency

The Company's financial statements are presented in the currency of the primary economic environment in which the entity operates. The results and financial position of the Company are expressed in TRY, which is the functional and presentation currency of the Company.

2.1.4 Rounding level of the amounts presented in the financial statements

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

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

The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2004, except for the financial assets at fair value through profit or loss, available-for-sale financial assets, financial investments with risks on saving life policyholders classified as available-for-sale financial assets, derivative financial instruments, investment properties and owner occupied properties which are measured at their fair values unless reliable measures are available.

2.1.6 Accounting policies, changes in accounting estimates and errors

Explanations regarding to the Company's accounting policies are presented in note 3 - Critical accounting estimates and judgements in applying accounting policies.

2.2 Consolidation

"Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance, and Individual Pension Companies" issued by the Turkish Treasury in the 31 December 2008 dated and 27097 numbered Official Gazette, has been in force since 31 March 2009. Accordingly, consolidated financial statements are prepared using the equity method of accounting to consolidate the Company's associate; İş Portföy Yönetimi AŞ.

In the 12 August 2008 dated and 2008/36 numbered "Sector Announcement Related to the Accounting of Subsidiaries, Associates and Joint Ventures in the Stand Alone Financial Statements of Insurance, Reinsurance and Individual Pension Companies" of the Turkish Treasury, it is stated that although insurance, reinsurance and individual pension companies are exempted from TAS 27 - *Consolidated and Separate Financial Statements*, subsidiaries, associates and joint-ventures could be accounted in accordance with TAS 39 - *Financial Instruments: Recognition and Measurement* or at cost in accordance with the 37th paragraph of TAS 27 - *Consolidated and Separate Financial Statements*. Parallel to the related sector announcements mentioned above, as at the reporting period the Company has accounted for its associate at cost less impairment losses, if any.

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

2.4 Foreign currency transactions

Transactions are recorded in TRY, which is the Company's functional currency. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates ruling at the reporting period and foreign currency exchange differences are offset and all exchange differences are recognised in the statement of income.

Foreign currency exchange differences of unrecognised gains or losses arising from the difference between their fair value and the discounted values calculated per effective interest rate method of foreign currency available-for-sale financial assets are recorded in "Revaluation of financial assets" under equity and the realised gain or losses are recognised directly in the statement of income. Foreign currency exchange differences of unrecognised gains or losses arising from financial investments with risks on saving life policyholders classified as available-for-sale financial assets, 5% of the difference is recorded under equity and the remaining 95% belonging to policyholders is recorded as 'insurance technical provisions - life mathematical provisions'.

2.5 Tangible assets

Except owner occupied properties, tangible assets are recorded at their historical costs that have been adjusted according to the inflation rates until the end of 31 December 2004. There have been no other inflationary adjustments for these tangible assets for the following years and therefore they have been recorded at their costs indexed to the inflation rates for 31 December 2004. Tangible assets that have been purchased after 1 January 2005 have been recorded at their costs excluding their exchange rate differences and finance expenses less impairment losses if any.

The Company has changed historical cost basis method with revaluation method for owner occupied properties. Fair values of owner occupied properties have been reflected in the financial statements instead of historical cost values since the third quarter of 2015.

The fair values of owner occupied properties were provided by CMB licensed real estate companies. The fair values excluding the accumulated depreciation are reflected in the financial statements.

Increase arising from the revaluation of owner occupied properties is presented under the "other profit reserves" in equity excluding tax.

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

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

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

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

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

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Depreciation rates and estimated useful lives are as follows:

Tangible assets	Estimated useful lives (years)	Depreciation rates (%)
Buildings	50 years	2.00
Machinery and equipment	3-16 years	6.25-33.33
Fixtures and furniture	4-13 years	7.69-25.00
Vehicles	5 years	20.00
Other tangible assets (includes leasehold improvements)	5 years	20.00
Leased assets	4-15 years	6.66-25.00

2.6 Investment properties

Investment properties are held either to earn rentals and/or for capital appreciation or for both.

Investment properties are measured initially at cost including transaction costs and then measured at fair value. The change arising from fair value is recognised in the income statement.

The difference arising between sale prices and carrying value of an investment property is recognised in profit or loss.

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

When the investment property recorded at fair value is reclassified as tangible assets, the fair value of the investment property at the reclassification date is accepted as historical cost value.

2.7 Intangible assets

The Company's intangible assets consist of computer software.

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

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

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

2.8 Financial assets

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Securities are recognised and derecognised at the date of settlement.

Financial assets are classified in four categories; as financial assets held for trading, available-for-sale financial assets, held to maturity financial assets, and loans and receivables.

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

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

Held to maturity financial assets are the financial assets with fixed maturities and fixed or pre-determined payment schedules that the Company has the intent and ability to hold until maturity, excluding loans and receivables. Subsequent to initial recognition, held to maturity financial assets and loans and receivables are measured at amortised cost using effective interest rate method less impairment losses, if any.

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

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

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

Associates are classified as financial assets in the financial statements. Associates, traded in an active market or whose fair value can be reliably measured, are recorded at their fair values. Associates that are not traded in an active market and whose fair value cannot be reliably set are reflected in financial statements at their costs after deducting impairment losses, if any.

Specific instruments

Financial investments with risks on saving life policyholders are the financial assets invested against the savings of the life policyholders. Financial investments with risks on saving life policyholders could be classified as financial assets held for trading purpose, available for sale financial assets or held to maturity investments by considering the benefits of the policyholders and measured in accordance with the principles as explained above.

When such investments are classified as available-for-sale financial assets, 5% of the difference between the fair values and amortised costs, calculated by using effective interest method, of the financial assets is recorded under equity and the remaining 95% belonging to policyholders is recorded as 'insurance technical provisions - life mathematical provisions'. As at 31 December 2016, 95% of the difference between fair values and amortised costs of those assets backing liabilities amounting to TRY (10,421,955) (31 December 2015: TRY 5,040,151) is recorded in life mathematical provisions.

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Receivables from individual pension operations consist of 'capital advances given to pension investment funds', 'receivable from pension investment funds for fund management fees', 'entrance fee receivable from participants' and 'receivables from clearing house on behalf of the participants'.

'Receivable from pension investment funds for fund management fee' are the fees charged to the pension investment funds against for the administration of related pension investment funds which consist of fees which are not collected in the same day.

Capital advances given to pension investments funds during their establishment are recorded under 'capital advances given to pension investment funds'.

'Receivables from the clearing house on behalf of the participants' is the receivable from clearing house on fund basis against the collections of the participants. Same amount is also recorded as payables to participants for the funds sold against their collections under the 'payables arising from individual pension businesses'.

Loans to the policyholders are loans that are provided to the policyholders from saving component of the life insurance policies based on the fund amounts and fund unit prices. Valuation of the loans to the policyholders based on the fund amounts and fund unit prices as at the reporting date.

Derecognition

A financial asset is derecognised when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realised, expire or are surrendered.

2.9 Impairment on assets

Impairment on financial assets

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

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

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

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

Impairment on tangible and intangible assets

On each reporting period, the Company evaluates whether there is an indication of impairment of fixed assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the "TAS 36 - Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

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

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2.10 Derivative financial instruments

As of the reporting date, the Company does not have any derivative financial instruments. Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 - *Financial Instruments: Recognition and measurement*.

Derivative financial instruments are initially recognised at their fair value.

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

Derivative financial instruments are subsequently re-measured at fair value and positive fair value differences are presented either as "financial assets held for trading" and negative fair value differences are presented as "other financial liabilities" in the accompanying financial statements. All unrealised gains and losses on these instruments are included in the statement of income.

2.11 Offsetting of financial assets

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

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

2.12 Cash and cash equivalents

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

2.13 Capital

The shareholding structure of the Company is presented in note 1.1 - *Name of the Company and the ultimate owner of the group*. As of 31 December 2016, the Company's issued capital is TRY 430,000,000 (31 December 2015: TRY 410,000,000).

Sources of the capital increases during the period

The Company's issued capital increased from TRY 410,000,000 to TRY 430,000,000 by TRY 20,000,000 through the transfer to extraordinary reserves by TRY 10,000,000 and statutory reserves by TRY 10,000,000. The registration of authorised capital has been completed on 13 July 2016 and declared in the Turkish Trade Registry Gazette on 19 July 2016.

Privileges on common shares representing share capital

As at 31 December 2016, the share capital of the Company was amounted TRY 430,000,000 (31 December 2015: TRY 410,000,000), divided into 43,000,000,000 shares (31 December 2015: 41,000,000,000 shares) with each has a nominal value of TRY 0.01. The Company's share capital was divided into groups comprised of 100,000,000 Group A shares having a nominal values of TRY 1,000,000 for each and the rest of amount by Group B shares having a nominal values of TRY 1,000,000 for each. Among eleven members of the Board of Directors, seven are elected among candidates nominated by Group A shareholders while four are elected among candidates nominated by Group B shareholders.

Registered capital system in the Company

The Company has accepted the registered capital system set out in accordance with the Law No: 2499 and applied the system as of 15 June 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As at 31 December 2016, the registered capital of the Company is TRY 900,000,000 (31 December 2015: TRY 450,000,000).

Repurchased own shares by the Company

None.

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2.14 Insurance and investment contracts - classification

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

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

The Company mainly issues policies under personal accident, risk and saving life insurance branches and individual pension contracts.

Saving component of the life products can be measured separately by the Company. However, insurance and saving components are not separated due to accounting policy requirements specified to account all risks and rewards without considering the basis of measurement.

2.15 Insurance contracts and investment contracts with discretionary participation feature

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

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

As at the reporting period, the Company does not have any insurance or investment contracts that contain a DPF.

2.16 Investment contracts without DPF

In the context of the saving life products, if the investment return, obtained from the savings of the policyholders which is invested by the Company results a lower yield rate than the technical interest rate, the Company compensates the difference; if investment return results higher yield than the guaranteed technical interest rate, the difference is distributed to the policyholders as profit sharing bonus. Due to contractual and competitive constraints in practice, the Company has classified these contracts as investment contracts without DPF.

For such products, investment income obtained from assets backing liabilities is recorded within income statement or equity in accordance with the accounting policies mentioned above; and whole contract is presented as a liability under life mathematical provisions.

2.17 Liabilities

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

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Payables arising from individual pension business consist of payables to participants, participants' temporary accounts, and payables to individual pension agencies. The payables to participants are the account in which the contribution of participants that transferred to investments on behalf of individual pension contract owners and income from these investments are recorded. The temporary account of participants includes the contributions of participants that have not yet been transferred to the investment. This account also includes the entrance fee deducted portion of the participants' fund amounts, obtained from the fund share sales occur in the case of system leaves. This account consists of the amounts of participants that will be transferred to other individual pension companies or participants' own accounts. Payables to individual pension agencies are Company's liabilities to individual pension agencies in return of their services.

2.18 Taxes

Corporate tax

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

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

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

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods. As at 31 December 2016 and 31 December 2015, the Company does not have any deductible tax losses.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

According to the "General Communiqué on Corporate Tax" promulgated in Official Gazette no 28178 dated 19 January 2012, fair value of derivative transactions and option premiums are accepted as income or expense in the corporate tax statement if those transactions are performed at Derivative Exchange Market and not if those transactions are performed with entities as previously.

Deferred tax

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

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

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

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Transfer pricing

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

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

2.19 Employee benefits

Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2016 is TRY 4,297.21 (31 December 2015: TRY 3,828.37).

The Company accounted for employee termination benefits using actuarial method in compliance with the TAS 19 - *Employee Benefits*. The major actuarial assumptions used in the calculation of the total liability as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Discount rate	2.81% - 5.25%	2.69% - 5.00%
Expected rate of salary/limit increase	6.90%	6.70%

Other benefits

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

2.20 Provisions

A provision is made for an existing obligation resulting from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the reporting period 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.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised. 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 recognised in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Company discloses the contingent asset.

2.21 Revenue recognition

Written premiums and claims paid

Written premiums represent premiums on policies written during the period net of taxes, premiums of the cancelled policies which were produced in prior periods and premium ceded to reinsurance companies. Premiums ceded to reinsurance companies are accounted as “written premiums, ceded” in the profit or loss statement.

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Claims are recognised as expense as they are paid. Outstanding claims provision is provided for both reported unpaid claims at the reporting period and incurred but not reported claims. Reinsurer's shares of claims paid and outstanding claims provisions are off-set against these reserves.

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 recognised 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 recognising deferred commission income and deferred commission expense in the financial statements for the policies produced after 1 January 2008.

In order to net-off the receivable accounts in compliance with the matching principle, the Company reserves a provision of commissions to intermediaries over the accrued but uncollected receivables from policyholders balance as at the reporting period. While the commissions to intermediaries for non-life branches are not accrued, the commission amount that has to be paid in case of the collection of receivables is calculated on the basis of policy for life branch.

Reinsurance commissions are accounted for based on reinsurer agreements. According to the Circular no: 2007/25 issued by the Turkish Treasury on 28 December 2007, starting from 10 January 2008, deferred reinsurance commissions are presented in "Deferred Income" account in the balance sheet.

Interest income and expense

Interest income and expense are recognised 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 recognised as "Income from disposal of financial assets" and "Loss from disposal of financial assets" in the accompanying unconsolidated financial statements.

Dividends

Dividend income is recognised when the Company's right to receive payment is ascertained.

Income from individual pension business

Fund management fee is recognised as income, charged to the pension investment funds against the hardware, software, personnel and accounting services provided, and fee is shared between the Company and the portfolio managers in accordance with the agreement signed between parties. Total of fund management fee charged to the pension investment funds is recognised as "Fund management income" under technical income and portion of the portfolio manager is recognised as "Fund management expense" under technical expenses.

According to the "Individual Pension System Communiqué" promulgated in Official Gazette no 28178 dated 25 May 2015 and within the changes enacted since 1 January 2016 total entrance fee and management fee that can be made in first 5 years of contract does not exceed 8.5% of gross minimum wage that is valid for the first 6 months of the relevant year. The management fees can be levied on contributions or pension investment funds of the participants and is recognised as "Management fee" under pension business technical income. Entrance fees are received by the Company from participants during the access into the system and for the opening of a new individual pension account or during first time at a different company if the pension contract is already concluded, the aforementioned income is recognised as "Entrance fee income" under pension business technical income.

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If no payment is made within three months after the contribution paid at maturity date, case of suspension occurs and management expense is charged. The aforementioned expense is recognised as "Management expense charge in the case of suspension".

The difference in value of the pension investment fund shares, obtained due to capital advance on the date of establishment, to the date of selling of those shares to the participants is recorded in the income statement as "increase in value of capital allowances given as advances".

2.22 Leasing transactions

Tangible assets acquired by way of finance leasing are recognised 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 realisable value. Depreciation for assets obtained through financial lease is calculated in the same manner as tangible assets.

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

2.23 Dividend distribution

In accordance with the Articles of Association of the Company, first dividend distribution is made from distributable profit based on the rates and amounts set out by the Capital Markets Board. In regards to the profit share distribution policy of the Company, two options are presented to the General Assembly; 30% of distributable profit at a minimum as bonus shares or in cash. Based on its articles of association, the Company makes at a maximum of 3% of profit share payments to its employees following the appropriation of first profit share, limited to a maximum of three-month salary.

Dividend payables are recorded as liability in the financial statements when they are announced.

2.24 Reserve for unearned premiums

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

In the case of personal accident insurance, annual life insurance and life insurance which of the renewal date exceeds one year, reserve for unearned premiums is calculated for the portion of the remaining part which is left after deducting savings from gross premium written for the year. In accordance with the "Communiqué on Amendments to the Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" issued in 28356 numbered and 17 July 2012 dated Official Gazette and effective from 30 June 2012, reserve for unearned premiums is calculated from remaining amount of gross written premiums by deducting saving component and expenses related with saving component for life insurance and life insurance with saving components having longer than one year maturity. Insurance policies covering possibilities of life and death or both and personal accident, disability by illness and serious illness insurance policies are considered as life insurance policies and their premiums are classified as life insurance premiums.

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

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2.25 Reserve for unexpired risks

In accordance with the Communiqué on Technical Reserves, in each accounting period, the companies while providing reserve for unearned premiums should perform adequacy test covering the preceding 12 months in regard with the probability of future claims and compensations of the outstanding policies will arise in excess of the reserve for unearned premiums already provided. In performing this test, it is required to multiply the reserve for unearned premiums, net with the expected claim/premium ratio.

Expected claim/premium ratio is calculated by dividing incurred losses (provision for outstanding claims, net at the end of the period + claims paid, net - provision for outstanding claims, net at the beginning of the period) to earned premiums (written premiums, net + reserve for unearned premiums, net at the beginning of the period - reserve for unearned premiums, net at the end of the period). In the calculation of earned premiums; deferred commission expenses paid to the agencies and deferred commission income received from the reinsurance firms which were netted off from reserve for unearned premiums both at the beginning of the period and at the end of the period are not taken into consideration.

In accordance with the "Communiqué on Amendments to the Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" issued in 28356 numbered and 17 July 2012 dated Official Gazette and effective from 30 June 2012, the test is performed on branch basis and in case where the expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that specific branch is added to the reserves of that branch. The difference between the gross amount and the net amount is considered as the reinsurer's share. Turkish Treasury is authorised to change test methods and require additional reserve for unexpired risks on branch basis.

As at 31 December 2016, related test have resulted reserve for unexpired risks amounting to TRY 9,479 (31 December 2015: None).

2.26 Provision for outstanding claims

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

Change in measurement of technical reserves became effective as at 30 September 2010 according to the Turkish Treasury Circular which were published as "Communiqué on Amendments to Communiqué on Technical Reserves" in Official Gazette dated 28 July 2010 and numbered 27655. Communiqué on technical reserves and circulars issued by Turkish Treasury brings essential changes into effect on measurement of technical reserves and accounting of income from salvage and subrogation. In summary, it is aimed to align Communiqué on Technical Reserves with methodological changes on Actuarial Chain ladder method, to include matters which were declared before through circulars and sector announcements to the communiqué. The Turkish Treasury issued the Circulars numbered 2010/12, 2010/13, 2010/14 and the sector announcement numbered 2010/29 which became effective as at 31 December 2010 in order to clarify uncertainties on measurement of technical reserves and accounting of income from salvage and subrogation.

Additional amendments effective from 30 June 2012 are issued in the "Communiqué on Amendments to the Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" in 28356 numbered and 17 July 2012 dated Official Gazette. Test IBNR method ceased in the calculation of provision for outstanding claims. In accordance with the previous communiqués and sector announcements companies should perform actuarial chain ladder method for the non-life insurance branches engaged more than five years and had sufficient data. Upon issuance the Circular on Outstanding Claims Reserve numbered 2014/16 issued by the Turkish Treasury, the Circulars numbered 2010/12, 2010/14 and 2010/16 are repealed. In accordance with the aforementioned Circular numbered 2014/16, IBNR calculation can be made with the other methods by the companies if the calculation method rests upon actuarial basis and amount obtained from this method is greater than the amount calculated by the Actuarial Chain Ladder Method. In this context, Company maintains to calculate IBNR amount according to the repealed Circulars numbered 2010/12 and 2010/14.

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Claims incurred before the accounting periods but reported subsequent to those dates are accepted as incurred but not reported ("IBNR") claims. According to the "Communiqué on Provision for IBNR Claims in Life Branch" numbered 2010/14, IBNR calculation is changed. In accordance with the related regulations, last five or more than five years' weighted average calculated by dividing total gross amount of incurred but not reported claims to average annual guarantee of the related years. As of the current reporting period, IBNR is calculated by multiplying weighted average IBNR ratio by the average guarantee amount of last twelve months before reporting period. Accordingly, as at the reporting period, the Company has provided for IBNR, net off ceded amounting to TRY 7,337,853 (31 December 2015: TRY 6,273,842).

According to the 7th article 6th sub clause of the "Circular on Change in Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested against Those Technical Reserves"; provision for the outstanding claims of the period cannot be less than the result of the actuarial chain ladder method determined by Turkish Treasury. The Company has selected "Standard chain ladder method" for personal accident branch as stated in the "Communiqué on Technical Reserves and Circular on Actuarial Chain Ladder Method" dated 20 September 2010 and numbered 2010/12. Accordingly, as at the reporting period, the Company has provided for IBNR, net off ceded amounting to TRY 109,853 (31 December 2015: TRY 109,325).

In the Sector Announcement dated 18 July 2012 and numbered 2012/13 published by the Turkish Treasury, insurance, reinsurance and individual pension companies are required to perform adequacy test to assess the adequacy of provision for outstanding claims at the end of the each reporting period. Companies performed actuarial chain ladder method are not obliged to record additional provision for outstanding claims. As at 31 December 2016, this adequacy test has not resulted in additional provision for outstanding claims.

2.27 Mathematical provisions

In accordance with the Communiqué on Technical Reserves, companies operating in life and non-life insurance branches are obliged to allocate adequate mathematical reserves based on actuarial basis to meet liabilities against policyholders and beneficiaries for long-term life, health and personal accident insurance contracts. Mathematical provisions are composed of actuarial mathematical provisions and profit sharing provisions. Actuarial mathematical provisions, according to formulas and basis in approved technical basis of tariffs for over one year-length life insurance, are calculated by determining the difference between present value of liabilities that the Company meets in future and current value of premiums paid by policyholder in future (prospective method). In life insurance where saving plan premiums are also generated, actuarial mathematical provisions consist of total saving plan portions of premiums. Provision for profit sharing consist of profit sharing calculated in previous years and a certain percentage of current year's income, determined in the approved profit sharing tariffs, obtained from the financial assets backing liabilities of the Company against the policyholders and other beneficiaries for the contracts which the Company is liable to give profit sharing. The valuation method used in calculation of the profit to be shared for saving life contracts is the same with the valuation basis of portfolio on which assets on which the Company invests the provisions allocated due to liabilities against the beneficiaries are included in the framework of basis defined in the note 2.8 - *Financial assets* above.

2.28 Equalisation provision - Provision for bonus and discounts

According to "Communiqué on Technical Reserves", companies should book equalisation provision for guarantees of loan and earthquakes in order to offset fluctuations in the rate of indemnification and to meet catastrophic risks in the accounting period.

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In accordance with the Communiqué on Technical Reserves issued by the Turkish Treasury on 27 March 2009 numbered 2009/9, the insurance companies should recognise equalisation provision for disability and death occurred because of an earthquake and tariffs that include additional guarantee in life and casualty branches. With the circular released on 28 July 2010 and numbered 27655 "Circular on Change in Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves", the calculation of equalisation provision is revised. In accordance with the Communiqué on Technical Reserves, the companies which give additional guarantee in life use their own statistical data for equalisation provision calculation. The companies not having sufficient data for calculation will accept 11% of death net premium (including damage payments) as earthquake premium and 12% of that amount is calculated as equalisation provision.

In accordance with the Communiqué on Technical Reserves, booking provisions should continue until reaching 150% of the highest net premium amount of the last five financial years. Equalisation provisions amounting to TRY 16,215,351 are presented under "other technical reserves" within short-term liabilities in the accompanying financial statements (31 December 2015: TRY 11,245,755).

In accordance with Regulation on Technical Reserves, insurance companies are required to account for the bonus or discounts provided to policyholders and beneficiaries in accordance with the current year technical income. As of 31 December 2016, the Company accounted for bonus provision amounting to TRY 459,163 (31 December 2015: TRY 314,937).

2.29 Related parties

Parties are considered related to the Company if;

(a) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company;

(b) the party is an associate of the Company;

(c) the party is a joint venture in which the Company is a venturer;

(d) the party is member of the key management personnel of the Company and its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or any individual referred to in (d) or (e) which significant voting power in such entity resides with directly or indirectly, or

(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

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

A number of transactions are entered into with related parties in the normal course of business.

2.30 Earnings per share

Earnings per share presented in the income statement is calculated by dividing the net profit into the weighted average number of the outstanding shares throughout the financial year. Companies in Turkey can increase their capital by distributing "bonus shares" to shareholders from the prior years' profit. Such "bonus share" distributions are considered as issued shares in the earnings per share calculations. Accordingly, weighted average number of equity shares used in the calculations is calculated by considering the retrospective effects of share distributions.

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2.31 Events after the reporting period

“Events After the Reporting Period”; post-reporting date events that provide additional information about the Company’s position at the reporting periods (adjusting events) are reflected in the unconsolidated financial statements. Post-reporting date events that are not adjusting events are disclosed in the notes when material.

2.32 New standards and interpretations not yet adopted

There are a number of new standards, updates related to the existing standards and interpretations which are not adopted in the preparation of the accompanying financial statements and have not yet entered into force for the accounting period 31 December 2016. These new standards, except the TFRS 9 standard, are not expected to have any impact on the financial statements of the Company.

TFRS 9 Financial Instruments - Classification and measurement

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

The new standards and interpretations that are issued by the International Accounting Standards Board but not issued by Accounting and Auditing Standards Authority

IFRS 16 Leases

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

3 Critical accounting estimates and judgments in applying accounting policies

The notes given in this section are provided in addition to the commentary on the management of insurance risk note 4.1 - *Management of insurance risk* and note 4.2 - *Financial risk management*.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

Note 4.1 - Management of insurance risk

Note 4.2 - Financial risk management

Note 10 - Reinsurance assets and liabilities

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Note 11 - Financial assets*Note 12* - Loans and receivables*Note 17* - Insurance contract liabilities and reinsurance assets*Note 17* - Deferred commissions*Note 19* - Trade and other payables, deferred income*Note 21* - Deferred tax*Note 23* - Other liabilities and provisions

4 Management of insurance and financial risk

4.1 Management of insurance risk

Objective of managing risks arising from insurance contracts and policies used to minimise such risks:

Insurance risk is defined as coverage for exposures that exhibit a possibility of financial loss due to applying inappropriate and insufficient insurance techniques. In line with the nature of an insurance contract, as the risk is coincidental, the risk amount cannot be predictable.

Insurance risk represents the possibility of the non-coverage of the claims paid by the premiums collected.

As of 31 December 2016, the Company's life insurance claims/premiums ratio stands at 18%. Low claims/premiums ratio, which is calculated by the proportion of claims to risk premiums collected, indicates that the Company makes significant profit. The Company adopts central risk assessment policy. The Company applies this policy to the all marketing channels produced. In its life policy production, the Company has no sales channel with continuous risk exposure. The Company analyses its claims/premiums ratio periodically in order to identify its insurance risks.

As of 31 December 2016, the Company's personal accident insurance claims/premiums ratio is 116%. Since personal accident insurance portfolio has an insignificant share in the Company's general portfolio, this ratio would be low when no compensation is paid and this ratio would be high when compensation is paid.

Claims/premium ratio of the Company as of the financial statement periods is presented below:

	31 December 2016	31 December 2015
Life insurance	18%	20%
Personal accident	116%	66%

The Company shares its significant risks associated with natural disasters, such as; earthquake, terrorism or large-scale accidents, with reinsurers by entering into catastrophic excess of loss agreements.

As at 31 December 2016 and 31 December 2015, risk portion transferred to reinsurers in terms of risk guarantee is presented as below:

	31 December 2016	31 December 2015
Death by natural cause	11%	10%
Death by accident	42%	67%
Disability by accident	51%	66%
Disability by illness	68%	67%

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Sensitivity to insurance risk

The Company's policy production strategy follows an effective risk management in the policy production process considering the nature, extent, and accurate distribution of the risk incurred.

Reinsurer agreements include claims surplus, excess of loss and quota reinsurances. As a result of these agreements, if the Company's "death by natural cause" risk account exceeds amounts in agreements "death by accident", the Company transfers the exceeding claim payments to reinsurers. The Company also transfers the exceeding claim payments to reinsurers if the Company's "death by natural cause" or "death by accident" risk accounts exceeds amounts in agreements for all policies.

Maximum limits of outstanding claims are reviewed by the Turkish Treasury.

Determination of insurance risk concentrations by management and the common characteristics of insurance risk concentrations (nature, location and currency)

The Company produces life and personal accident branch policies. The Company's gross and net insurance risk concentrations (after reinsurance) in terms of insurance branches are summarised as below:

31 December 2016			
Branches	Total gross risk liability ⁽¹⁾	Reinsurer's share of risk liability	The company's net claims liability
Life insurance	60,095,588,515	14,614,515,723	45,481,072,792
Personal accident	9,344,816,113	2,408,845,973	6,935,970,140
Total	69,440,404,628	17,023,361,696	52,417,042,932
31 December 2015			
Branches	Total gross risk liability ⁽¹⁾	Reinsurer's share of risk liability	The company's net claims liability
Life insurance	52,339,358,115	12,638,134,205	39,701,223,910
Personal accident	2,982,818,030	1,640,333,934	1,342,484,096
Total	55,322,176,145	14,278,468,139	41,043,708,006

⁽¹⁾ Represents the maximum insurance amount based on death by natural cause, death by accident, disability by accident and disability by illness.

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The Company issues insurance contracts mainly in Turkey. Gross and net insurance risk concentrations of the insurance contracts (after reinsurance) based on geographical regions are summarised as below:

Claims liability ⁽¹⁾	31 December 2016		
	Total gross claims liability	Reinsurer's share of claims liability	Total net claims liability
Marmara Region	31,593,699	1,324,417	30,269,282
Central Anatolia Region	14,785,448	291,616	14,493,832
Aegean Region	12,010,422	188,896	11,821,526
Mediterranean Region	9,388,670	180,766	9,207,904
Black Sea Region	6,338,256	121,794	6,216,462
South-eastern Anatolia Region	3,960,531	131,647	3,828,884
Eastern Anatolia Region	3,549,014	76,476	3,472,538
Foreign countries (other)	3,628,068	230	3,627,838
Total	85,254,108	2,315,842	82,938,266

Claims liability ⁽¹⁾	31 December 2015		
	Total gross claims liability	Reinsurer's share of claims liability	Total net claims liability
Marmara Region	29,724,426	610,703	29,113,723
Central Anatolia Region	13,233,554	151,258	13,082,296
Aegean Region	11,691,507	730,267	10,961,240
Mediterranean Region	8,100,277	137,025	7,963,252
Black Sea Region	5,376,471	117,084	5,259,387
South-eastern Anatolia Region	3,066,586	39,382	3,027,204
Eastern Anatolia Region	2,641,436	12,196	2,629,240
Foreign countries (other)	3,233,034	363	3,232,671
Total	77,067,291	1,798,278	75,269,013

⁽¹⁾ Total claims liability includes the actual estimated compensation amounts. IBNR provision and outstanding claims adequacy provision are not included in the calculation.

Comparison of incurred claims with past estimations

Incurred claim development table is disclosed in note 17 - *Insurance liabilities and reinsurance assets*.

Effects of the changes in assumptions used in the measurement of insurance assets and liabilities showing the effect of each change separately that has significant effect on financial statements

In the current period, there are no material changes in the assumptions of measurement of insurance assets and liabilities.

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4.2 Financial risk management

This note presents information about the Company's exposure to each of the below risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Company's risk management program focuses on minimising the negative effects of the ambiguities in financial markets on the Company's financial statements. The Company is mostly exposed to interest risk and price risk in relation with financial investments, to credit risk in relation with insurance receivables and exchange rate risk due to policies and assets in foreign currencies.

The risk is managed by a specific department which is in line with the approved policies by the Board of Directors. Several risk policies have been prepared by the Board of Directors in order to manage the exchange risk, interest risk, credit risk, using the derivative and non-derivative financial instruments risks.

Credit risk

Credit risk is basically defined as the possibility that counterparty will fail to meet its obligations in accordance under agreed terms of a contract. When the Company's field of activity and third party relations is considered, its credit risk is deemed to be relatively at minimum. The balance sheet items that the Company is exposed to credit risk are as follows:

- Cash at banks
- Other cash and cash equivalents
- Available for sale financial assets
- Financial assets held for trading
- Held-to-maturity financial assets
- Premium receivables from policyholders
- Receivables from intermediaries (agencies)
- Receivables from reinsurance companies related to claims paid and commissions accrued
- Reinsurance shares of insurance liabilities
- Due from related parties
- Other receivables

The review of the Company's third party relations are presented below.

Reinsurers: Reinsurance contracts are the most common method to manage insurance risk. This does not, however, discharge the Company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The Company works with international reinsurance companies with strong financial status. In this perspective, the level of risk exposure is also considered to be at minimum.

Agencies: Agencies working with the Company expose it to a limited level of credit risk. Since the Company's products are issued with long-term use, commissions given to agencies are also long term in nature; therefore, the Company has consistent payables to agencies.

Policyholders: Overdue premium receivables are not considered as a significant risk exposure to the Company because if the Company has unpaid premiums, all guarantees related to the insurance will be invalid.

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As at 31 December 2016 and 31 December 2015, the Company's credit risk exposure by types of financial instruments is as follows. Banks and other cash and cash equivalents are also included in the credit risk.

31 December 2016	Receivables ⁽¹⁾				Financial assets	Banks and other cash and cash equivalent assets
	Receivables from insurance activities		Other receivables			
	Related party	Third party	Related party	Third party		
Maximum credit risk exposure as at the reporting period (A+B+C)	- 60,296,159		5,221	10,663,493	2,224,197,390	326,881,159
- Secured portion of maximum risk by guarantees, provisions, etc.	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	- 52,083,765		5,221	10,663,493	2,224,197,390	326,881,159
B. Net book value of past due but not impaired assets	- 8,212,394		-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Gross book value	- 120,570		-	-	-	-
- Impairment	- (120,570)		-	-	-	-
- Secured portion of net book value by guarantees, provisions, etc.	-	-	-	-	-	-

31 December 2015	Receivables ⁽¹⁾				Financial assets	Banks and other cash and cash equivalent assets
	Receivables from insurance activities		Receivables from insurance activities			
	Related party	Third party	Related party	Third party		
Maximum credit risk exposure as at the reporting period (A+B+C)	151,113	55,398,749	8,031	7,134,993	2,229,142,249	302,996,073
- Secured portion of maximum risk by guarantees, provisions, etc.	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	151,113	43,346,217	8,031	7,134,993	2,229,142,249	302,996,073
B. Net book value of part due but not impaired assets	-	12,052,532	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Gross book value	-	120,570	-	-	-	-
- Impairment	-	(120,570)	-	-	-	-
- Secured portion of net book value by guarantees, provisions, etc.	-	-	-	-	-	-

⁽¹⁾ Receivables from individual pension activities are not included in the credit risk table since those receivables are followed both side of the balance sheet as asset and liability and they are held on behalf of participants by Istanbul Takas ve Saklama Bankası A.Ş. (the "Istanbul Settlement and Custody Bank Inc").

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Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the net funding obligations. Liquidity risk arises from the events trigger decreasing funds such as deterioration in the market conditions or downgrading of credit ratings. As at 31 December 2016 and 31 December 2015, maturity analyses of the Company's assets and liabilities are presented in the table below:

31 December 2016	Without maturity	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 years and over	Unallocated	Total
Cash and cash equivalents	23,509,678	282,900,725	20,476,381	-	-	-	-	326,886,784
Financial assets and investments with risks on policyholders	-	106,551,047	-	297,729,037	838,592,069	901,603,121	228,607,677	2,373,082,951
Receivables from main operations	-	2,980,438	5,932,433	11,523,631	-	-	11,429,127,042	11,449,563,544
Due from related parties	-	-	5,221	-	-	-	-	5,221
Other receivables	-	9,020,596	-	-	-	-	1,642,897	10,663,493
Prepaid expenses and income accruals, short term	-	-	-	-	-	-	23,523,085	23,523,085
Other current assets	-	-	-	-	-	-	18,199	18,199
Other receivables	-	-	-	764,981	-	-	-	764,981
Financial assets (Associates)	-	-	-	-	-	-	12,762,193	12,762,193
Tangible assets	-	-	-	-	-	-	162,607,274	162,607,274
Intangible assets	-	-	-	-	-	-	31,273,866	31,273,866
Prepaid expenses and income accruals, long term	-	-	-	-	-	-	530,611	530,611
Deferred tax assets	-	-	-	-	-	-	-	-
Total assets	23,509,678	401,452,806	26,414,035	310,017,649	838,592,069	901,603,121	11,890,092,844	14,391,682,202
Financial liabilities	-	45,376,520	-	-	-	-	-	45,376,520
Payables arising from main operations	-	17,202,842	-	1,084,011	-	-	11,579,768,030	11,598,054,883
Due to related parties	-	55,571	-	62,231	-	-	48	117,850
Other payables	-	15,968,739	-	-	-	-	4,176,121	20,144,860
Insurance technical provisions	-	-	-	-	-	-	1,818,688,743	1,818,688,743
Provisions for taxes and other similar obligations	-	7,011,193	-	-	-	-	6,001,919	13,013,112
Deferred income and expense accruals	-	-	-	-	-	-	5,581,134	5,581,134
Other short term liabilities	-	-	-	-	-	-	-	-
Provisions for other risks	-	900,000	-	9,540,000	-	12,709,099	5,239,205	28,388,304
Deferred tax liabilities	-	-	-	-	-	-	1,461,964	1,461,964
Shareholders' equity	-	-	-	-	-	-	860,854,832	860,854,832
Total liabilities	-	86,514,865	-	10,686,242	-	12,709,099	14,281,771,996	14,391,682,202
Net liquidity surplus/ (deficit)	23,509,678	314,937,941	26,414,035	299,331,407	838,592,069	888,894,022	(2,391,679,152)	-

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31 December 2015	Without maturity	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 years and over	Unallocated	Total
Cash and cash equivalents	7,678,060	238,279,351	57,042,047	-	-	-	-	302,999,458
Financial assets and investments with risks on policyholders	-	11,227,401	2,900,167	228,559,583	1,150,943,219	763,077,862	223,586,521	2,380,294,753
Receivables from main operations	-	1,708,244	3,396,077	6,950,778	-	-	9,002,998,456	9,015,053,555
Due from related parties	-	-	8,031	-	-	-	-	8,031
Other receivables	-	5,530,545	-	-	-	-	1,604,448	7,134,993
Prepaid expenses and income accruals, short term	-	-	-	-	-	-	13,727,270	13,727,270
Other current assets	-	-	-	-	-	-	18,627	18,627
Other receivables	-	-	1,072,433	-	-	-	-	1,072,433
Financial assets (Associates)	-	-	-	-	-	-	12,762,193	12,762,193
Tangible assets	-	-	-	-	-	-	137,613,779	137,613,779
Intangible assets	-	-	-	-	-	-	17,154,965	17,154,965
Prepaid expenses and income accruals, long term	-	-	-	-	-	-	1,336,099	1,336,099
Deferred tax assets	-	-	-	-	-	-	-	-
Total assets	7,678,060	256,745,541	64,418,755	235,510,361	1,150,943,219	763,077,862	9,410,802,358	11,889,176,156
Financial liabilities	-	-	101,214,252	-	-	-	-	101,214,252
Payables arising from main operations	-	12,495,112	-	1,505,123	-	-	9,121,523,623	9,135,523,858
Due to related parties	-	8,836	-	9,678	-	-	30	18,544
Other payables	-	17,046,566	-	-	-	-	1,570,420	18,616,986
Insurance technical provisions	-	-	-	-	-	-	1,809,975,372	1,809,975,372
Provisions for taxes and other similar obligations	-	6,233,388	-	-	-	-	7,376,788	13,610,176
Deferred income and expense accruals	-	-	-	-	-	-	4,192,937	4,192,937
Other short term liabilities	-	-	-	-	-	-	-	-
Provisions for other risks	-	900,000	-	7,975,000	-	12,077,567	4,823,218	25,775,785
Deferred tax liabilities	-	-	-	-	-	-	2,042,793	2,042,793
Shareholders' equity	-	-	-	-	-	-	778,205,453	778,205,453
Total liabilities	-	36,683,902	101,214,252	9,489,801	-	12,077,567	11,729,710,634	11,889,176,156
Net liquidity surplus/ (deficit)	7,678,060	220,061,639	(36,795,497)	226,020,560	1,150,943,219	751,000,295	(2,318,908,276)	-

Market risk

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

Foreign currency risk

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

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

Parallel to the general characteristic of Turkish insurance sector, the Company holds long position in terms of US Dollar and Euro.

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

Foreign currency position table - 31 December 2016						
	Total TRY (Functional currency)	US Dollar	Euro	GBP	CHF	JPY
1. Cash at banks	8,328,859	4,919,514	3,336,990	33,365	38,990	-
2. Financial assets and financial investments with risks on policyholders	525,327,347	402,493,256	107,862,056	14,972,035	-	-
3. Receivables from main operations	998,136	773,982	223,014	1,140	-	-
4. Reinsurance receivables	-	-	-	-	-	-
5. Rent receivables	-	-	-	-	-	-
6. Deposits given	38,711	38,711	-	-	-	-
Foreign currency assets, current	534,693,053	408,225,463	111,422,060	15,006,540	38,990	-
7. Total assets	534,693,053	408,225,463	111,422,060	15,006,540	38,990	-
8. Other miscellaneous payables	2,338,247	2,190,303	95,723	-	52,221	-
9. Payables to reinsurers	140,656	140,533	-	123	-	-
10. Agency guarantees	350,257	337,602	12,655	-	-	-
11. Technical provisions	494,882,567	393,052,439	87,489,976	14,326,020	3,261	10,871
Foreign currency liabilities, short term	497,711,727	395,720,877	87,598,354	14,326,143	55,482	10,871
12. Total liabilities	497,711,727	395,720,877	87,598,354	14,326,143	55,482	10,871
Net financial position	36,981,326	12,504,586	23,823,706	680,397	(16,492)	(10,871)
Net long/(short) position on monetary items	36,942,615	12,465,875	23,823,706	680,397	(16,492)	(10,871)

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Foreign currency position table - 31 December 2015

	Total TRY (Functional currency)	US Dollar	Euro	GBP	CHF	JPY
1. Cash at banks	1,935,303	613,215	1,286,114	15,066	20,908	-
2. Financial assets and financial investments with risks on policyholders	465,282,465	347,442,483	101,112,634	16,727,348	-	-
3. Receivables from main operations	1,111,951	944,190	160,210	7,551	-	-
4. Reinsurance receivables	-	-	-	-	-	-
5. Rent receivables	-	-	-	-	-	-
6. Deposits given	31,984	31,984	-	-	-	-
Foreign currency assets, current	468,361,703	349,031,872	102,558,958	16,749,965	20,908	-
7. Total assets	468,361,703	349,031,872	102,558,958	16,749,965	20,908	-
8. Other miscellaneous payables	3,883,499	3,720,463	157,438	5,598	-	-
9. Payables to reinsurers	56	-	-	56	-	-
10. Agency guarantees	320,175	306,630	13,545	-	-	-
11. Technical provisions	406,940,244	314,748,938	78,202,182	13,966,288	6,002	16,834
Foreign currency liabilities, short term	411,143,974	318,776,031	78,373,165	13,971,942	6,002	16,834
12. Total liabilities	411,143,974	318,776,031	78,373,165	13,971,942	6,002	16,834
Net financial position	57,217,729	30,255,841	24,185,793	2,778,023	14,906	(16,834)
Net long/(short) position on monetary items	57,185,745	30,223,857	24,185,793	2,778,023	14,906	(16,834)

Foreign currency transactions are recorded at exchange rates at the transaction dates and foreign currency denominated monetary items are evaluated by the Central Bank of the Republic of Turkey's spot purchase rates as at reporting dates.

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

31 December 2016	US Dollar	Euro	GBP	CHF	JPY
Foreign currency rate used in translation of balance sheet items	3.5192	3.7099	4.3189	3.4454	0.0300
31 December 2015	US Dollar	Euro	GBP	CHF	JPY
Foreign currency rate used in translation of balance sheet items	2.9076	3.1776	4.3007	2.9278	0.0241

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Exposure to foreign currency risk

A 10 percent depreciation of the TRY against the following currencies as at 31 December 2016 and 2015 would have increased or decreased equity and profit or loss (excluding tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 10 percent appreciation of the TRY against the following currencies, the effect will be in opposite direction.

	Exchange rate sensitivity analysis table - 31 December 2016			
	Profit/loss		Equity ⁽¹⁾	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
If USD value changes by 10% against TRY:				
1- Net US Dollar assets/liabilities	1,146,233	(1,146,233)	1,250,459	(1,250,459)
2- Hedged portion from US Dollar risk (-)	-	-	-	-
3- Net effect of US Dollar (1+2)	1,146,233	(1,146,233)	1,250,459	(1,250,459)
If EUR value changes by 10% against TRY:				
4- Net Euro assets/liabilities	2,348,118	(2,348,118)	2,382,371	(2,382,371)
5- Hedged portion from Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	2,348,118	(2,348,118)	2,382,371	(2,382,371)
If GBP value changes by 10% against TRY:				
7- Net GBP assets/liabilities	66,077	(66,077)	68,040	(68,040)
8- Hedged portion from GBP risk (-)	-	-	-	-
9- Net effect of GBP (7+8)	66,077	(66,077)	68,040	(68,040)
If CHF value changes by 10% against TRY:				
10- Net CHF assets/liabilities	(1,649)	1,649	(1,649)	1,649
11- Hedged portion from CHF risk (-)	-	-	-	-
12- Net effect of CHF (10+11)	(1,649)	1,649	(1,649)	1,649
If JPY value changes by 10% against TRY:				
13- Net JPY assets/liabilities	(1,087)	1,087	(1,087)	1,087
14- Hedged portion from JPY risk (-)	-	-	-	-
15- Net effect of JPY (13+14)	(1,087)	1,087	(1,087)	1,087
Total (3+6+9+12+15)	3,557,692	(3,557,692)	3,698,134	(3,698,134)

⁽¹⁾Includes profit/loss effect.

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Exchange rate sensitivity analysis table - 31 December 2015

	Profit/loss		Equity ⁽¹⁾	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
If USD value changes by 10% against TRY:				
1- Net US Dollar assets/liabilities	2,831,457	(2,831,457)	3,025,584	(3,025,584)
2- Hedged portion from US Dollar risk (-)	-	-	-	-
3- Net effect of US Dollar (1+2)	2,831,457	(2,831,457)	3,025,584	(3,025,584)
If EUR value changes by 10% against TRY:				
4- Net Euro assets/liabilities	2,373,768	(2,373,768)	2,418,579	(2,418,579)
5- Hedged portion from Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	2,373,768	(2,373,768)	2,418,579	(2,418,579)
If GBP value changes by 10% against TRY:				
7- Net GBP assets/liabilities	268,700	(268,700)	277,802	(277,802)
8- Hedged portion from GBP risk (-)	-	-	-	-
9- Net effect of GBP (7+8)	268,700	(268,700)	277,802	(277,802)
If CHF value changes by 10% against TRY:				
10- Net CHF assets/liabilities	1,491	(1,491)	1,491	(1,491)
11- Hedged portion from CHF risk (-)	-	-	-	-
12- Net effect of CHF (10+11)	1,491	(1,491)	1,491	(1,491)
If JPY value changes by 10% against TRY:				
13- Net JPY assets/liabilities	(1,683)	1,683	(1,683)	1,683
14- Hedged portion from JPY risk (-)	-	-	-	-
15- Net effect of JPY (13+14)	(1,683)	1,683	(1,683)	1,683
Total (3+6+9+12+15)	5,473,733	(5,473,733)	5,721,773	(5,721,773)

⁽¹⁾Includes profit/loss effect.

The changes in interest rate that arise fluctuations in prices of financial instruments lead to the necessity of overcoming interest rate risk. The Company's sensitivity for interest rate risk is related to the inconsistency of maturity of asset and liability items. The interest risk is managed by compensating the assets exposed to the interest fluctuations with the identical liabilities.

Financial instruments which are sensitive to the changes in interest rates are given in the table below:

	31 December 2016	31 December 2015
<i>Fixed rate financial instruments</i>		
Financial assets	1,802,905,161	1,803,766,421
<i>Available-for-sale financial assets</i>	1,783,897,456	1,792,899,542
<i>Loans and receivables</i>	19,007,705	10,866,879
Banks	122,700,098	137,923,868
<i>Variable rate financial instruments</i>		
Financial assets	341,570,115	352,941,809
<i>Available-for-sale financial assets</i>	341,570,115	352,941,809

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Interest rate sensitivity of financial instruments

As at 31 December 2016 and 31 December 2015, interest rate risk analysis of financial assets and financial liabilities are summarised in the table below:

31 December 2016	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 years and over	Non-interest bearing	Total
Assets:							
Cash and cash equivalents	282,900,724	20,476,381	-	-	-	23,509,679	326,886,784
Financial assets and investments with risks on policyholders	262,869,870	-	239,118,163	782,701,711	859,785,530	228,607,677	2,373,082,951
Receivables from main operations	2,980,438	5,932,433	11,523,631	-	-	11,429,127,042	11,449,563,544
Due from related parties	-	5,221	-	-	-	-	5,221
Other receivables	9,020,596	-	-	-	-	1,642,897	10,663,493
Prepaid expenses and income accruals, short term	-	-	-	-	-	23,523,085	23,523,085
Other current assets	-	-	-	-	-	18,199	18,199
Other current receivables	-	-	764,981	-	-	-	764,981
Financial assets (Associates)	-	-	-	-	-	12,762,193	12,762,193
Tangible assets	-	-	-	-	-	162,607,274	162,607,274
Intangible assets	-	-	-	-	-	31,273,866	31,273,866
Prepaid expenses and income accruals, long term	-	-	-	-	-	530,611	530,611
Deferred tax assets	-	-	-	-	-	-	-
Total assets	557,771,628	26,414,035	251,406,775	782,701,711	859,785,530	11,913,602,523	14,391,682,202
Liabilities:							
Financial liabilities	45,376,520	-	-	-	-	-	45,376,520
Payables arising from main operations	17,202,842	-	1,084,011	-	-	11,579,768,030	11,598,054,883
Due to related parties	55,571	-	62,231	-	-	48	117,850
Other liabilities	15,968,739	-	-	-	-	4,176,121	20,144,860
Insurance technical provisions	-	-	-	-	-	1,818,688,743	1,818,688,743
Provisions for taxes and other similar obligations	7,011,193	-	-	-	-	6,001,919	13,013,112
Deferred income and expense accruals	-	-	-	-	-	5,581,134	5,581,134
Other short term liabilities	-	-	-	-	-	-	-
Provisions for other risks	900,000	-	9,540,000	-	12,709,099	5,239,205	28,388,304
Deferred tax liabilities	-	-	-	-	-	1,461,964	1,461,964
Shareholders' equity	-	-	-	-	-	860,854,832	860,854,832
Total liabilities and equity	86,514,865	-	10,686,242	-	12,709,099	14,281,771,996	14,391,682,202
Net position	471,256,763	26,414,035	240,720,533	782,701,711	847,076,431	(2,368,169,473)	-

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31 December 2015	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 years and over	Non-interest bearing	Total
Assets:							
Cash and cash equivalents	238,279,351	57,042,047	-	-	-	7,678,060	302,999,458
Financial assets and investments with risks on policyholders	249,781,684	2,900,167	284,621,477	856,327,040	763,077,862	223,586,523	2,380,294,753
Receivables from main operations	1,708,244	3,396,077	6,950,778	-	-	9,002,998,456	9,015,053,555
Due from related parties	-	8,031	-	-	-	-	8,031
Other receivables	5,530,545	-	-	-	-	1,604,448	7,134,993
Prepaid expenses and income accruals, short term	-	-	-	-	-	13,727,270	13,727,270
Other current assets	-	-	-	-	-	18,627	18,627
Other current receivables	-	1,072,433	-	-	-	-	1,072,433
Financial assets (Associates)	-	-	-	-	-	12,762,193	12,762,193
Tangible assets	-	-	-	-	-	137,613,779	137,613,779
Intangible assets	-	-	-	-	-	17,154,965	17,154,965
Prepaid expenses and income accruals, long term	-	-	-	-	-	1,336,099	1,336,099
Deferred tax assets	-	-	-	-	-	-	-
Total assets	495,299,824	64,418,755	291,572,255	856,327,040	763,077,862	9,418,480,420	11,889,176,156
Liabilities:							
Financial liabilities	-	101,214,252	-	-	-	-	101,214,252
Payables arising from main operations	12,495,112	-	1,505,123	-	-	9,121,523,623	9,135,523,858
Due to related parties	8,836	-	9,678	-	-	30	18,544
Other liabilities	17,046,566	-	-	-	-	1,570,420	18,616,986
Insurance technical provisions	-	-	-	-	-	1,809,975,372	1,809,975,372
Provisions for taxes and other similar obligations	6,233,388	-	-	-	-	7,376,788	13,610,176
Deferred income and expense accruals	-	-	-	-	-	4,192,937	4,192,937
Other short term liabilities	-	-	-	-	-	-	-
Provisions for other risks	900,000	-	7,975,000	-	12,077,567	4,823,218	25,775,785
Deferred tax liabilities	-	-	-	-	-	2,042,793	2,042,793
Shareholders' equity	-	-	-	-	-	778,205,453	778,205,453
Total liabilities and equity	36,683,902	101,214,252	9,489,801	-	12,077,567	11,729,710,634	11,889,176,156
Net position	458,615,922	(36,795,497)	282,082,454	856,327,040	751,000,295	(2,311,230,214)	-

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Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income as at and for 31 December 2016 and 2015 of the floating rate non-trading financial assets and financial liabilities held at 31 December 2016 and 2015. Interest rate sensitivity of equity is calculated by revaluing available-for-sale financial assets at 31 December 2016 and 2015 for the effects of the assumed changes in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The table below demonstrating the effect of changes in interest rates on statement of income and equity excludes tax effects on related loss or income.

31 December 2016	100 bp increase	100 bp decrease	500 bp increase	500 bp decrease
Company's own portfolio	(14,046,708)	14,698,071	(64,444,915)	80,876,329
Total, net	(14,046,708)	14,698,071	(64,444,915)	80,876,329
31 December 2015	100 bp increase	100 bp decrease	500 bp increase	500 bp decrease
Company's own portfolio	(14,924,413)	15,735,555	(67,527,101)	88,037,082
Total, net	(14,924,413)	15,735,555	(67,527,101)	88,037,082

Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where it exists, appropriate valuation methodologies.

The Company has classified its financial assets as held for trading purpose or available for sale. As at reporting period, available for sale financial assets and financial assets held for trading are measured at their fair values in the accompanying financial statements.

Management estimates that the fair value of other financial assets and liabilities are not materially different than their carrying values.

Classification relevant to fair value information

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

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

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

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

If classification is available for usage, it necessitates the utilisation of observable market data.

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

	31 December 2016			Total
	Level 1	Level 2	Level 3	
<i>Financial assets:</i>				
Financial assets held for trading	36,591,886	-	-	36,591,886
Available for sale financial assets ⁽¹⁾	716,518,828	-	-	716,518,828
Financial investments with risks on policyholders classified as available for sale	1,535,811,130	-	-	1,535,811,130
Financial investments with risks on policyholders classified as for the purposes of purchase and sale	45,111,299	-	-	45,111,299
Receivables from individual pension business	11,359,420,955	-	-	11,359,420,955
Total financial assets	13,693,454,098	-	-	13,693,454,098
<i>Financial liabilities:</i>				
Investment contract liabilities - life mathematical provision for saving life policies	1,682,433,974	-	-	1,682,433,974
Payables arising from individual pension business ⁽²⁾	11,359,420,955	-	-	11,359,420,955
Total financial liabilities	13,041,854,929	-	-	13,041,854,929

⁽¹⁾ As at 31 December 2016, securities that are not publicly traded cost value TRY 30,550,908 and TRY (10,508,805) impairment amounting to TRY 20,042,103 have been measured at cost and are excluded from the table.

⁽²⁾ Includes investments directed individual pension funds.

	31 December 2015			Total
	Level 1	Level 2	Level 3	
<i>Financial assets:</i>				
Financial assets held for trading	33,213,002	-	-	33,213,002
Available for sale financial assets ⁽¹⁾	660,927,849	12,563,647	-	673,491,496
Financial investments with risks on policyholders classified as available for sale	1,595,428,502	-	-	1,595,428,502
Financial investments with risks on policyholders classified as for the purposes of purchase and sale	41,505,156	-	-	41,505,156
Receivables from individual pension business	8,933,549,975	-	-	8,933,549,975
Total financial assets	11,264,624,484	12,563,647	-	11,277,188,131
<i>Financial liabilities:</i>				
Investment contract liabilities - life mathematical provision for saving life policies	1,700,163,219	-	-	1,700,163,219
Payables arising from individual pension business ⁽²⁾	8,933,549,975	-	-	8,933,549,975
Total financial liabilities	10,633,713,194	-	-	10,633,713,194

⁽¹⁾ As at 31 December 2015, securities that are not publicly traded cost value TRY 30,550,908 and TRY (4,761,190) impairment amounting to TRY 25,789,718 have been measured at cost and are excluded from the table.

⁽²⁾ Includes investments directed individual pension funds.

Equity share price risk

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

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

	Change of price	31 December 2016	31 December 2015
Market price of equity share	10%	12,686,239	12,307,865

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

	Change of price	31 December 2016	31 December 2015
Market price of equity share	10%	198,107	228,414

Capital management

The aim of the Company's capital management is defined as to provide the continuity of profit-making company, to protect the benefits of the shareholders and institutional partners and also to conduct the most efficient capital structure in order to reduce the cost of capital.

The capital adequacy of the Company is calculated in accordance with the Decree "Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds" in all reporting periods. The Capital Adequacy calculated according to two methods are in line with the minimum requirements. The Company's recent capital adequacy table prepared as at the report date for 30 June 2016 is summarised below. As at 30 June 2016, the capital adequacy of the Company is TRY 163,972,520 and TRY 213,065,175; based on first and second method respectively. By the table below, it is observed that capital adequacy balances calculated by using first and second methods are less than the Company's capital as at 30 June 2016. The Company's capital calculated based on the regulation as at 30 June 2016 is TRY 802,403,346. Consequently, the Company's capital is adequate.

Capital adequacy table		
	30 June 2016	31 December 2015
First Method		
Required capital for non-life branches	70,514	69,050
Required capital for life branch	112,735,275	114,328,281
Required capital for pension branch	51,166,731	44,667,750
Required capital based on the first method	163,972,520	159,065,081
Second Method		
Required capital for asset risk	182,707,222	157,124,350
Required capital for reinsurance risk	2,074,979	1,294,274
Required capital for excessive premium increase	-	-
Required capital for outstanding claims risk	2,788,978	2,820,075
Required capital for underwriting risk	18,928,170	17,989,688
Required capital for interest rate and currency risk	6,565,826	4,291,330
Required capital based on the second method	213,065,175	183,519,717
Required capital	213,065,175	183,519,717
Current capital ⁽¹⁾	802,403,346	789,451,208
Excessive capital	589,338,171	605,931,491

⁽¹⁾ According to legal regulations, equalisation provision of TRY 13,280,934 (31 December 2015: TRY 11,245,755) have been included in the amount for equity.

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5 Segment reporting

Segmenting of balance sheet and income statement items is based on the distribution key described in Circular "Principles and Procedures of Distribution Keys Used in Financial Statements under the Insurance Uniformed Chart of Accounts" issued by the Undersecretariat of Treasury on 4 January 2008 and Circular "Amendments to Principles and Procedures of Distribution Keys Used in Financial Statements under the Insurance Uniformed Chart of Accounts" issued by the Undersecretariat of Treasury on 9 August 2010.

31 December 2016	Life	Individual pension	Personal accident	Total
<i>Continuing operations:</i>				
Technical income	700,849,526	236,760,325	448,281	938,058,132
Technical expense	(588,363,510)	(215,669,232)	(1,013,807)	(805,046,549)
Total of other income and expense	45,313,657	50,981,578	497,638	96,792,873
Income before tax	157,799,673	72,072,671	(67,888)	229,804,456
Income tax expense	-	-	-	(39,530,000)
Net profit for the period	157,799,673	72,072,671	(67,888)	190,274,456

31 December 2016	Life	Individual pension	Personal accident	Total
Segment assets	2,269,857,500	12,096,896,943	24,927,759	14,391,682,202
Total assets	2,269,857,500	12,096,896,943	24,927,759	14,391,682,202
Segment liabilities	(2,272,244,556)	(12,094,512,161)	(24,925,485)	(14,391,682,202)
Total liabilities	(2,272,244,556)	(12,094,512,161)	(24,925,485)	(14,391,682,202)

Other segment information				
Depreciation and amortisation	(5,470,622)	(6,154,898)	(60,078)	(11,685,598)

31 December 2015	Life	Individual pension	Personal accident	Total
<i>Continuing operations:</i>				
Technical income	602,512,365	209,057,996	453,292	812,023,653
Technical expense	(516,034,331)	(187,036,638)	(693,713)	(703,764,682)
Total of other income and expense	32,608,183	34,672,593	305,579	67,586,355
Income before tax	119,086,217	56,693,951	65,158	175,845,326
Income tax expense	-	-	-	(30,778,000)
Net profit for the period	119,086,217	56,693,951	65,158	145,067,326

31 December 2015	Life	Individual pension	Personal accident	Total
Segment assets	2,278,879,736	9,588,940,450	21,355,970	11,889,176,156
Total assets	2,278,879,736	9,588,940,450	21,355,970	11,889,176,156
Segment liabilities	(2,260,091,855)	(9,607,908,193)	(21,176,108)	(11,889,176,156)
Total liabilities	(2,260,091,855)	(9,607,908,193)	(21,176,108)	(11,889,176,156)

Other segment information				
Depreciation and amortisation	(4,715,289)	(5,013,812)	(44,188)	(9,773,289)

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6 Tangible assets

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

	1 January 2016	Additions	Increase in value	Disposals	31 December 2016
<i>Cost:</i>					
Owner occupied land and buildings	4,610,000	-	-	-	4,610,000
Machinery and equipment	19,763,450	5,184,811	-	(608,528)	24,339,733
Vehicles	541,760	-	-	(54,884)	486,876
Furniture and fixtures (includes leased assets)	4,415,371	72,762	-	(130,014)	4,358,119
Leasehold improvements	3,456,710	180,410	-	-	3,637,120
	32,787,291	5,437,983	-	(793,426)	37,431,848
<i>Accumulated depreciation:</i>					
Owner occupied land and buildings	(4,422)	(13,265)	-	-	(17,687)
Machinery and equipment	(8,779,101)	(4,372,204)	-	539,933	(12,611,372)
Vehicles	(195,171)	(93,924)	-	47,028	(242,067)
Furniture and fixtures (includes leased assets)	(3,290,743)	(305,705)	-	129,873	(3,466,575)
Leasehold improvements	(2,449,188)	(300,196)	-	-	(2,749,384)
	(14,718,625)	(5,085,294)	-	716,834	(19,087,085)
Carrying amounts	18,068,666				18,344,763

As of 31 December 2016, owner occupied properties are evaluated at fair value. Appraisal reports were provided by CMB licensed real estate appraisal company on June 2015 and July 2015. There is no pledge on the properties.

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

Owner occupied land and buildings	Appraisal value	Net carrying value (31 December 2016)
Southern Anatolia district sales office/Adana	2,560,000	2,542,313
Land/İstanbul Kağıthane	2,050,000	2,050,000
Total	4,610,000	4,592,313

Fair value measurement

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

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

	1 January 2015	Additions	Increase in value	Disposals	31 December 2015
Cost:					
Owner occupied land and buildings ⁽¹⁾	1,338,902	-	3,553,596	(282,498)	4,610,000
Machinery and equipment	12,020,118	7,938,926	-	(195,594)	19,763,450
Vehicles	558,076	236,897	-	(253,213)	541,760
Furniture and fixtures (includes leased assets)	3,830,228	644,872	-	(59,729)	4,415,371
Leasehold improvements	3,155,606	301,104	-	-	3,456,710
	20,902,930	9,121,799	3,553,596	(791,034)	32,787,291
Accumulated depreciation:					
Owner occupied land and buildings ⁽¹⁾	(269,523)	(17,397)	-	282,498	(4,422)
Machinery and equipment	(5,789,217)	(3,172,208)	-	182,324	(8,779,101)
Vehicles	(372,878)	(75,507)	-	253,214	(195,171)
Furniture and fixtures (includes leased assets)	(3,105,756)	(243,688)	-	58,701	(3,290,743)
Leasehold improvements	(2,183,471)	(265,717)	-	-	(2,449,188)
	(11,720,845)	(3,774,517)	-	776,737	(14,718,625)
Carrying amounts	9,182,085				18,068,666

⁽¹⁾ Owner occupied properties have been presented with fair values in the financial statements starting from the third quarter of 2015, previously they were presented with their historical cost.

7 Investment properties

Properties held either to earn rentals and/or for capital appreciation or for both are classified as investment properties. The Company has started to recognize investment properties with fair value method since 30 September 2015. Therefore 31 December 2014 and 31 December 2013 financial statements were restated according to appraisal reports which were provided by CMB licensed real estate appraisal companies.

Movement in investment properties in the period from 1 January to 31 December 2016 is presented below:

	1 January 2016	Additions	Increase in value	Disposals	31 December 2016
Land/İstanbul Ömerli	57,183,000	-	6,538,888	(601,377)	63,120,511
Building/İstanbul Gayrettepe	33,072,113	177,456	19,050,431	-	52,300,000
Building/Mersin	29,290,000	-	(448,000)	-	28,842,000
	119,545,113	177,456	25,141,319	(601,377)	144,262,511
Carrying amounts	119,545,113				144,262,511

Movement in investment properties in the period from 1 January to 31 December 2015 is presented below:

	1 January 2015	Additions	Increase in value	Disposals	31 December 2015
Land/İstanbul Ömerli	52,603,000	-	4,580,000	-	57,183,000
Building/İstanbul Gayrettepe	29,120,000	177,173	3,774,940	-	33,072,113
Building/Mersin	28,120,000	-	1,170,000	-	29,290,000
	109,843,000	177,173	9,524,940		119,545,113
Carrying amounts	109,843,000				119,545,113

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For the period ended 31 December 2016, the Company has rental income from investment properties amounting to TRY 1,939,059 (31 December 2015: TRY 3,576,655). The Company has a gain from increase in value of investment properties amounting to TRY 25.760.280 (31 December 2015: TRY 9,524,940). When the diminution in value of investment properties amounting to TRY 618.961 recorded under "diminution in value of investments" account during the period is considered, the Company has a net gain from increase in value of investment properties amounting to TRY 25.141.319.

The appraisal values (excluding VAT) and net carrying values of investment properties are presented below. Appraisal reports were provided by CMB licensed real estate appraisal company at June 2015 and August 2015. There is no mortgage on the property in question.

Investment land and buildings	Appraisal and net carrying value	
	Net carrying value (31 December 2016)	Net carrying value (31 December 2015)
Land/İstanbul Ömerli	63,120,511	57,183,000
Building/İstanbul Gayrettepe	52,300,000	33,072,113
Building/Mersin	28,842,000	29,290,000
Appraisal and net carrying value	144,262,511	119,545,113

Fair value measurement

The fair values of investment properties were determined by market comparison technique. The fair value measurement of investment properties is classified as level 2.

8 Intangible assets

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

	1 January 2016	Additions	Disposals	31 December 2016
<i>Cost:</i>				
Rights	29,612,153	15,324,329	-	44,936,482
Advances for intangible assets	7,603,974	5,394,876	-	12,998,850
	37,216,127	20,719,205	-	57,935,332
<i>Accumulated amortisation:</i>				
Rights	(20,061,162)	(6,600,304)	-	(26,661,466)
	(20,061,162)	(6,600,304)	-	(26,661,466)
Carrying amounts	17,154,965			31,273,866

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

	1 January 2015	Additions	Disposals	31 December 2015
<i>Cost:</i>				
Rights	24,768,240	4,843,913	-	29,612,153
Advances for intangible assets	3,708,940	3,895,034	-	7,603,974
	28,477,180	8,738,947	-	37,216,127
<i>Accumulated amortisation:</i>				
Rights	(14,062,390)	(5,998,772)	-	(20,061,162)
	(14,062,390)	(5,998,772)	-	(20,061,162)
Carrying amounts	14,414,790			17,154,965

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9 Investments in associates

	31 December 2016		31 December 2015	
	Carrying value	Participation rate %	Carrying value	Participation rate %
İş Portföy Yönetimi AŞ	12,762,193	20.0%	12,762,193	20.0%
Investments in associates, net	12,762,193		12,762,193	

Associate	Total assets	Shareholders' equity	Retained earnings	Profit for the period	Audited or not	Period
İş Portföy Yönetimi AŞ	97,092,338	92,758,692	1,680,433	16,445,676	Audited	31 December 2016

The Company has TRY 2,306,721 of dividend income from associates.

10 Reinsurance assets and liabilities

Outstanding reinsurance assets and liabilities of the Company, as a ceding company in accordance with the existing reinsurance contracts are as follows:

Reinsurance assets	31 December 2016	31 December 2015
Life mathematical reserve, ceded (Note 17.15)	2,284,601	2,648,864
Provision for outstanding claims, ceded (Note 17.15)	3,892,711	3,096,310
Reserve for unearned premiums, ceded (Note 17.15)	2,072,697	2,281,948
Provision for bonus and discount, ceded (Note 17.15)	833,859	636,991
Reserve for unexpired risks, ceded (Note 17.15)	1,976	-
Other technical provision, ceded	533,500	437,489
Due from reinsurers	-	145,611
Total	9,619,344	9,247,213

There is not any impairment losses recognised for reinsurance assets.

Reinsurance liabilities	31 December 2016	31 December 2015
Payables to reinsurance companies	353,991	-
Current account of reinsurance companies (Note 19)	1,084,011	1,505,123
Total	1,438,002	1,505,123

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

	1 January - 31 December 2016	1 January - 31 December 2015
<i>Life branch:</i>		
Premiums ceded during the period	(12,714,132)	(12,441,528)
Change in unearned premiums reserve, ceded	(216,942)	(209,106)
Commissions received from reinsurers ⁽¹⁾	1,989,602	2,079,556
Reinsurers share of claims paid	6,524,066	5,977,832
Change in outstanding claims, ceded	886,767	405,475
Change in provision for bonus and discount, ceded	195,377	633,650
Change in life mathematical reserve, ceded	(364,263)	(572,064)
	(3,699,525)	(4,126,185)
<i>Non-life branch:</i>		
Premiums ceded during the period	(210,687)	(151,445)
Change in unearned premiums reserve, ceded	7,691	8,720
Commissions received from reinsurers ⁽¹⁾	43,609	43,084
Reinsurers share of claims paid	182,663	1,050
Change in outstanding claims, ceded	(90,121)	154,735
Change in provision for bonus and discount, ceded	1,491	(15)
	(65,354)	56,129
Total, net	(3,764,879)	(4,070,056)

⁽¹⁾ Deferred commissions are excluded from commissions received from reinsurers.

11 Financial assets

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

Financial assets and financial investments with risk on policyholders	31 December 2016	31 December 2015
Available for sale financial assets, Company's own portfolio	747,069,736	704,042,404
Financial assets held for trading purpose	36,591,886	33,213,002
Loans and receivables	19,007,705	10,866,879
Financial investments with risks on saving life policyholders classified and held for trading purpose as available for sale	1,580,922,429	1,636,933,658
Impairment loss on financial assets	(10,508,805)	(4,761,190)
Total	2,373,082,951	2,380,294,753

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

	31 December 2016			
	Face value	Cost	Fair value	Carrying value
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares	1,200,249	1,981,071	1,981,071	1,981,071
Investment funds	31,445,153	34,610,815	34,610,815	34,610,815
Total financial assets held for trading purpose - other	32,645,402	36,591,886	36,591,886	36,591,886
Total financial assets held for trading purpose	32,645,402	36,591,886	36,591,886	36,591,886
	31 December 2015			
	Face value	Cost	Fair value	Carrying value
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares	1,197,489	2,284,139	2,284,139	2,284,139
Investment funds	28,783,653	30,928,863	30,928,863	30,928,863
Total financial assets held for trading purpose - other	29,981,142	33,213,002	33,213,002	33,213,002
Total financial assets held for trading purpose	29,981,142	33,213,002	33,213,002	33,213,002

The Company's financial assets held for trading issued by the Company's related parties, are detailed as follows:

	31 December 2016			
	Face value	Cost	Fair value	Carrying value
Investment funds	6,240,978	31,445,153	34,610,815	34,610,815
Total	6,240,978	31,445,153	34,610,815	34,610,815
	31 December 2015			
	Face value	Cost	Fair value	Carrying value
Investment funds	6,240,978	28,783,653	30,928,863	30,928,863
Total	6,240,978	28,783,653	30,928,863	30,928,863

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

	31 December 2016		
	Cost	Fair value	Carrying value
Reverse repo transaction	19,000,000	19,007,705	19,007,705
Receivables from reverse repo	19,000,000	19,007,705	19,007,705
	31 December 2015		
	Cost	Fair value	Carrying value
Reverse repo transaction	10,864,000	10,866,879	10,866,879
Receivables from reverse repo	10,864,000	10,866,879	10,866,879

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

	31 December 2016			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Private sector bonds and asset-backed securities	21,300,000	20,130,153	20,449,839	20,449,839
Government bonds	568,030,649	563,491,371	569,206,602	569,206,602
Total available for sale financial assets - debt instruments	589,330,649	583,621,524	589,656,441	589,656,441
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares ⁽¹⁾	122,620,662	157,413,295	157,413,295	157,413,295
Total available for sale financial assets - other	122,620,662	157,413,295	157,413,295	157,413,295
Total available for sale financial assets	711,951,311	741,034,819	747,069,736	747,069,736
Impairment loss on available for sale equity shares	(10,508,805)	(10,508,805)	(10,508,805)	(10,508,805)
Net available for sale financial assets	695,733,381	730,526,014	736,560,931	736,560,931

⁽¹⁾ Financial assets of which the fair values are measured reliably are presented at their fair values, if not, presented at their costs.

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	31 December 2015			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Private sector bonds and asset-backed securities	35,070,599	29,911,382	33,568,711	33,568,711
Government bonds	518,382,906	513,623,991	516,844,138	516,844,138
Total available for sale financial assets - debt instruments		543,535,373	550,412,849	550,412,849
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares ⁽¹⁾		112,426,562	153,629,555	153,629,555
Total available for sale financial assets - other		112,426,562	153,629,555	153,629,555
Total available for sale financial assets		655,961,935	704,042,404	704,042,404
Impairment loss on available for sale equity shares		(4,761,190)	(4,761,190)	(4,761,190)
Net available for sale financial assets		651,200,745	699,281,214	699,281,214

⁽¹⁾ Financial assets of which the fair values are measured reliably are presented at their fair values, if not, presented at their costs.

The Company has equity shares issued by the Company's related parties and classified as available for sale financial assets in its own portfolio with a cost amount of TRY 121,616,422 and with a carrying value TRY 155,551,601 and bonds issued by the Company's related parties with a cost amount of TRY 20,130,153 and with a carrying value TRY 20,449,839 as at 31 December 2016 (31 December 2015: Equity shares with a cost amount of TRY 111,465,633 and a carrying amount of TRY 151,867,731; bonds issued by the Company's related parties with a cost amount TRY 20,360,630 and a carrying amount of TRY 21,005,065).

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Financial investments with risks on saving life policyholders ("FIRSLP") as at 31 December 2016 and 31 December 2015 are detailed as follows:

	31 December 2016			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds - TRY	1,043,040,916	1,041,202,692	1,025,394,406	1,025,394,406
Eurobonds issued by the Turkish Government				
Investment funds	132,488,000	468,862,677	510,416,724	510,416,724
Total available for sale financial assets - debt instruments	1,175,528,916	1,510,065,369	1,535,811,130	1,535,811,130
Debt instruments for trading purposes				
Investment funds	32,132,164	45,867,614	45,111,299	45,111,299
The sum of debt instruments classified as financial assets for trading purposes	32,132,164	45,867,614	45,111,299	45,111,299
Financial investments with risks on saving life policyholders				
		1,555,932,983	1,580,922,429	1,580,922,429
	31 December 2015			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds - TRY	1,162,146,727	1,158,742,485	1,144,044,458	1,144,044,458
Eurobonds issued by the Turkish Government				
Investment funds	133,138,000	390,352,757	451,384,044	451,384,044
Total available for sale financial assets - debt instruments	1,295,284,727	1,549,095,242	1,595,428,502	1,595,428,502
Debt instruments for trading purposes				
Investment funds	36,000,000	45,722,268	41,505,156	41,505,156
The sum of debt instruments classified as financial assets for trading purposes	36,000,000	45,722,268	41,505,156	41,505,156
Financial investments with risks on saving life policyholders				
		1,594,817,510	1,636,933,658	1,636,933,658

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The financial assets issued by the Company's related parties and classified as FIRSLP are detailed as follows:

	31 December 2016			
	Face value	Cost	Fair value	Carrying value
Investment funds	32,132,164	45,867,614	45,111,299	45,111,299
Total investment funds	32,132,164	45,867,614	45,111,299	45,111,299

	31 December 2015			
	Face value	Cost	Fair value	Carrying value
Investment funds	36,000,000	45,722,268	41,505,156	41,505,156
Total investment funds	36,000,000	45,722,268	41,505,156	41,505,156

The Company has not any securities, other than issued shares in the current period, or any matured debt securities.

Value increases in financial assets for the last three years:

	31 December 2016	31 December 2015	31 December 2014
<i>Current financial assets:</i>			
Available for sale financial assets, Company's own portfolio	40,827,550	48,080,469	55,161,780
Financial assets held for trading purpose	3,946,484	3,231,860	13,468,854
Loans and receivables	7,705	2,879	691
Financial investments with risks on saving life policyholders classified as available for sale	24,989,446	42,116,148	170,950,273
Total	69,771,185	93,431,356	239,581,598

Value increases reflect the difference between the carrying value and cost of the financial assets.

The Company has TRY 10,508,805 of impairment loss arising from its available for sale investments in equity participations not having a quoted market price in an active market (31 December 2015: TRY 4,761,190).

The Company does not apply hedge accounting.

Exchange rate differences arising from the payments of monetary items or different conversion rates used in the current period or at initial recognition are recognised in profit or loss.

Financial assets blocked in favor of the Turkish Treasury as a guarantee for the insurance activities are as follows:

	31 December 2016			
	Face value	Cost	Fair value	Carrying value
Financial investments with risks on saving life policyholders - debt securities	1,207,661,080	1,555,932,983	1,580,922,429	1,580,922,429
Available for sale financial assets	184,500,000	182,075,268	178,210,017	178,210,017
Time deposits	46,050,778	46,050,778	46,457,030	46,457,030
Total	1,438,211,858	1,784,059,029	1,805,589,476	1,805,589,476

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	31 December 2015			
	Face value	Cost	Fair value	Carrying value
Financial investments with risks on saving life policyholders - debt securities	1,331,284,727	1,594,817,510	1,636,933,658	1,636,933,658
Available for sale financial assets	170,052,009	164,907,314	161,020,634	161,020,634
Time deposits	36,329,267	36,329,266	36,659,769	36,659,769
Total	1,537,666,003	1,796,054,090	1,834,614,061	1,834,614,061

12 Loans and receivables

	31 December 2016	31 December 2015
Receivables from insurance operations	28,651,470	24,112,811
Provisions for receivables from insurance operations	(2,574)	(2,574)
Loans to the policyholders	31,647,263	31,439,625
Doubtful receivables from main operations and insurance operations	117,996	117,996
Provisions for doubtful receivables from main operations and insurance operations	(117,996)	(117,996)
Receivables from pension activities	11,389,267,385	8,959,503,693
<i>Net fund value of participants</i>	<i>11,359,420,955</i>	<i>8,933,549,975</i>
<i>Other</i>	<i>29,846,430</i>	<i>25,953,718</i>
Total receivables from main operations	11,449,563,544	9,015,053,555
Receivables from personnel	5,221	8,031
Other receivables	10,663,493	7,134,993
Total	11,460,232,258	9,022,196,579

The details of guarantees for the Company's receivables are presented below:

	31 December 2016	31 December 2015
Guarantees and commitments	4,127,529	4,030,913
Letters of guarantees	2,264,745	2,529,204
Real estate pledges	1,015,400	1,185,400
Total	7,407,674	7,745,517

	31 December 2016	31 December 2015
Provisions for doubtful receivables from main operations and insurance operations at the beginning of the period	117,996	117,996
Collections	-	-
Charge for the period	-	-
Provisions for doubtful receivables from main operations and insurance operations at the end of the period	117,996	117,996

Provision for both overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TRY 117,996 (31 December 2015: TRY 117,996).

b) Provision for premium receivables (due): TRY 2,574 (31 December 2015: TRY 2,574).

The Company provides provision for its doubtful receivables in the legal follow-up by considering the value and nature of the receivable.

The Company reflects its receivables from and payables to reinsurance and insurance companies by netting off on the entity basis.

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

13 Derivative financial instruments

At the reporting period, the Company has not any derivative financial instruments.

14 Cash and cash equivalents

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

	31 December 2016		31 December 2015	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	8,370	3,385	3,385	27,952
Bank deposits	146,204,151	145,598,543	145,598,543	87,301,020
Bank guaranteed credit card receivables with maturities less than three months ⁽¹⁾	180,677,008	157,397,530	157,397,530	129,124,352
Cheques given and payment orders	(2,745)	-	-	(24,895)
Cash and cash equivalents in the balance sheet	326,886,784	302,999,458	302,999,458	216,428,429
Blocked amount ⁽²⁾ (Note 17)	(46,457,030)	(36,329,266)	(36,329,266)	-
Interest accruals on bank deposits	(1,095,326)	(594,601)	(594,601)	(441,793)
Term deposits with original maturities of longer than 3 months	(10,175,158)	-	-	(31,000,000)
Cash and cash equivalents presented in the statement of cash flow	269,159,270	266,075,591	266,075,591	184,986,636

⁽¹⁾ Bank guaranteed credit card receivables with maturities less than three months include credit card receivables from banks in relation to premium payments of policyholders.

⁽²⁾ As at 31 December 2016, this amount regarding insurance operations is blocked in favor for Undersecretariat of Treasury.

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

	31 December 2016	31 December 2015
Foreign currency denominated bank deposits		
- time deposits	-	-
- demand deposits	8,328,859	1,935,303
Bank deposits in TRY		
- time deposits	122,700,098	137,923,868
- demand deposits	15,175,194	5,739,372
Cash at banks	146,204,151	145,598,543

As at 31 December 2016, TRY time deposits have a maximum maturity of 40 days and their simple interest rates vary between 10.50% and 11.10%. The Company has not any foreign currency denominated bank deposits.

As at 31 December 2015, TRY time deposits have a maximum maturity of 56 days and their simple interest rates vary between 11.65% and 13.60%. The Company has not any foreign currency denominated bank deposits.

15 Equity

Paid in capital

As at 31 December 2016, the authorised nominal share capital of the Company is TRY 430,000,000 and the share capital of the Company consists of 43,000,000,000 issued shares with TRY 0.01 nominal value each.

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The Company's share capital is divided into group A and group B shares. Group A shares are represented by 100,000,000 of equity shares having a nominal amount of TRY 0.01 each. Group B shares are represented by 42,900,000,000 shares having a nominal amount of TRY 0.01 each and all shares are owned by Türkiye İş Bankası AŞ. Group A shareholders have no privileges except for the election of Board members. In accordance with the Articles of Association, new group A shares cannot be issued in capital increases.

The Company has accepted the registered capital system set out in accordance with the Law No: 2499 and applied the system as of 15 June 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As at 31 December 2016, the Company's registered capital is TRY 900,000,000.

As at 31 December 2016, there are not any treasury shares held by the Company's associate; namely İş Portföy Yönetimi AŞ. There are not any treasury shares held by the Company itself.

Profit on assets sale that will be transferred to capital

In accordance with tax legislation, 75% of profits from sales of participation shares and real states included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years. There is not any sale of shares that is subject to the exception, in the current period (31 December 2015: None).

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

The movement of legal reserves is as follows:

	31 December 2016	31 December 2015
Legal reserves at the beginning of the period	89,189,221	79,990,885
Transfer from profit	15,717,744	9,198,336
Legal reserves at the end of the period	104,906,965	89,189,221

Extraordinary reserves

The movement of extraordinary reserves is presented below:

	31 December 2016	31 December 2015
Extraordinary reserves at the beginning of the period	85,019	2,085,774
Transfer from profit	18,404,659	16,699,245
Capital increase	(10,000,000)	(18,700,000)
Extraordinary reserves at the end of the period	8,489,678	85,019

Statutory reserves

The movement of statutory reserves is presented below:

	31 December 2016	31 December 2015
Statutory reserves at the beginning of the period	308,179	2,239,098
Transfer from profit	11,013,641	6,997,317
Capital increase	(10,000,000)	(8,928,236)
Statutory reserves at the end of the period	1,321,820	308,179

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Other profit reserves

In accordance with the revision of TAS 19, the amount of actuarial gains and losses have been presented under the other profit reserves since 31 December 2013, which were previously shown under the income statement. As at 31 December 2016, actuarial loss amounting to TRY (2,994,580) is presented under the other profit reserves (31 December 2015: TRY (1.856.690)). The difference arising from the owner occupied land and buildings at fair value amounting to TRY 2,981,724 is also presented under the other profit reserves (31 December 2015: TRY 2,981,724).

Valuation of financial assets

Movement of fair value reserves of available for sale financial assets is presented below:

	31 December 2016	31 December 2015
Fair value reserves at the beginning of the period	33,530,383	44,449,594
<i>Changes during the period:</i>		
The effect of changes in foreign exchange rates on unrealised gains and losses, recognised due to change in the fair values of available for sale financial assets with risks on saving life policyholders	482,132	761,760
Change in unrealised gains and losses due to changes in the fair values of available for sale financial assets with risks on saving life policyholders	(25,441,249)	(117,195,132)
Change in unrealised gains and losses due to changes in the fair values of available for sale financial assets with risks on saving life policyholders, policyholders' portion	24,169,187	111,335,375
Change in unrealised gains and losses from available for sale financial assets, company's own portfolio	5,076,730	6,808,422
Deferred and corporate tax effect	(1,306,365)	1,375,409
<i>Disposals during the period:</i>		
Unrealised gains and losses transferred from equity to income statement due to disposal of available for sale financial assets with risks on saving life policyholders	(477,291)	(18,894,046)
Unrealised gains and losses transferred from equity to income statement due to disposal of available for sale financial assets with risks on saving life policyholders, policyholders' portion	453,426	17,949,344
Unrealised gains and losses transferred from equity to income statement due to disposal of available for sale financial assets, company's own portfolio	846,065	(13,067,933)
Deferred and corporate tax effect	(164,440)	2,802,527
<i>Amounts transferred to income statement due to bonus shares:</i>	(10,194,100)	(2,794,937)
Fair value reserves at the end of the period	26,974,478	33,530,383

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16 Other reserves and equity component of DPF

Income and expense items that are directly accrued in equity as of the reporting period are as follows:

	31 December 2016	31 December 2015
Temporary differences arising from revaluation of financial assets	(2,270,423)	1,522
Permanent differences arising from revaluation of financial assets	28,016,812	32,445,789
The differences arising from revaluation of investment properties	774,004	774,004
Deferred tax effect	454,085	309,068
Total	26,974,478	33,530,383

17 Insurance contract liabilities and reinsurance assets

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

	31 December 2016		31 December 2015	
	Should be placed ⁽²⁾	Placed ⁽¹⁾	Should be placed ⁽²⁾	Placed ⁽¹⁾
<i>Life:</i>				
Financial assets ⁽¹⁾	1,705,601,787	1,774,174,825	1,753,420,397	1,786,161,361
Total	1,705,601,787	1,774,174,825	1,753,420,397	1,786,161,361
<i>Non-life:</i>				
Financial assets ⁽¹⁾	168,637	1,066,835	169,508	938,010
Total	168,637	1,066,835	169,508	938,010
Total	1,705,770,424	1,775,241,660	1,753,589,905	1,787,099,371

⁽¹⁾ As at 31 December 2016 and 31 December 2015, government bonds and treasury bills are measured at daily official prices announced by the Central Bank of Turkey; if these prices are not available, they are measured with stock exchange values; investment fund participation certificates are measured using the daily prices in accordance with the 6th Article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Individual Pension Companies".

⁽²⁾ According to 7th article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Individual Pension Companies" which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to "Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Individual Pension Companies", companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Turkish Treasury Department within two months. As at 31 December 2016 (31 December 2015), minimum guarantee amount of 30 June 2016 is shown as necessary guarantee amount; since, minimum guarantee amount as at 30 June 2016 (30 June 2015) is based on 30 June calculations.

As at 31 December 2016, TRY 1,201,344,894 of government bonds (31 December 2015: TRY 1,307,158,597) and TRY 482,328,437 of Eurobonds (31 December 2015: TRY 401,775,850) and TRY 45,111,300 (31 December 2015: TRY 41,505,156) of investment funds and TRY 46,457,029 of time deposits (31 December 2015: TRY 36,659,768) are placed as guarantee for the life and non-life branches.

17.2 Number of life insurance policies, additions, disposals in the current period, and current life policy holders and the related mathematical reserves

	31 December 2016 ⁽¹⁾		31 December 2015 ⁽¹⁾	
	Number of policies	Mathematical reserves	Number of policies	Mathematical reserves
Additions during the period	1,619,204	187,530,663	1,623,568	222,987,201
Disposals during the period	(1,668,000)	(190,162,065)	(1,381,328)	(250,100,751)
Outstanding	2,421,233	1,695,140,530	2,470,029	1,697,771,932

⁽¹⁾ The above table includes 318 of reactivated life insurance policies (31 December 2015: 55 policies) and their corresponding mathematical reserves.

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As explained in Note 2 - *Financial assets*, available for sale financial assets with risks on saving life policyholders are measured at fair value; 95% of the fair value and amortised cost difference amounting to TRY (10,421,955) (31 December 2015: TRY 5,040,151) is recognised under the life mathematical provisions.

TRY 2,284,601 (31 December 2015: TRY 2,648,864) of reinsurer's share of life mathematical provisions is not offset against the mathematical provisions in the above table.

17.3 Guarantees given to non-life insurances based on branches:

	31 December 2016	31 December 2015
Guarantees given to death by accident	4,685,421,571	1,496,188,932
Guarantees given to disability by accident	4,659,394,543	1,486,629,097
Total	9,344,816,114	2,982,818,029

17.4 Pension investment funds established by the Company and their unit prices:

As at 31 December 2016 and 31 December 2015, individual pension investment funds founded by the Company and their unit prices are as follows:

	31 December 2016 Unit price	31 December 2015 Unit price
AH1 Bond Fund	0.051744	0.048166
AH2 Liquid Fund	0.039505	0.036007
AH3 First Public Foreign Borrowing Fund	0.049183	0.041706
AH4 Second Public Foreign Borrowing Fund	0.037951	0.032710
AH5 Equity Fund	0.079487	0.072235
AH6 Developed Countries Flexible Fund	0.043111	0.034150
AH8 Conservative Fund	0.044387	0.040705
AH9 Balanced Fund	0.052860	0.048793
AH0 Aggressive Fund	0.073985	0.067483
AGE Alternative Gain Fund	0.014887	0.013730
ABE BRIC Plus Fund	0.018870	0.012193
AHC Mixed Fund (TRY)	0.015203	0.013905
AHL Dynamic Flexible Fund	0.013946	0.012785
AET Contribution Fund	0.012004	0.011035
AER Alternative Contribution Fund	0.012871	0.011894
AEA Gold Fund	0.014067	0.011003
AG1 Group Bound Fund	0.048873	0.044942
AG2 Group Eurobond Fund	0.034896	0.030140
AG3 Group Equity Fund	0.054012	0.048190
AG4 Group Conservative Fund	0.044401	0.040199
HS1 Bond-Bill Fund	0.032979	0.030555
AHB White Equity Fund	0.032761	0.029143
ATK Standard Fund	0.025084	0.023297
ATE İş Bankası Subsidiaries Index Fund ⁽¹⁾	0.029898	0.024324

⁽¹⁾ Anadolu Hayat Emeklilik AŞ. Orange Balanced Fund has been changed as Anadolu Hayat Emeklilik AŞ. Isbank Subsidiaries Index Fund in accordance with the allowance no. 9290 of The Capital Markets Board at 28 August 2015, respectively change has been executed at 1 October 2015.

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17.5 Number and amount of participation certificates in portfolio and circulation:

Number of participation documents in the portfolio and in circulation is such as follows as of 31 December 2016 and 31 December 2015:

	31 December 2016		31 December 2015	
	Participation certificates in circulation		Participation certificates in circulation	
	Number	Amount	Number	Amount
AH1 Bond Fund	48,265,004,040.48	2,497,424,369.07	46,400,949,276.827	2,234,948,122.87
AH2 Liquid Fund	17,185,878,189.71	678,928,117.88	11,074,452,560.426	398,757,813.34
AH3 First Public Foreign Borrowing Fund	11,850,369,059.20	582,836,701.44	9,846,007,794.200	410,637,601.06
AH4 Second Public Foreign Borrowing Fund	6,221,485,783.37	236,111,606.96	5,400,855,660.382	176,661,988.65
AH5 Equity Fund	5,517,341,587.45	438,556,930.76	5,181,975,842.994	374,320,025.02
AH6 Developed Countries Flexible Fund	4,741,101,119.30	204,393,610.35	4,493,221,585.122	153,443,517.13
AH8 Conservative Fund	15,780,440,594.78	700,446,416.68	10,782,250,018.501	438,891,487.00
AH9 Balanced Fund	31,832,119,092.91	1,682,645,815.25	30,807,926,828.276	1,503,211,173.73
AH0 Aggressive Fund	10,769,585,765.17	796,787,802.84	10,558,195,111.791	712,498,680.73
AGE Alternative Gain Fund	15,594,506,875.81	232,155,423.86	13,276,815,675.952	182,290,679.23
ABE BRIC Plus Fund	5,495,690,872.57	103,703,686.77	3,880,649,075.880	47,316,754.18
AHC Mixed Fund (TRY)	14,294,908,810.78	217,325,498.65	10,342,335,518.768	143,810,175.39
AHL Dynamic Flexible Fund	3,349,590,484.88	46,713,388.90	3,007,592,659.384	38,452,072.15
AET Contribution Fund	120,057,212,553.48	1,441,166,779.49	87,699,647,035.037	967,765,605.03
AER Alternative Contribution Fund	3,251,818,506.11	41,854,155.99	2,212,023,828.105	26,309,811.41
AEA Gold Fund	22,011,520,894.84	309,636,064.43	10,798,121,372.802	118,811,729.46
AG1 Group Bound Fund	3,911,689,686.20	191,176,010.03	4,219,143,230.985	189,616,735.09
AG2 Group Eurobond Fund	1,012,809,217.65	35,342,990.46	970,853,886.844	29,261,536.15
AG3 Group Equity Fund	1,019,517,613.56	55,066,185.34	1,061,242,775.601	51,141,289.36
AG4 Group Conservative Fund	3,254,745,982.98	144,513,976.39	3,245,602,323.491	130,469,967.80
HS1 Bond-Bill Fund	11,516,400,715.21	379,799,379.19	12,238,259,555.981	373,940,020.73
AHB White Equity Fund	2,340,737,996.83	76,684,917.51	2,610,453,988.185	76,076,460.58
ATK Standard Fund	8,975,997,481.22	225,153,920.82	6,082,407,144.656	141,701,839.25
ATE İş Bankası Subsidiaries Index Fund ⁽¹⁾	1,371,235,726.48	40,997,205.75	543,286,035.425	13,214,889.53
Total		11,359,420,954.81		8,933,549,974.87

⁽¹⁾ Anadolu Hayat Emeklilik AŞ. Orange Balanced Fund has been changed as Anadolu Hayat Emeklilik AŞ. Isbank Subsidiaries Index Fund in accordance with the allowance no. 9290 of The Capital Markets Board at 28 August 2015, respectively change has been executed at 1 October 2015.

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

	31 December 2016			
	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
Individuals	173,527	96,709	939,617	7,356,697,694
Group	69,649	41,532	350,702	2,519,702,326
Total	243,176	138,241	1,290,319	9,876,400,020

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	31 December 2015			Total amount
	Additions during the period	Left/cancellations during the period	Outstanding	
Individuals	213,194	75,845	863,297	5,918,883,839
Group	99,875	32,470	322,087	2,020,590,720
Total	313,069	108,315	1,185,384	7,939,474,559

Additions: The sum of the new contracts added in the period and their registered cumulative values as of the period end in addition with the number of the contracts that begin and finish in the same period.

Left/cancellations: The number of finalised contracts during the period and their values at their expiration dates.

Outstanding: The number of outstanding contracts and their values as of the period end.

Since retirement plan transfers between individual and group retirement plans occurs during the period, periodical changes should be followed by the total number and portfolio amount of policies. Also, when the contracts effective at the prior reporting period become a liability because of collection reversals in the current period or when the contracts effective at the prior reporting period become an asset, total numbers and portfolio values of these contracts are net off at the period end. Number and portfolio amount of individual and group policies presented in notes reflect the outstanding position of the Company as of the period-end.

Outstanding contracts have state contribution amounting to TRY 1,483,020,935 in the state contribution funds as of the period end.

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

Financial investments with risks on saving life policyholders are classified as "available-for-sale financial assets". These assets are measured in accordance with the principles specified in Note 2.8 *Financial Assets* and valuation differences are taken into account in the profit share calculation.

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

	1 January - 31 December 2016			1 January - 31 December 2015		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	173,527	344,449,610	344,093,028	213,194	339,979,889	336,549,583
Group	69,649	75,954,976	75,824,155	99,875	135,123,347	134,499,677
Total	243,176	420,404,586	419,917,183	313,069	475,103,236	471,049,260

Contracts become effective in the current period and the total contracts become effective and ceased in the same period and contributions collected regarding these contracts and the investment oriented contributions have been specified. The collections made with credit cards with undue blockage terms are also added into gross and net contributions. Transfer amounts are not included in the current period numbers and balances. In addition, the Company has collected TRY 74,061,546 as state contribution.

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

	1 January - 31 December 2016			1 January - 31 December 2015		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	9,297	98,090,767	98,090,767	2,023	44,047,591	44,047,591
Group	1,484	18,197,409	18,197,409	749	16,395,163	16,395,163
Total	10,781	116,288,176	116,288,176	2,772	60,442,754	60,442,754

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Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from foundations and trusts during the period:

	1 January - 31 December 2016			1 January - 31 December 2015		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	-	-	-	-	-	-
Group	228	5,262,852	5,262,852	1,507	72,561,002	72,561,002
Total	228	5,262,852	5,262,852	1,507	72,561,002	72,561,002

In addition, the Company has transferred TRY 15,588,212 as state contribution from other pension companies in the related period.

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

The legal permission of the transfer from life portfolio to private pension portfolio expired on 7 October 2006 and therefore, there is no transfer in the current and prior period.

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

	1 January - 31 December 2016			1 January - 31 December 2015		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	96,709	913,360,868	879,695,521	75,845	766,323,748	734,137,560
Group	41,532	519,440,128	502,797,318	32,470	322,948,490	312,395,505
Total	138,241	1,432,800,996	1,382,492,839	108,315	1,089,272,238	1,046,533,065

Number of contracts indicates the number of disposals in the related period.

Gross contributions indicate the fund sales amount as a result of disposal.

Net contributions indicate the remaining amount paid to participant less any deductions (initiation fee and withholding) against the gross amount as a result of disposal.

In addition, Company's fund outflow is TRY 180,647,507 as state contribution.

17.12 Distribution of new life insurance participants in terms of their numbers and first premium amounts for individuals and groups during the period:

	1 January - 31 December 2016		1 January - 31 December 2015	
	Number of contracts	First premium amounts (TRY)	Number of contracts	First premium amounts (TRY)
Individuals	59,937	44,673,453	25,413	60,650,301
Group	1,558,949	360,616,365	1,598,100	238,744,489
Total⁽¹⁾	1,618,886	405,289,818	1,623,513	299,394,790

⁽¹⁾ 318 (1 January - 31 December 2015: 55) of reactivated contracts are not included in the current period additions.

17.13 Distribution of left or cancelled life insurance participants in terms of their numbers and mathematical reserves for individuals and groups during the period:

	1 January - 31 December 2016		1 January - 31 December 2015	
	Number of contracts	Mathematical reserves (TRY)	Number of contracts	Mathematical reserves (TRY)
Individuals	36,818	126,805,249	38,811	179,215,151
Group	1,631,182	63,356,815	1,342,517	70,885,600
Total	1,668,000	190,162,064	1,381,328	250,100,751

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17.14 Profit share distribution rate of life insurances as of 31 December 2016 and 2015

	31 December 2016 %	31 December 2015 %
TRY		
Life insurance	9.55	8.50
Income insurance	9.55	8.50
USD		
Life insurance	6.85	6.98
Income insurance	6.85	6.98
EURO		
Life insurance	6.18	5.95
Income insurance	6.18	5.95
GBP		
Life insurance	7.78	6.29
Income insurance	7.78	6.29

17.15 Information on insurance contract balances in the financial statements

	31 December 2016	31 December 2015
Reserve for unearned premiums, gross	31,257,501	18,881,229
Reserve for unearned premiums, ceded (Note 10)	(2,072,697)	(2,281,948)
Reserves for unearned premiums, net	29,184,804	16,599,281
Provision for outstanding claims, gross	94,278,683	84,748,490
Provision for outstanding claims, ceded (Note 10)	(3,892,711)	(3,096,310)
Provision for outstanding claims, net	90,385,972	81,652,180
Life mathematical provisions, gross	1,684,718,575	1,702,812,083
Life mathematical provisions, ceded (Note 10)	(2,284,601)	(2,648,864)
Life mathematical provisions, net	1,682,433,974	1,700,163,219
Provision for bonus and discount, gross	1,293,022	951,928
Provision for bonus and discount, ceded (Note 10)	(833,859)	(636,991)
Provision for bonus and discount, net	459,163	314,937
Reserve for unexpired risks, gross	11,455	-
Reserve for unexpired risks, ceded (Note 10)	(1,976)	-
Reserve for unexpired risks, net	9,479	-
Equalisation provision, gross	16,748,851	11,683,244
Equalisation provision, ceded (Note 10)	(533,500)	(437,489)
Equalisation provision, net	16,215,351	11,245,755
Total insurance technical provisions, net	1,818,688,743	1,809,975,372

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17.16 Factors resulting from individual insurance policies which provide portfolio

Factors resulting from individual insurance policies which provide portfolio increase through the change in mathematical provisions for the periods 1 January - 31 December 2016 and 1 January - 31 December 2015 are as follows:

	Mathematical provisions	
	31 December 2016	31 December 2015
New policies issued	16,784,482	41,301,428
Activated from reductions	2,459,610	3,336,153
Activated from cancellations	401,574	-
Contracts with increased capital	61,815,068	92,911,643
Total increase in the portfolio	81,460,734	137,549,224

Factors resulting from individual insurance policies which provide portfolio decrease through the change in mathematical provisions for the periods 1 January - 31 December 2016 and 1 January - 31 December 2015 are as follows:

	Mathematical provisions	
	31 December 2016	31 December 2015
Terminations and cancellations (-)	-	-
Transformed to contracts without charge (-)	3,926,432	6,116,314
Insurances had capital decrease (-)	-	-
Withdrawals (-)	(74,825,525)	(59,457,789)
Ceased with risk formed (-)	(5,911,401)	(5,487,694)
Expirations (-)	(46,068,323)	(114,269,668)
Total decrease in the portfolio	(122,878,817)	(173,098,837)

Factors resulting from group insurance policies which provide portfolio increase through the change in mathematical reserves for the period 1 January - 31 December 2016 and 1 January - 31 December 2015 are as follows:

	Mathematical provisions	
	31 December 2016	31 December 2015
New contracts	95,989,357	55,096,665
Activated from reductions	51,480	59,919
Activated from cancellations	2,387	1,345
Insurances had capital increase	6,319,514	24,351,096
Total increase in the portfolio	102,362,738	79,509,025

Factors resulting from group insurance policies which provide portfolio decrease through the change in mathematical reserves for the periods 1 January - 31 December 2016 and 1 January - 31 December 2015 are as follows:

	Mathematical provisions	
	31 December 2016	31 December 2015
Terminations and cancellations (-)	(1,938)	-
Transformed to contracts without charge (-)	145,022	384,703
Insurances had capital decrease (-)	(57,784,790)	(33,872,853)
Withdrawals (-)	(3,200,685)	(12,417,509)
Ceased with risk formed (-)	(486,952)	(481,293)
Expirations (-)	(1,882,450)	(24,113,945)
Total decrease in the portfolio	(63,211,793)	(70,500,897)

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17.17 Gain/losses resulted from reinsurance contracts and recognised in the income statement

Gain or losses resulted from reinsurance contracts and recognised in the income statement are disclosed in note 10 - *Reinsurance assets, liabilities*.

17.18 Incurred claim development table

Incurred claim development table presented below provided cumulative payments of claims according to claim year and following years:

Claim year	2011	2012	2013	2014	2015	2016	Total
Claim year	8,532,107	15,281,343	19,456,357	23,517,657	22,040,556	31,700,269	120,528,289
1 year later	5,329,728	9,573,042	9,690,943	10,490,787	10,679,014		45,763,514
2 years later	326,554	386,514	1,121,274	1,248,087			3,082,429
3 years later	157,168	248,897	543,988				950,053
4 years later	95,691	30,887					126,578
5 years later	3,000						3,000
Cumulative payments up to date	14,444,248	25,520,683	30,812,562	35,256,531	32,719,570	31,700,269	170,453,863
Payments for the year ended as of 31 December 2016 ⁽¹⁾	3,000	30,887	543,988	1,248,087	10,679,014	31,700,269	44,205,245

⁽¹⁾ The claims paid includes death-disability termination and personal accident branch gross payments.

17.19 Effects of changes in the assumptions used in the measurement of insurance assets and liabilities, showing the effects of each change that has significant effect on the financial statements separately

Effects of changes in the assumptions used in the measurement of insurance assets and liabilities are disclosed in note 4 - *Management of insurance risks*.

18 Investment contracts

None.

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19 Trade and other payables and deferred income

	31 December 2016	31 December 2015
Other financial liabilities	45,376,520	101,214,252
Financial liabilities	45,376,520	101,214,252
Payables from insurance operations	14,097,447	9,482,564
Cash deposited by insurance and reinsurance companies	1,084,011	1,505,123
Payables from pension activities	11,581,732,535	9,124,225,331
<i>Net fund value of participants</i>	<i>11,359,420,955</i>	<i>8,933,549,975</i>
<i>Other</i>	<i>222,311,580</i>	<i>190,675,356</i>
Other payables from main operations	1,140,890	310,840
Total payables from main operations	11,598,054,883	9,135,523,858
Due to shareholders	62,231	9,678
Due to personnel	55,571	8,836
Payables to other related parties	48	30
Total payables to related parties	117,850	18,544
Guarantees and deposits received	823,067	437,995
Other payables	19,321,793	18,178,991
Total other payables	20,144,860	18,616,986
Deferred commission income	190,391	320,353
Expense accruals	1,635,679	1,617,895
Other deferred income and expense accruals	3,755,064	2,254,689
Total deferred income and expense accruals	5,581,134	4,192,937
Total	11,669,275,247	9,259,566,577

20 Financial liabilities

As of 31 December 2016, the Company has TRY 45,376,520 liability from repo transaction (31 December 2015: TRY 101,214,252). Financial liability has 50 days until the maturity and 9% interest rate (31 December 2015: 46 days, 10.75%).

21 Deferred tax

The Company recognises deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

20% tax rate is used in the calculation of deferred tax asset and liabilities.

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Deferred tax (assets)/liabilities base:	31 December 2016	31 December 2015
Difference in valuation of financial assets	18,124,568	15,942,615
Provision for employee termination benefits and other wages	(22,249,099)	(20,052,567)
Provision for claims	(7,521,953)	(406,859)
Equalisation reserves/bonus and discount provision	(16,683,993)	(11,560,692)
The difference arising from revaluation of investment properties	31,358,240	25,091,062
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	9,444,413	5,522,796
Provision for unused vacation pay liability	(5,162,354)	(4,322,389)
Total	7,309,822	10,213,966
Deferred tax (assets)/liabilities:	31 December 2016	31 December 2015
Difference in valuation of financial assets	3,624,914	3,188,523
Provision for employee termination benefits and other wages	(4,449,820)	(4,010,513)
Provision for claim	(1,504,391)	(81,372)
Equalisation reserves/bonus and discount provision	(3,336,799)	(2,312,138)
The difference arising from revaluation of investment properties	6,271,648	5,018,212
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	1,888,883	1,104,559
Provision for unused vacation pay liability	(1,032,471)	(864,478)
Total	1,461,964	2,042,793

Movement of deferred tax assets/liabilities for the year ended as of 31 December 2016 and 31 December 2015 are given below:

Movement of deferred tax (assets)/liabilities:	31 December 2016	31 December 2015
Opening balance at 1 January	2,042,793	4,373,055
Recognised in profit or loss	158,032	3,676,464
Recognised in equity	(738,861)	(6,006,726)
Closing balance	1,461,964	2,042,793

22 Retirement benefit obligations

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

The termination benefit to be paid is subject to upper limit of TRY 4,297.21 as at 31 December 2016 (31 December 2015: TRY 3,828.37).

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

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The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2016, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective reporting periods have been calculated assuming an annual inflation rate of 6.90% and a discount rate of 9.90%-12.27%, resulting in a real discount rate of 2.81% - 5.25% (31 December 2015: 6.70%, 9.56%, 10.94%, 2.69%, 5.00% respectively). The anticipated rate of forfeitures is considered and estimated rate of the Company's retirement pay is also taken into account. As at 31 December 2016 the Company has actuarial gain or loss difference in the calculation of employee termination benefit amounting to TRY 1,422,362 (31 December 2015 TRY 1,226,359).

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

	31 December 2016	31 December 2015
Provision as at 1 January	12,077,567	10,151,958
Interest cost	809,197	558,358
Service cost	1,247,769	1,254,193
Payments made during the year	(2,847,796)	(1,113,301)
Actuarial gain and losses	1,422,362	1,226,359
Provision at the of the period/year	12,709,099	12,077,567

23 Other liabilities and provisions

As at 31 December 2016 and 31 December 2015; the details of the provisions for other risks are as follows:

	31 December 2016	31 December 2015
Provision for unused vacation pay liability	5,162,354	4,322,389
Dividend to personnel and salary provision	9,540,000	7,975,000
Provision for commissions to sales personnel	900,000	900,000
Provision for litigations	76,851	500,829
Provisions for costs	15,679,205	13,698,218
Provision for employee termination benefits	12,709,099	12,077,567
Total provisions for other risks	28,388,304	25,775,785

24 Net insurance premium revenue

	1 January - 31 December 2016	1 January - 31 December 2015
Non-life	624,669	292,638
Life	487,850,880	389,666,628
Total	488,475,549	389,959,266

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25 Fee revenues

The details of fee revenues for the year ended as of 31 December 2016 and 2015 received from individual pension, life and non-life branches in accordance with TAS 18 are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Fund management income	173,816,154	144,258,249
Administrative cost deductions	21,201,113	26,382,176
Entrance fee	37,075,268	32,046,757
Administrative cost deductions in the form of cessation	4,514,878	5,988,654
Other technical income	152,912	382,160
Total	236,760,325	209,057,996

26 Investment income

	1 January - 31 December 2016	1 January - 31 December 2015
<i>Financial assets held-for-trading:</i>		
Valuation gain	4,040,140	(9,086,011)
Gain on sale	652,587	661,561
Interest income	231	60
Cash dividend income	148,211	113,938
<i>Financial assets available-for-sale:</i>		
Interest income	131,108,697	125,878,272
Valuation gain	122,631,438	119,623,295
Gain on sale	12,784,409	11,077,687
Cash dividend income	4,801,887	4,502,085
<i>Income from associates:</i>	2,306,721	1,800,342
<i>Investment properties:</i>		
Rent income	1,939,059	3,576,655
Valuation gain	25,760,280	9,524,940
<i>Other income</i> ⁽¹⁾ :	32,022,830	22,740,852
Total ⁽²⁾	338,196,490	290,413,676

⁽¹⁾ Other income includes interest income from time deposits, income from derivative transactions, foreign exchange gains and etc.

⁽²⁾ TRY 123,362,928 (31 December 2015: TRY 87,544,586) of investment income obtained from the Company's own portfolio and TRY 214,833,562 (31 December 2015: TRY 202,869,090) of investment income obtained from policyholders' portfolio.

27 Net income accrual on financial assets

Net income accrual from the Company's own portfolio is as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
<i>Available-for-sale financial assets:</i>		
Fair value differences recognised in equity	24,399,523	30,699,908
Fair value differences recognised in profit/loss	14,428,872	13,303,609
Total	38,828,395	44,003,517

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28 Assets held at fair value through profit or loss

Net gain from assets held at fair value through profit or loss recognised in income statement as at 31 December 2016 is TRY 4,841,169 (31 December 2015: TRY (8,310,452), net loss).

29 Insurance rights and claims

Details of insurance rights and claims are presented in statement of income.

30 Investment contract benefits

None.

31 Other expenses

The allocation of the expenses with respect to their nature or function is presented in note 32 - *Operating expenses* below.

32 Operating expenses

For the year ended as of 31 December 2016 and 2015, the details of operating expenses are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Production commission expenses	(131,241,496)	(114,054,858)
Employee benefit expenses	(101,443,432)	(86,011,024)
Administration expenses	(32,926,282)	(27,233,304)
Marketing and sales expenses	(27,758,833)	(27,389,029)
Rent expenses	(9,482,637)	(8,809,786)
Bank fees	(1,267,826)	(962,941)
Outsourced benefits and services	(15,758,044)	(7,361,003)
Reinsurance commission income	2,163,174	2,437,118
Other expenses	(1,209,848)	(1,032,282)
Total	(318,925,224)	(270,417,109)

33 Employee benefit expenses

	1 January - 31 December 2016	1 January - 31 December 2015
Wages and salaries	101,443,432	86,011,024
Employee termination benefits	(790,830)	699,250
Provision for unused vacation	839,965	695,493
Total	101,492,567	87,405,767

34 Financial costs

As of 31 December 2016, the Company has financial liability amounting to TRY 45,376,520 arising from repo transactions (31 December 2015: TRY 101.214.252). The Company has financial expenses from these repo transactions amounting to TRY 995,480 and this amount is presented under diminution in value of investments in the income statement (31 December 2015: TRY 214,252).

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

35 Income tax expense

	31 December 2016	31 December 2015
<i>Corporate tax liabilities:</i>		
Corporate tax provision	39,530,000	30,778,000
Less: Corporation taxes paid in advances during the period	(33,604,825)	(23,401,212)
Total	5,925,175	7,376,788

Total tax expense recognised in profit or loss

	31 December 2016	31 December 2015
Current tax expense	39,530,000	30,778,000
Deferred tax expense/(income)	158,032	3,676,464
Total	39,688,032	34,454,464

Total tax expense recognised in equity

	31 December 2016	31 December 2015
Change in fair value of available for sale financial assets	(454,085)	304
Total deferred tax expense recognised in equity	(454,085)	304

Reconciliation of the Company's taxation for the year ended as of 31 December 2016 and 2015 are as follows:

	31 December 2016		31 December 2015	
		Tax rate (%)		Tax rate (%)
Profit before tax	229,962,488		179,521,790	
Taxes on income per statutory tax rate	(45,992,498)	(20.00)	(35,904,358)	(20.00)
Disallowable expenses	(4,981,127)	(2.17)	(4,099,924)	(2.28)
Effect of allowances	11,285,593	4.91	4,549,818	2.53
Total tax expense recognised in profit or loss	(39,688,032)	(17.26)	(34,454,464)	(19.75)

36 Net foreign exchange gains

	31 December 2016	31 December 2015
Foreign exchange gains	4,785,452	4,000,624
Foreign exchange losses	(1,283,125)	(1,297,946)
Total	3,502,327	2,702,678

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

37 Earnings per share

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

	31 December 2016	31 December 2015
<i>For a share having TRKr (Kuruş) 1 of nominal value:</i>		
Weighted average number of shares	43,000,000,000	43,000,000,000
Net profit for the period	190,274,456	145,067,326
Earnings per share (for 100 shares)	0.44250	0.33737

38 Dividends per share

The Company's dividend distribution in 2016 from the profit of 2015 is presented below.

	Group	Total cash dividend amount (TRY)	Cash dividend corresponding to a share having TRY 1 of nominal value	
			Amount (TRY)	Rate (%)
Gross	A	207,317.07	0.2073171	20.73171
	B	84,792,682.93	0.2073171	20.73171
	Total	85,000,000.00		

The Company's dividend distribution in 2016 from the profit of 2015 is TRY 100,000,000. Additionally, TRY 3,406,281 of dividend is distributed to the personnel of the Company.

39 Cash generated from operations

The cash flows from operating activities is presented in the accompanying statement of cash flows.

40 Convertible bonds

None.

41 Redeemable preference shares

None.

42 Risks

In the normal course of its operations, the Company is exposed to legal disputes, claims and challenges, which mainly stem from its insurance operations. The necessary income/expense accruals for the revocable cases against/on behalf of the Company are provided either under provision for outstanding claims or provisions for other risks in the accompanying financial statements.

As at 31 December 2016, there are 300 ongoing law suit filed against the Company and total amount of these suits are TRY 5,491,807. TRY 6,629,748 of provision (31 December 2015: TRY 4,819,096) including interest expense for ongoing law suits for which cash outflow is probable and measurable reliably is set by the Company in the financial statements. There are 109 ongoing law suits prosecuted by the Company against the third parties that have amounted TRY 5,099,901. Subsequent to the reporting period, there is no expected amount of law suits to be prosecuted against the Company.

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

43 Commitments

Total amount of commitments that are not included in liabilities:

	31 December 2016	31 December 2015
Guarantees and commitments	1,319,156	1,385,786
Guarantees and commitments	1,319,156	1,385,786

The Company does not have finance lease liabilities as at the reporting period (31 December 2015: None).

44 Business combinations

None.

45 Related party transactions

a. Parent company's name and the ultimate owner of the group

The Company's parent is Türkiye İş Bankası AŞ with a 63.53% of share.

b. In accordance with the Company's activities, items of sub-classifications

The activities of the Company involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and related personal accident branches, establishing retirement funds, developing internal rules and regulations related to these funds, carrying out retirement, annual income insurance, portfolio management and custody contracts for the assets of the funds held in custody.

c. No expense is recognised in the related period for bad or doubtful debts in respect of the amounts owed by the shareholders, associates and subsidiaries.

d. Details of associates and subsidiaries having indirect capital and management relations with the Company; names, amounts and rates of participations in the associates and subsidiaries; profit/loss for the period presented in the recent financial statements of such participations; net profit/loss for the period and period covered by the financial statements; information about whether these financial statements are prepared in accordance with the CMB standards; information about whether these financial statements are audited; details of the audit opinion (if the report includes unqualified, adverse or qualified opinion):

	Carrying amount	Participation rate (%)	Reporting period	Profit before income tax	Net profit of the period	Financial statements base	Independent auditor's opinion
İş Portföy Yönetimi AŞ	12,762,193	20.0	31 December 2016	20,310,746	16,445,676	SPK XI/29	Unqualified

e. Bonus shares obtained from associates or subsidiaries through internal resource capital increases

At the reporting date, the Company has obtained no bonus shares through capital increases in associates from profit or capital reserves.

f. No guarantees, commitments, guarantee letters, advances and endorsements given in favor of shareholders, associates and subsidiaries.

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

g. Related party disclosures

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

	31 December 2016	31 December 2015
Türkiye İş Bankası AŞ - receivables from credit card collections	176,843,731	152,668,110
Cash and cash equivalents	176,843,731	152,668,110
Türkiye İş Bankası AŞ - bank deposits	94,828,000	106,424,185
Cash at banks	94,828,000	106,424,185
Anadolu Anonim Türk Sigorta Şirketi - premium receivables	-	151,113
Receivables from main operations	-	151,113
Türkiye İş Bankası AŞ - commission payables	10,800,238	7,316,156
Milli Reasürans TAŞ - premium payables	273,458	312,091
Payable from main operations	11,073,696	7,628,247
Türkiye İş Bankası AŞ - settlement and custody commission	5,364	3,950
Anadolu Anonim Türk Sigorta Şirketi - premium payables	66,236	9,678
Payables to shareholders	71,600	13,628
İş Portföy Yönetimi A.Ş.	4,956,589	5,005,658
İş Merkezleri Yönetim ve İşletim A.Ş.	779,702	651,487
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	1,064	-
İş-Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim A.Ş.	141,736	49,335
Erişim Müşteri Hizmetleri A.Ş.	1,494,580	591,732
Softtech Yazılım Teknoloji Araştırma Geliştirme ve Pazarlama Ticaret A.Ş.	35,655	69,536
TSKB Gayrimenkul Değerleme A.Ş.	14,365	-
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	-	132
Other payables	7,423,691	6,367,880

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

In the current period in amount of TRY 23,359,381 individual retirement employer contributions (31 December 2015: TRY 19,393,604) have been collected from related parties, in amount of TRY 450,874 life insurance employer premium was accrual (31 December 2015: TRY 591,110).

The details of revenues and expenses for the year ended as of 31 December 2016 and 2015 stems from related parties are as follows:

	31 December 2016	31 December 2015
Milli Reasürans TAŞ - premiums written, ceded	750,396	749,957
Premiums written, ceded	750,396	749,957
Milli Reasürans TAŞ - commission income from reinsurers	94,536	112,948
Commission income from reinsurers	94,536	112,948
Türkiye İş Bankası AŞ - interest income from deposits	7,939,817	4,329,278
Türkiye İş Bankası AŞ - rent income	10,609	6,074
Investment income	7,950,426	4,335,352
İş Portföy Yönetimi AŞ - investment consultancy fee	376,806	224,830
İş Portföy Yönetimi AŞ - settlement and custody expense	285	-
İş Yatırım Menkul Değerler AŞ - MKK service commission	5,261	21,000
İş Yatırım Menkul Değerler AŞ - consultancy fee	-	59,000
Türkiye İş Bankası AŞ - settlement and custody expense	20,136	20,319
Investment expense	402,488	325,149
Türkiye İş Bankası AŞ - commission of policy production	104,804,664	72,631,219
İş Portföy Yönetimi AŞ - portfolio management fee of pension funds	19,596,486	17,383,500
İş Merkezleri Yönetim ve İşletim A.Ş. - building administrative expense	4,673,765	5,242,845
İş Gayrimenkul Yatırım Ortaklığı AŞ - rent expense	4,967,147	4,664,437
İş-Net Elektronik Bilgi Üretim Dağ. Tic. ve İletişim A.Ş. - communication expense	1,026,038	1,093,696
Erişim Müşteri Hizmetleri A.Ş. - call center service expense	6,836,123	1,862,996
Softtech Yazılım Teknoloji Araştırma Geliştirme ve Pazarlama Ticaret A.Ş. - software support expense	332,673	366,936
TSKB Gayrimenkul Değerleme A.Ş. - real estate appraisal fee	17,961	24,569
Türkiye İş Bankası AŞ - commission of premium collection and banking services	1,265,070	962,468
Türkiye İş Bankası AŞ - fund operation service expense	1,309,134	1,077,736
Türkiye İş Bankası AŞ - rent expense	674,776	690,549
Türkiye İş Bankası AŞ - other rent expense	176,835	114,098
Anadolu Anonim Türk Sigorta Şirketi - premium paid	2,509,431	2,660,213
Anadolu Anonim Türk Sigorta Şirketi - rent expense	229,425	170,435
Other expenses	148,419,528	108,945,697

46 Events after the reporting period

Events after the reporting period are disclosed in note 1.10 - *events after the reporting period*.

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

47 Others

Items and amounts classified under the “other” account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet

Items and amounts classified under the “other” account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet are as follows:

Current assets (Other receivables)	31 December 2016	31 December 2015
Securities reconciliation account	9,020,596	5,530,545
Other	1,607,581	1,553,310
Total	10,628,177	7,083,855
Short-term liabilities (Other miscellaneous payables)	31 December 2016	31 December 2015
Payable to suppliers	15,963,379	17,046,566
Suspense accounts	3,353,054	1,046,802
Securities reconciliation account	5,360	4,505
Other	-	81,118
Total	19,321,793	18,178,991

Payables to employees and receivables from employees presented under accounts, “other receivables” and “other short or long term payables”, and which have balance more than 1% of the total assets

None.

Subrogation recorded in “Off-Balance Sheet Accounts”

None.

Real rights on immovable and their values

None.

Explanatory note for the amounts and nature of previous years’ income and losses

None.

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

For the year ended as of 31 December 2016 and 2015, details of discount and provision expenses are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Unused vacation pay liability	(839,965)	(695,493)
Provisions no longer required	1,946,941	2,125,638
Provision for employee termination benefits	790,830	(699,250)
Other provision expenses	(5,889,906)	(554,246)
Provision expenses	(3,992,100)	176,649
	1 January - 31 December 2016	1 January - 31 December 2015
Rediscount interest (expense)/income ⁽¹⁾	1,964	(349,419)
Total rediscount	1,964	(349,419)

⁽¹⁾Rediscount interest income/expense arising from selling the shares of AVEA İletişim Hizmetleri A.Ş. by installment.

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

INFORMATION ON CONSOLIDATED ASSOCIATE

Pursuant to the "Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance, and Private Pension Companies" ("Consolidation Circular") issued by the Turkish Treasury in the Official Gazette issue 27097 dated 31 December 2008, insurance, reinsurance and pension companies are obliged to publish consolidated financial statements besides unconsolidated financial statements.

Accordingly, our Company started drawing up consolidated financial statements as of 2010, taking into consideration the financial statements of İş Portföy Yönetimi A.Ş., which is the only associate of the Company, and using the equity method of accounting.

Founded in October 2000 as an associate of İşbank, İş Portföy Yönetimi A.Ş. offers asset management and investment advisory services to institutional investors.

General information on İş Portföy Yönetimi A.Ş. is presented in the below-given table.

İş Portföy Yönetimi A.Ş. does not hold any shares in our Company.

Name	Carrying Value	Participation Rate (%)	Reporting Period	Profit for the Period before Tax	Net Profit for the Period	Financial Statements Base	Independent Auditor's Opinion
İş Portföy Yönetimi A.Ş.	12,762,193	20	31 December 2016	20,310,746	16,445,676	SPK XI/29	Unqualified

Unconsolidated/Consolidated Summary Financial Data (TRY thousand):

Financial statement items that show a different value due to consolidation are presented below with their unconsolidated and consolidated values.

	Unconsolidated	Consolidated
Associates	12,762	18,552
Financial Income	123,363	124,345
Pretax Profit	229,804	230,787
Shareholders' Equity	860,855	866,644
Total Assets	14,391,682	14,397,472

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

31 DECEMBER 2016 CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ
INDEPENDENT AUDITOR'S REPORT



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To the Board of Directors of Anadolu Hayat Emeklilik Anonim Şirketi

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal systems relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal system. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ
INDEPENDENT AUDITOR'S REPORT

Other Related Legislation Reports of Independent Auditors

- 1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 30 January 2017.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2016, the Company's bookkeeping activities are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
- 3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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



Alper Güvenç
Partner

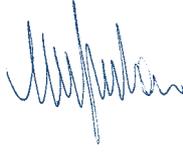
30 January 2017
İstanbul, Türkiye

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

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

Istanbul, 30 January 2017



M. Uğur Erkan
Member of the Board of Directors/
Chief Executive Officer



Orhan Bozkurt
Vice Chief Executive Officer



N. Cem Özcan
Accounting Manager



F. Demet Işıksaçan
Actuary (Registration Number: 37)

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

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ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

ASSETS			
	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
I- Current Assets			
A- Cash and Cash Equivalents	14	326,886,784	302,999,458
1- Cash	14	8,370	3,385
2- Cheques Received		-	-
3- Banks	14	146,204,151	145,598,543
4- Cheques Given and Payment Orders	14	(2,745)	-
5- Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months	14	180,677,008	157,397,530
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments with Risks on Policyholders	11	2,373,082,951	2,380,294,753
1- Available-for-Sale Financial Assets	11	747,069,736	704,042,404
2- Held to Maturity Investments		-	-
3- Financial Assets Held for Trading	11	36,591,886	33,213,002
4- Loans and Receivables	11	19,007,705	10,866,879
5- Provision for Loans and Receivables		-	-
6- Financial Investments with Risks on Saving Life Policyholders	11	1,580,922,429	1,636,933,658
7- Company's Own Equity Shares		-	-
8- Diminution in Value of Financial Investments	11	(10,508,805)	(4,761,190)
C- Receivables from Main Operations	12	11,449,563,544	9,015,053,555
1- Receivables from Insurance Operations	12	28,651,470	24,112,811
2- Provision for Receivables from Insurance Operations	12	(2,574)	(2,574)
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited to Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders	12	31,647,263	31,439,625
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Operations	12	11,389,267,385	8,959,503,693
9- Doubtful Receivables from Main Operations	12	117,996	117,996
10- Provision for Doubtful Receivables from Main Operations	12	(117,996)	(117,996)
D- Due from Related Parties	12	5,221	8,031
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel	12	5,221	8,031
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
E- Other Receivables	12	10,663,493	7,134,993
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		82,836	53,102
4- Other Miscellaneous Receivables	47	10,628,177	7,083,855
5- Rediscount on Other Miscellaneous Receivables		(47,520)	(1,964)
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
F- Prepaid Expenses and Income Accruals	4.2	23,523,085	13,727,270
1- Deferred Commission Expense		17,170,562	8,908,651
2- Accrued Interest and Rent Income		204,671	169,394
3- Income Accruals		-	-
4- Other Prepaid Expenses		6,147,852	4,649,225
G- Other Current Assets	4.2	18,199	18,627
1- Stocks to be Used in the Following Months		-	-
2- Prepaid Taxes and Funds		8,133	8,133
3- Deferred Tax Assets		-	-
4- Job Advances		10,066	10,494
5- Advances Given to Personnel		-	-
6- Inventory Count Differences		-	-
7- Other Miscellaneous Current Assets		-	-
8- Provision for Other Current Assets		-	-
I- Total Current Assets		14,183,743,277	11,719,236,687

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

ASSETS			
	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
II- Non-Current Assets			
A- Receivables from Main Operations			
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited for Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Business		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-
B- Due from Related Parties			
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
C- Other Receivables			
		764,981	1,072,433
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables		1,064,916	1,419,888
5- Rediscount on Other Miscellaneous Receivables		(299,935)	(347,455)
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
D- Financial Assets			
	9, 45.d	18,551,738	17,582,716
1- Investments in Equity Shares		-	-
2- Investments in Associates	9,45.d	18,551,738	17,582,716
3- Capital Commitments to Associates		-	-
4- Investments in Subsidiaries		-	-
5- Capital Commitments to Subsidiaries		-	-
6- Investments in Joint Ventures		-	-
7- Capital Commitments to Joint Ventures		-	-
8- Financial Assets and Financial Investments with Risks on Policyholders		-	-
9- Other Financial Assets		-	-
10- Impairment in Value of Financial Assets		-	-
E- Tangible Assets			
	6	162,607,274	137,613,779
1- Investment Properties	7	144,262,511	119,545,113
2- Impairment for Investment Properties		-	-
3- Owner Occupied Property	6	4,610,000	4,610,000
4- Machinery and Equipments	6	24,339,733	19,763,450
5- Furniture and Fixtures	6	3,824,369	3,780,465
6- Motor Vehicles	6	486,876	541,760
7- Other Tangible Assets (Including Leasehold Improvements)	6	3,637,120	3,456,710
8- Tangible Assets Acquired Through Finance Leases	6	533,750	634,906
9- Accumulated Depreciation	6	(19,087,085)	(14,718,625)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
F- Intangible Assets			
	8	31,273,866	17,154,965
1- Rights	8	44,936,482	29,612,153
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortisation (Depreciation)	8	(26,661,466)	(20,061,162)
7- Advances Paid for Intangible Assets		12,998,850	7,603,974
G- Prepaid Expenses and Income Accruals			
		530,611	1,336,099
1- Deferred Commission Expense		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses and Income Accruals		530,611	1,336,099
H- Other Non-Current Assets			
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Stocks to be Used in the Following Years		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets		-	-
6- Other Miscellaneous Non-Current Assets		-	-
7- Amortisation on Other Non-Current Assets		-	-
8- Provision for Other Non-Current Assets		-	-
II- Total Non-Current Assets			
		213,728,470	174,759,992
TOTAL ASSETS			
		14,397,471,747	11,893,996,679

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

LIABILITIES			
	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
III- Short-Term Liabilities			
A- Financial Liabilities	20	45,376,520	101,214,252
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Liabilities		-	-
3- Deferred Leasing Costs		-	-
4- Current Portion of Long Term Debts		-	-
5- Principal Installments and Interests on Bonds Issued		-	-
6- Other Financial Assets Issued		-	-
7- Valuation Differences of Other Financial Assets Issued		-	-
8- Other Financial Liabilities	20	45,376,520	101,214,252
B- Payables Arising from Main Operations	19	11,598,054,883	9,135,523,858
1- Payables Arising from Insurance Operations	19	14,097,447	9,482,564
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies	19,10	1,084,011	1,505,123
4- Payables Arising from Individual Pension Business	19	11,581,732,535	9,124,225,331
5- Payables Arising from Other Main Operations		1,140,890	310,840
6- Discount on Payables from Other Main Operations		-	-
C- Due to Related Parties	19	117,850	18,544
1- Due to Shareholders	19,45	62,231	9,678
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		55,571	8,836
6- Due to Other Related Parties	19	48	30
D- Other Payables	19	20,144,860	18,616,986
1- Deposits and Guarantees Received	19	823,067	437,995
2- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables	19,47	19,321,793	18,178,991
4- Discount on Other Miscellaneous Payables		-	-
E- Insurance Technical Provisions	17	1,818,688,743	1,809,975,372
1- Reserve for Unearned Premiums - Net	17	29,184,804	16,599,281
2- Reserve for Unexpired Risks - Net		9,479	-
3- Mathematical Provisions - Net	17	1,682,433,974	1,700,163,219
4- Provision for Outstanding Claims - Net	17	90,385,972	81,652,180
5- Provision for Bonus and Discounts - Net		459,163	314,937
6- Other Technical Provisions - Net	17	16,215,351	11,245,755
F- Provisions for Taxes and Other Similar Obligations		13,013,112	13,610,176
1- Taxes and Funds Payable		5,174,343	4,702,749
2- Social Security Premiums Payable		1,836,850	1,530,639
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Similar Payables		76,744	-
5- Corporate Tax Payable	35	39,530,000	30,778,000
6- Prepaid Taxes and Other Liabilities Regarding Current Period Income	35	(33,604,825)	(23,401,212)
7- Provisions for Other Taxes and Similar Liabilities		-	-
G- Provisions for Other Risks	23	15,679,205	13,698,218
1- Provision for Employee Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	23	15,679,205	13,698,218
H- Deferred Income and Expense Accruals	19	5,581,134	4,192,937
1- Deferred Commission Income	19	190,391	320,353
2- Expense Accruals	19	1,635,679	1,617,895
3- Other Deferred Income and Expense Accruals	19	3,755,064	2,254,689
I- Other Short-Term Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		-	-
3- Other Various Short-Term Liabilities		-	-
III - Total Short-Term Liabilities		13,516,656,307	11,096,850,343

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

LIABILITIES			
	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
IV- Long-Term Liabilities			
A- Financial Liabilities			
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Liabilities		-	-
3- Deferred Leasing Costs		-	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued		-	-
7- Other Financial Liabilities		-	-
B- Payables Arising from Main Operations		-	-
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business		-	-
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables		-	-
4- Discount on Other Miscellaneous Payables		-	-
E-Insurance Technical Provisions		-	-
1- Reserve for Unearned Premiums - Net		-	-
2- Reserve for Unexpired Risks - Net		-	-
3- Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Provisions - Net		-	-
F-Other Liabilities and Relevant Accruals		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks	22,23	12,709,099	12,077,567
1- Provision for Employee Termination Benefits	22,23	12,709,099	12,077,567
2- Provision for Pension Fund Deficits		-	-
H-Deferred Income and Expense Accruals		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Long-Term Liabilities	21	1,461,964	2,042,793
1- Deferred Tax Liabilities	21	1,461,964	2,042,793
2- Other Long-Term Liabilities		-	-
IV- Total Long-Term Liabilities		14,171,063	14,120,360

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

EQUITY			
V- Equity	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
A- Paid in Capital	2,13,15	430,000,000	410,000,000
1- (Nominal) Capital	2,13,15	430,000,000	410,000,000
2- Unpaid Capital		-	-
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences		-	-
5- Register in Progress Capital		-	-
B- Capital Reserves		-	-
1- Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Assets Sale That Will Be Transferred to Capital		-	-
4- Currency Translation Adjustments		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		143,606,602	125,853,856
1- Legal Reserves	15	106,543,950	90,517,091
2- Statutory Reserves	15	1,321,820	308,179
3- Extraordinary Reserves	15	8,489,678	85,019
4- Special Funds		-	-
5- Revaluation of Financial Assets	15,16	27,264,010	33,818,533
6- Other Profit Reserves	15	(12,856)	1,125,034
D- Retained Earnings		101,780,905	101,289,300
1- Retained Earnings		101,780,905	101,289,300
E- Accumulated Losses		-	-
1- Accumulated Losses		-	-
F- Net Profit for the Period		191,256,870	145,882,820
1- Net Profit for the Period		191,256,870	145,882,820
2- Net Loss for the Period		-	-
3- Profit not Available for Distribution		-	-
V- Total Equity		866,644,377	783,025,976
TOTAL EQUITY AND LIABILITIES		14,397,471,747	11,893,996,679

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ
**CONSOLIDATED STATEMENT OF INCOME
 FOR THE YEAR ENDED 31 DECEMBER 2016**

(Currency: Turkish Lira (TRY))

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

	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
I-TECHNICAL SECTION			
A- Non-Life Technical Income	5	448,281	453,292
1- Earned Premiums (Net of Reinsurer Share)		448,281	453,292
1.1- Written Premiums (Net of Reinsurer Share)	24	624,669	292,638
1.1.1- Written Premiums, gross		835,356	444,083
1.1.2- Written Premiums, ceded	10	(210,687)	(151,445)
1.1.3- Premiums Transferred to Social Security Institutions		-	-
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		(166,909)	160,654
1.2.1- Reserve for Unearned Premiums, gross		(174,600)	151,934
1.2.2- Reserve for Unearned Premiums, ceded	10	7,691	8,720
1.2.3- Reserve for Unearned Premiums, Social Security Institution Share		-	-
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		(9,479)	-
1.3.1- Reserve for Unexpired Risks, gross		(11,455)	-
1.3.2- Reserve for Unexpired Risks, ceded		1,976	-
2- Investment Income - Transferred from Non-Technical Section		-	-
3- Other Technical Income (Net of Reinsurer Share)		-	-
3.1- Other Technical Income, gross		-	-
3.2- Other Technical Income, ceded		-	-
4- Accrued Salvage and Subrogation Income		-	-
B- Non-Life Technical Expense	5	(1,013,807)	(693,713)
1- Incurred Losses (Net of Reinsurer Share)		(450,502)	(239,570)
1.1- Claims Paid (Net of Reinsurer Share)		(440,010)	(201,792)
1.1.1- Claims Paid, gross		(622,673)	(202,842)
1.1.2- Claims Paid, ceded	10	182,663	1,050
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		(10,492)	(37,778)
1.2.1- Change in Provisions for Outstanding Claims, gross		79,629	(192,513)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10	(90,121)	154,735
2- Change in Provision for Bonus and Discounts (Net of Reinsurer and Less the Amounts Carried Forward)		(904)	(2,868)
2.1- Provision for Bonus and Discounts, gross		(2,395)	(2,853)
2.2- Provision for Bonus and Discounts, ceded		1,491	(15)
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)		(12,834)	(4,377)
4- Operating Expenses	32	(549,567)	(446,898)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
5.1- Change in Mathematical Provisions, gross		-	-
5.2- Change in Mathematical Provisions, ceded		-	-
6- Change in Other Technical Provisions (Net of Reinsurer and Less the Amounts Carried Forward)		-	-
6.1- Change in Other Technical Provisions, gross		-	-
6.2- Change in Other Technical Provisions, ceded		-	-
C- Net Technical Income-Non-Life (A - B)		(565,526)	(240,421)
D- Life Technical Income	5	700,849,526	602,512,365
1- Earned Premiums (Net of Reinsurer Share)		475,432,266	391,777,533
1.1- Written Premiums (Net of Reinsurer Share)	24	487,850,880	389,666,628
1.1.1- Written Premiums, gross		500,565,012	402,108,156
1.1.2- Written Premiums, ceded	10	(12,714,132)	(12,441,528)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		(12,418,614)	2,110,905
1.2.1- Reserve for Unearned Premiums, gross		(12,201,672)	2,320,011
1.2.2- Reserve for Unearned Premiums, ceded	10	(216,942)	(209,106)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.3.1- Reserve for Unexpired Risks, gross		-	-
1.3.2- Reserve for Unexpired Risks, ceded		-	-
2- Investment Income	26	214,833,562	202,869,090
3- Unrealised Gains on Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		10,583,698	7,865,742
4.1- Other Technical Income, gross		10,583,698	7,865,742
4.2- Other Technical Income, ceded		-	-
5- Accrued Salvage Income		-	-

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

**CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Currency: Turkish Lira (TRY))

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

	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
I-TECHNICAL SECTION			
E- Life Technical Expense	5	(588,363,510)	(516,034,331)
1- Incurred Losses (Net of Reinsurer Share)		(448,861,326)	(426,598,484)
1.1- Claims Paid (Net of Reinsurer Share)		(434,691,400)	(410,546,882)
1.1.1- Claims Paid, gross		(441,215,466)	(416,524,714)
1.1.2- Claims Paid, ceded	10	6,524,066	5,977,832
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		(14,169,926)	(16,051,602)
1.2.1- Change in Provisions for Outstanding Claims, gross		(15,056,693)	(16,457,077)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10	886,767	405,475
2- Change in Provision for Bonus and Discounts (Net of Reinsurer and Less the Amounts Carried Forward)		(143,322)	(151,569)
2.1- Provision for Bonus and Discounts, gross		(338,699)	(785,219)
2.2- Provision for Bonus and Discounts, ceded		195,377	633,650
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		2,267,138	26,541,485
3.1- Change in Life Mathematical Provisions, gross		2,631,401	27,113,549
3.1.1- Change in Actuarial Mathematical Provisions, gross		10,258,365	12,677,832
3.1.2- Change in Profit Share Provisions (Provision for Financial Investments with Risks on Saving Life Policyholders), gross		(7,626,964)	14,435,717
3.2- Change in Life Mathematical Provisions, ceded	10	(364,263)	(572,064)
3.2.1- Change in Actuarial Mathematical Provisions, ceded		(364,263)	(572,064)
3.2.2- Change in Profit Share Provisions (Provision for Financial Investments with Risks on Saving Life Policyholders), ceded		-	-
4- Change in Other Technical Provisions (Net of Reinsurer and Less the Amounts Carried Forward)		(4,956,762)	(3,111,931)
5- Operating Expenses	32	(136,669,238)	(112,713,832)
6- Investment Expenses		-	-
7- Unrealized Losses on Investments		-	-
8- Investment Income Transferred to the Non-Life Technical Section		-	-
F- Net Technical Income- Life (D - E)		112,486,016	86,478,034
G- Pension Business Technical Income	5.25	236,760,325	209,057,996
1- Fund Management Income	25	173,816,154	144,258,249
2- Management Fee	25	21,201,113	26,382,176
3- Entrance Fee Income	25	37,075,268	32,046,757
4- Management Expense Charge in case of Suspension	25	4,514,878	5,988,654
5- Income from Individual Service Charges		-	-
6- Increase in Value of Capital Allowances Given as Advance		-	-
7- Other Technical Expense	25	152,912	382,160
H- Pension Business Technical Expense	5	(215,669,232)	(187,036,638)
1- Fund Management Expense		(24,572,325)	(22,343,282)
2- Decrease in Value of Capital Allowances Given as Advance		-	-
3- Operating Expenses	32	(181,706,419)	(157,256,379)
4- Other Technical Expenses		(9,224,477)	(7,271,804)
5- Fine Payments		(166,011)	(165,173)
I- Net Technical Income - Pension Business (G - H)		21,091,093	22,021,358

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
II-NON-TECHNICAL SECTION			
C- Net Technical Income - Non-Life (A-B)		(565,526)	(240,421)
F- Net Technical Income - Life (D-E)		112,486,016	86,478,034
I - Net Technical Income - Pension Business (G-H)		21,091,093	22,021,358
J- Total Net Technical Income (C+F+I)		133,011,583	108,258,971
K- Investment Income	26	124,345,342	88,360,080
1- Income from Financial Assets		63,413,825	49,470,505
2- Income from Disposal of Financial Assets		6,752,452	8,121,324
3- Valuation of Financial Assets		16,579,813	9,348,486
4- Foreign Exchange Gains	36	4,785,452	4,000,624
5- Income from Associates	26	3,289,135	2,615,836
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment	7,26	27,699,339	13,101,595
8- Income from Derivative Transactions		-	-
9- Other Investments	26	1,825,326	1,701,710
10- Income Transferred from Life Section		-	-
L- Investment Expense		(21,483,949)	(15,478,304)
1- Investment Management Expenses (inc. interest)		(2,284,577)	(1,723,406)
2- Diminution in Value of Investments		(995,480)	(214,252)
3- Loss from Disposal of Financial Assets		(5,235,169)	(2,469,411)
4- Investment Income Transferred to Non-Life Technical Section		-	-
5- Loss from Derivative Transactions		-	-
6- Foreign Exchange Losses	36	(1,283,125)	(1,297,946)
7- Depreciation and Amortisation Expenses	6,8	(11,685,598)	(9,773,289)
8- Other Investment Expenses		-	-
M- Income and Expenses From Other and Extraordinary Operation		(5,086,106)	(4,479,927)
1- Provisions	47	(3,992,100)	176,649
2- Rediscounts		1,964	(349,419)
3- Specified Insurance Accounts		-	-
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Assets)	21	(158,032)	(3,676,464)
6- Deferred Taxation (Deferred Tax Liabilities)		-	-
7- Other Income		25,717	5,872
8- Other Expenses and Losses		(963,655)	(636,565)
9- Prior Year's Income		-	-
10- Prior Year's Expenses and Losses		-	-
N- Net Profit for the Period	37	191,256,870	145,882,820
1- Profit for the Period		230,786,870	176,660,820
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(39,530,000)	(30,778,000)
3- Net Profit for the Period	37	191,256,870	145,882,820
4- Monetary Gains and Losses		-	-

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

(Para Birimi: Türk Lirası (₺) olarak ifade edilmiştir.)

Audited - Changes in Equity - 31 December 2015

	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustments	
I - Balance at the end of the year period - 31 December 2014		380,000,000	-	44,508,078	-	-	
II - Change in Accounting Standards		-	-	-	-	-	
III - Restated balances (I+II) -1 January 2015		380,000,000	-	44,508,078	-	-	
A- Capital increase (A1+A2)		30,000,000	-	-	-	-	
1- In cash		-	-	-	-	-	
2- From reserves		30,000,000	-	-	-	-	
B- Purchase of own shares		-	-	-	-	-	
C- Gains or losses that are not included in the statement of income		-	-	-	-	-	
D- Change in the value of financial assets	15	-	-	(10,689,545)	-	-	
E- Currency translation adjustments		-	-	-	-	-	
F- Other gains or losses	15	-	-	-	-	-	
G- Inflation adjustment differences		-	-	-	-	-	
H- Net profit for the period		-	-	-	-	-	
I - Dividends paid	38	-	-	-	-	-	
J - Transfers from retained earnings	15	-	-	-	-	-	
IV - Balance at the end of the period - 31 December 2015		410,000,000	-	33,818,533	-	-	

Audited - Changes in Equity - 31 December 2016

	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustments	
I - Balance at the end of the year period - 31 December 2015		410,000,000	-	33,818,533	-	-	
II - Change in Accounting Standards		-	-	-	-	-	
III - Restated balances (I+II) -1 January 2016		410,000,000	-	33,818,533	-	-	
A- Capital increase (A1+A2)		20,000,000	-	-	-	-	
1- In cash		-	-	-	-	-	
2- From reserves		20,000,000	-	-	-	-	
B- Purchase of own shares		-	-	-	-	-	
C- Gains or losses that are not included in the statement of income		-	-	-	-	-	
D- Change in the value of financial assets	15	-	-	(6,554,523)	-	-	
E- Currency translation adjustments		-	-	-	-	-	
F- Other gains or losses	15	-	-	-	-	-	
G- Inflation adjustment differences		-	-	-	-	-	
H- Net profit for the period		-	-	-	-	-	
I - Dividends paid	38	-	-	-	-	-	
J - Transfers from retained earnings	15	-	-	-	-	-	
IV - Balance at the end of the period - 31 December 2016		430,000,000	-	27,264,010	-	-	

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

	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Period	Retained Earnings	Total
	81,100,387	2,239,098	1,210,171	104,074,645	92,609,428	705,741,807
	-	-	-	-	-	-
	81,100,387	2,239,098	1,210,171	104,074,645	92,609,428	705,741,807
	-	(8,928,236)	(21,071,764)	-	-	-
	-	-	-	-	-	-
	-	(8,928,236)	(21,071,764)	-	-	-
	-	-	-	-	-	-
	-	-	(981,087)	-	-	(981,087)
	-	-	2,981,724	-	-	(7,707,821)
	-	-	-	-	-	-
	-	-	-	2,270,001	(15,625)	2,254,376
	-	-	-	-	-	-
	-	-	-	145,882,820	-	145,882,820
	-	-	-	(62,164,119)	-	(62,164,119)
	9,416,704	6,997,317	19,071,009	(44,180,527)	8,695,497	-
	90,517,091	308,179	1,210,053	145,882,820	101,289,300	783,025,976

	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Period	Retained Earnings	Total
	90,517,091	308,179	1,210,053	145,882,820	101,289,300	783,025,976
	-	-	-	-	-	-
	90,517,091	308,179	1,210,053	145,882,820	101,289,300	783,025,976
	-	(10,000,000)	(10,000,000)	-	-	-
	-	-	-	-	-	-
	-	(10,000,000)	(10,000,000)	-	-	-
	-	-	-	-	-	-
	-	-	(1,137,890)	-	-	(1,137,890)
	-	-	-	-	-	(6,554,523)
	-	-	-	-	-	-
	-	-	-	3,474,999	(14,774)	3,460,225
	-	-	-	-	-	-
	-	-	-	191,256,870	-	191,256,870
	-	-	-	(103,406,281)	-	(103,406,281)
	16,026,859	11,013,641	18,404,659	(45,951,538)	506,379	-
	106,543,950	1,321,820	8,476,822	191,256,870	101,780,905	866,644,377

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

	Note	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
A. Cash flows from operating activities			
1. Cash provided from insurance activities		681,083,186	711,084,812
2. Cash provided from reinsurance activities		-	510,776
3. Cash provided from individual pension business		259,757,540	227,159,906
4. Cash used in insurance activities		(585,308,184)	(667,316,127)
5. Cash used in reinsurance activities		(421,112)	-
6. Cash used in individual pension business		(210,922,935)	(183,848,046)
7. Cash provided by/(used in) operating activities		144,188,495	87,591,321
8. Interest paid		(4,742,954)	-
9. Income taxes paid		(30,778,000)	(28,115,000)
10. Other cash inflows		15,955,195	20,548,968
11. Other cash outflows		(36,929,021)	(18,716,296)
12. Net cash provided by operating activities		87,693,715	61,308,993
B. Cash flows from/(used in) investing activities			
1. Proceeds from disposal of tangible assets		936,973	-
2. Acquisition of tangible assets	6,8	(26,334,644)	(17,860,746)
3. Acquisition of financial assets		(426,814,105)	(246,681,210)
4. Proceeds from disposal of financial assets		288,132,051	151,979,060
5. Interests received		143,420,869	90,282,557
6. Dividends received		7,256,819	6,416,365
7. Other cash inflows		142,647,519	107,146,998
8. Other cash outflows		(110,449,237)	(9,338,943)
9. Net cash used in investing activities		18,796,245	81,944,081
C. Cash flows from/(used in) financing activities			
1. Equity shares issued		-	-
2. Cash provided from loans and borrowings		-	-
3. Finance lease payments		-	-
4. Dividends paid	38	(103,406,281)	(62,164,119)
5. Other cash inflows		-	-
6. Other cash outflows		-	-
7. Net cash used in financing activities		(103,406,281)	(62,164,119)
D. Effect of exchange rate fluctuations on cash and cash equivalents			
E. Net decrease in cash and cash equivalents		3,083,679	81,088,955
F. Cash and cash equivalents at the beginning of the period	14	266,075,591	184,986,636
G. Cash and cash equivalents at the end of the period	14	269,159,270	266,075,591

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

	Note	Audited Current Period 31 December 2016 (**)	Audited Prior Period 31 December 2015
I. DISTRIBUTION OF THE PERIOD PROFIT			
1.1. PERIOD PROFIT (*)		235,326,870	180,135,820
1.2. TAXES AND DUTIES PAYABLE		(39,530,000)	(30,778,000)
1.2.1. Corporate Tax (Income Tax)		(39,530,000)	(30,778,000)
1.2.2. Income Tax Deductions		-	-
1.2.3. Other Taxes and Legal Duties		-	-
A. CURRENT PERIOD PROFIT (1.1 - 1.2)		195,796,870	149,357,820
1.3. ACCUMULATED LOSSES (-)		-	-
1.4. FIRST LEGAL RESERVES (-)		9,740,723	7,427,116
1.5. OTHER STATUTORY RESERVES (-)		-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5))]		186,056,147	141,930,704
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	(28,388,017)
1.6.1. To owners of ordinary shares		-	(28,388,017)
1.6.2. To owners of privileged shares		-	-
1.6.3. To owners of redeemed shares		-	-
1.6.4. To holders profit sharing bonds		-	-
1.6.5. To holders of profit and loss sharing certificates		-	-
1.7. DIVIDENDS TO PERSONNEL (-)		-	(3,406,281)
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	(71,611,983)
1.9.1. To owners of ordinary shares		-	(71,611,983)
1.9.2. To owners of privileged shares		-	-
1.9.3. To owners of redeemed shares		-	-
1.9.4. To holders profit sharing bonds		-	-
1.9.5. To holders of profit and loss sharing certificates		-	-
1.10. SECOND LEGAL RESERVES (-)		-	(8,290,628)
1.11. STATUTORY RESERVES (-)		-	(11,013,641)
1.12. EXTRAORDINARY RESERVES		-	(19,220,154)
1.13. OTHER RESERVES		-	-
1.14. SPECIAL FUNDS		-	-
II. DISTRIBUTION OF RESERVES			
2.1. APPROPRIATED RESERVES		-	-
2.2. SECOND LEGAL RESERVES (-)		-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1. To owners of ordinary shares		-	-
2.3.2. To owners of privileged shares		-	-
2.3.3. To owners of redeemed shares		-	-
2.3.4. To holders of profit sharing bonds		-	-
2.3.5. To holders of profit and loss sharing certificates		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. EARNINGS PER SHARE			
3.1. TO OWNERS OF ORDINARY SHARES		0.45534	0.36429
3.2. TO OWNERS OF ORDINARY SHARES (%)		45.534	36.429
3.3. TO OWNERS OF PRIVILEGED SHARES		0.45534	0.36429
3.4. TO OWNERS OF PRIVILEGED SHARES (%)		45.534	36.429
IV. DIVIDEND PER SHARE			
4.1. TO OWNERS OF ORDINARY SHARES	38	-	-
4.2. TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3. TO OWNERS OF PRIVILEGED SHARES		-	-
4.4. TO OWNERS OF PRIVILEGED SHARES (%)		-	-

(*) Consolidated current year profit is used for profit distribution as per the "Profit Share Guidebook" issued by the Capital Markets Board on 23 January 2014 dated. Provision for dividend expense amounting to TRY 4,540,000 is added to the profit for the year ended 31 December 2016.

(**) As of the reporting date, the General Assembly Meeting has not been held; therefore, only distributable net profit is presented in the 2016 profit distribution table above.

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

1 General information

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

Anadolu Hayat Emeklilik Anonim Şirketi (the "Company") has been operating since 31 May 1990 and the shareholding structure of the Company is presented below. As at 31 December 2016, the shareholder having direct or indirect control over the shares of the Company is Türkiye İş Bankası AŞ ("İş Bankası") by 84.53% of the outstanding shares of the Company.

Name	31 December 2016		31 December 2015	
	Shareholding amount (TRY)	Shareholding rate (%)	Shareholding amount (TRY)	Shareholding rate (%)
Türkiye İş Bankası AŞ ⁽¹⁾	273,194,212	63.53	254,815,000	62.15
Anadolu Anonim Türk Sigorta Şirketi	86,000,000	20.00	82,000,000	20.00
Milli Reasürans TAŞ	4,299,999	1.00	4,100,000	1.00
Publicly traded	66,505,789	15.47	69,085,000	16.85
Paid in capital	430,000,000	100.00	410,000,000	100.00

⁽¹⁾ The rate of publicly traded shares is 17%. As at 31 December 2016, Türkiye İş Bankası AŞ. owns the 1.53% of the publicly traded shares.

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

The Company was registered in Turkey and has the status of 'Incorporated Company' in accordance with the regulations of Turkish Commercial Code. The address of the Company's registered office is Meltem Sokak No: 10 İş Kuleleri Kule: 2 Kat: 16, Levent 34330 Beşiktaş/İstanbul.

1.3 Business of the Company

The activities of the Company involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and related personal accident branches, establishing retirement funds, developing internal rules and regulations related to these funds, carrying out retirement, annual income insurance, portfolio management and custody contracts for the assets of the funds held in custody.

As at 31 December 2016, the Company has 26 individual pension investment funds (31 December 2015: 24).

1.4 Description of the main operations of the Company

The Company issues policies in insurance branches specified in the above note 1.3 - *Business of the Company* and contracts in individual pension business by conducting its operations in accordance with the Insurance Law No. 5684 (the "Insurance Law") issued on 14 June 2007 dated and 26552 numbered Official Gazette and Individual Pension Savings and Investment System Law No. 4632 (the "Individual Pension Law") and other communiqués and regulations in force issued by the Prime Ministry Undersecretariat of the Treasury of the Turkish Republic (the "Turkish Treasury") based on the Insurance Law and the Individual Pension Law.

The Company's shares are listed on the Borsa İstanbul ("BIST"). In accordance with Article 136 (5) in Section VIII of the Capital Markets Law, insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting; therefore, the Company performs its operations accordingly.

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

1.5 The average number of the personnel during the period in consideration of their categories

The average number of the personnel during the period in consideration of their categories is as follows:

	31 December 2016	31 December 2015
Senior level managers	8	8
Directors	107	104
Officers	372	372
Contracted personnel	3	3
Sales personnel	542	478
Other	11	12
Total	1,043	977

1.6 Wages and similar benefits provided to the senior management

For the year ended as of 31 December 2016, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, and deputy general managers amounted to TRY 5,202,992 (31 December 2015: TRY 4,458,961).

1.7 Explanation about the distribution of investment income and operating expenses (personnel expenses, administrative expenses, research and development expenses, marketing and selling expenses, and expenses for the services bought from third parties) in the financial statements

Procedures and principles related to keys used in the financial statements of the companies are determined in accordance with the 4 January 2008 dated and 2008/1 numbered "Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan" issued by the Turkish Treasury. In accordance with the above mentioned Communiqué, known and exactly distinguishable operating expenses are directly recorded under life, non-life or individual pension segments. Other non-distinguishable expenses, which are not exactly distinguished, are distributed between insurance segments and individual pension segment in accordance with the number of policies and contracts at the end of last 3 years and arithmetic average of contribution premium and earned premium within the last 3 years in accordance with the 9 August 2010 dated and 2010/9 numbered "Amendments Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan" issued by the Turkish Treasury. Amendment is effective from 1 January 2011. The portion of insurance segments calculated as described above is distributed between life and non-life branches in accordance with the average of 3 ratios calculated by dividing "number of the policies produced within the last three years", "gross premiums written within the last three years", and "number of the claims reported within the last three years" to the "total number of the policies", "total gross written premiums", and the "total number of the claims reported", respectively.

Income from the assets invested against non-life technical provisions is transferred to technical section from non-technical section.

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

As at the reporting period, distribution of the operating expense between life, non-life and pension branches is presented in note 5 - *Segment distribution*.

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

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

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

In the capital's 20% share of the business portfolio of the company with the subsidiary in position management, Inc.'s (the "İş Portföy") as of the date of the financial statements 31 December 2016 prepared by the equity method have been consolidated. İş Portföy Registered with the Istanbul trade registry on 23 October 2000 and 6 November 2000, dated and published in the Turkish trade registry Gazette No. 5168 was established by the purpose, 3794, law and other relevant legislation in accordance with the provisions of capital market Law No. 2499 differs by the company specified in the articles of association of capital market activities.. İş Portföy, capital market law and other relevant legislation under the provisions of a portfolio of capital market instruments, the portfolio management agreement with clients are managed by a trustee. Also within the scope of portfolio management business portfolio of domestic and foreign investment funds, investment companies and investment partnerships and similar initiatives with domestic and foreign private persons and legal entities in accordance with the provisions of the legislation of the portfolio also manages. In addition, İş Portföy, provides investment advisory services.

1.9 Name or other identity information about the reporting entity and the changes in this information after previous reporting period

Trade name of the Company	: Anadolu Hayat Emeklilik Anonim Şirketi
Registered address of the head office	: Meltem Sokak No: 10 İş Kuleleri Kule: 2 Kat: 16 Levent 34330 Beşiktaş/İstanbul
The web page of the Company	: www.anadoluhayat.com.tr
E-mail address of the Company	: hizmet@anadoluhayat.com.tr
Phone	: 0212 317 70 70
Fax	: 0212 317 70 77

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

1.10 Events after the reporting period

None.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

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

In Article 4 of related communiqué; insurance contracts, subsidiaries, jointly controlled partnerships and subsidiaries consolidated financial statements and the accounting, financial statements and footnotes to be announced publicly relating to the regulation of procedures and principles determined by Turkish Treasury stated that it would be issued with communiqué.

Comparative financial statements with prior period and other companies' financial statements provided that regulated to content and form of financial statements of companies which were published as "Communiqué on Presentation of Financial Statements" in Official Gazette 18 April 2008 dated and 26851 numbered.

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

(Currency: Turkish Lira (TRY))

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

2.1.2 Other accounting policies appropriate for the understanding of the financial statements

Accounting in hyperinflationary countries

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the Turkish Lira based on TAS 29 - *Financial Reporting in Hyperinflationary Economies* as at 31 December 2004. TAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting period, and that corresponding figures for previous years be restated in the same terms.

With respect to the 4 April 2005 dated and 19387 numbered declaration of the Turkish Treasury, the Company restated its financial statements as at 31 December 2004 and prepared opening financial statements of 2005 in accordance with the "Restatement of Financial Statements in Hyperinflationary Periods" of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Markets" published in the Official Gazette dated 15 January 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Turkish Treasury. Accordingly, as at 31 December 2016, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognised or recorded before 1 January 2005 are measured as restated to 31 December 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognised or recorded after 1 January 2005 are measured at their nominal costs or values.

Other accounting policies

Information regarding to other accounting policies is explained above in the section of note 2.1.1 - *Information about the principles and the special accounting policies used in the preparation of the financial statements* and each on its own caption in following sections of this report.

2.1.3 Functional and presentation currency

The Company's financial statements are presented in the currency of the primary economic environment in which the entity operates. The results and financial position of the Company are expressed in TRY, which is the functional and presentation currency of the Company.

2.1.4 Rounding level of the amounts presented in the financial statements

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

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

The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2004, except for the financial assets at fair value through profit or loss, available-for-sale financial assets, financial investments with risks on saving life policyholders classified as available-for-sale financial assets, derivative financial instruments, investment properties and owner occupied properties which are measured at their fair values unless reliable measures are available.

2.1.6 Accounting policies, changes in accounting estimates and errors

Explanations regarding to the Company's accounting policies are presented in note 3 - Critical accounting estimates and judgements in applying accounting policies.

2.2 Consolidation

"Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance, and Individual Pension Companies" issued by the Turkish Treasury in the 31 December 2008 dated and 27097 numbered Official Gazette, has been in force since 31 March 2009. Accordingly, consolidated financial statements are prepared using the equity method of accounting to consolidate the Company's associate; İş Portföy Yönetimi AŞ.

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In the 12 August 2008 dated and 2008/36 numbered "Sector Announcement Related to the Accounting of Subsidiaries, Associates and Joint Ventures in the Stand Alone Financial Statements of Insurance, Reinsurance and Individual Pension Companies" of the Turkish Treasury, it is stated that although insurance, reinsurance and individual pension companies are exempted from *TAS 27 - Consolidated and Separate Financial Statements*, subsidiaries, associates and joint-ventures could be accounted in accordance with *TAS 39 - Financial Instruments: Recognition and Measurement* or at cost in accordance with the 37th paragraph of *TAS 27 - Consolidated and Separate Financial Statements*. Parallel to the related sector announcements mentioned above, as at the reporting period the Company has accounted for its associate at cost less impairment losses, if any.

2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

2.4 Foreign currency transactions

Transactions are recorded in TRY, which is the Company's functional currency. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates ruling at the reporting period and foreign currency exchange differences are offset and all exchange differences are recognised in the statement of income.

Foreign currency exchange differences of unrecognised gains or losses arising from the difference between their fair value and the discounted values calculated per effective interest rate method of foreign currency available-for-sale financial assets are recorded in "Revaluation of financial assets" under equity and the realised gain or losses are recognised directly in the statement of income. Foreign currency exchange differences of unrecognised gains or losses arising from financial investments with risks on saving life policyholders classified as available-for-sale financial assets, 5% of the difference is recorded under equity and the remaining 95% belonging to policyholders is recorded as 'insurance technical provisions - life mathematical provisions'.

2.5 Tangible assets

Except owner occupied properties, tangible assets are recorded at their historical costs that have been adjusted according to the inflation rates until the end of 31 December 2004. There have been no other inflationary adjustments for these tangible assets for the following years and therefore they have been recorded at their costs indexed to the inflation rates for 31 December 2004. Tangible assets that have been purchased after 1 January 2005 have been recorded at their costs excluding their exchange rate differences and finance expenses less impairment losses if any.

The Company has changed historical cost basis method with revaluation method for owner occupied properties. Fair values of owner occupied properties have been reflected in the financial statements instead of historical cost values since the third quarter of 2015.

The fair values of owner occupied properties were provided by CMB licensed real estate companies. The fair values excluding the accumulated depreciation are reflected in the financial statements.

Increase arising from the revaluation of owner occupied properties is presented under the "other profit reserves" in equity excluding tax.

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

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

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

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

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

Depreciation rates and estimated useful lives are as follows:

<u>Tangible assets</u>	<u>Estimated useful lives (years)</u>	<u>Depreciation rates (%)</u>
Buildings	50 years	2.00
Machinery and equipment	3-16 years	6.25-33.33
Fixtures and furniture	4-13 years	7.69-25.00
Vehicles	5 years	20.00
Other tangible assets (includes leasehold improvements)	5 years	20.00
Leased assets	4-15 years	6.66-25.00

2.6 Investment properties

Investment properties are held either to earn rentals and/or for capital appreciation or for both.

Investment properties are measured initially at cost including transaction costs and then measured at fair value. The change arising from fair value is recognised in the income statement.

The difference arising between sale prices and carrying value of an investment property is recognised in profit or loss.

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

When the investment property recorded at fair value is reclassified as tangible assets, the fair value of the investment property at the reclassification date is accepted as historical cost value.

2.7 Intangible assets

The Company's intangible assets consist of computer software.

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

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

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

2.8 Financial assets

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

Securities are recognised and derecognised at the date of settlement.

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Financial assets are classified in four categories; as financial assets held for trading, available-for-sale financial assets, held to maturity financial assets, and loans and receivables.

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

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

Held to maturity financial assets are the financial assets with fixed maturities and fixed or pre-determined payment schedules that the Company has the intent and ability to hold until maturity, excluding loans and receivables. Subsequent to initial recognition, held to maturity financial assets and loans and receivables are measured at amortised cost using effective interest rate method less impairment losses, if any.

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

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

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

Associates are classified as financial assets in the financial statements. Associates, traded in an active market or whose fair value can be reliably measured, are recorded at their fair values. Associates that are not traded in an active market and whose fair value cannot be reliably set are reflected in financial statements at their costs after deducting impairment losses, if any.

Specific instruments

Financial investments with risks on saving life policyholders are the financial assets invested against the savings of the life policyholders. Financial investments with risks on saving life policyholders could be classified as financial assets held for trading purpose, available for sale financial assets or held to maturity investments by considering the benefits of the policyholders and measured in accordance with the principles as explained above.

When such investments are classified as available-for-sale financial assets, 5% of the difference between the fair values and amortised costs, calculated by using effective interest method, of the financial assets is recorded under equity and the remaining 95% belonging to policyholders is recorded as 'insurance technical provisions - life mathematical provisions'. As at 31 December 2016, 95% of the difference between fair values and amortised costs of those assets backing liabilities amounting to TRY (10,421,955) (31 December 2015: TRY 5,040,151) is recorded in life mathematical provisions.

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Receivables from individual pension operations consist of 'capital advances given to pension investment funds', 'receivable from pension investment funds for fund management fees', 'entrance fee receivable from participants' and 'receivables from clearing house on behalf of the participants'.

'Receivable from pension investment funds for fund management fee' are the fees charged to the pension investment funds against for the administration of related pension investment funds which consist of fees which are not collected in the same day.

Capital advances given to pension investments funds during their establishment are recorded under 'capital advances given to pension investment funds'.

'Receivables from the clearing house on behalf of the participants' is the receivable from clearing house on fund basis against the collections of the participants. Same amount is also recorded as payables to participants for the funds sold against their collections under the 'payables arising from individual pension businesses'.

Loans to the policyholders are loans that are provided to the policyholders from saving component of the life insurance policies based on the fund amounts and fund unit prices. Valuation of the loans to the policyholders based on the fund amounts and fund unit prices as at the reporting date.

Derecognition

A financial asset is derecognised when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realised, expire or are surrendered.

2.9 Impairment on assets

Impairment on financial assets

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

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

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

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

Impairment on tangible and intangible assets

On each reporting period, the Company evaluates whether there is an indication of impairment of fixed assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the "TAS 36 - Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

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

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2.10 Derivative financial instruments

As of the reporting date, the Company does not have any derivative financial instruments. Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 - *Financial Instruments: Recognition and measurement*.

Derivative financial instruments are initially recognised at their fair value.

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

Derivative financial instruments are subsequently re-measured at fair value and positive fair value differences are presented either as "financial assets held for trading" and negative fair value differences are presented as "other financial liabilities" in the accompanying financial statements. All unrealised gains and losses on these instruments are included in the statement of income.

2.11 Offsetting of financial assets

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

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

2.12 Cash and cash equivalents

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

2.13 Capital

The shareholding structure of the Company is presented in note 1.1 - *Name of the Company and the ultimate owner of the group*. As of 31 December 2016, the Company's issued capital is TRY 430,000,000 (31 December 2015: TRY 410,000,000).

Sources of the capital increases during the period

The Company's issued capital increased from TRY 410,000,000 to TRY 430,000,000 by TRY 20,000,000 through the transfer to extraordinary reserves by TRY 10,000,000 and statutory reserves by TRY 10,000,000. The registration of authorised capital has been completed on 13 July 2016 and declared in the Turkish Trade Registry Gazette on 19 July 2016.

Privileges on common shares representing share capital

As at 31 December 2016, the share capital of the Company was amounted TRY 430,000,000 (31 December 2015: TRY 410,000,000), divided into 43,000,000,000 shares (31 December 2015: 41,000,000,000 shares) with each has a nominal value of TRY 0.01. The Company's share capital was divided into groups comprised of 100,000,000 Group A shares having a nominal values of TRY 1,000,000 for each and the rest of amount by Group B shares having a nominal values of TRY 1,000,000 for each. Among eleven members of the Board of Directors, seven are elected among candidates nominated by Group A shareholders while four are elected among candidates nominated by Group B shareholders.

Registered capital system in the Company

The Company has accepted the registered capital system set out in accordance with the Law No: 2499 and applied the system as of 15 June 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As at 31 December 2016, the registered capital of the Company is TRY 900,000,000 (31 December 2015: TRY 450,000,000).

Repurchased own shares by the Company

None.

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2.14 Insurance and investment contracts - classification

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

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

The Company mainly issues policies under personal accident, risk and saving life insurance branches and individual pension contracts.

Saving component of the life products can be measured separately by the Company. However, insurance and saving components are not separated due to accounting policy requirements specified to account all risks and rewards without considering the basis of measurement.

2.15 Insurance contracts and investment contracts with discretionary participation feature

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

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

As at the reporting period, the Company does not have any insurance or investment contracts that contain a DPF.

2.16 Investment contracts without DPF

In the context of the saving life products, if the investment return, obtained from the savings of the policyholders which is invested by the Company results a lower yield rate than the technical interest rate, the Company compensates the difference; if investment return results higher yield than the guaranteed technical interest rate, the difference is distributed to the policyholders as profit sharing bonus. Due to contractual and competitive constraints in practice, the Company has classified these contracts as investment contracts without DPF.

For such products, investment income obtained from assets backing liabilities is recorded within income statement or equity in accordance with the accounting policies mentioned above; and whole contract is presented as a liability under life mathematical provisions.

2.17 Liabilities

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

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Payables arising from individual pension business consist of payables to participants, participants' temporary accounts, and payables to individual pension agencies. The payables to participants are the account in which the contribution of participants that transferred to investments on behalf of individual pension contract owners and income from these investments are recorded. The temporary account of participants includes the contributions of participants that have not yet been transferred to the investment. This account also includes the entrance fee deducted portion of the participants' fund amounts, obtained from the fund share sales occur in the case of system leaves. This account consists of the amounts of participants that will be transferred to other individual pension companies or participants' own accounts. Payables to individual pension agencies are Company's liabilities to individual pension agencies in return of their services.

2.18 Taxes

Corporate tax

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

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

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

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods. As at 31 December 2016 and 31 December 2015, the Company does not have any deductible tax losses.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

According to the "General Communiqué on Corporate Tax" promulgated in Official Gazette no 28178 dated 19 January 2012, fair value of derivative transactions and option premiums are accepted as income or expense in the corporate tax statement if those transactions are performed at Derivative Exchange Market and not if those transactions are performed with entities as previously.

Deferred tax

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

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

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

Transfer pricing

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

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

2.19 Employee benefits

Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2016 is TRY 4,297.21 (31 December 2015: TRY 3,828.37).

The Company accounted for employee termination benefits using actuarial method in compliance with the TAS 19 - *Employee Benefits*. The major actuarial assumptions used in the calculation of the total liability as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Discount rate	2.81% - 5.25%	2.69% - 5.00%
Expected rate of salary/limit increase	6.90%	6.70%

Other benefits

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

2.20 Provisions

A provision is made for an existing obligation resulting from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the reporting period 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.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised. 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 recognised 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.

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2.21 Revenue recognition

Written premiums and claims paid

Written premiums represent premiums on policies written during the period net of taxes, premiums of the cancelled policies which were produced in prior periods and premium ceded to reinsurance companies. Premiums ceded to reinsurance companies are accounted as "written premiums, ceded" in the profit or loss statement.

Claims are recognised as expense as they are paid. Outstanding claims provision is provided for both reported unpaid claims at the reporting period and incurred but not reported claims. Reinsurer's shares of claims paid and outstanding claims provisions are off-set against these reserves.

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 recognised 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 recognising deferred commission income and deferred commission expense in the financial statements for the policies produced after 1 January 2008.

In order to net-off the receivable accounts in compliance with the matching principle, the Company reserves a provision of commissions to intermediaries over the accrued but uncollected receivables from policyholders balance as at the reporting period. While the commissions to intermediaries for non-life branches are not accrued, the commission amount that has to be paid in case of the collection of receivables is calculated on the basis of policy for life branch.

Reinsurance commissions are accounted for based on reinsurer agreements. According to the Circular no: 2007/25 issued by the Turkish Treasury on 28 December 2007, starting from 10 January 2008, deferred reinsurance commissions are presented in "Deferred Income" account in the balance sheet.

Interest income and expense

Interest income and expense are recognised 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 recognised as "Income from disposal of financial assets" and "Loss from disposal of financial assets" in the accompanying consolidated financial statements.

Dividends

Dividend income is recognised when the Company's right to receive payment is ascertained.

Income from individual pension business

Fund management fee is recognised as income, charged to the pension investment funds against the hardware, software, personnel and accounting services provided, and fee is shared between the Company and the portfolio managers in accordance with the agreement signed between parties. Total of fund management fee charged to the pension investment funds is recognised as "Fund management income" under technical income and portion of the portfolio manager is recognised as "Fund management expense" under technical expenses.

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According to the "Individual Pension System Communiqué" promulgated in Official Gazette no 28178 dated 25 May 2015 and within the changes enacted since 1 January 2016 total entrance fee and management fee that can be made in first 5 years of contract does not exceed 8.5% of gross minimum wage that is valid for the first 6 months of the relevant year. The management fees can be levied on contributions or pension investment funds of the participants and is recognised as "Management fee" under pension business technical income. Entrance fees are received by the Company from participants during the access into the system and for the opening of a new individual pension account or during first time at a different company if the pension contract is already concluded, the aforementioned income is recognised as "Entrance fee income" under pension business technical income.

If no payment is made within three months after the contribution paid at maturity date, case of suspension occurs and management expense is charged. The aforementioned expense is recognised as "Management expense charge in the case of suspension".

The difference in value of the pension investment fund shares, obtained due to capital advance on the date of establishment, to the date of selling of those shares to the participants is recorded in the income statement as "increase in value of capital allowances given as advances".

2.22 Leasing transactions

Tangible assets acquired by way of finance leasing are recognised 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 realisable value. Depreciation for assets obtained through financial lease is calculated in the same manner as tangible assets.

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

2.23 Dividend distribution

In accordance with the Articles of Association of the Company, first dividend distribution is made from distributable profit based on the rates and amounts set out by the Capital Markets Board. In regards to the profit share distribution policy of the Company, two options are presented to the General Assembly; 30% of distributable profit at a minimum as bonus shares or in cash. Based on its articles of association, the Company makes at a maximum of 3% of profit share payments to its employees following the appropriation of first profit share, limited to a maximum of three-month salary.

Dividend payables are recorded as liability in the financial statements when they are announced.

2.24 Reserve for unearned premiums

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

In the case of personal accident insurance, annual life insurance and life insurance which of the renewal date exceeds one year, reserve for unearned premiums is calculated for the portion of the remaining part which is left after deducting savings from gross premium written for the year. In accordance with the "Communiqué on Amendments to the Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" issued in 28356 numbered and 17 July 2012 dated Official Gazette and effective from 30 June 2012, reserve for unearned premiums is calculated from remaining amount of gross written premiums by deducting

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saving component and expenses related with saving component for life insurance and life insurance with saving components having longer than one year maturity. Insurance policies covering possibilities of life and death or both and personal accident, disability by illness and serious illness insurance policies are considered as life insurance policies and their premiums are classified as life insurance premiums.

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

2.25 Reserve for unexpired risks

In accordance with the Communiqué on Technical Reserves, in each accounting period, the companies while providing reserve for unearned premiums should perform adequacy test covering the preceding 12 months in regard with the probability of future claims and compensations of the outstanding policies will arise in excess of the reserve for unearned premiums already provided. In performing this test, it is required to multiply the reserve for unearned premiums, net with the expected claim/premium ratio.

Expected claim/premium ratio is calculated by dividing incurred losses (provision for outstanding claims, net at the end of the period + claims paid, net - provision for outstanding claims, net at the beginning of the period) to earned premiums (written premiums, net + reserve for unearned premiums, net at the beginning of the period - reserve for unearned premiums, net at the end of the period). In the calculation of earned premiums; deferred commission expenses paid to the agencies and deferred commission income received from the reinsurance firms which were netted off from reserve for unearned premiums both at the beginning of the period and at the end of the period are not taken into consideration.

In accordance with the "Communiqué on Amendments to the Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" issued in 28356 numbered and 17 July 2012 dated Official Gazette and effective from 30 June 2012, the test is performed on branch basis and in case where the expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that specific branch is added to the reserves of that branch. The difference between the gross amount and the net amount is considered as the reinsurer's share. Turkish Treasury is authorised to change test methods and require additional reserve for unexpired risks on branch basis.

As at 31 December 2016, related test have resulted reserve for unexpired risks amounting to TRY 9,479 (31 December 2015: None).

2.26 Provision for outstanding claims

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

Change in measurement of technical reserves became effective as at 30 September 2010 according to the Turkish Treasury Circular which were published as "Communiqué on Amendments to Communiqué on Technical Reserves" in Official Gazette dated 28 July 2010 and numbered 27655. Communiqué on technical reserves and circulars issued by Turkish Treasury brings essential changes into effect on measurement of technical reserves and accounting of income from salvage and subrogation. In summary, it is aimed to align Communiqué on Technical Reserves with methodological changes on Actuarial Chain ladder method, to include matters which were declared before through circulars and sector announcements to the communiqué. The Turkish Treasury issued the Circulars numbered 2010/12, 2010/13, 2010/14 and the sector announcement numbered 2010/29 which became effective as at 31 December 2010 in order to clarify uncertainties on measurement of technical reserves and accounting of income from salvage and subrogation.

Additional amendments effective from 30 June 2012 are issued in the "Communiqué on Amendments to the Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" in 28356 numbered and 17 July 2012 dated Official Gazette. Test IBNR method ceased in the calculation of provision for outstanding claims. In accordance with the previous communiqués and sector announcements

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companies should perform actuarial chain ladder method for the non-life insurance branches engaged more than five years and had sufficient data. Upon issuance the Circular on Outstanding Claims Reserve numbered 2014/16 issued by the Turkish Treasury, the Circulars numbered 2010/12, 2010/14 and 2010/16 are repealed. In accordance with the aforementioned Circular numbered 2014/16, IBNR calculation can be made with the other methods by the companies if the calculation method rests upon actuarial basis and amount obtained from this method is greater than the amount calculated by the Actuarial Chain Ladder Method. In this context, Company maintains to calculate IBNR amount according to the repealed Circulars numbered 2010/12 and 2010/14.

Claims incurred before the accounting periods but reported subsequent to those dates are accepted as incurred but not reported ("IBNR") claims. According to the "Communiqué on Provision for IBNR Claims in Life Branch" numbered 2010/14, IBNR calculation is changed. In accordance with the related regulations, last five or more than five years' weighted average calculated by dividing total gross amount of incurred but not reported claims to average annual guarantee of the related years. As of the current reporting period, IBNR is calculated by multiplying weighted average IBNR ratio by the average guarantee amount of last twelve months before reporting period. Accordingly, as at the reporting period, the Company has provided for IBNR, net off ceded amounting to TRY 7,337,853 (31 December 2015: TRY 6,273,842).

According to the 7th article 6th sub clause of the "Circular on Change in Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested against Those Technical Reserves"; provision for the outstanding claims of the period cannot be less than the result of the actuarial chain ladder method determined by Turkish Treasury. The Company has selected "Standard chain ladder method" for personal accident branch as stated in the "Communiqué on Technical Reserves and Circular on Actuarial Chain Ladder Method" dated 20 September 2010 and numbered 2010/12. Accordingly, as at the reporting period, the Company has provided for IBNR, net off ceded amounting to TRY 109,853 (31 December 2015: TRY 109,325).

In the Sector Announcement dated 18 July 2012 and numbered 2012/13 published by the Turkish Treasury, insurance, reinsurance and individual pension companies are required to perform adequacy test to assess the adequacy of provision for outstanding claims at the end of the each reporting period. Companies performed actuarial chain ladder method are not obliged to record additional provision for outstanding claims. As at 31 December 2016, this adequacy test has not resulted in additional provision for outstanding claims.

2.27 Mathematical provisions

In accordance with the Communiqué on Technical Reserves, companies operating in life and non-life insurance branches are obliged to allocate adequate mathematical reserves based on actuarial basis to meet liabilities against policyholders and beneficiaries for long-term life, health and personal accident insurance contracts. Mathematical provisions are composed of actuarial mathematical provisions and profit sharing provisions. Actuarial mathematical provisions, according to formulas and basis in approved technical basis of tariffs for over one year-length life insurance, are calculated by determining the difference between present value of liabilities that the Company meets in future and current value of premiums paid by policyholder in future (prospective method). In life insurance where saving plan premiums are also generated, actuarial mathematical provisions consist of total saving plan portions of premiums. Provision for profit sharing consist of profit sharing calculated in previous years and a certain percentage of current year's income, determined in the approved profit sharing tariffs, obtained from the financial assets backing liabilities of the Company against the policyholders and other beneficiaries for the contracts which the Company is liable to give profit sharing. The valuation method used in calculation of the profit to be shared for saving life contracts is the same with the valuation basis of portfolio on which assets on which the Company invests the provisions allocated due to liabilities against the beneficiaries are included in the framework of basis defined in the note 2.8 - *Financial assets* above.

2.28 Equalisation provision - Provision for bonus and discounts

According to "Communiqué on Technical Reserves", companies should book equalisation provision for guarantees of loan and earthquakes in order to offset fluctuations in the rate of indemnification and to meet catastrophic risks in the accounting period.

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In accordance with the Communiqué on Technical Reserves issued by the Turkish Treasury on 27 March 2009 numbered 2009/9, the insurance companies should recognise equalisation provision for disability and death occurred because of an earthquake and tariffs that include additional guarantee in life and casualty branches. With the circular released on 28 July 2010 and numbered 27655 "Circular on Change in Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves", the calculation of equalisation provision is revised. In accordance with the Communiqué on Technical Reserves, the companies which give additional guarantee in life use their own statistical data for equalisation provision calculation. The companies not having sufficient data for calculation will accept 11% of death net premium (including damage payments) as earthquake premium and 12% of that amount is calculated as equalisation provision.

In accordance with the Communiqué on Technical Reserves, booking provisions should continue until reaching 150% of the highest net premium amount of the last five financial years. Equalisation provisions amounting to TRY 16,215,351 are presented under "other technical reserves" within short-term liabilities in the accompanying financial statements (31 December 2015: TRY 11,245,755).

In accordance with Regulation on Technical Reserves, insurance companies are required to account for the bonus or discounts provided to policyholders and beneficiaries in accordance with the current year technical income. As of 31 December 2016, the Company accounted for bonus provision amounting to TRY 459,163 (31 December 2015: TRY 314,937).

2.29 Related parties

Parties are considered related to the Company if;

- (a) directly, or indirectly through one or more intermediaries, the party:
 - controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
 - has an interest in the Company that gives it significant influence over the Company; or
 - has joint control over the Company;
- (b) the party is an associate of the Company;
- (c) the party is a joint venture in which the Company is a venturer;
- (d) the party is member of the key management personnel of the Company and its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or any individual referred to in (d) or (e) which significant voting power in such entity resides with directly or indirectly, or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

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

A number of transactions are entered into with related parties in the normal course of business.

2.30 Earnings per share

Earnings per share presented in the income statement is calculated by dividing the net profit into the weighted average number of the outstanding shares throughout the financial year. Companies in Turkey can increase their capital by distributing "bonus shares" to shareholders from the prior years' profit. Such "bonus share" distributions are considered as issued shares in the earnings per share calculations. Accordingly, weighted average number of equity shares used in the calculations is calculated by considering the retrospective effects of share distributions.

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2.31 Events after the reporting period

"Events After the Reporting Period"; post-reporting date events that provide additional information about the Company's position at the reporting periods (adjusting events) are reflected in the consolidated financial statements. Post-reporting date events that are not adjusting events are disclosed in the notes when material.

2.32 New standards and interpretations not yet adopted

There are a number of new standards, updates related to the existing standards and interpretations which are not adopted in the preparation of the accompanying financial statements and have not yet entered into force for the accounting period 31 December 2016. These new standards, except the TFRS 9 standard, are not expected to have any impact on the financial statements of the Company.

TFRS 9 Financial Instruments - Classification and measurement

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

The new standards and interpretations that are issued by the International Accounting Standards Board but not issued by Accounting and Auditing Standards Authority

IFRS 16 Leases

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

3 Critical accounting estimates and judgments in applying accounting policies

The notes given in this section are provided in addition to the commentary on the management of insurance risk note 4.1 - *Management of insurance risk* and note 4.2 - *Financial risk management*.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

Note 4.1 - Management of insurance risk

Note 4.2 - Financial risk management

Note 10 - Reinsurance assets and liabilities

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Note 11 - Financial assets*Note 12* - Loans and receivables*Note 17* - Insurance contract liabilities and reinsurance assets*Note 17* - Deferred commissions*Note 19* - Trade and other payables, deferred income*Note 21* - Deferred tax*Note 23* - Other liabilities and provisions

4 Management of insurance and financial risk

4.1 Management of insurance risk

Objective of managing risks arising from insurance contracts and policies used to minimise such risks:

Insurance risk is defined as coverage for exposures that exhibit a possibility of financial loss due to applying inappropriate and insufficient insurance techniques. In line with the nature of an insurance contract, as the risk is coincidental, the risk amount cannot be predictable.

Insurance risk represents the possibility of the non-coverage of the claims paid by the premiums collected.

As of 31 December 2016, the Company's life insurance claims/premiums ratio stands at 18%. Low claims/premiums ratio, which is calculated by the proportion of claims to risk premiums collected, indicates that the Company makes significant profit. The Company adopts central risk assessment policy. The Company applies this policy to the all marketing channels produced. In its life policy production, the Company has no sales channel with continuous risk exposure. The Company analyses its claims/premiums ratio periodically in order to identify its insurance risks.

As of 31 December 2016, the Company's personal accident insurance claims/premiums ratio is 116%. Since personal accident insurance portfolio has an insignificant share in the Company's general portfolio, this ratio would be low when no compensation is paid and this ratio would be high when compensation is paid.

Claims/premium ratio of the Company as of the financial statement periods is presented below:

	31 December 2016	31 December 2015
Life insurance	18%	20%
Personal accident	116%	66%

The Company shares its significant risks associated with natural disasters, such as; earthquake, terrorism or large-scale accidents, with reinsurers by entering into catastrophic excess of loss agreements.

As at 31 December 2016 and 31 December 2015, risk portion transferred to reinsurers in terms of risk guarantee is presented as below:

	31 December 2016	31 December 2015
Death by natural cause	11%	10%
Death by accident	42%	67%
Disability by accident	51%	66%
Disability by illness	68%	67%

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Sensitivity to insurance risk

The Company's policy production strategy follows an effective risk management in the policy production process considering the nature, extent, and accurate distribution of the risk incurred.

Reinsurer agreements include claims surplus, excess of loss and quota reinsurances. As a result of these agreements, if the Company's "death by natural cause" risk account exceeds amounts in agreements "death by accident", the Company transfers the exceeding claim payments to reinsurers. The Company also transfers the exceeding claim payments to reinsurers if the Company's "death by natural cause" or "death by accident" risk accounts exceeds amounts in agreements for all policies.

Maximum limits of outstanding claims are reviewed by the Turkish Treasury.

Determination of insurance risk concentrations by management and the common characteristics of insurance risk concentrations (nature, location and currency)

The Company produces life and personal accident branch policies. The Company's gross and net insurance risk concentrations (after reinsurance) in terms of insurance branches are summarised as below:

31 December 2016			
Branches	Total gross risk liability ⁽¹⁾	Reinsurer's share of risk liability	The company's net claims liability
Life insurance	60,095,588,515	14,614,515,723	45,481,072,792
Personal accident	9,344,816,113	2,408,845,973	6,935,970,140
Total	69,440,404,628	17,023,361,696	52,417,042,932
31 December 2015			
Branches	Total gross risk liability ⁽¹⁾	Reinsurer's share of risk liability	The company's net claims liability
Life insurance	52,339,358,115	12,638,134,205	39,701,223,910
Personal accident	2,982,818,030	1,640,333,934	1,342,484,096
Total	55,322,176,145	14,278,468,139	41,043,708,006

⁽¹⁾ Represents the maximum insurance amount based on death by natural cause, death by accident, disability by accident and disability by illness.

The Company issues insurance contracts mainly in Turkey. Gross and net insurance risk concentrations of the insurance contracts (after reinsurance) based on geographical regions are summarised as below:

31 December 2016			
Claims liability ⁽¹⁾	Total gross claims liability	Reinsurer's share of claims liability	Total net claims liability
Marmara Region	31,593,699	1,324,417	30,269,282
Central Anatolia Region	14,785,448	291,616	14,493,832
Aegean Region	12,010,422	188,896	11,821,526
Mediterranean Region	9,388,670	180,766	9,207,904
Black Sea Region	6,338,256	121,794	6,216,462
South-eastern Anatolia Region	3,960,531	131,647	3,828,884
Eastern Anatolia Region	3,549,014	76,476	3,472,538
Foreign countries (other)	3,628,068	230	3,627,838
Total	85,254,108	2,315,842	82,938,266

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Claims liability ⁽¹⁾	31 December 2015		
	Total gross claims liability	Reinsurer's share of claims liability	Total net claims liability
Marmara Region	29,724,426	610,703	29,113,723
Central Anatolia Region	13,233,554	151,258	13,082,296
Aegean Region	11,691,507	730,267	10,961,240
Mediterranean Region	8,100,277	137,025	7,963,252
Black Sea Region	5,376,471	117,084	5,259,387
South-eastern Anatolia Region	3,066,586	39,382	3,027,204
Eastern Anatolia Region	2,641,436	12,196	2,629,240
Foreign countries (other)	3,233,034	363	3,232,671
Total	77,067,291	1,798,278	75,269,013

⁽¹⁾ Total claims liability includes the actual estimated compensation amounts. IBNR provision and outstanding claims adequacy provision are not included in the calculation.

Comparison of incurred claims with past estimations

Incurred claim development table is disclosed in note 17 - *Insurance liabilities and reinsurance assets*.

Effects of the changes in assumptions used in the measurement of insurance assets and liabilities showing the effect of each change separately that has significant effect on financial statements

In the current period, there are no material changes in the assumptions of measurement of insurance assets and liabilities.

4.2 Financial risk management

This note presents information about the Company's exposure to each of the below risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Company's risk management program focuses on minimising the negative effects of the ambiguities in financial markets on the Company's financial statements. The Company is mostly exposed to interest risk and price risk in relation with financial investments, to credit risk in relation with insurance receivables and exchange rate risk due to policies and assets in foreign currencies.

The risk is managed by a specific department which is in line with the approved policies by the Board of Directors. Several risk policies have been prepared by the Board of Directors in order to manage the exchange risk, interest risk, credit risk, using the derivative and non-derivative financial instruments risks.

Credit risk

Credit risk is basically defined as the possibility that counterparty will fail to meet its obligations in accordance under agreed terms of a contract. When the Company's field of activity and third party relations is considered, its credit risk is deemed to be relatively at minimum. The balance sheet items that the Company is exposed to credit risk are as follows:

- Cash at banks
- Other cash and cash equivalents
- Available for sale financial assets
- Financial assets held for trading
- Held-to-maturity financial assets

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- Premium receivables from policyholders
- Receivables from intermediaries (agencies)
- Receivables from reinsurance companies related to claims paid and commissions accrued
- Reinsurance shares of insurance liabilities
- Due from related parties
- Other receivables

The review of the Company's third party relations are presented below.

Reinsurers: Reinsurance contracts are the most common method to manage insurance risk. This does not, however, discharge the Company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The Company works with international reinsurance companies with strong financial status. In this perspective, the level of risk exposure is also considered to be at minimum.

Agencies: Agencies working with the Company expose it to a limited level of credit risk. Since the Company's products are issued with long-term use, commissions given to agencies are also long term in nature; therefore, the Company has consistent payables to agencies.

Policyholders: Overdue premium receivables are not considered as a significant risk exposure to the Company because if the Company has unpaid premiums, all guarantees related to the insurance will be invalid.

As at 31 December 2016 and 31 December 2015, the Company's credit risk exposure by types of financial instruments is as follows. Banks and other cash and cash equivalents are also included in the credit risk.

	Receivables ⁽¹⁾				Financial assets	Banks and other cash and cash equivalent assets
	Receivables from insurance activities		Other receivables			
	Related party	Third party	Related party	Third party		
31 December 2016						
Maximum credit risk exposure as at the reporting period (A+B+C)	-	60,296,159	5,221	10,663,493	2,224,197,390	326,881,159
- Secured portion of maximum risk by guarantees, provisions, etc.	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	-	52,083,765	5,221	10,663,493	2,224,197,390	326,881,159
B. Net book value of past due but not impaired assets	-	8,212,394	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Gross book value	-	120,570	-	-	-	-
- Impairment	-	(120,570)	-	-	-	-
- Secured portion of net book value by guarantees, provisions, etc.	-	-	-	-	-	-

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31 December 2015	Receivables ⁽¹⁾				Financial assets	Banks and other cash and cash equivalent assets
	Receivables from insurance activities		Receivables from insurance activities			
	Related party	Third party	Related party	Third party		
Maximum credit risk exposure as at the reporting period (A+B+C)	151,113	55,398,749	8,031	7,134,993	2,229,142,249	302,996,073
- Secured portion of maximum risk by guarantees, provisions, etc.	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	151,113	43,346,217	8,031	7,134,993	2,229,142,249	302,996,073
B. Net book value of part due but not impaired assets	-	12,052,532	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Gross book value	-	120,570	-	-	-	-
- Impairment	-	(120,570)	-	-	-	-
- Secured portion of net book value by guarantees, provisions, etc.	-	-	-	-	-	-

⁽¹⁾ Receivables from individual pension activities are not included in the credit risk table since those receivables are followed both side of the balance sheet as asset and liability and they are held on behalf of participants by İstanbul Takas ve Saklama Bankası A.Ş. (the "İstanbul Settlement and Custody Bank Inc").

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Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the net funding obligations. Liquidity risk arises from the events trigger decreasing funds such as deterioration in the market conditions or downgrading of credit ratings. As at 31 December 2016 and 31 December 2015, maturity analyses of the Company's assets and liabilities are presented in the table below:

31 December 2016	Without maturity	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 years and over	Unallocated	Total
Cash and cash equivalents	23,509,678	282,900,725	20,476,381	-	-	-	-	326,886,784
Financial assets and investments with risks on policyholders	-	106,551,047	-	297,729,037	838,592,069	901,603,121	228,607,677	2,373,082,951
Receivables from main operations	-	2,980,438	5,932,433	11,523,631	-	-	11,429,127,042	11,449,563,544
Due from related parties	-	-	5,221	-	-	-	-	5,221
Other receivables	-	9,020,596	-	-	-	-	1,642,897	10,663,493
Prepaid expenses and income accruals, short term	-	-	-	-	-	-	23,523,085	23,523,085
Other current assets	-	-	-	-	-	-	18,199	18,199
Other receivables	-	-	-	764,981	-	-	-	764,981
Financial assets (Associates)	-	-	-	-	-	-	18,551,738	18,551,738
Tangible assets	-	-	-	-	-	-	162,607,274	162,607,274
Intangible assets	-	-	-	-	-	-	31,273,866	31,273,866
Prepaid expenses and income accruals, long term	-	-	-	-	-	-	530,611	530,611
Deferred tax assets	-	-	-	-	-	-	-	-
Total assets	23,509,678	401,452,806	26,414,035	310,017,649	838,592,069	901,603,121	11,895,882,389	14,397,471,747
Financial liabilities	-	45,376,520	-	-	-	-	-	45,376,520
Payables arising from main operations	-	17,202,842	-	1,084,011	-	-	11,579,768,030	11,598,054,883
Due to related parties	-	55,571	-	62,231	-	-	48	117,850
Other payables	-	15,968,739	-	-	-	-	4,176,121	20,144,860
Insurance technical provisions	-	-	-	-	-	-	1,818,688,743	1,818,688,743
Provisions for taxes and other similar obligations	-	7,011,193	-	-	-	-	6,001,919	13,013,112
Deferred income and expense accruals	-	-	-	-	-	-	5,581,134	5,581,134
Other short term liabilities	-	-	-	-	-	-	-	-
Provisions for other risks	-	900,000	-	9,540,000	-	12,709,099	5,239,205	28,388,304
Deferred tax liabilities	-	-	-	-	-	-	1,461,964	1,461,964
Shareholders' equity	-	-	-	-	-	-	866,644,377	866,644,377
Total liabilities	-	86,514,865	-	10,686,242	-	12,709,099	14,287,561,541	14,397,471,747
Net liquidity surplus/(deficit)	23,509,678	314,937,941	26,414,035	299,331,407	838,592,069	888,894,022	(2,391,679,152)	-

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31 December 2015	Without maturity	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 years and over	Unallocated	Total
Cash and cash equivalents	7,678,060	238,279,351	57,042,047	-	-	-	-	302,999,458
Financial assets and investments with risks on policyholders	-	11,227,401	2,900,167	228,559,583	1,150,943,219	763,077,862	223,586,521	2,380,294,753
Receivables from main operations	-	1,708,244	3,396,077	6,950,778	-	-	9,002,998,456	9,015,053,555
Due from related parties	-	-	8,031	-	-	-	-	8,031
Other receivables	-	5,530,545	-	-	-	-	1,604,448	7,134,993
Prepaid expenses and income accruals, short term	-	-	-	-	-	-	13,727,270	13,727,270
Other current assets	-	-	-	-	-	-	18,627	18,627
Other receivables	-	-	1,072,433	-	-	-	-	1,072,433
Financial assets (Associates)	-	-	-	-	-	-	17,582,716	17,582,716
Tangible assets	-	-	-	-	-	-	137,613,779	137,613,779
Intangible assets	-	-	-	-	-	-	17,154,965	17,154,965
Prepaid expenses and income accruals, long term	-	-	-	-	-	-	1,336,099	1,336,099
Deferred tax assets	-	-	-	-	-	-	-	-
Total assets	7,678,060	256,745,541	64,418,755	235,510,361	1,150,943,219	763,077,862	9,415,622,881	11,893,996,679
Financial liabilities	-	-	101,214,252	-	-	-	-	101,214,252
Payables arising from main operations	-	12,495,112	-	1,505,123	-	-	9,121,523,623	9,135,523,858
Due to related parties	-	8,836	-	9,678	-	-	30	18,544
Other payables	-	17,046,566	-	-	-	-	1,570,420	18,616,986
Insurance technical provisions	-	-	-	-	-	-	1,809,975,372	1,809,975,372
Provisions for taxes and other similar obligations	-	6,233,388	-	-	-	-	7,376,788	13,610,176
Deferred income and expense accruals	-	-	-	-	-	-	4,192,937	4,192,937
Other short term liabilities	-	-	-	-	-	-	-	-
Provisions for other risks	-	900,000	-	7,975,000	-	12,077,567	4,823,218	25,775,785
Deferred tax liabilities	-	-	-	-	-	-	2,042,793	2,042,793
Shareholders' equity	-	-	-	-	-	-	783,025,976	783,025,976
Total liabilities	-	36,683,902	101,214,252	9,489,801	-	12,077,567	11,734,531,157	11,893,996,679
Net liquidity surplus/(deficit)	7,678,060	220,061,639	(36,795,497)	226,020,560	1,150,943,219	751,000,295	(2,318,908,276)	-

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Market risk

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

Foreign currency risk

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

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

Parallel to the general characteristic of Turkish insurance sector, the Company holds long position in terms of US Dollar and Euro.

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

Foreign currency position table - 31 December 2016						
	Total TRY (Functional currency)	US Dollar	Euro	GBP	CHF	JPY
1. Cash at banks	8,328,859	4,919,514	3,336,990	33,365	38,990	-
2. Financial assets and financial investments with risks on policyholders	525,327,347	402,493,256	107,862,056	14,972,035	-	-
3. Receivables from main operations	998,136	773,982	223,014	1,140	-	-
4. Reinsurance receivables	-	-	-	-	-	-
5. Rent receivables	-	-	-	-	-	-
6. Deposits given	38,711	38,711	-	-	-	-
Foreign currency assets, current	534,693,053	408,225,463	111,422,060	15,006,540	38,990	-
7. Total assets	534,693,053	408,225,463	111,422,060	15,006,540	38,990	-
8. Other miscellaneous payables	2,338,247	2,190,303	95,723	-	52,221	-
9. Payables to reinsurers	140,656	140,533	-	123	-	-
10. Agency guarantees	350,257	337,602	12,655	-	-	-
11. Technical provisions	494,882,567	393,052,439	87,489,976	14,326,020	3,261	10,871
Foreign currency liabilities, short term	497,711,727	395,720,877	87,598,354	14,326,143	55,482	10,871
12. Total liabilities	497,711,727	395,720,877	87,598,354	14,326,143	55,482	10,871
Net financial position	36,981,326	12,504,586	23,823,706	680,397	(16,492)	(10,871)
Net long/(short) position on monetary items	36,942,615	12,465,875	23,823,706	680,397	(16,492)	(10,871)

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Foreign currency position table - 31 December 2015

	Total TRY (Functional currency)	US Dollar	Euro	GBP	CHF	JPY
1. Cash at banks	1,935,303	613,215	1,286,114	15,066	20,908	-
2. Financial assets and financial investments with risks on policyholders	465,282,465	347,442,483	101,112,634	16,727,348	-	-
3. Receivables from main operations	1,111,951	944,190	160,210	7,551	-	-
4. Reinsurance receivables	-	-	-	-	-	-
5. Rent receivables	-	-	-	-	-	-
6. Deposits given	31,984	31,984	-	-	-	-
Foreign currency assets, current	468,361,703	349,031,872	102,558,958	16,749,965	20,908	-
7. Total assets	468,361,703	349,031,872	102,558,958	16,749,965	20,908	-
8. Other miscellaneous payables	3,883,499	3,720,463	157,438	5,598	-	-
9. Payables to reinsurers	56	-	-	56	-	-
10. Agency guarantees	320,175	306,630	13,545	-	-	-
11. Technical provisions	406,940,244	314,748,938	78,202,182	13,966,288	6,002	16,834
Foreign currency liabilities, short term	411,143,974	318,776,031	78,373,165	13,971,942	6,002	16,834
12. Total liabilities	411,143,974	318,776,031	78,373,165	13,971,942	6,002	16,834
Net financial position	57,217,729	30,255,841	24,185,793	2,778,023	14,906	(16,834)
Net long/(short) position on monetary items	57,185,745	30,223,857	24,185,793	2,778,023	14,906	(16,834)

Foreign currency transactions are recorded at exchange rates at the transaction dates and foreign currency denominated monetary items are evaluated by the Central Bank of the Republic of Turkey's spot purchase rates as at reporting dates.

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

31 December 2016	US Dollar	Euro	GBP	CHF	JPY
Foreign currency rate used in translation of balance sheet items	3.5192	3.7099	4.3189	3.4454	0.0300
31 December 2015	US Dollar	Euro	GBP	CHF	JPY
Foreign currency rate used in translation of balance sheet items	2.9076	3.1776	4.3007	2.9278	0.0241

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Exposure to foreign currency risk

A 10 percent depreciation of the TRY against the following currencies as at 31 December 2016 and 2015 would have increased or decreased equity and profit or loss (excluding tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 10 percent appreciation of the TRY against the following currencies, the effect will be in opposite direction.

	Exchange rate sensitivity analysis table - 31 December 2016			
	Profit/loss		Equity ⁽¹⁾	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
If USD value changes by 10% against TRY:				
1- Net US Dollar assets/liabilities	1,146,233	(1,146,233)	1,250,459	(1,250,459)
2- Hedged portion from US Dollar risk (-)	-	-	-	-
3- Net effect of US Dollar (1+2)	1,146,233	(1,146,233)	1,250,459	(1,250,459)
If EUR value changes by 10% against TRY:				
4- Net Euro assets/liabilities	2,348,118	(2,348,118)	2,382,371	(2,382,371)
5- Hedged portion from Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	2,348,118	(2,348,118)	2,382,371	(2,382,371)
If GBP value changes by 10% against TRY:				
7- Net GBP assets/liabilities	66,077	(66,077)	68,040	(68,040)
8- Hedged portion from GBP risk (-)	-	-	-	-
9- Net effect of GBP (7+8)	66,077	(66,077)	68,040	(68,040)
If CHF value changes by 10% against TRY:				
10- Net CHF assets/liabilities	(1,649)	1,649	(1,649)	1,649
11- Hedged portion from CHF risk (-)	-	-	-	-
12- Net effect of CHF (10+11)	(1,649)	1,649	(1,649)	1,649
If JPY value changes by 10% against TRY:				
13- Net JPY assets/liabilities	(1,087)	1,087	(1,087)	1,087
14- Hedged portion from JPY risk (-)	-	-	-	-
15- Net effect of JPY (13+14)	(1,087)	1,087	(1,087)	1,087
Total (3+6+9+12+15)	3,557,692	(3,557,692)	3,698,134	(3,698,134)

⁽¹⁾Includes profit/loss effect.

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Exchange rate sensitivity analysis table - 31 December 2015				
	Profit/loss		Equity ⁽¹⁾	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
If USD value changes by 10% against TRY:				
1- Net US Dollar assets/liabilities	2,831,457	(2,831,457)	3,025,584	(3,025,584)
2- Hedged portion from US Dollar risk (-)	-	-	-	-
3- Net effect of US Dollar (1+2)	2,831,457	(2,831,457)	3,025,584	(3,025,584)
If EUR value changes by 10% against TRY:				
4- Net Euro assets/liabilities	2,373,768	(2,373,768)	2,418,579	(2,418,579)
5- Hedged portion from Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	2,373,768	(2,373,768)	2,418,579	(2,418,579)
If GBP value changes by 10% against TRY:				
7- Net GBP assets/liabilities	268,700	(268,700)	277,802	(277,802)
8- Hedged portion from GBP risk (-)	-	-	-	-
9- Net effect of GBP (7+8)	268,700	(268,700)	277,802	(277,802)
If CHF value changes by 10% against TRY:				
10- Net CHF assets/liabilities	1,491	(1,491)	1,491	(1,491)
11- Hedged portion from CHF risk (-)	-	-	-	-
12- Net effect of CHF (10+11)	1,491	(1,491)	1,491	(1,491)
If JPY value changes by 10% against TRY:				
13- Net JPY assets/liabilities	(1,683)	1,683	(1,683)	1,683
14- Hedged portion from JPY risk (-)	-	-	-	-
15- Net effect of JPY (13+14)	(1,683)	1,683	(1,683)	1,683
Total (3+6+9+12+15)	5,473,733	(5,473,733)	5,721,773	(5,721,773)

⁽¹⁾ Includes profit/loss effect.

The changes in interest rate that arise fluctuations in prices of financial instruments lead to the necessity of overcoming interest rate risk. The Company's sensitivity for interest rate risk is related to the inconsistency of maturity of asset and liability items. The interest risk is managed by compensating the assets exposed to the interest fluctuations with the identical liabilities.

Financial instruments which are sensitive to the changes in interest rates are given in the table below:

	31 December 2016	31 December 2015
<i>Fixed rate financial instruments</i>		
Financial assets	1,802,905,161	1,803,766,421
<i>Available-for-sale financial assets</i>	1,783,897,456	1,792,899,542
<i>Loans and receivables</i>	19,007,705	10,866,879
Banks	122,700,098	137,923,868
<i>Variable rate financial instruments</i>		
Financial assets	341,570,115	352,941,809
<i>Available-for-sale financial assets</i>	341,570,115	352,941,809

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Interest rate sensitivity of financial instruments

As at 31 December 2016 and 31 December 2015, interest rate risk analysis of financial assets and financial liabilities are summarised in the table below:

31 December 2016	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 years and over	Non-interest bearing	Total
Assets:							
Cash and cash equivalents	282,900,724	20,476,381	-	-	-	23,509,679	326,886,784
Financial assets and investments with risks on policyholders	262,869,870	-	239,118,163	782,701,711	859,785,530	228,607,677	2,373,082,951
Receivables from main operations	2,980,438	5,932,433	11,523,631	-	-	11,429,127,042	11,449,563,544
Due from related parties	-	5,221	-	-	-	-	5,221
Other receivables	9,020,596	-	-	-	-	1,642,897	10,663,493
Prepaid expenses and income accruals, short term	-	-	-	-	-	23,523,085	23,523,085
Other current assets	-	-	-	-	-	18,199	18,199
Other current receivables	-	-	764,981	-	-	-	764,981
Financial assets (Associates)	-	-	-	-	-	18,551,738	18,551,738
Tangible assets	-	-	-	-	-	162,607,274	162,607,274
Intangible assets	-	-	-	-	-	31,273,866	31,273,866
Prepaid expenses and income accruals, long term	-	-	-	-	-	530,611	530,611
Deferred tax assets	-	-	-	-	-	-	-
Total assets	557,771,628	26,414,035	251,406,775	782,701,711	859,785,530	11,919,392,068	14,397,471,747
Liabilities:							
Financial liabilities	45,376,520	-	-	-	-	-	45,376,520
Payables arising from main operations	17,202,842	-	1,084,011	-	-	11,579,768,030	11,598,054,883
Due to related parties	55,571	-	62,231	-	-	48	117,850
Other liabilities	15,968,739	-	-	-	-	4,176,121	20,144,860
Insurance technical provisions	-	-	-	-	-	1,818,688,743	1,818,688,743
Provisions for taxes and other similar obligations	7,011,193	-	-	-	-	6,001,919	13,013,112
Deferred income and expense accruals	-	-	-	-	-	5,581,134	5,581,134
Other short term liabilities	-	-	-	-	-	-	-
Provisions for other risks	900,000	-	9,540,000	-	12,709,099	5,239,205	28,388,304
Deferred tax liabilities	-	-	-	-	-	1,461,964	1,461,964
Shareholders' equity	-	-	-	-	-	866,644,377	866,644,377
Total liabilities and equity	86,514,865	-	10,686,242	-	12,709,099	14,287,561,541	14,397,471,747
Net position	471,256,763	26,414,035	240,720,533	782,701,711	847,076,431	(2,368,169,473)	-

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31 December 2015	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	5 years and over	Non-interest bearing	Total
Assets:							
Cash and cash equivalents	238,279,351	57,042,047	-	-	-	7,678,060	302,999,458
Financial assets and investments with risks on policyholders	249,781,684	2,900,167	284,621,477	856,327,040	763,077,862	223,586,523	2,380,294,753
Receivables from main operations	1,708,244	3,396,077	6,950,778	-	-	9,002,998,456	9,015,053,555
Due from related parties	-	8,031	-	-	-	-	8,031
Other receivables	5,530,545	-	-	-	-	1,604,448	7,134,993
Prepaid expenses and income accruals, short term	-	-	-	-	-	13,727,270	13,727,270
Other current assets	-	-	-	-	-	18,627	18,627
Other current receivables	-	1,072,433	-	-	-	-	1,072,433
Financial assets (Associates)	-	-	-	-	-	17,582,716	17,582,716
Tangible assets	-	-	-	-	-	137,613,779	137,613,779
Intangible assets	-	-	-	-	-	17,154,965	17,154,965
Prepaid expenses and income accruals, long term	-	-	-	-	-	1,336,099	1,336,099
Deferred tax assets	-	-	-	-	-	-	-
Total assets	495,299,824	64,418,755	291,572,255	856,327,040	763,077,862	9,423,300,943	11,893,996,679
Liabilities:							
Financial liabilities	-	101,214,252	-	-	-	-	101,214,252
Payables arising from main operations	12,495,112	-	1,505,123	-	-	9,121,523,623	9,135,523,858
Due to related parties	8,836	-	9,678	-	-	30	18,544
Other liabilities	17,046,566	-	-	-	-	1,570,420	18,616,986
Insurance technical provisions	-	-	-	-	-	1,809,975,372	1,809,975,372
Provisions for taxes and other similar obligations	6,233,388	-	-	-	-	7,376,788	13,610,176
Deferred income and expense accruals	-	-	-	-	-	4,192,937	4,192,937
Other short term liabilities	-	-	-	-	-	-	-
Provisions for other risks	900,000	-	7,975,000	-	12,077,567	4,823,218	25,775,785
Deferred tax liabilities	-	-	-	-	-	2,042,793	2,042,793
Shareholders' equity	-	-	-	-	-	783,025,976	783,025,976
Total liabilities and equity	36,683,902	101,214,252	9,489,801	-	12,077,567	11,734,531,157	11,893,996,679
Net position	458,615,922	(36,795,497)	282,082,454	856,327,040	751,000,295	(2,311,230,214)	-

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Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income as at and for 31 December 2016 and 2015 of the floating rate non-trading financial assets and financial liabilities held at 31 December 2016 and 2015. Interest rate sensitivity of equity is calculated by revaluing available-for-sale financial assets at 31 December 2016 and 2015 for the effects of the assumed changes in interest rates. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The table below demonstrating the effect of changes in interest rates on statement of income and equity excludes tax effects on related loss or income.

31 December 2016	100 bp increase	100 bp decrease	500 bp increase	500 bp decrease
Company's own portfolio	(14,046,708)	14,698,071	(64,444,915)	80,876,329
Total, net	(14,046,708)	14,698,071	(64,444,915)	80,876,329
31 December 2015	100 bp increase	100 bp decrease	500 bp increase	500 bp decrease
Company's own portfolio	(14,924,413)	15,735,555	(67,527,101)	88,037,082
Total, net	(14,924,413)	15,735,555	(67,527,101)	88,037,082

Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where it exists, appropriate valuation methodologies.

The Company has classified its financial assets as held for trading purpose or available for sale. As at reporting period, available for sale financial assets and financial assets held for trading are measured at their fair values in the accompanying financial statements.

Management estimates that the fair value of other financial assets and liabilities are not materially different than their carrying values.

Classification relevant to fair value information

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

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

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

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

If classification is available for usage, it necessitates the utilisation of observable market data.

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

	31 December 2016			Total
	Level 1	Level 2	Level 3	
<i>Financial assets:</i>				
Financial assets held for trading	36,591,886	-	-	36,591,886
Available for sale financial assets ⁽¹⁾	716,518,828	-	-	716,518,828
Financial investments with risks on policyholders classified as available for sale	1,535,811,130	-	-	1,535,811,130
Financial investments with risks on policyholders classified as for the purposes of purchase and sale	45,111,299	-	-	45,111,299
Receivables from individual pension business	11,359,420,955	-	-	11,359,420,955
Total financial assets	13,693,454,098	-	-	13,693,454,098
<i>Financial liabilities:</i>				
Investment contract liabilities - life mathematical provision for saving life policies	1,682,433,974	-	-	1,682,433,974
Payables arising from individual pension business ⁽²⁾	11,359,420,955	-	-	11,359,420,955
Total financial liabilities	13,041,854,929	-	-	13,041,854,929

⁽¹⁾ As at 31 December 2016, securities that are not publicly traded cost value TRY 30,550,908 and TRY (10,508,805) impairment amounting to TRY 20,042,103 have been measured at cost and are excluded from the table.

⁽²⁾ Includes investments directed individual pension funds.

	31 December 2015			Total
	Level 1	Level 2	Level 3	
<i>Financial assets:</i>				
Financial assets held for trading	33,213,002	-	-	33,213,002
Available for sale financial assets ⁽¹⁾	660,927,849	12,563,647	-	673,491,496
Financial investments with risks on policyholders classified as available for sale	1,595,428,502	-	-	1,595,428,502
Financial investments with risks on policyholders classified as for the purposes of purchase and sale	41,505,156	-	-	41,505,156
Receivables from individual pension business	8,933,549,975	-	-	8,933,549,975
Total financial assets	11,264,624,484	12,563,647	-	11,277,188,131
<i>Financial liabilities:</i>				
Investment contract liabilities - life mathematical provision for saving life policies	1,700,163,219	-	-	1,700,163,219
Payables arising from individual pension business ⁽²⁾	8,933,549,975	-	-	8,933,549,975
Total financial liabilities	10,633,713,194	-	-	10,633,713,194

⁽¹⁾ As at 31 December 2015, securities that are not publicly traded cost value TRY 30,550,908 and TRY (4,761,190) impairment amounting to TRY 25,789,718 have been measured at cost and are excluded from the table.

⁽²⁾ Includes investments directed individual pension funds.

Equity share price risk

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

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

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	Change of price	31 December 2016	31 December 2015
Market price of equity share	10%	12,686,239	12,307,865

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

	Change of price	31 December 2016	31 December 2015
Market price of equity share	10%	198,107	228,414

Capital management

The aim of the Company's capital management is defined as to provide the continuity of profit-making company, to protect the benefits of the shareholders and institutional partners and also to conduct the most efficient capital structure in order to reduce the cost of capital.

The capital adequacy of the Company is calculated in accordance with the Decree "Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds" in all reporting periods. The Capital Adequacy calculated according to two methods are in line with the minimum requirements. The Company's recent capital adequacy table prepared as at the report date for 30 June 2016 is summarised below. As at 30 June 2016, the capital adequacy of the Company is TRY 163,972,520 and TRY 213,065,175; based on first and second method respectively. By the table below, it is observed that capital adequacy balances calculated by using first and second methods are less than the Company's capital as at 30 June 2016. The Company's capital calculated based on the regulation as at 30 June 2016 is TRY 802,403,346. Consequently, the Company's capital is adequate.

Capital adequacy table		
	30 June 2016	31 December 2015
First Method		
Required capital for non-life branches	70,514	69,050
Required capital for life branch	112,735,275	114,328,281
Required capital for pension branch	51,166,731	44,667,750
Required capital based on the first method	163,972,520	159,065,081
Second Method		
Required capital for asset risk	182,707,222	157,124,350
Required capital for reinsurance risk	2,074,979	1,294,274
Required capital for excessive premium increase	-	-
Required capital for outstanding claims risk	2,788,978	2,820,075
Required capital for underwriting risk	18,928,170	17,989,688
Required capital for interest rate and currency risk	6,565,826	4,291,330
Required capital based on the second method	213,065,175	183,519,717
Required capital	213,065,175	183,519,717
Current capital ⁽¹⁾	802,403,346	789,451,208
Excessive capital	589,338,171	605,931,491

⁽¹⁾ According to legal regulations, equalisation provision of TRY 13,280,934 (31 December 2015: TRY 11,245,755) have been included in the amount for equity.

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5 Segment reporting

Segmenting of balance sheet and income statement items is based on the distribution key described in Circular "Principles and Procedures of Distribution Keys Used in Financial Statements under the Insurance Uniformed Chart of Accounts" issued by the Undersecretariat of Treasury on 4 January 2008 and Circular "Amendments to Principles and Procedures of Distribution Keys Used in Financial Statements under the Insurance Uniformed Chart of Accounts" issued by the Undersecretariat of Treasury on 9 August 2010.

31 December 2016	Life	Individual pension	Personal accident	Total
<i>Continuing operations:</i>				
Technical income	700,849,526	236,760,325	448,281	938,058,132
Technical expense	(588,363,510)	(215,669,232)	(1,013,807)	(805,046,549)
Total of other income and expense	45,773,575	51,499,023	502,689	97,775,287
Income before tax	158,259,591	72,590,116	(62,837)	230,786,870
Income tax expense	-	-	-	(39,530,000)
Net profit for the period	158,259,591	72,590,116	(62,837)	191,256,870
<hr/>				
31 December 2016	Life	Individual pension	Personal accident	Total
Segment assets	2,272,567,879	12,099,946,342	24,957,526	14,397,471,747
Total assets	2,272,567,879	12,099,946,342	24,957,526	14,397,471,747
Segment liabilities	(2,274,954,936)	(12,097,561,561)	(24,955,250)	(14,397,471,747)
Total liabilities	(2,274,954,936)	(12,097,561,561)	(24,955,250)	(14,397,471,747)
<hr/>				
<i>Other segment information</i>				
Depreciation and amortisation	(5,470,622)	(6,154,898)	(60,078)	(11,685,598)
<hr/>				
31 December 2015	Life	Individual pension	Personal accident	Total
<i>Continuing operations:</i>				
Technical income	602,512,365	209,057,996	453,292	812,023,653
Technical expense	(516,034,331)	(187,036,638)	(693,713)	(703,764,682)
Total of other income and expense	33,001,632	35,090,951	309,266	68,401,849
Income before tax	119,479,666	57,112,309	68,845	176,660,820
Income tax expense	-	-	-	(30,778,000)
Net profit for the period	119,479,666	57,112,309	68,845	145,882,820
<hr/>				
31 December 2015	Life	Individual pension	Personal accident	Total
Segment assets	2,281,205,479	9,591,413,435	21,377,765	11,893,996,679
Total assets	2,281,205,479	9,591,413,435	21,377,765	11,893,996,679
Segment liabilities	(2,262,417,598)	(9,610,381,178)	(21,197,903)	(11,893,996,679)
Total liabilities	(2,262,417,598)	(9,610,381,178)	(21,197,903)	(11,893,996,679)
<hr/>				
<i>Other segment information</i>				
Depreciation and amortisation	(4,715,289)	(5,013,812)	(44,188)	(9,773,289)

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6 Tangible assets

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

	1 January 2016	Additions	Increase in value	Disposals	31 December 2016
<i>Cost:</i>					
Owner occupied land and buildings	4,610,000	-	-	-	4,610,000
Machinery and equipment	19,763,450	5,184,811	-	(608,528)	24,339,733
Vehicles	541,760	-	-	(54,884)	486,876
Furniture and fixtures (includes leased assets)	4,415,371	72,762	-	(130,014)	4,358,119
Leasehold improvements	3,456,710	180,410	-	-	3,637,120
	32,787,291	5,437,983	-	(793,426)	37,431,848
<i>Accumulated depreciation:</i>					
Owner occupied land and buildings	(4,422)	(13,265)	-	-	(17,687)
Machinery and equipment	(8,779,101)	(4,372,204)	-	539,933	(12,611,372)
Vehicles	(195,171)	(93,924)	-	47,028	(242,067)
Furniture and fixtures (includes leased assets)	(3,290,743)	(305,705)	-	129,873	(3,466,575)
Leasehold improvements	(2,449,188)	(300,196)	-	-	(2,749,384)
	(14,718,625)	(5,085,294)	-	716,834	(19,087,085)
Carrying amounts	18,068,666				18,344,763

As of 31 December 2016, owner occupied properties are evaluated at fair value. Appraisal reports were provided by CMB licensed real estate appraisal company on June 2015 and July 2015. There is no pledge on the properties.

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

	Appraisal value	Net carrying value (31 December 2016)
Owner occupied land and buildings		
Southern Anatolia district sales office/Adana	2,560,000	2,542,313
Land/İstanbul Kağıthane	2,050,000	2,050,000
Total	4,610,000	4,592,313

Fair value measurement

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

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

	1 January 2015	Additions	Increase in value	Disposals	31 December 2015
Cost:					
Owner occupied land and buildings ⁽¹⁾	1,338,902	-	3,553,596	(282,498)	4,610,000
Machinery and equipment	12,020,118	7,938,926	-	(195,594)	19,763,450
Vehicles	558,076	236,897	-	(253,213)	541,760
Furniture and fixtures (includes leased assets)	3,830,228	644,872	-	(59,729)	4,415,371
Leasehold improvements	3,155,606	301,104	-	-	3,456,710
	20,902,930	9,121,799	3,553,596	(791,034)	32,787,291
Accumulated depreciation:					
Owner occupied land and buildings ⁽¹⁾	(269,523)	(17,397)	-	282,498	(4,422)
Machinery and equipment	(5,789,217)	(3,172,208)	-	182,324	(8,779,101)
Vehicles	(372,878)	(75,507)	-	253,214	(195,171)
Furniture and fixtures (includes leased assets)	(3,105,756)	(243,688)	-	58,701	(3,290,743)
Leasehold improvements	(2,183,471)	(265,717)	-	-	(2,449,188)
	(11,720,845)	(3,774,517)	-	776,737	(14,718,625)
Carrying amounts	9,182,085				18,068,666

⁽¹⁾ Owner occupied properties have been presented with fair values in the financial statements starting from the third quarter of 2015, previously they were presented with their historical cost.

7 Investment properties

Properties held either to earn rentals and/or for capital appreciation or for both are classified as investment properties. The Company has started to recognize investment properties with fair value method since 30 September 2015. Therefore 31 December 2014 and 31 December 2013 financial statements were restated according to appraisal reports which were provided by CMB licensed real estate appraisal companies.

Movement in investment properties in the period from 1 January to 31 December 2016 is presented below:

	1 January 2016	Additions	Increase in value	Disposals	31 December 2016
Land/İstanbul Ömerli	57,183,000	-	6,538,888	(601,377)	63,120,511
Building/İstanbul Gayrettepe	33,072,113	177,456	19,050,431	-	52,300,000
Building/Mersin	29,290,000	-	(448,000)	-	28,842,000
	119,545,113	177,456	25,141,319	(601,377)	144,262,511
Carrying amounts	119,545,113				144,262,511

Movement in investment properties in the period from 1 January to 31 December 2015 is presented below:

	1 January 2015	Additions	Increase in value	Disposals	31 December 2015
Land/İstanbul Ömerli	52,603,000	-	4,580,000	-	57,183,000
Building/İstanbul Gayrettepe	29,120,000	177,173	3,774,940	-	33,072,113
Building/Mersin	28,120,000	-	1,170,000	-	29,290,000
	109,843,000	177,173	9,524,940		119,545,113
Carrying amounts	109,843,000				119,545,113

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For the period ended 31 December 2016, the Company has rental income from investment properties amounting to TRY 1,939,059 (31 December 2015: TRY 3,576,655). The Company has a gain from increase in value of investment properties amounting to TRY 25.760.280 (31 December 2015: TRY 9,524,940). When the diminution in value of investment properties amounting to TRY 618.961 recorded under "diminution in value of investments" account during the period is considered, the Company has a net gain from increase in value of investment properties amounting to TRY 25.141.319.

The appraisal values (excluding VAT) and net carrying values of investment properties are presented below. Appraisal reports were provided by CMB licensed real estate appraisal company at June 2015 and August 2015. There is no mortgage on the property in question.

Appraisal and net carrying value		
	Net carrying value (31 December 2016)	Net carrying value 31 December 2015)
Investment land and buildings		
Land/İstanbul Ömerli	63,120,511	57,183,000
Building/İstanbul Gayrettepe	52,300,000	33,072,113
Building/Mersin	28,842,000	29,290,000
Appraisal and net carrying value	144,262,511	119,545,113

Fair value measurement

The fair values of investment properties were determined by market comparison technique. The fair value measurement of investment properties is classified as level 2.

8 Intangible assets

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

	1 January 2016	Additions	Disposals	31 December 2016
<i>Cost:</i>				
Rights	29,612,153	15,324,329	-	44,936,482
Advances for intangible assets	7,603,974	5,394,876	-	12,998,850
	37,216,127	20,719,205	-	57,935,332
<i>Accumulated amortisation:</i>				
Rights	(20,061,162)	(6,600,304)	-	(26,661,466)
	(20,061,162)	(6,600,304)	-	(26,661,466)
Carrying amounts	17,154,965			31,273,866

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

	1 January 2015	Additions	Disposals	31 December 2015
<i>Cost:</i>				
Rights	24,768,240	4,843,913	-	29,612,153
Advances for intangible assets	3,708,940	3,895,034	-	7,603,974
	28,477,180	8,738,947	-	37,216,127
<i>Accumulated amortisation:</i>				
Rights	(14,062,390)	(5,998,772)	-	(20,061,162)
	(14,062,390)	(5,998,772)	-	(20,061,162)
Carrying amounts	14,414,790			17,154,965

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9 Investments in associates

	31 December 2016		31 December 2015	
	Carrying value	Participation rate %	Carrying value	Participation rate %
İş Portföy Yönetimi AŞ	18,551,738	20.0%	17,582,716	20.0%
Investments in associates, net	18,551,738		17,582,716	

Associate	Total assets	Shareholders' equity	Retained earnings	Profit for the period	Audited or not	Period
İş Portföy Yönetimi AŞ	97,092,338	92,758,692	1,680,433	16,445,676	Audited	31 December 2016

TRY 3,289,135 of income is obtained from associates through equity accounted consolidation method (31 December 2015: TRY 2,615,836).

10 Reinsurance assets and liabilities

Outstanding reinsurance assets and liabilities of the Company, as a ceding company in accordance with the existing reinsurance contracts are as follows:

Reinsurance assets	31 December 2016	31 December 2015
Life mathematical reserve, ceded (Note 17.15)	2,284,601	2,648,864
Provision for outstanding claims, ceded (Note 17.15)	3,892,711	3,096,310
Reserve for unearned premiums, ceded (Note 17.15)	2,072,697	2,281,948
Provision for bonus and discount, ceded (Note 17.15)	833,859	636,991
Reserve for unexpired risks, ceded (Note 17.15)	1,976	-
Other technical provision, ceded	533,500	437,489
Due from reinsurers	-	145,611
Total	9,619,344	9,247,213

There is not any impairment losses recognised for reinsurance assets.

Reinsurance liabilities	31 December 2016	31 December 2015
Payables to reinsurance companies	353,991	-
Current account of reinsurance companies (Note 19)	1,084,011	1,505,123
Total	1,438,002	1,505,123

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

	1 January - 31 December 2016	1 January - 31 December 2015
<i>Life branch:</i>		
Premiums ceded during the period	(12,714,132)	(12,441,528)
Change in unearned premiums reserve, ceded	(216,942)	(209,106)
Commissions received from reinsurers ⁽¹⁾	1,989,602	2,079,556
Reinsurers share of claims paid	6,524,066	5,977,832
Change in outstanding claims, ceded	886,767	405,475
Change in provision for bonus and discount, ceded	195,377	633,650
Change in life mathematical reserve, ceded	(364,263)	(572,064)
	(3,699,525)	(4,126,185)
<i>Non-life branch:</i>		
Premiums ceded during the period	(210,687)	(151,445)
Change in unearned premiums reserve, ceded	7,691	8,720
Commissions received from reinsurers ⁽¹⁾	43,609	43,084
Reinsurers share of claims paid	182,663	1,050
Change in outstanding claims, ceded	(90,121)	154,735
Change in provision for bonus and discount, ceded	1,491	(15)
	(65,354)	56,129
Total, net	(3,764,879)	(4,070,056)

⁽¹⁾ Deferred commissions are excluded from commissions received from reinsurers.

11 Financial assets

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

Financial assets and financial investments with risk on policyholders	31 December 2016	31 December 2015
Available for sale financial assets, Company's own portfolio	747,069,736	704,042,404
Financial assets held for trading purpose	36,591,886	33,213,002
Loans and receivables	19,007,705	10,866,879
Financial investments with risks on saving life policyholders classified and held for trading purpose as available for sale	1,580,922,429	1,636,933,658
Impairment loss on financial assets	(10,508,805)	(4,761,190)
Total	2,373,082,951	2,380,294,753

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

	31 December 2016			
	Face value	Cost	Fair value	Carrying value
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares		1,200,249	1,981,071	1,981,071
Investment funds		31,445,153	34,610,815	34,610,815
Total financial assets held for trading purpose - other		32,645,402	36,591,886	36,591,886
Total financial assets held for trading purpose		32,645,402	36,591,886	36,591,886
	31 December 2015			
	Face value	Cost	Fair value	Carrying value
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares		1,197,489	2,284,139	2,284,139
Investment funds		28,783,653	30,928,863	30,928,863
Total financial assets held for trading purpose - other		29,981,142	33,213,002	33,213,002
Total financial assets held for trading purpose		29,981,142	33,213,002	33,213,002

The Company's financial assets held for trading issued by the Company's related parties, are detailed as follows:

	31 December 2016			
	Face value	Cost	Fair value	Carrying value
Investment funds	6,240,978	31,445,153	34,610,815	34,610,815
Total	6,240,978	31,445,153	34,610,815	34,610,815
	31 December 2015			
	Face value	Cost	Fair value	Carrying value
Investment funds	6,240,978	28,783,653	30,928,863	30,928,863
Total	6,240,978	28,783,653	30,928,863	30,928,863

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

	31 December 2016		
	Cost	Fair value	Carrying value
Reverse repo transaction	19,000,000	19,007,705	19,007,705
Receivables from reverse repo	19,000,000	19,007,705	19,007,705
	31 December 2015		
	Cost	Fair value	Carrying value
Reverse repo transaction	10,864,000	10,866,879	10,866,879
Receivables from reverse repo	10,864,000	10,866,879	10,866,879

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

	Face value	31 December 2016		
		Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Private sector bonds and asset-backed securities	21,300,000	20,130,153	20,449,839	20,449,839
Government bonds	568,030,649	563,491,371	569,206,602	569,206,602
Total available for sale financial assets - debt instruments		583,621,524	589,656,441	589,656,441
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares ⁽¹⁾		122,620,662	157,413,295	157,413,295
Total available for sale financial assets - other		122,620,662	157,413,295	157,413,295
Total available for sale financial assets		706,242,186	747,069,736	747,069,736
Impairment loss on available for sale equity shares		(10,508,805)	(10,508,805)	(10,508,805)
Net available for sale financial assets		695,733,381	736,560,931	736,560,931

⁽¹⁾ Financial assets of which the fair values are measured reliably are presented at their fair values, if not, presented at their costs.

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	31 December 2015			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Private sector bonds and asset-backed securities	35,070,599	29,911,382	33,568,711	33,568,711
Government bonds	518,382,906	513,623,991	516,844,138	516,844,138
Total available for sale financial assets - debt instruments		543,535,373	550,412,849	550,412,849
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares ⁽¹⁾		112,426,562	153,629,555	153,629,555
Total available for sale financial assets - other		112,426,562	153,629,555	153,629,555
Total available for sale financial assets		655,961,935	704,042,404	704,042,404
Impairment loss on available for sale equity shares		(4,761,190)	(4,761,190)	(4,761,190)
Net available for sale financial assets		651,200,745	699,281,214	699,281,214

⁽¹⁾ Financial assets of which the fair values are measured reliably are presented at their fair values, if not, presented at their costs.

The Company has equity shares issued by the Company's related parties and classified as available for sale financial assets in its own portfolio with a cost amount of TRY 121,616,422 and with a carrying value TRY 155,551,601 and bonds issued by the Company's related parties with a cost amount of TRY 20,130,153 and with a carrying value TRY 20,449,839 as at 31 December 2016 (31 December 2015: Equity shares with a cost amount of TRY 111,465,633 and a carrying amount of TRY 151,867,731; bonds issued by the Company's related parties with a cost amount TRY 20,360,630 and a carrying amount of TRY 21,005,065).

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Financial investments with risks on saving life policyholders ("FIRSLP") as at 31 December 2016 and 31 December 2015 are detailed as follows:

	31 December 2016			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds - TRY	1,043,040,916	1,041,202,692	1,025,394,406	1,025,394,406
Eurobonds issued by the Turkish Government				
Investment funds	132,488,000	468,862,677	510,416,724	510,416,724
Total available for sale financial assets - debt instruments	1,175,528,916	1,510,065,369	1,535,811,130	1,535,811,130
Debt instruments for trading purposes				
Investment funds	32,132,164	45,867,614	45,111,299	45,111,299
The sum of debt instruments classified as financial assets for trading purposes	32,132,164	45,867,614	45,111,299	45,111,299
Financial investments with risks on saving life policyholders				
		1,555,932,983	1,580,922,429	1,580,922,429
	31 December 2015			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds - TRY	1,162,146,727	1,158,742,485	1,144,044,458	1,144,044,458
Eurobonds issued by the Turkish Government				
Investment funds	133,138,000	390,352,757	451,384,044	451,384,044
Total available for sale financial assets - debt instruments	1,295,284,727	1,549,095,242	1,595,428,502	1,595,428,502
Debt instruments for trading purposes				
Investment funds	36,000,000	45,722,268	41,505,156	41,505,156
The sum of debt instruments classified as financial assets for trading purposes	36,000,000	45,722,268	41,505,156	41,505,156
Financial investments with risks on saving life policyholders				
		1,594,817,510	1,636,933,658	1,636,933,658

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The financial assets issued by the Company's related parties and classified as FIRSLP are detailed as follows:

	31 December 2016			
	Face value	Cost	Fair value	Carrying value
Investment funds	32,132,164	45,867,614	45,111,299	45,111,299
Total investment funds	32,132,164	45,867,614	45,111,299	45,111,299
	31 December 2015			
	Face value	Cost	Fair value	Carrying value
Investment funds	36,000,000	45,722,268	41,505,156	41,505,156
Total investment funds	36,000,000	45,722,268	41,505,156	41,505,156

The Company has not any securities, other than issued shares in the current period, or any matured debt securities.

Value increases in financial assets for the last three years:

	31 December 2016	31 December 2015	31 December 2014
<i>Current financial assets:</i>			
Available for sale financial assets, Company's own portfolio	40,827,550	48,080,469	55,161,780
Financial assets held for trading purpose	3,946,484	3,231,860	13,468,854
Loans and receivables	7,705	2,879	691
Financial investments with risks on saving life policyholders classified as available for sale	24,989,446	42,116,148	170,950,273
Total	69,771,185	93,431,356	239,581,598

Value increases reflect the difference between the carrying value and cost of the financial assets.

The Company has TRY 10,508,805 of impairment loss arising from its available for sale investments in equity participations not having a quoted market price in an active market (31 December 2015: TRY 4,761,190).

The Company does not apply hedge accounting.

Exchange rate differences arising from the payments of monetary items or different conversion rates used in the current period or at initial recognition are recognised in profit or loss.

Financial assets blocked in favor of the Turkish Treasury as a guarantee for the insurance activities are as follows:

	31 December 2016			
	Face value	Cost	Fair value	Carrying value
Financial investments with risks on saving life policyholders - debt securities	1,207,661,080	1,555,932,983	1,580,922,429	1,580,922,429
Available for sale financial assets	184,500,000	182,075,268	178,210,017	178,210,017
Time deposits	46,050,778	46,050,778	46,457,030	46,457,030
Total	1,438,211,858	1,784,059,029	1,805,589,476	1,805,589,476

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	31 December 2015			Carrying value
	Face value	Cost	Fair value	
Financial investments with risks on saving life policyholders - debt securities	1,331,284,727	1,594,817,510	1,636,933,658	1,636,933,658
Available for sale financial assets	170,052,009	164,907,314	161,020,634	161,020,634
Time deposits	36,329,267	36,329,266	36,659,769	36,659,769
Total	1,537,666,003	1,796,054,090	1,834,614,061	1,834,614,061

12 Loans and receivables

	31 December 2016	31 December 2015
Receivables from insurance operations	28,651,470	24,112,811
Provisions for receivables from insurance operations	(2,574)	(2,574)
Loans to the policyholders	31,647,263	31,439,625
Doubtful receivables from main operations and insurance operations	117,996	117,996
Provisions for doubtful receivables from main operations and insurance operations	(117,996)	(117,996)
Receivables from pension activities	11,389,267,385	8,959,503,693
<i>Net fund value of participants</i>	<i>11,359,420,955</i>	<i>8,933,549,975</i>
<i>Other</i>	<i>29,846,430</i>	<i>25,953,718</i>
Total receivables from main operations	11,449,563,544	9,015,053,555
Receivables from personnel	5,221	8,031
Other receivables	10,663,493	7,134,993
Total	11,460,232,258	9,022,196,579

The details of guarantees for the Company's receivables are presented below:

	31 December 2016	31 December 2015
Guarantees and commitments	4,127,529	4,030,913
Letters of guarantees	2,264,745	2,529,204
Real estate pledges	1,015,400	1,185,400
Total	7,407,674	7,745,517

	31 December 2016	31 December 2015
Provisions for doubtful receivables from main operations and insurance operations at the beginning of the period	117,996	117,996
Collections	-	-
Charge for the period	-	-
Provisions for doubtful receivables from main operations and insurance operations at the end of the period	117,996	117,996

Provision for both overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TRY 117,996 (31 December 2015: TRY 117,996).

b) Provision for premium receivables (due): TRY 2,574 (31 December 2015: TRY 2,574).

The Company provides provision for its doubtful receivables in the legal follow-up by considering the value and nature of the receivable.

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The Company reflects its receivables from and payables to reinsurance and insurance companies by netting off on the entity basis.

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

13 Derivative financial instruments

At the reporting period, the Company has not any derivative financial instruments.

14 Cash and cash equivalents

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

	31 December 2016		31 December 2015	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Cash on hand	8,370	3,385	3,385	27,952
Bank deposits	146,204,151	145,598,543	145,598,543	87,301,020
Bank guaranteed credit card receivables with maturities less than three months ⁽¹⁾	180,677,008	157,397,530	157,397,530	129,124,352
Cheques given and payment orders	(2,745)	-	-	(24,895)
Cash and cash equivalents in the balance sheet	326,886,784	302,999,458	302,999,458	216,428,429
Blocked amount ⁽²⁾ (Note 17)	(46,457,030)	(36,329,266)	(36,329,266)	-
Interest accruals on bank deposits	(1,095,326)	(594,601)	(594,601)	(441,793)
Term deposits with original maturities of longer than 3 months	(10,175,158)	-	-	(31,000,000)
Cash and cash equivalents presented in the statement of cash flow	269,159,270	266,075,591	266,075,591	184,986,636

⁽¹⁾ Bank guaranteed credit card receivables with maturities less than three months include credit card receivables from banks in relation to premium payments of policyholders.

⁽²⁾ As at 31 December 2016, this amount regarding insurance operations is blocked in favor for Undersecretariat of Treasury.

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

	31 December 2016	31 December 2015
Foreign currency denominated bank deposits		
- time deposits	-	-
- demand deposits	8,328,859	1,935,303
Bank deposits in TRY		
- time deposits	122,700,098	137,923,868
- demand deposits	15,175,194	5,739,372
Cash at banks	146,204,151	145,598,543

As at 31 December 2016, TRY time deposits have a maximum maturity of 40 days and their simple interest rates vary between 10.50% and 11.10%. The Company has not any foreign currency denominated bank deposits.

As at 31 December 2015, TRY time deposits have a maximum maturity of 56 days and their simple interest rates vary between 11.65% and 13.60%. The Company has not any foreign currency denominated bank deposits.

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15 Equity

Paid in capital

As at 31 December 2016, the authorised nominal share capital of the Company is TRY 430,000,000 and the share capital of the Company consists of 43,000,000,000 issued shares with TRY 0.01 nominal value each.

The Company's share capital is divided into group A and group B shares. Group A shares are represented by 100,000,000 of equity shares having a nominal amount of TRY 0.01 each. Group B shares are represented by 42,900,000,000 shares having a nominal amount of TRY 0.01 each and all shares are owned by Türkiye İş Bankası AŞ. Group A shareholders have no privileges except for the election of Board members. In accordance with the Articles of Association, new group A shares cannot be issued in capital increases.

The Company has accepted the registered capital system set out in accordance with the Law No: 2499 and applied the system as of 15 June 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As at 31 December 2016, the Company's registered capital is TRY 900,000,000.

As at 31 December 2016, there are not any treasury shares held by the Company's associate; namely İş Portföy Yönetimi AŞ. There are not any treasury shares held by the Company itself.

Profit on assets sale that will be transferred to capital

In accordance with tax legislation, 75% of profits from sales of participation shares and real states included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years. There is not any sale of shares that is subject to the exception, in the current period (31 December 2015: None).

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

The movement of legal reserves is as follows:

	31 December 2016	31 December 2015
Legal reserves at the beginning of the period	90,517,091	81,100,387
Transfer from profit	16,026,859	9,198,336
Change in the value of assets	-	218,368
Legal reserves at the end of the period	106,543,950	90,517,091

Extraordinary reserves

The movement of extraordinary reserves is presented below:

	31 December 2016	31 December 2015
Extraordinary reserves at the beginning of the period	85,019	2,085,774
Transfer from profit	18,404,659	16,699,245
Capital increase	(10,000,000)	(18,700,000)
Extraordinary reserves at the end of the period	8,489,678	85,019

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Statutory reserves

The movement of statutory reserves is presented below:

	31 December 2016	31 December 2015
Statutory reserves at the beginning of the period	308,179	2,239,098
Transfer from profit	11,013,641	6,997,317
Capital increase	(10,000,000)	(8,928,236)
Statutory reserves at the end of the period	1,321,820	308,179

Other profit reserves

In accordance with the revision of TAS 19, the amount of actuarial gains and losses have been presented under the other profit reserves since 31 December 2013, which were previously shown under the income statement. As at 31 December 2016, actuarial loss amounting to TRY (2,994,580) is presented under the other profit reserves (31 December 2015: TRY (1.856.690)). The difference arising from the owner occupied land and buildings at fair value amounting to TRY 2,981,724 is also presented under the other profit reserves (31 December 2015: TRY 2,981,724).

Valuation of financial assets

Movement of fair value reserves of available for sale financial assets is presented below:

	31 December 2016	31 December 2015
Fair value reserves at the beginning of the period	33,818,533	44,508,078
<i>Changes during the period:</i>		
The effect of changes in foreign exchange rates on unrealised gains and losses, recognised due to change in the fair values of available for sale financial assets with risks on saving life policyholders	482,132	761,760
Change in unrealised gains and losses due to changes in the fair values of available for sale financial assets with risks on saving life policyholders	(25,441,249)	(117,195,132)
Change in unrealised gains and losses due to changes in the fair values of available for sale financial assets with risks on saving life policyholders, policyholders' portion	24,169,187	111,335,375
Change in unrealised gains and losses from available for sale financial assets, company's own portfolio	5,076,730	6,808,422
Deferred and corporate tax effect	(1,306,365)	1,375,409
<i>Disposals during the period:</i>		
Unrealised gains and losses transferred from equity to income statement due to disposal of available for sale financial assets with risks on saving life policyholders	(477,291)	(18,894,046)
Unrealised gains and losses transferred from equity to income statement due to disposal of available for sale financial assets with risks on saving life policyholders, policyholders' portion	453,426	17,949,344
Unrealised gains and losses transferred from equity to income statement due to disposal of available for sale financial assets, company's own portfolio	846,065	(13,067,933)
Deferred and corporate tax effect	(164,440)	2,802,527
<i>Amounts transferred to income statement due to bonus shares:</i>		
Fair value changes in investments in associates	1,382	229,666
Fair value reserves at the end of the period	27,264,010	33,818,533

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16 Other reserves and equity component of DPF

Income and expense items that are directly accrued in equity as of the reporting period are as follows:

	31 December 2016	31 December 2015
Temporary differences arising from revaluation of financial assets	(2,270,423)	1,522
Permanent differences arising from revaluation of financial assets	28,306,344	32,733,939
The differences arising from revaluation of investment properties	774,004	774,004
Deferred tax effect	454,085	309,068
Total	27,264,010	33,818,533

17 Insurance contract liabilities and reinsurance assets

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

	31 December 2016		31 December 2015	
	Should be placed ⁽²⁾	Placed ⁽¹⁾	Should be placed ⁽²⁾	Placed ⁽¹⁾
<i>Life:</i>				
Financial assets ⁽¹⁾	1,705,601,787	1,774,174,825	1,753,420,397	1,786,161,361
Total	1,705,601,787	1,774,174,825	1,753,420,397	1,786,161,361
<i>Non-life:</i>				
Financial assets ⁽¹⁾	168,637	1,066,835	169,508	938,010
Total	168,637	1,066,835	169,508	938,010
Total	1,705,770,424	1,775,241,660	1,753,589,905	1,787,099,371

⁽¹⁾ As at 31 December 2016 and 31 December 2015, government bonds and treasury bills are measured at daily official prices announced by the Central Bank of Turkey; if these prices are not available, they are measured with stock exchange values; investment fund participation certificates are measured using the daily prices in accordance with the 6th Article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Individual Pension Companies".

⁽²⁾ According to 7th article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Individual Pension Companies" which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to "Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Individual Pension Companies", companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Turkish Treasury Department within two months. As at 31 December 2016 (31 December 2015), minimum guarantee amount of 30 June 2016 is shown as necessary guarantee amount; since, minimum guarantee amount as at 30 June 2016 (30 June 2015) is based on 30 June calculations.

As at 31 December 2016, TRY 1,201,344,894 of government bonds (31 December 2015: TRY 1,307,158,597) and TRY 482,328,437 of Eurobonds (31 December 2015: TRY 401,775,850) and TRY 45,111,300 (31 December 2015: TRY 41,505,156) of investment funds and TRY 46,457,029 of time deposits (31 December 2015: TRY 36,659,768) are placed as guarantee for the life and non-life branches.

17.2 Number of life insurance policies, additions, disposals in the current period, and current life policy holders and the related mathematical reserves

	31 December 2016 ⁽¹⁾		31 December 2015 ⁽¹⁾	
	Number of policies	Mathematical reserves	Number of policies	Mathematical reserves
Additions during the period	1,619,204	187,530,663	1,623,568	222,987,201
Disposals during the period	(1,668,000)	(190,162,065)	(1,381,328)	(250,100,751)
Outstanding	2,421,233	1,695,140,530	2,470,029	1,697,771,932

⁽¹⁾ The above table includes 318 of reactivated life insurance policies (31 December 2015: 55 policies) and their corresponding mathematical reserves.

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As explained in Note 2 - *Financial assets*, available for sale financial assets with risks on saving life policyholders are measured at fair value; 95% of the fair value and amortised cost difference amounting to TRY (10,421,955) (31 December 2015: TRY 5,040,151) is recognised under the life mathematical provisions.

TRY 2,284,601 (31 December 2015: TRY 2,648,864) of reinsurer's share of life mathematical provisions is not offset against the mathematical provisions in the above table.

17.3 Guarantees given to non-life insurances based on branches:

	31 December 2016	31 December 2015
Guarantees given to death by accident	4,685,421,571	1,496,188,932
Guarantees given to disability by accident	4,659,394,543	1,486,629,097
Total	9,344,816,114	2,982,818,029

17.4 Pension investment funds established by the Company and their unit prices:

As at 31 December 2016 and 31 December 2015, individual pension investment funds founded by the Company and their unit prices are as follows:

	31 December 2016 Unit price	31 December 2015 Unit price
AH1 Bond Fund	0.051744	0.048166
AH2 Liquid Fund	0.039505	0.036007
AH3 First Public Foreign Borrowing Fund	0.049183	0.041706
AH4 Second Public Foreign Borrowing Fund	0.037951	0.032710
AH5 Equity Fund	0.079487	0.072235
AH6 Developed Countries Flexible Fund	0.043111	0.034150
AH8 Conservative Fund	0.044387	0.040705
AH9 Balanced Fund	0.052860	0.048793
AH0 Aggressive Fund	0.073985	0.067483
AGE Alternative Gain Fund	0.014887	0.013730
ABE BRIC Plus Fund	0.018870	0.012193
AHC Mixed Fund (TRY)	0.015203	0.013905
AHL Dynamic Flexible Fund	0.013946	0.012785
AET Contribution Fund	0.012004	0.011035
AER Alternative Contribution Fund	0.012871	0.011894
AEA Gold Fund	0.014067	0.011003
AG1 Group Bound Fund	0.048873	0.044942
AG2 Group Eurobond Fund	0.034896	0.030140
AG3 Group Equity Fund	0.054012	0.048190
AG4 Group Conservative Fund	0.044401	0.040199
HS1 Bond-Bill Fund	0.032979	0.030555
AHB White Equity Fund	0.032761	0.029143
ATK Standard Fund	0.025084	0.023297
ATE İş Bankası Subsidiaries Index Fund ⁽¹⁾	0.029898	0.024324

⁽¹⁾ Anadolu Hayat Emeklilik AŞ. Orange Balanced Fund has been changed as Anadolu Hayat Emeklilik AŞ. Isbank Subsidiaries Index Fund in accordance with the allowance no. 9290 of The Capital Markets Board at 28 August 2015, respectively change has been executed at 1 October 2015.

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17.5 Number and amount of participation certificates in portfolio and circulation:

Number of participation documents in the portfolio and in circulation is such as follows as of 31 December 2016 and 31 December 2015:

	31 December 2016		31 December 2015	
	Participation certificates in circulation		Participation certificates in circulation	
	Number	Amount	Number	Amount
AH1 Bond Fund	48,265,004,040.48	2,497,424,369.07	46,400,949,276.827	2,234,948,122.87
AH2 Liquid Fund	17,185,878,189.71	678,928,117.88	11,074,452,560.426	398,757,813.34
AH3 First Public Foreign Borrowing Fund	11,850,369,059.20	582,836,701.44	9,846,007,794.200	410,637,601.06
AH4 Second Public Foreign Borrowing Fund	6,221,485,783.37	236,111,606.96	5,400,855,660.382	176,661,988.65
AH5 Equity Fund	5,517,341,587.45	438,556,930.76	5,181,975,842.994	374,320,025.02
AH6 Developed Countries Flexible Fund	4,741,101,119.30	204,393,610.35	4,493,221,585.122	153,443,517.13
AH8 Conservative Fund	15,780,440,594.78	700,446,416.68	10,782,250,018.501	438,891,487.00
AH9 Balanced Fund	31,832,119,092.91	1,682,645,815.25	30,807,926,828.276	1,503,211,173.73
AH0 Aggressive Fund	10,769,585,765.17	796,787,802.84	10,558,195,111.791	712,498,680.73
AGE Alternative Gain Fund	15,594,506,875.81	232,155,423.86	13,276,815,675.952	182,290,679.23
ABE BRIC Plus Fund	5,495,690,872.57	103,703,686.77	3,880,649,075.880	47,316,754.18
AHC Mixed Fund (TRY)	14,294,908,810.78	217,325,498.65	10,342,335,518.768	143,810,175.39
AHL Dynamic Flexible Fund	3,349,590,484.88	46,713,388.90	3,007,592,659.384	38,452,072.15
AET Contribution Fund	120,057,212,553.48	1,441,166,779.49	87,699,647,035.037	967,765,605.03
AER Alternative Contribution Fund	3,251,818,506.11	41,854,155.99	2,212,023,828.105	26,309,811.41
AEA Gold Fund	22,011,520,894.84	309,636,064.43	10,798,121,372.802	118,811,729.46
AG1 Group Bound Fund	3,911,689,686.20	191,176,010.03	4,219,143,230.985	189,616,735.09
AG2 Group Eurobond Fund	1,012,809,217.65	35,342,990.46	970,853,886.844	29,261,536.15
AG3 Group Equity Fund	1,019,517,613.56	55,066,185.34	1,061,242,775.601	51,141,289.36
AG4 Group Conservative Fund	3,254,745,982.98	144,513,976.39	3,245,602,323.491	130,469,967.80
HS1 Bond-Bill Fund	11,516,400,715.21	379,799,379.19	12,238,259,555.981	373,940,020.73
AHB White Equity Fund	2,340,737,996.83	76,684,917.51	2,610,453,988.185	76,076,460.58
ATK Standard Fund	8,975,997,481.22	225,153,920.82	6,082,407,144.656	141,701,839.25
ATE İş Bankası Subsidiaries Index Fund ⁽¹⁾	1,371,235,726.48	40,997,205.75	543,286,035.425	13,214,889.53
Total		11,359,420,954.81		8,933,549,974.87

⁽¹⁾ Anadolu Hayat Emeklilik AŞ. Orange Balanced Fund has been changed as Anadolu Hayat Emeklilik AŞ. Isbank Subsidiaries Index Fund in accordance with the allowance no. 9290 of The Capital Markets Board at 28 August 2015, respectively change has been executed at 1 October 2015.

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

	31 December 2016			
	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
Individuals	173,527	96,709	939,617	7,356,697,694
Group	69,649	41,532	350,702	2,519,702,326
Total	243,176	138,241	1,290,319	9,876,400,020

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	31 December 2015			Total amount
	Additions during the period	Left/cancellations during the period	Outstanding	
Individuals	213,194	75,845	863,297	5,918,883,839
Group	99,875	32,470	322,087	2,020,590,720
Total	313,069	108,315	1,185,384	7,939,474,559

Additions: The sum of the new contracts added in the period and their registered cumulative values as of the period end in addition with the number of the contracts that begin and finish in the same period.

Left/cancellations: The number of finalised contracts during the period and their values at their expiration dates.

Outstanding: The number of outstanding contracts and their values as of the period end.

Since retirement plan transfers between individual and group retirement plans occurs during the period, periodical changes should be followed by the total number and portfolio amount of policies. Also, when the contracts effective at the prior reporting period become a liability because of collection reversals in the current period or when the contracts effective at the prior reporting period become an asset, total numbers and portfolio values of these contracts are net off at the period end. Number and portfolio amount of individual and group policies presented in notes reflect the outstanding position of the Company as of the period-end.

Outstanding contracts have state contribution amounting to TRY 1,483,020,935 in the state contribution funds as of the period end.

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

Financial investments with risks on saving life policyholders are classified as "available-for-sale financial assets". These assets are measured in accordance with the principles specified in Note 2.8 *Financial Assets* and valuation differences are taken into account in the profit share calculation.

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

	1 January - 31 December 2016			1 January - 31 December 2015		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	173,527	344,449,610	344,093,028	213,194	339,979,889	336,549,583
Group	69,649	75,954,976	75,824,155	99,875	135,123,347	134,499,677
Total	243,176	420,404,586	419,917,183	313,069	475,103,236	471,049,260

Contracts become effective in the current period and the total contracts become effective and ceased in the same period and contributions collected regarding these contracts and the investment oriented contributions have been specified. The collections made with credit cards with undue blockage terms are also added into gross and net contributions. Transfer amounts are not included in the current period numbers and balances. In addition, the Company has collected TRY 74,061,546 as state contribution.

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

	1 January - 31 December 2016			1 January - 31 December 2015		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	9,297	98,090,767	98,090,767	2,023	44,047,591	44,047,591
Group	1,484	18,197,409	18,197,409	749	16,395,163	16,395,163
Total	10,781	116,288,176	116,288,176	2,772	60,442,754	60,442,754

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from foundations and trusts during the period:

	1 January - 31 December 2016			1 January - 31 December 2015		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	-	-	-	-	-	-
Group	228	5,262,852	5,262,852	1,507	72,561,002	72,561,002
Total	228	5,262,852	5,262,852	1,507	72,561,002	72,561,002

In addition, the Company has transferred TRY 15,588,212 as state contribution from other pension companies in the related period.

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

The legal permission of the transfer from life portfolio to private pension portfolio expired on 7 October 2006 and therefore, there is no transfer in the current and prior period.

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

	1 January - 31 December 2016			1 January - 31 December 2015		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	96,709	913,360,868	879,695,521	75,845	766,323,748	734,137,560
Group	41,532	519,440,128	502,797,318	32,470	322,948,490	312,395,505
Total	138,241	1,432,800,996	1,382,492,839	108,315	1,089,272,238	1,046,533,065

Number of contracts indicates the number of disposals in the related period.

Gross contributions indicate the fund sales amount as a result of disposal.

Net contributions indicate the remaining amount paid to participant less any deductions (initiation fee and withholding) against the gross amount as a result of disposal.

In addition, Company's fund outflow is TRY 180,647,507 as state contribution.

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17.12 Distribution of new life insurance participants in terms of their numbers and first premium amounts for individuals and groups during the period:

	1 January - 31 December 2016		1 January - 31 December 2015	
	Number of contracts	First premium amounts (TRY)	Number of contracts	First premium amounts (TRY)
Individuals	59,937	44,673,453	25,413	60,650,301
Group	1,558,949	360,616,365	1,598,100	238,744,489
Total ⁽¹⁾	1,618,886	405,289,818	1,623,513	299,394,790

⁽¹⁾ 318 (1 January - 31 December 2015: 55) of reactivated contracts are not included in the current period additions.

17.13 Distribution of left or cancelled life insurance participants in terms of their numbers and mathematical reserves for individuals and groups during the period:

	1 January - 31 December 2016		1 January - 31 December 2015	
	Number of contracts	Mathematical reserves (TRY)	Number of contracts	Mathematical reserves (TRY)
Individuals	36,818	126,805,249	38,811	179,215,151
Group	1,631,182	63,356,815	1,342,517	70,885,600
Total	1,668,000	190,162,064	1,381,328	250,100,751

17.14 Profit share distribution rate of life insurances as of 31 December 2016 and 2015

	31 December 2016 %	31 December 2015 %
TRY		
<i>Life insurance</i>	9.55	8.50
<i>Income insurance</i>	9.55	8.50
USD		
<i>Life insurance</i>	6.85	6.98
<i>Income insurance</i>	6.85	6.98
EURO		
<i>Life insurance</i>	6.18	5.95
<i>Income insurance</i>	6.18	5.95
GBP		
<i>Life insurance</i>	7.78	6.29
<i>Income insurance</i>	7.78	6.29

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17.15 Information on insurance contract balances in the financial statements

	31 December 2016	31 December 2015
Reserve for unearned premiums, gross	31,257,501	18,881,229
Reserve for unearned premiums, ceded (<i>Note 10</i>)	(2,072,697)	(2,281,948)
Reserves for unearned premiums, net	29,184,804	16,599,281
Provision for outstanding claims, gross	94,278,683	84,748,490
Provision for outstanding claims, ceded (<i>Note 10</i>)	(3,892,711)	(3,096,310)
Provision for outstanding claims, net	90,385,972	81,652,180
Life mathematical provisions, gross	1,684,718,575	1,702,812,083
Life mathematical provisions, ceded (<i>Note 10</i>)	(2,284,601)	(2,648,864)
Life mathematical provisions, net	1,682,433,974	1,700,163,219
Provision for bonus and discount, gross	1,293,022	951,928
Provision for bonus and discount, ceded (<i>Note 10</i>)	(833,859)	(636,991)
Provision for bonus and discount, net	459,163	314,937
Reserve for unexpired risks, gross	11,455	-
Reserve for unexpired risks, ceded (<i>Note 10</i>)	(1,976)	-
Reserve for unexpired risks, net	9,479	-
Equalisation provision, gross	16,748,851	11,683,244
Equalisation provision, ceded (<i>Note 10</i>)	(533,500)	(437,489)
Equalisation provision, net	16,215,351	11,245,755
Total insurance technical provisions, net	1,818,688,743	1,809,975,372

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17.16 Factors resulting from individual insurance policies which provide portfolio

Factors resulting from individual insurance policies which provide portfolio increase through the change in mathematical provisions for the periods 1 January - 31 December 2016 and 1 January - 31 December 2015 are as follows:

	Mathematical provisions	
	31 December 2016	31 December 2015
New policies issued	16,784,482	41,301,428
Activated from reductions	2,459,610	3,336,153
Activated from cancellations	401,574	-
Contracts with increased capital	61,815,068	92,911,643
Total increase in the portfolio	81,460,734	137,549,224

Factors resulting from individual insurance policies which provide portfolio decrease through the change in mathematical provisions for the periods 1 January - 31 December 2016 and 1 January - 31 December 2015 are as follows:

	Mathematical provisions	
	31 December 2016	31 December 2015
Terminations and cancellations (-)	-	-
Transformed to contracts without charge (-)	3,926,432	6,116,314
Insurances had capital decrease (-)	-	-
Withdrawals (-)	(74,825,525)	(59,457,789)
Ceased with risk formed (-)	(5,911,401)	(5,487,694)
Expirations (-)	(46,068,323)	(114,269,668)
Total decrease in the portfolio	(122,878,817)	(173,098,837)

Factors resulting from group insurance policies which provide portfolio increase through the change in mathematical reserves for the period 1 January - 31 December 2016 and 1 January - 31 December 2015 are as follows:

	Mathematical provisions	
	31 December 2016	31 December 2015
New contracts	95,989,357	55,096,665
Activated from reductions	51,480	59,919
Activated from cancellations	2,387	1,345
Insurances had capital increase	6,319,514	24,351,096
Total increase in the portfolio	102,362,738	79,509,025

Factors resulting from group insurance policies which provide portfolio decrease through the change in mathematical reserves for the periods 1 January - 31 December 2016 and 1 January - 31 December 2015 are as follows:

	Mathematical provisions	
	31 December 2016	31 December 2015
Terminations and cancellations (-)	(1,938)	-
Transformed to contracts without charge (-)	145,022	384,703
Insurances had capital decrease (-)	(57,784,790)	(33,872,853)
Withdrawals (-)	(3,200,685)	(12,417,509)
Ceased with risk formed (-)	(486,952)	(481,293)
Expirations (-)	(1,882,450)	(24,113,945)
Total decrease in the portfolio	(63,211,793)	(70,500,897)

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17.17 Gain/losses resulted from reinsurance contracts and recognised in the income statement

Gain or losses resulted from reinsurance contracts and recognised in the income statement are disclosed in note 10 - *Reinsurance assets, liabilities*.

17.18 Incurred claim development table

Incurred claim development table presented below provided cumulative payments of claims according to claim year and following years:

Claim year	2011	2012	2013	2014	2015	2016	Total
Claim year	8,532,107	15,281,343	19,456,357	23,517,657	22,040,556	31,700,269	120,528,289
1 year later	5,329,728	9,573,042	9,690,943	10,490,787	10,679,014		45,763,514
2 years later	326,554	386,514	1,121,274	1,248,087			3,082,429
3 years later	157,168	248,897	543,988				950,053
4 years later	95,691	30,887					126,578
5 years later	3,000						3,000
Cumulative payments up to date	14,444,248	25,520,683	30,812,562	35,256,531	32,719,570	31,700,269	170,453,863
Payments for the year ended as of 31 December 2016 ⁽¹⁾	3,000	30,887	543,988	1,248,087	10,679,014	31,700,269	44,205,245

⁽¹⁾ The claims paid includes death-disability termination and personal accident branch gross payments.

17.19 Effects of changes in the assumptions used in the measurement of insurance assets and liabilities, showing the effects of each change that has significant effect on the financial statements separately

Effects of changes in the assumptions used in the measurement of insurance assets and liabilities are disclosed in note 4 - *Management of insurance risks*.

18 Investment contracts

None.

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19 Trade and other payables and deferred income

	31 December 2016	31 December 2015
Other financial liabilities	45,376,520	101,214,252
Financial liabilities	45,376,520	101,214,252
Payables from insurance operations	14,097,447	9,482,564
Cash deposited by insurance and reinsurance companies	1,084,011	1,505,123
Payables from pension activities	11,581,732,535	9,124,225,331
<i>Net fund value of participants</i>	<i>11,359,420,955</i>	<i>8,933,549,975</i>
<i>Other</i>	<i>222,311,580</i>	<i>190,675,356</i>
Other payables from main operations	1,140,890	310,840
Total payables from main operations	11,598,054,883	9,135,523,858
Due to shareholders	62,231	9,678
Due to personnel	55,571	8,836
Payables to other related parties	48	30
Total payables to related parties	117,850	18,544
Guarantees and deposits received	823,067	437,995
Other payables	19,321,793	18,178,991
Total other payables	20,144,860	18,616,986
Deferred commission income	190,391	320,353
Expense accruals	1,635,679	1,617,895
Other deferred income and expense accruals	3,755,064	2,254,689
Total deferred income and expense accruals	5,581,134	4,192,937
Total	11,669,275,247	9,259,566,577

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20 Financial liabilities

As of 31 December 2016, the Company has TRY 45,376,520 liability from repo transaction (31 December 2015: TRY 101,214,252). Financial liability has 50 days until the maturity and 9% interest rate (31 December 2015: 46 days, 10.75%).

21 Deferred tax

The Company recognises deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

20% tax rate is used in the calculation of deferred tax asset and liabilities.

Deferred tax (assets)/liabilities base:	31 December 2016	31 December 2015
Difference in valuation of financial assets	18,124,568	15,942,615
Provision for employee termination benefits and other wages	(22,249,099)	(20,052,567)
Provision for claims	(7,521,953)	(406,859)
Equalisation reserves/bonus and discount provision	(16,683,993)	(11,560,692)
The difference arising from revaluation of investment properties	31,358,240	25,091,062
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	9,444,413	5,522,796
Provision for unused vacation pay liability	(5,162,354)	(4,322,389)
Total	7,309,822	10,213,966

Deferred tax (assets)/liabilities:	31 December 2016	31 December 2015
Difference in valuation of financial assets	3,624,914	3,188,523
Provision for employee termination benefits and other wages	(4,449,820)	(4,010,513)
Provision for claim	(1,504,391)	(81,372)
Equalisation reserves/bonus and discount provision	(3,336,799)	(2,312,138)
The difference arising from revaluation of investment properties	6,271,648	5,018,212
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	1,888,883	1,104,559
Provision for unused vacation pay liability	(1,032,471)	(864,478)
Total	1,461,964	2,042,793

Movement of deferred tax assets/liabilities for the year ended as of 31 December 2016 and 31 December 2015 are given below:

Movement of deferred tax (assets)/liabilities:	31 December 2016	31 December 2015
Opening balance at 1 January	2,042,793	4,373,055
Recognised in profit or loss	158,032	3,676,464
Recognised in equity	(738,861)	(6,006,726)
Closing balance	1,461,964	2,042,793

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22 Retirement benefit obligations

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

The termination benefit to be paid is subject to upper limit of TRY 4,297.21 as at 31 December 2016 (31 December 2015: TRY 3,828.37).

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2016, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective reporting periods have been calculated assuming an annual inflation rate of 6.90% and a discount rate of 9.90%-12.27%, resulting in a real discount rate of 2.81% - 5.25% (31 December 2015: 6.70%, 9.56%, 10.94%, 2.69%, 5.00% respectively). The anticipated rate of forfeitures is considered and estimated rate of the Company's retirement pay is also taken into account. There is not any actuarial gain or loss difference in the calculation of employee termination benefit in the current reporting period. As at 31 December 2016 the Company has actuarial gain or loss difference in the calculation of employee termination benefit amounting to TRY 1,422,362 (31 December 2015: TRY 1,226,359). Movement of provision for employee termination benefits during the period is presented below:

	31 December 2016	31 December 2015
Provision as at 1 January	12,077,567	10,151,958
Interest cost	809,197	558,358
Service cost	1,247,769	1,254,193
Payments made during the year	(2,847,796)	(1,113,301)
Actuarial gain and losses	1,422,362	1,226,359
Provision at the of the period/year	12,709,099	12,077,567

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23 Other liabilities and provisions

As at 31 December 2016 and 31 December 2015; the details of the provisions for other risks are as follows:

	31 December 2016	31 December 2015
Provision for unused vacation pay liability	5,162,354	4,322,389
Dividend to personnel and salary provision	9,540,000	7,975,000
Provision for commissions to sales personnel	900,000	900,000
Provision for litigations	76,851	500,829
Provisions for costs	15,679,205	13,698,218
Provision for employee termination benefits	12,709,099	12,077,567
Total provisions for other risks	28,388,304	25,775,785

24 Net insurance premium revenue

	1 January - 31 December 2016	1 January - 31 December 2015
Non-life	624,669	292,638
Life	487,850,880	389,666,628
Total	488,475,549	389,959,266

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

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25 Fee revenues

The details of fee revenues for the year ended as of 31 December 2016 and 2015 received from individual pension, life and non-life branches in accordance with TAS 18 are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Fund management income	173,816,154	144,258,249
Administrative cost deductions	21,201,113	26,382,176
Entrance fee	37,075,268	32,046,757
Administrative cost deductions in the form of cessation	4,514,878	5,988,654
Other technical income	152,912	382,160
Total	236,760,325	209,057,996

26 Investment income

	1 January - 31 December 2016	1 January - 31 December 2015
<i>Financial assets held-for-trading:</i>		
Valuation gain	4,040,140	(9,086,011)
Gain on sale	652,587	661,561
Interest income	231	60
Cash dividend income	148,211	113,938
<i>Financial assets available-for-sale:</i>		
Interest income	131,108,697	125,878,272
Valuation gain	122,631,438	119,623,295
Gain on sale	12,784,409	11,077,687
Cash dividend income	4,801,887	4,502,085
<i>Income from associates:</i>	3,289,135	2,615,836
<i>Investment properties:</i>		
Rent income	1,939,059	3,576,655
Valuation gain	25,760,280	9,524,940
<i>Other income</i> ⁽¹⁾ :	32,022,830	22,740,852
Total ⁽²⁾	339,178,904	291,229,170

⁽¹⁾ Other income includes interest income from time deposits, income from derivative transactions, foreign exchange gains and etc.

⁽²⁾ TRY 124,345,342 (31 December 2015: TRY 88,360,080) of investment income obtained from the Company's own portfolio and TRY 214,833,562 (31 December 2015: TRY 202,869,090) of investment income obtained from policyholders' portfolio.

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

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(Currency: Turkish Lira (TRY))

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27 Net income accrual on financial assets

Net income accrual from the Company's own portfolio is as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
<i>Available-for-sale financial assets:</i>		
Fair value differences recognised in equity	24,399,523	30,699,908
Fair value differences recognised in profit/loss	14,428,872	13,303,609
Total	38,828,395	44,003,517

28 Assets held at fair value through profit or loss

Net gain from assets held at fair value through profit or loss recognised in income statement as at 31 December 2016 is TRY 4,841,169 (31 December 2015: TRY (8,310,452), net loss).

29 Insurance rights and claims

Details of insurance rights and claims are presented in statement of income.

30 Investment contract benefits

None.

31 Other expenses

The allocation of the expenses with respect to their nature or function is presented in note 32 - *Operating expenses* below.

32 Operating expenses

For the year ended as of 31 December 2016 and 2015, the details of operating expenses are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Production commission expenses	(131,241,496)	(114,054,858)
Employee benefit expenses	(101,443,432)	(86,011,024)
Administration expenses	(32,926,282)	(27,233,304)
Marketing and sales expenses	(27,758,833)	(27,389,029)
Rent expenses	(9,482,637)	(8,809,786)
Bank fees	(1,267,826)	(962,941)
Outsourced benefits and services	(15,758,044)	(7,361,003)
Reinsurance commission income	2,163,174	2,437,118
Other expenses	(1,209,848)	(1,032,282)
Total	(318,925,224)	(270,417,109)

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33 Employee benefit expenses

	1 January - 31 December 2016	1 January - 31 December 2015
Wages and salaries	101,443,432	86,011,024
Employee termination benefits	(790,830)	699,250
Provision for unused vacation	839,965	695,493
Total	101,492,567	87,405,767

34 Financial costs

As of 31 December 2016, the Company has financial liability amounting to TRY 45,376,520 arising from repo transactions (31 December 2015: TRY 101,214,252). The Company has financial expenses from these repo transactions amounting to TRY 995,480 and this amount is presented under diminution in value of investments in the income statement (31 December 2015: TRY 214,252).

35 Income tax expense

	31 December 2016	31 December 2015
<i>Corporate tax liabilities:</i>		
Corporate tax provision	39,530,000	30,778,000
Less: Corporation taxes paid in advances during the period	(33,604,825)	(23,401,212)
Total	5,925,175	7,376,788

Total tax expense recognised in profit or loss

	31 December 2016	31 December 2015
Current tax expense	39,530,000	30,778,000
Deferred tax expense/(income)	158,032	3,676,464
Total	39,688,032	34,454,464

Total tax expense recognised in equity

	31 December 2016	31 December 2015
Change in fair value of available for sale financial assets	(454,085)	304
Total deferred tax expense recognised in equity	(454,085)	304

Reconciliation of the Company's taxation for the year ended as of 31 December 2016 and 2015 are as follows:

	31 December 2016		31 December 2015	
		Tax rate (%)		Tax rate (%)
Profit before tax	230,944,902		180,337,284	
Taxes on income per statutory tax rate	(46,188,980)	(20.00)	(36,067,457)	(20.00)
Disallowable expenses	(4,981,127)	(2.16)	(4,099,924)	(2.27)
Effect of allowances	11,482,075	4.97	5,712,917	3.17
Total tax expense recognised in profit or loss	(39,688,032)	(17.19)	(34,454,464)	(19.10)

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

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36 Net foreign exchange gains

	31 December 2016	31 December 2015
Foreign exchange gains	4,785,452	4,000,624
Foreign exchange losses	(1,283,125)	(1,297,946)
Total	3,502,327	2,702,678

37 Earnings per share

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

	31 December 2016	31 December 2015
For a share having TRKr (Kuruş) 1 of nominal value:		
Weighted average number of shares	43,000,000,000	43,000,000,000
Net profit for the period	191,256,870	145,882,820
Earnings per share (for 100 shares)	0.44478	0.33926

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

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(Currency: Turkish Lira (TRY))

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38 Dividends per share

The Company's dividend distribution in 2016 from the profit of 2015 is presented below.

	Group	Total cash dividend amount (TRY)	Cash dividend corresponding to a share having TRY 1 of nominal value	
			Amount (TRY)	Rate (%)
Gross	A	207,317.07	0.2073171	20.73171
	B	84,792,682.93	0.2073171	20.73171
	Total	85,000,000.00		

The Company's dividend distribution in 2016 from the profit of 2015 is TRY 100,000,000. Additionally, TRY 3,406,281 of dividend is distributed to the personnel of the Company.

39 Cash generated from operations

The cash flows from operating activities is presented in the accompanying statement of cash flows.

40 Convertible bonds

None.

41 Redeemable preference shares

None.

42 Risks

In the normal course of its operations, the Company is exposed to legal disputes, claims and challenges, which mainly stem from its insurance operations. The necessary income/expense accruals for the revocable cases against/on behalf of the Company are provided either under provision for outstanding claims or provisions for other risks in the accompanying financial statements.

As at 31 December 2016, there are 300 ongoing law suit filed against the Company and total amount of these suits are TRY 5,491,807. TRY 6,629,748 of provision (31 December 2015: TRY 4,819,096) including interest expense for ongoing law suits for which cash outflow is probable and measurable reliably is set by the Company in the financial statements. There are 109 ongoing law suits prosecuted by the Company against the third parties that have amounted TRY 5,099,901. Subsequent to the reporting period, there is no expected amount of law suits to be prosecuted against the Company.

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

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43 Commitments

Total amount of commitments that are not included in liabilities:

	31 December 2016	31 December 2015
Guarantees and commitments	1,319,156	1,385,786
Guarantees and commitments	1,319,156	1,385,786

The Company does not have finance lease liabilities as at the reporting period (31 December 2015: None).

44 Business combinations

None.

45 Related party transactions

a. Parent company's name and the ultimate owner of the group

The Company's parent is Türkiye İş Bankası AŞ with a 63.53% of share.

b. In accordance with the Company's activities, items of sub-classifications

The activities of the Company involve providing individual and group insurance and reinsurance services relating to group life, individual life, retirement and related personal accident branches, establishing retirement funds, developing internal rules and regulations related to these funds, carrying out retirement, annual income insurance, portfolio management and custody contracts for the assets of the funds held in custody.

c. No expense is recognised in the related period for bad or doubtful debts in respect of the amounts owed by the shareholders, associates and subsidiaries.

d. Details of associates and subsidiaries having indirect capital and management relations with the Company; names, amounts and rates of participations in the associates and subsidiaries; profit/loss for the period presented in the recent financial statements of such participations; net profit/loss for the period and period covered by the financial statements; information about whether these financial statements are prepared in accordance with the CMB standards; information about whether these financial statements are audited; details of the audit opinion (if the report includes unqualified, adverse or qualified opinion):

	Carrying amount	Participation rate (%)	Reporting period	Profit before income tax	Net profit of the period	Financial statements base	Independent auditor's opinion
İş Portföy Yönetimi AŞ	18,551,738	20.0	31 December 2016	20,310,746	16,445,676	SPK XI/29	Unqualified

e. Bonus shares obtained from associates or subsidiaries through internal resource capital increases

At the reporting date, the Company has obtained no bonus shares through capital increases in associates from profit or capital reserves.

f. No guarantees, commitments, guarantee letters, advances and endorsements given in favor of shareholders, associates and subsidiaries.

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

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g. Related party disclosures

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

	31 December 2016	31 December 2015
Türkiye İş Bankası AŞ - receivables from credit card collections	176,843,731	152,668,110
Cash and cash equivalents	176,843,731	152,668,110
Türkiye İş Bankası AŞ - bank deposits	94,828,000	106,424,185
Cash at banks	94,828,000	106,424,185
Anadolu Anonim Türk Sigorta Şirketi - premium receivables	-	151,113
Receivables from main operations	-	151,113
Türkiye İş Bankası AŞ - commission payables	10,800,238	7,316,156
Milli Reasürans TAŞ - premium payables	273,458	312,091
Payable from main operations	11,073,696	7,628,247
Türkiye İş Bankası AŞ. - settlement and custody commission	5,364	3,950
Anadolu Anonim Türk Sigorta Şirketi - premium payables	66,236	9,678
Payables to shareholders	71,600	13,628
İş Portföy Yönetimi A.Ş.	4,956,589	5,005,658
İş Merkezleri Yönetim ve İşletim A.Ş.	779,702	651,487
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	1,064	-
İş-Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim A.Ş.	141,736	49,335
Erişim Müşteri Hizmetleri A.Ş.	1,494,580	591,732
Softtech Yazılım Teknoloji Araştırma Geliştirme ve Pazarlama Ticaret A.Ş.	35,655	69,536
TSKB Gayrimenkul Değerleme A.Ş.	14,365	-
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	-	132
Other payables	7,423,691	6,367,880

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In the current period in amount of TRY 23,359,381 individual retirement employer contributions (31 December 2015: TRY 19,393,604) have been collected from related parties, in amount of TRY 450,874 life insurance employer premium was accrual (31 December 2015: TRY 591,110).

The details of revenues and expenses for the year ended as of 31 December 2016 and 2015 stems from related parties are as follows:

	31 December 2016	31 December 2015
Milli Reasürans TAŞ - premiums written, ceded	750,396	749,957
Premiums written, ceded	750,396	749,957
Milli Reasürans TAŞ - commission income from reinsurers	94,536	112,948
Commission income from reinsurers	94,536	112,948
Türkiye İş Bankası AŞ - interest income from deposits	7,939,817	4,329,278
Türkiye İş Bankası AŞ - rent income	10,609	6,074
Investment income	7,950,426	4,335,352
İş Portföy Yönetimi AŞ - investment consultancy fee	376,806	224,830
İş Portföy Yönetimi AŞ - settlement and custody expense	285	-
İş Yatırım Menkul Değerler AŞ - MKK service commission	5,261	21,000
İş Yatırım Menkul Değerler AŞ - consultancy fee	-	59,000
Türkiye İş Bankası AŞ - settlement and custody expense	20,136	20,319
Investment expense	402,488	325,149
Türkiye İş Bankası AŞ - commission of policy production	104,804,664	72,631,219
İş Portföy Yönetimi AŞ - portfolio management fee of pension funds	19,596,486	17,383,500
İş Merkezleri Yönetim ve İşletim A.Ş. - building administrative expense	4,673,765	5,242,845
İş Gayrimenkul Yatırım Ortaklığı AŞ - rent expense	4,967,147	4,664,437
İş-Net Elektronik Bilgi Üretim Dağ. Tic. ve İletişim A.Ş. - communication expense	1,026,038	1,093,696
Erişim Müşteri Hizmetleri A.Ş. - call center service expense	6,836,123	1,862,996
Softtech Yazılım Teknoloji Araştırma Geliştirme ve Pazarlama Ticaret A.Ş. - software support expense	332,673	366,936
TSKB Gayrimenkul Değerleme A.Ş. - real estate appraisal fee	17,961	24,569
Türkiye İş Bankası AŞ - commission of premium collection and banking services	1,265,070	962,468
Türkiye İş Bankası AŞ - fund operation service expense	1,309,134	1,077,736
Türkiye İş Bankası AŞ - rent expense	674,776	690,549
Türkiye İş Bankası AŞ - other rent expense	176,835	114,098
Anadolu Anonim Türk Sigorta Şirketi - premium paid	2,509,431	2,660,213
Anadolu Anonim Türk Sigorta Şirketi - rent expense	229,425	170,435
Other expenses	148,419,528	108,945,697

46 Events after the reporting period

Events after the reporting period are disclosed in note 1.10 - *events after the reporting period*.

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47 Others

Items and amounts classified under the “other” account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet

Items and amounts classified under the “other” account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet are as follows:

Current assets (Other receivables)	31 December 2016	31 December 2015
Securities reconciliation account	9,020,596	5,530,545
Other	1,607,581	1,553,310
Total	10,628,177	7,083,855
Short-term liabilities (Other miscellaneous payables)	31 December 2016	31 December 2015
Payable to suppliers	15,963,379	17,046,566
Suspense accounts	3,353,054	1,046,802
Securities reconciliation account	5,360	4,505
Other	-	81,118
Total	19,321,793	18,178,991

Payables to employees and receivables from employees presented under accounts, “other receivables” and “other short or long term payables”, and which have balance more than 1% of the total assets

None.

Subrogation recorded in “Off-Balance Sheet Accounts”

None.

Real rights on immovable and their values

None.

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

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(Currency: Turkish Lira (TRY))

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Explanatory note for the amounts and nature of previous years' income and losses

None.

For the year ended as of 31 December 2016 and 2015, details of discount and provision expenses are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Unused vacation pay liability	(839,965)	(695,493)
Provisions no longer required	1,946,941	2,125,638
Provision for employee termination benefits	790,830	(699,250)
Other provision expenses	(5,889,906)	(554,246)
Provision expenses	(3,992,100)	176,649
	1 January - 31 December 2016	1 January - 31 December 2015
Rediscount interest (expense)/income ⁽¹⁾	1,964	(349,419)
Total rediscount	1,964	(349,419)

⁽¹⁾ Rediscount interest income/expense arising from selling the shares of AVEA İletişim Hizmetleri A.Ş. by installment.

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ

INFORMATION FOR INVESTORS

Stock Exchange

Anadolu Hayat Emeklilik A.Ş. stocks are traded on the BIST Stars Market of Borsa İstanbul under the symbol ANHYT.

Information about the Company's stocks is published on the economics pages of daily newspapers and on the internet portals of brokerage houses.

Investor Relations

Copies of Anadolu Hayat Emeklilik A.Ş.'s annual reports and other information about the Company may be obtained from the following address as well as from the corporate website located at anadoluhayat.com.tr.

Investor Relations Unit

Anadolu Hayat Emeklilik A.Ş.
Levent Mahallesi Meltem Sokak No: 10 İş Kuleleri Kule: 2 Kat: 19 34330 İstanbul

Annual General Assembly

Anadolu Hayat Emeklilik A.Ş.'s Annual General Assembly Meeting will be held on 22 March 2017 at 10:00 hours at the address of Oditoryum Binası İş Kuleleri 34330 Levent/İstanbul.

Independent Auditor

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Rüzgarlıbahçe Mah. Kavak Sokak No: 29
Kavacık-Beykoz 34805 İstanbul

Tax Certification

DRT Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.
Deloitte Value House Maslak No: 1
34398 İstanbul

Anadolu Hayat Emeklilik Share Performance in 2016

As of 31 December 2016, the Company's nominal capital amounts to TRY 430,000,000, consisting of fully-paid 43,000,000,000 shares each with a value of TRY 0.01. 17% of the Company's shares are publicly held.

ANHYT's Performance in 2016 (TRY)



DIRECTORY

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Website: anadoluhayat.com.tr
For correspondence:
hizmet@anadoluhayat.com.tr

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İş Kuleleri Kule: 2 Kat: 16-20
Levent 34330 Beşiktaş-İstanbul

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Tel: 444 55 00
Fax: (+90 212) 317 70 77

Customer Relations Center
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North Eastern Anatolia District Sales Office
İskender Paşa Mahallesi
Atatürk Meydanı Caddesi No: 7/A K: 4
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İstanbul Asian District Sales Office
Caferağa Mahallesi
Albay Faik Sözdener Caddesi
Güran İş Merkezi No: 11/13 Kat: 1
34710 Kadıköy-İstanbul
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Fax: (+90 212) 317 70 77

Marmara District Sales Office
Konak Mahallesi
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Western Black Sea District Sales Office
Körfez Mahallesi Ahmet Ergüneş Sokak
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Tel: (+90 212) 317 37 21
Fax: (+90 212) 317 70 77

Central Anatolian I. District Sales Office
Cumhuriyet Mahallesi Atatürk Bulvarı
No: 75-77 Kat: 6 06442 Çankaya-Ankara
Tel: (+90 312) 468 62 82 pbx
Fax: (+90 212) 317 70 77

Aegean District Sales Office
Atatürk Caddesi No: 92 Kat: 3
35210 Konak-İzmir
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Fax: (+90 212) 317 70 77

Thrace District Sales Office
Halkalı Merkez Mahallesi Basın Ekspres Caddesi
No: 9 Capital Tower Kat: 4 D: 37
Küçükçekmece-İstanbul
Tel: (+90 212) 317 37 10
Fax: (+90 212) 317 70 77

Central Anatolian II. District Sales Office
Cumhuriyet Mahallesi Atatürk Bulvarı
No: 75-77 Kat: 6
06442 Çankaya-Ankara
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Fax: (+90 212) 317 70 77

Mediterranean District Sales Office
Yeşilbahçe Mahallesi Metin Kasapoğlu Caddesi
Gökhan İş Merkezi A Blok No: 19/B
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