

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

Anadolu Hayat Emeklilik Anonim Şirketi

30 June 2016

Unconsolidated Interim Financial
Statements Together With
Independent Auditors' Review Report Thereon

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

26 July 2016

*This report includes 2 pages of independent
auditors' review report and 91 pages of financial
information together with their explanatory notes.*

**Convenience Translation of the Independent Auditors' Report
Originally Prepared and Issued in Turkish (See Note 2.1.1)**

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Board of Directors of Anadolu Hayat Emeklilik Anonim Şirketi

Introduction

We have reviewed the accompanying interim balance sheet of Anadolu Hayat Emeklilik Anonim Şirketi (the "Company") as at 30 June 2016 and the related interim statements of income, changes in equity and cash flows for the six-month period ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of interim financial information in accordance with the "Regulation on Financial Reporting by Insurance and Reinsurance Companies and Pension Companies" as promulgated by the Turkish Treasury based on the Article 18 of the Insurance Law numbered 5684, the "Communiqué on Presentation of Financial Statements" announced on Official Gazette dated 18 April 2008 and numbered 26851 and other regulations on accounting records and financial reporting, circulars and interpretations published by the Turkish Treasury (collectively "the Insurance legislation") and Turkish Accounting Standard 34 "Interim Financial Reporting" except for the matters regulated by the Insurance legislation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view of the financial position of Anadolu Hayat Emeklilik Anonim Şirketi as of 30 June 2016, and of its financial performance and its cash flows for the six-month period then ended in all aspects in accordance with the Insurance legislation and Turkish Accounting Standard 34 "Interim Financial Reporting".

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

Alper Güvenç
Partner

26 July 2016
İstanbul, Türkiye

Additional paragraph for convenience translation to English:

As explained in Note 2.1.1, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations of the Company in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

ANADOLU HAYAT EMEKLİLİK ANONİM ŞİRKETİ
UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS
AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

We confirm that the unconsolidated financial statements and related disclosures and footnotes as at 30 June 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, 26 July 2016

M. Uğur Erkan	Orhan Bozkurt	N. Cem Özcan	F. Demet Işıksaçan
Member of the Board of Directors / Chief Executive Officer	Vice Chief Executive Officer	Accounting Manager	Actuary (Registration Number:37)

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Anadolu Hayat Emeklilik Anonim Şirketi
Unconsolidated Balance Sheet
As At 30 June 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			
I- Current Assets	Note	Reviewed Current Period 30 June 2016	Audited Prior Period 31 December 2015
A- Cash and Cash Equivalents	14	267,592,385	302,999,458
1- Cash	14	5,930	3,385
2- Cheques Received		-	-
3- Banks	14	93,945,723	145,598,543
4- Cheques Given and Payment Orders	14	(868,300)	-
5- Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months	14	174,509,032	157,397,530
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments with Risks on Policyholders	11	2,378,282,670	2,380,294,753
1- Available-for-Sale Financial Assets	11	729,469,119	704,042,404
2- Held to Maturity Investments		-	-
3- Financial Assets Held for Trading	11	34,704,449	33,213,002
4- Loans and Receivables	11	20,804,757	10,866,879
5- Provision for Loans and Receivables		-	-
6- Financial Investments with Risks on Saving Life Policyholders	11	1,598,065,535	1,636,933,658
7- Company's Own Equity Shares		-	-
8- Diminution in Value of Financial Investments	11	(4,761,190)	(4,761,190)
C- Receivables from Main Operations	12	10,315,985,125	9,015,053,555
1- Receivables from Insurance Operations	12	23,792,487	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	31,411,819	31,439,625
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Operations	12	10,260,783,393	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	2,912	8,031
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel	12	2,912	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	64,058,182	7,134,993
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		76,542	53,102
4- Other Miscellaneous Receivables	47	64,029,160	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	16,127,159	13,727,270
1- Deferred Commission Expense		12,525,313	8,908,651
2- Accrued Interest and Rent Income		295,789	169,394
3- Income Accruals		-	-
4- Other Prepaid Expenses		3,306,057	4,649,225
G- Other Current Assets	4.2	38,247	18,627
1- Stocks to be Used in the Following Months		12,060	-
2- Prepaid Taxes and Funds		8,133	8,133
3- Deferred Tax Assets		-	-
4- Job Advances		18,054	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		13,042,086,680	11,719,236,687

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

Anadolu Hayat Emeklilik Anonim Şirketi
Unconsolidated Balance Sheet
As At 30 June 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	Reviewed Current Period 30 June 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	12,762,193	12,762,193
1- Investments in Equity Shares		-	-
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	6	137,619,533	137,613,779
1- Investment Properties	6,7	119,614,810	119,545,113
2- Impairment for Investment Properties		-	-
3- Owner Occupied Property	6	4,610,000	4,610,000
4- Machinery and Equipments	6	21,757,806	19,763,450
5- Furniture and Fixtures	6	3,799,231	3,780,465
6- Motor Vehicles	6	538,860	541,760
7- Other Tangible Assets (Including Leasehold Improvements)	6	3,461,784	3,456,710
8- Tangible Assets Acquired Through Finance Leases	6	634,906	634,906
9- Accumulated Depreciation	6	(16,797,864)	(14,718,625)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
F- Intangible Assets	8	19,247,767	17,154,965
1- Rights	8	32,137,314	29,612,153
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortisation (Depreciation)	8	(23,117,677)	(20,061,162)
7- Advances Paid for Intangible Assets		10,228,130	7,603,974
G- Prepaid Expenses and Income Accruals		189,767	1,336,099
1- Deferred Commission Expense		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses and Income Accruals		189,767	1,336,099
H- Other Non-Current Assets	21	-	-
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Stocks to be Used in the Following Years		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	-	-
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		170,584,241	169,939,469
TOTAL ASSETS		13,212,670,921	11,889,176,156

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

Anadolu Hayat Emeklilik Anonim Şirketi
Unconsolidated Interim Balance Sheet
As At 30 June 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	Reviewed Current Period 30 June 2016	Audited Prior Period 31 December 2015
III- Short-Term Liabilities			
A- Financial Liabilities	20	45,254,403	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	45,254,403	101,214,252
B- Payables Arising from Main Operations	19	10,502,063,206	9,135,523,858
1- Payables Arising from Insurance Operations	19	11,804,261	9,482,564
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies	19,10	2,097,256	1,505,123
4- Payables Arising from Individual Pension Business	19	10,487,748,304	9,124,225,331
5- Payables Arising from Other Main Operations		413,385	310,840
6- Discount on Payables from Other Main Operations		-	-
C- Due to Related Parties	19	79,757	18,544
1- Due to Shareholders	19,45	63,517	9,678
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		16,192	8,836
6- Due to Other Related Parties	19	48	30
D- Other Payables	19	9,834,825	18,616,986
1- Deposits and Guarantees Received	19	418,732	437,995
2- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables	19,47	9,416,093	18,178,991
4- Discount on Other Miscellaneous Payables		-	-
E- Insurance Technical Provisions	17	1,810,577,117	1,809,975,372
1- Reserve for Unearned Premiums - Net	17	21,780,426	16,599,281
2- Reserve for Unexpired Risks - Net		15,826	-
3- Mathematical Provisions - Net	17	1,695,308,718	1,700,163,219
4- Provision for Outstanding Claims - Net	17	79,832,278	81,652,180
5- Provision for Bonus and Discounts - Net		358,935	314,937
6- Other Technical Provisions - Net	17	13,280,934	11,245,755
F- Provisions for Taxes and Other Similar Obligations		20,471,118	13,610,176
1- Taxes and Funds Payable		5,248,405	4,702,749
2- Social Security Premiums Payable		1,904,944	1,530,639
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Similar Payables		-	-
5- Corporate Tax Payable	35	22,720,000	30,778,000
6- Prepaid Taxes and Other Liabilities Regarding Current Period Income	35	(9,402,231)	(23,401,212)
7- Provisions for Other Taxes and Similar Liabilities		-	-
G- Provisions for Other Risks	23	14,725,382	13,698,218
1- Provision for Employee Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	23	14,725,382	13,698,218
H- Deferred Income and Expense Accruals	19	4,597,908	4,192,937
1- Deferred Commission Income	19	426,072	320,353
2- Expense Accruals	19	1,161,514	1,617,895
3- Other Deferred Income and Expense Accruals	19	3,010,322	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		12,407,603,716	11,096,850,343

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

Anadolu Hayat Emeklilik Anonim Şirketi
Unconsolidated Interim Balance Sheet
As At 30 June 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			
IV- Long-Term Liabilities	Note	Reviewed Current Period 30 June 2016	Audited Prior Period 31 December 2015
A- Financial Liabilities		-	-
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Liabilities		-	-
3- Deferred Leasing Costs		-	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued		-	-
7- Other Financial Liabilities		-	-
B- Payables Arising from Main Operations		-	-
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business		-	-
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables		-	-
4- Discount on Other Miscellaneous Payables		-	-
E-Insurance Technical Provisions		-	-
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	13,666,671	12,077,567
1- Provision for Employee Termination Benefits	22,23	13,666,671	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	2,278,122	2,042,793
1- Deferred Tax Liabilities	21	2,278,122	2,042,793
2- Other Long-Term Liabilities		-	-
IV- Total Long-Term Liabilities		15,944,793	14,120,360

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

Anadolu Hayat Emeklilik Anonim Şirketi
Unconsolidated Interim Balance Sheet
As At 30 June 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	Reviewed Current Period 30 June 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		173,918,559	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	58,075,062	33,530,383
6- Other Profit Reserves	15	1,125,034	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		86,303,562	145,067,326
1- Net Profit for the Period		86,303,562	145,067,326
2- Net Loss for the Period		-	-
3- Profit not Available for Distribution	15	-	-
V- Total Equity		789,122,412	778,205,453
TOTAL EQUITY AND LIABILITIES		13,212,670,921	11,889,176,156

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

Anadolu Hayat Emeklilik Anonim Şirketi
Unconsolidated Interim Statement of Income
For the Six Month Period Ended 30 June 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	Reviewed Current Period 1 January – 30 June 2016	Not Reviewed Current Period 1 April – 30 June 2016	Reviewed (Restated) ⁽¹⁾ Prior Period 1 January – 30 June 2015	Not Reviewed (Restated) ⁽¹⁾ Prior Period 1 April – 30 June 2015
I-TECHNICAL SECTION					
A- Non-Life Technical Income	5	141,875	61,021	270,790	138,442
1- Earned Premiums (Net of Reinsurer Share)		141,875	61,021	270,790	138,442
1.1- Written Premiums (Net of Reinsurer Share)	24	182,000	102,041	188,131	66,947
1.1.1- Written Premiums, gross		330,218	146,924	289,578	106,620
1.1.2- Written Premiums, ceded	10	(148,218)	(44,883)	(101,447)	(39,673)
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)		(24,300)	(25,195)	82,659	71,495
1.2.1- Reserve for Unearned Premiums, gross		(98,293)	(28,655)	52,009	66,905
1.2.2- Reserve for Unearned Premiums, ceded	10	73,993	3,460	30,650	4,590
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)		(15,825)	(15,825)	-	-
1.3.1- Reserve for Unexpired Risks, gross		(30,338)	(30,338)	-	-
1.3.2- Reserve for Unexpired Risks, ceded		14,513	14,513	-	-
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	(412,145)	(158,731)	(293,378)	(174,391)
1- Incurred Losses (Net of Reinsurer Share)		(192,134)	(35,546)	(73,234)	(63,858)
1.1- Claims Paid (Net of Reinsurer Share)		(120,007)	(9,299)	(73,402)	(42,831)
1.1.1- Claims Paid, gross		(211,963)	(101,255)	(73,402)	(42,831)
1.1.2- Claims Paid, ceded	10	91,956	91,956	-	-
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		(72,127)	(26,247)	168	(21,027)
1.2.1- Change in Provisions for Outstanding Claims, gross		25,666	(38,218)	10,288	(27,538)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10	(97,793)	11,971	(10,120)	6,511
2- Change in Provision for Bonus and Discounts (Net of Reinsurer and Less the Amounts Carried Forward)		(904)	-	(1,555)	(1,555)
2.1- Provision for Bonus and Discounts, gross		(3,490)	(1,513)	(4,088)	(3,052)
2.2- Provision for Bonus and Discounts, ceded		2,586	1,513	2,533	1,497
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)		(2,897)	(2,065)	(2,412)	226
4- Operating Expenses	32	(216,210)	(121,120)	(216,177)	(109,204)
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)		(270,270)	(97,710)	(22,588)	(35,949)
D- Life Technical Income	5	275,267,504	149,402,118	316,200,348	151,907,540
1- Earned Premiums (Net of Reinsurer Share)		202,810,510	111,102,654	204,539,309	105,272,171
1.1- Written Premiums (Net of Reinsurer Share)	24	207,967,355	114,407,485	200,025,999	103,122,913
1.1.1- Written Premiums, gross		215,338,712	118,353,013	207,349,771	106,973,255
1.1.2- Written Premiums, ceded	10	(7,371,357)	(3,945,528)	(7,323,772)	(3,850,342)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		(5,156,845)	(3,304,831)	4,513,310	2,149,258
1.2.1- Reserve for Unearned Premiums, gross		(6,474,178)	(4,128,043)	3,787,406	1,657,987
1.2.2- Reserve for Unearned Premiums, ceded	10	1,317,333	823,212	725,904	491,271
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	68,609,358	36,265,215	108,369,591	45,125,898
3- Unrealised Gains on Investments		-	-	-	-
4- Other Technical Income (Net of Reinsurer Share)		3,847,636	2,034,249	3,291,448	1,509,471
4.1- Other Technical Income, gross		3,847,636	2,034,249	3,291,448	1,509,471
4.2- Other Technical Income, ceded		-	-	-	-
5- Accrued Salvage Income		-	-	-	-

⁽¹⁾ See the note 2.1.6 for the restatement.

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

Anadolu Hayat Emeklilik Anonim Şirketi
Unconsolidated Interim Statement of Income
For the Six Month Period Ended 30 June 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	Reviewed Current Period 1 January – 30 June 2016	Not Reviewed Current Period 1 April – 30 June 2016	Reviewed (Restated) ⁽¹⁾ Prior Period 1 January – 30 June 2015	Not Reviewed (Restated) ⁽¹⁾ Prior Period 1 April – 30 June 2015
I-TECHNICAL SECTION					
E- Life Technical Expense	5	(223,514,130)	(119,890,574)	(272,777,399)	(129,021,276)
1- Incurred Losses (Net of Reinsurer Share)		(245,666,521)	(102,433,368)	(223,256,109)	(102,983,261)
1.1- Claims Paid (Net of Reinsurer Share)		(242,112,040)	(99,480,775)	(219,871,679)	(100,665,316)
1.1.1- Claims Paid, gross		(245,995,834)	(101,196,049)	(223,001,909)	(102,051,236)
1.1.2- Claims Paid, ceded	10	3,883,794	1,715,274	3,130,230	1,385,920
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		(3,554,481)	(2,952,593)	(3,384,430)	(2,317,945)
1.2.1- Change in Provisions for Outstanding Claims, gross		(3,312,901)	(1,997,496)	(3,646,007)	(2,608,567)
1.2.2- Change in Provisions for Outstanding Claims, ceded	10	(241,580)	(955,097)	261,577	290,622
2- Change in Provision for Bonus and Discounts (Net of Reinsurer and Less the Amounts Carried Forward)		(43,094)	209,195	(136,641)	(120,393)
2.1- Provision for Bonus and Discounts, gross		(211,532)	206,057	(535,652)	(23,638)
2.2- Provision for Bonus and Discounts, ceded		168,438	3,138	399,011	(96,755)
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		85,087,218	16,890,785	8,036,962	3,593,553
3.1- Change in Life Mathematical Provisions, gross		85,478,526	16,971,578	8,070,669	3,637,534
3.1.1- Change in Actuarial Mathematical Provisions, gross		69,718,750	13,337,951	(853,176)	648,581
3.1.2- Change in Profit Share Provisions (Provision for Financial Investments with Risks on Saving Life Policyholders), gross		15,759,776	3,633,627	8,923,845	2,988,953
3.2- Change in Life Mathematical Provisions, ceded	10	(391,308)	(80,793)	(33,707)	(43,981)
3.2.1- Change in Actuarial Mathematical Provisions, ceded		(391,308)	(80,793)	(33,707)	(43,981)
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)		(2,032,282)	(1,157,718)	(1,521,668)	(813,267)
5- Operating Expenses	32	(60,859,451)	(33,399,468)	(55,899,943)	(28,697,908)
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)		51,753,374	29,511,544	43,422,949	22,886,264
G- Pension Business Technical Income	5,25	113,337,590	58,118,459	99,886,263	50,498,518
1- Fund Management Income	25	82,036,518	42,412,003	68,843,958	35,115,568
2- Management Fee	25	9,615,173	5,032,258	12,565,303	6,369,530
3- Entrance Fee Income	25	19,547,740	9,572,605	15,505,751	7,495,964
4- Management Expense Charge in case of Suspension	25	2,071,446	1,060,765	2,848,885	1,453,001
5- Income from Individual Service Charges		-	-	-	-
6- Increase in Value of Capital Allowances Given as Advance	25	-	-	-	-
7- Other Technical Expense	25	66,713	40,828	122,366	64,455
H- Pension Business Technical Expense	5	(102,073,852)	(53,387,201)	(83,985,262)	(42,910,103)
1- Fund Management Expense		(12,257,406)	(6,124,334)	(10,579,729)	(5,388,135)
2- Decrease in Value of Capital Allowances Given as Advance		-	-	-	-
3- Operating Expenses	32	(85,990,873)	(45,245,172)	(70,680,790)	(35,922,118)
4- Other Technical Expenses		(3,751,068)	(1,987,153)	(2,682,553)	(1,573,969)
5- Fine Payments		(74,505)	(30,542)	(42,190)	(25,881)
I- Net Technical Income - Pension Business (G – H)		11,263,738	4,731,258	15,901,001	7,588,415

⁽¹⁾ See the note 2.1.6 for the restatement.

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

Anadolu Hayat Emeklilik Anonim Şirketi
Unconsolidated Interim Statement of Income
For the Six Month Period Ended 30 June 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	Reviewed Current Period 1 January – 30 June 2016	Not Reviewed Current Period 1 April – 30 June 2016	Reviewed (Restated) ⁽¹⁾ Prior Period 1 January – 30 June 2015	Not Reviewed (Restated) ⁽¹⁾ Prior Period 1 April – 30 June 2015
II-NON-TECHNICAL SECTION					
C- Net Technical Income – Non-Life (A-B)		(270,270)	(97,710)	(22,588)	(35,949)
F- Net Technical Income – Life (D-E)		51,753,374	29,511,544	43,422,949	22,886,264
I - Net Technical Income – Pension Business (G-H)		11,263,738	4,731,258	15,901,001	7,588,415
J- Total Net Technical Income (C+F+I)		62,746,842	34,145,092	59,301,362	30,438,730
K- Investment Income	26	56,319,784	25,608,149	54,108,687	33,166,651
1- Income from Financial Assets		29,317,351	14,160,618	24,312,179	13,370,799
2- Income from Disposal of Financial Assets		5,055,105	979,296	5,517,647	4,965,142
3- Valuation of Financial Assets		16,883,960	9,438,701	8,721,307	2,811,819
4- Foreign Exchange Gains	36	591,499	156,674	1,941,576	1,340,990
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	1,342,952	423,243	11,266,233	10,404,389
8- Income from Derivative Transactions		-	-	-	-
9- Other Investments	26	822,196	449,617	549,403	273,512
10- Income Transferred from Life Section		-	-	-	-
L- Investment Expense		(11,112,712)	(4,975,764)	(5,804,940)	(2,832,432)
1- Investment Management Expenses (inc. interest)		(1,574,712)	(846,026)	(1,002,697)	(542,119)
2- Diminution in Value of Investments		(254,403)	(61,225)	-	-
3- Loss from Disposal of Financial Assets		(2,893,985)	(1,056,313)	-	-
4- Investment Income Transferred to Non-Life Technical Section		-	-	-	-
5- Loss from Derivative Transactions		-	-	-	-
6- Foreign Exchange Losses	36	(912,877)	(203,776)	(419,064)	(54,593)
7- Depreciation and Amortisation Expenses	6,8	(5,476,735)	(2,808,424)	(4,383,179)	(2,235,720)
8- Other Investment Expenses		-	-	-	-
M- Income and Expenses From Other and Extraordinary Operation		1,069,648	3,863,794	(8,037,952)	(5,507,674)
1- Provisions	47	(4,295,444)	(283,466)	(3,136,316)	(793,964)
2- Rediscounts		1,964	-	-	-
3- Specified Insurance Accounts		-	-	-	-
4- Monetary Gains and Losses		-	-	-	-
5- Deferred Taxation (Deferred Tax Assets)	21	6,056,172	4,464,516	(4,466,854)	(4,548,840)
6- Deferred Taxation (Deferred Tax Liabilities)	21	-	-	-	-
7- Other Income		808	765	3,930	4
8- Other Expenses and Losses		(693,852)	(318,021)	(438,712)	(164,874)
9- Prior Year's Income		-	-	-	-
10- Prior Year's Expenses and Losses		-	-	-	-
N- Net Profit for the Period	37	86,303,562	44,861,271	83,087,157	48,925,275
1- Profit for the Period		109,023,562	58,641,271	99,567,157	55,265,275
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(22,720,000)	(13,780,000)	(16,480,000)	(6,340,000)
3- Net Profit for the Period	37	86,303,562	44,861,271	83,087,157	48,925,275
4- Monetary Gains and Losses		-	-	-	-

⁽¹⁾ See the note 2.1.6 for the restatement.

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

Anadolu Hayat Emeklilik Anonim Şirketi
Unconsolidated Interim Statement of Cash Flows
For the Six-Month Period Ended 30 June 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	Reviewed Current Period 30 June 2016	Reviewed Prior Period 30 June 2015
A. Cash flows from operating activities			
1. Cash provided from insurance activities		305,490,169	369,186,057
2. Cash provided from reinsurance activities		592,133	486,352
3. Cash provided from individual pension business		175,928,993	118,600,021
4. Cash used in insurance activities		(306,029,798)	(351,416,517)
5. Cash used in reinsurance activities		-	-
6. Cash used in individual pension business		(102,421,982)	(88,036,490)
7. Cash provided by / (used in) operating activities		73,559,515	48,819,423
8. Interest paid		-	-
9. Income taxes paid		(30,778,000)	(28,115,000)
10. Other cash inflows		22,283,012	10,989,126
11. Other cash outflows		(69,512,244)	(10,400,266)
12. Net cash provided by operating activities		(4,447,717)	21,293,283
B. Cash flows from / (used in) investing activities		-	-
1. Proceeds from disposal of tangible assets		540,285	-
2. Acquisition of tangible assets	6,8	(7,552,385)	(7,670,980)
3. Acquisition of financial assets		(98,464,690)	(24,769,616)
4. Proceeds from disposal of financial assets		222,334,044	31,000,000
5. Interests received		50,788,394	35,079,574
6. Dividends received		7,256,819	6,416,365
7. Other cash inflows		5,813,162	9,344,773
8. Other cash outflows		(110,649,525)	(1,995,826)
9. Net cash used in investing activities		70,066,104	47,404,290
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		(37,787,894)	6,533,454
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	228,287,697	191,520,090

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

Anadolu Hayat Emeklilik Anonim Şirketi
Unconsolidated Interim Statement of Changes in Equity
For the Six-Month Period Ended 30 June 2016

(Currency: Turkish Lira (TRY))

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

Reviewed - Changes in Equity - 30 June 2015												
	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Period	Retained Earnings	Total
I - Balance at the end of the year period – 31 December 2014		380,000,000	-	44,449,594	-	-	79,990,885	2,239,098	1,210,171	106,654,108	87,406,963	701,950,819
II – Change in Accounting Standards		-	-	-	-	-	-	-	-	-	-	-
III – Restated balances (I+II) –1 January 2015		380,000,000	-	44,449,594	-	-	79,990,885	2,239,098	1,210,171	106,654,108	87,406,963	701,950,819
A- Capital increase (A1+A2)		30,000,000	-	-	-	-	-	(8,928,236)	(21,071,764)	-	-	-
1- In cash		-	-	-	-	-	-	-	-	-	-	-
2- From reserves		30,000,000	-	-	-	-	-	(8,928,236)	(21,071,764)	-	-	-
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	-	-	(1,503,384)	-	-	-	-	-	-	-	(1,503,384)
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses	15	-	-	-	-	-	-	-	-	2,270,001	-	2,270,001
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period		-	-	-	-	-	-	-	-	83,087,157	-	83,087,157
I – Dividends paid	38	-	-	-	-	-	-	-	-	(62,164,119)	-	(62,164,119)
J - Transfers from retained earnings	15	-	-	-	-	-	9,198,336	6,997,317	19,071,009	(46,759,990)	11,493,328	-
IV - Balance at the end of the period – 30 June 2015		410,000,000	-	42,946,210	-	-	89,189,221	308,179	(790,584)	83,087,157	98,900,291	723,640,474

Reviewed - Changes in Equity - 30 June 2016												
	Note	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit for the Period	Retained Earnings	Total
I - Balance at the end of the year period – 31 December 2015		410,000,000	-	33,530,383	-	-	89,189,221	308,179	1,210,053	145,067,326	98,900,291	778,205,453
II – Change in Accounting Standards		-	-	-	-	-	-	-	-	-	-	-
III – Restated balances (I+II) –1 January 2016		410,000,000	-	33,530,383	-	-	89,189,221	308,179	1,210,053	145,067,326	98,900,291	778,205,453
A- Capital increase (A1+A2)		20,000,000	-	-	-	-	-	(10,000,000)	(10,000,000)	-	-	-
1- In cash		-	-	-	-	-	-	-	-	-	-	-
2- From reserves		20,000,000	-	-	-	-	-	(10,000,000)	(10,000,000)	-	-	-
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	-	-	24,544,679	-	-	-	-	-	-	-	24,544,679
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses	15	-	-	-	-	-	-	-	-	3,474,999	-	3,474,999
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period		-	-	-	-	-	-	-	-	86,303,562	-	86,303,562
I – Dividends paid	38	-	-	-	-	-	-	-	-	(103,406,281)	-	(103,406,281)
J - Transfers from retained earnings	15	-	-	-	-	-	15,717,744	11,013,641	18,404,659	(45,136,044)	-	-
IV - Balance at the end of the period – 30 June 2016		430,000,000	-	58,075,062	-	-	104,906,965	1,321,820	9,614,712	86,303,562	98,900,291	789,122,412

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

Anadolu Hayat Emeklilik Anonim Şirketi

Notes to the Unconsolidated Financial Statements As at 30 June 2016

(Currency: Turkish Lira (TRY))

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 30 June 2016, the shareholder having direct or indirect control over the shares of the Company is Türkiye İş Bankası AŞ (“İş Bankası”) by 83.31% of the outstanding shares of the Company.

Name	30 June 2016		31 December 2015	
	Shareholding amount (TRY)	Shareholding rate (%)	Shareholding amount (TRY)	Shareholding rate (%)
Türkiye İş Bankası AŞ ⁽¹⁾	267,947,273	62.31	254,815,000	62.15
Anadolu Anonim Türk Sigorta Şirketi	85,999,993	20.00	82,000,000	20.00
Milli Reasürans TAŞ	4,299,999	1.00	4,100,000	1.00
Publicly traded	71,752,735	16.69	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 30 June 2016, Türkiye İş Bankası AŞ. owns the 0.31% 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 30 June 2016, the Company has 24 individual pension investment funds (31 December 2015: 24).

1 General information (continued)

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 Istanbul (“BIST”). In accordance with Article 136(1) 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.

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:

	30 June 2016	31 December 2015
Senior level managers	8	8
Directors	106	104
Officers	369	372
Contracted personnel	3	3
Sales personnel	553	478
Other	11	12
Total	1.050	977

1.6 Wages and similar benefits provided to the senior management

For the interim period ended as of 30 June 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 3,181,317 (30 June 2015: TRY 2,631,699).

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.

1 General information (continued)

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 (continued)

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 30 June 2016, separately.

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 AŞ
Registered address of the head office	: İş Kuleleri, Kule 2 Kat 16 34330, Levent/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.

Additional paragraph for convenience translation to English

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

2.1.2 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 30 June 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 polices 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 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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 (its functional currency). 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 and financial investments with risks on saving life policyholders classified as available-for-sale financial assets and derivative financial instruments which are measured at their fair values unless reliable measures are available.

2.1.6 Accounting policies, changes in accounting estimates and errors

Accounting policy changes regarding the revaluation of initially measured owner occupied properties

According to standard "TAS 16 – Property Plant and Equipment", subsequent to initial measurement, tangible assets could be measured with historical cost basis method or revaluation method if the fair value could be measured in a reliable manner.

The Company has changed historical cost basis method with revaluation method for owner occupied properties according to accounting policy change since 30 September 2015. According to standard "TAS 8 – Profit or Loss for The Period, Fundamental Errors and Changes in Accounting Policies", if the Company changes historical cost basis method with revaluation method regarding the measurement of tangible assets accounting policy, there is no need to adjust the prior periods' financial statements. But the Company should present the valuation differences as revaluation differences in the financial statements at when this change happened.

According to real estate appraisal reports, the fair value of owner occupied properties is amounting to TRY 4,610,000. The revaluation difference (TRY 3,138,657) excluding tax amounting to TRY 2,981,724 is presented under the other profit reserves in equity.

Accounting policy changes regarding the revaluation of initially measured investment properties

According to standard "TAS 40 – Investment Property", the Company has a choice to apply historical cost basis method or fair value method for investment properties subsequent to initial measurement. Reporting standards allow the Company to change the method determined before to provide more reasonable information about the financial statements to financial statement readers.

"TAS 8 - Profit or Loss for The Period, Fundamental Errors and Changes in Accounting Policies" identifies this kind of change as an optional change and the Company has to restate previous financial statements regarding the measured effects. As of 30 September 2015, the Company has started measuring the fair value of investment properties which were measured by historical cost basis method before. Also the effects of accounting policy change have been provided by updating the previous financial statements.

According to real estate appraisal reports, the fair value of investment properties is amounting to TRY 119,614,810 (31 December 2015: TRY 119,545,113) and increase in value amounting to TRY 9,524,940 is presented under the income from property, plant and equipment in the previous year's income statement.

2 Summary of significant accounting policies (continued)

2.1.6 Accounting policies, changes in accounting estimates and errors (continued)

The effects of accounting policy changes regarding subsequently measured investment properties in financial statements at 30 June 2015 is presented below:

	30 June 2015	
	Previously reported	Restated
Investment properties	26,164,024	119,533,000
Accumulated depreciation	(24,354,602)	(13,093,472)
Deferred tax liability	886,098	(6,573,476)
Retained earnings	9,467,037	98,900,291
Net profit for the period	75,349,879	83,087,157
Income from property, plant and equipment	1,741,293	11,266,233
Depreciation and amortization expenses	(4,634,084)	(4,383,179)
Deferred tax (income /expense)	(2,428,287)	(4,466,854)

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.

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 Summary of significant accounting policies (continued)

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 30 September 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.

2 Summary of significant accounting policies (continued)

2.5 Tangible assets (continued)

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:

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 Summary of significant accounting policies (continued)

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 (Note 2.1.6).

The difference arising between sale price 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.

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*.

2 Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

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 30 June 2016, 95% of the difference between fair values and amortised costs of those assets backing liabilities amounting to TRY 85,272,868 (31 December 2015: TRY 5,040,151) is recorded in life mathematical provisions.

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.

2 Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

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*.

2 Summary of significant accounting policies (continued)

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 30 June 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 30 June 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.

2 Summary of significant accounting policies (continued)

2.13 Capital (continued)

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 30 June 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.

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 Summary of significant accounting policies (continued)

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.

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 30 June 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.

2 Summary of significant accounting policies (continued)

2.18 Taxes (continued)

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.

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 Summary of significant accounting policies (continued)

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 30 June 2016 is TRY 4,092.53 (31 December 2015: TRY 3,828.37).

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 – *Employee Benefits*. The major actuarial assumptions used in the calculation of the total liability as at 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016	31 December 2015
Discount rate	2.69% - 5.00%	2.69% - 5.00%
Expected rate of salary/limit increase	6.70%	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.

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.

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition (continued)

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.

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition (continued)

Income from individual pension business (continued)

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 Summary of significant accounting policies (continued)

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.

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 30 June 2016, related test have resulted reserve for unexpired risks amounting to TRY 15,826 (31 December 2015: None).

2 Summary of significant accounting policies (continued)

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.

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 6,749,162 (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 102,209 (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 30 June 2016, this adequacy test has not resulted in additional provision for outstanding claims.

2 Summary of significant accounting policies (continued)

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.

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 13,280,934 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 30 June 2016, the Company accounted for bonus provision amounting to TRY 358,935 (31 December 2015: TRY 314,937).

2 Summary of significant accounting policies (continued)

2.29 Related parties

Parties are considered related to the Company if;

(a) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company;

(b) the party is an associate of the Company;

(c) the party is a joint venture in which the Company is a venturer;

(d) the party is member of the key management personnel of the Company and its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, 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.

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 30 June 2016. These new standards, except the TFRS 9 standard, are not expected to have any impact on the financial statements of the Company.

2 Summary of significant accounting policies (continued)

2.32 New standards and interpretations not yet adopted (continued)

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.

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
- 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 30 June 2016, the Company's life insurance claims/premiums ratio stands at 21%. 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 30 June 2016, the Company's personal accident insurance claims/premiums ratio is 86%. 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:

	30 June 2016	31 December 2015
Life insurance	21%	20%
Personal accident	86%	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 30 June 2016 and 31 December 2015, risk portion transferred to reinsurers in terms of risk guarantee is presented as below:

	30 June 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%

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.

4 Management of insurance and financial risk (continued)

4.1 Management of insurance risk (continued)

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:

30 June 2016			
Branches	Total gross risk liability⁽¹⁾	Reinsurer's share of risk liability	The company's net claims liability
Life insurance	53,292,108,194	13,770,033,989	39,522,074,205
Personal accident	7,964,823,892	1,869,745,861	6,095,078,031
Total	61,256,932,086	15,639,779,850	45,617,152,236
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.

4 Management of insurance and financial risk (continued)

4.1 Management of insurance risk (continued)

Determination of insurance risk concentrations by management and the common characteristics of insurance risk concentrations (nature, location and currency) (continued)

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⁾	30 June 2016		
	Total gross claims liability	Reinsurer's share of claims liability	Total net claims liability
Marmara Region	28,060,316	697,121	27,363,195
Central Anatolia Region	12,390,399	205,963	12,184,436
Aegean Region	10,494,598	218,423	10,276,175
Mediterranean Region	8,325,419	195,028	8,130,391
Black Sea Region	5,483,758	154,667	5,329,091
South-eastern Anatolia Region	3,321,976	101,779	3,220,197
Eastern Anatolia Region	3,045,579	93,329	2,952,250
Foreign countries (other)	3,525,359	188	3,525,171
Total	74,647,404	1,666,498	72,980,906

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 Management of insurance and financial risk (continued)

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.

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Credit risk (continued)

As at 30 June 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.

30 June 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)	-	55,204,306	2,912	64,058,182	2,218,534,494	268,454,755
- Secured portion of maximum risk by guarantees, provisions, etc.	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	-	41,463,254	2,912	64,058,182	2,218,534,494	268,454,755
B. Net book value of past due but not impaired assets	-	13,741,052	-	-	-	-
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 İstanbul Takas ve Saklama Bankası A.Ş. (the "İstanbul Settlement and Custody Bank Inc").

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

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 30 June 2016 and 31 December 2015, maturity analyses of the Company's assets and liabilities are presented in the table below:

30 June 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	9,141,647	258,450,738	-	-	-	-	-	267,592,385
Financial assets and investments with risks on policyholders	-	20,804,757	91,278,393	171,004,596	1,031,934,164	826,832,117	236,428,643	2,378,282,670
Receivables from main operations	-	2,335,622	4,449,618	10,051,435	-	-	10,299,148,450	10,315,985,125
Due from related parties	-	-	2,912	-	-	-	-	2,912
Other receivables	-	62,138,274	-	-	-	-	1,919,908	64,058,182
Prepaid expenses and income accruals, short term	-	-	-	-	-	-	16,127,159	16,127,159
Other current assets	-	-	-	-	-	-	38,247	38,247
Other receivables	-	-	764,981	-	-	-	-	764,981
Financial assets (Associates)	-	-	-	-	-	-	12,762,193	12,762,193
Tangible assets	-	-	-	-	-	-	137,619,533	137,619,533
Intangible assets	-	-	-	-	-	-	19,247,767	19,247,767
Prepaid expenses and income accruals, long term	-	-	-	-	-	-	189,767	189,767
Deferred tax assets	-	-	-	-	-	-	-	-
Total assets	9,141,647	343,729,391	96,495,904	181,056,031	1,031,934,164	826,832,117	10,723,481,667	13,212,670,921
Financial liabilities	-	45,254,403	-	-	-	-	-	45,254,403
Payables arising from main operations	-	13,396,778	-	2,097,256	-	-	10,486,569,172	10,502,063,206
Due to related parties	-	16,192	-	63,517	-	-	48	79,757
Other payables	-	6,383,817	-	-	-	-	3,451,008	9,834,825
Insurance technical provisions	-	-	-	-	-	-	1,810,577,117	1,810,577,117
Provisions for taxes and other similar obligations	-	7,153,349	-	-	-	-	13,317,769	20,471,118
Deferred income and expense accruals	-	-	-	-	-	-	4,597,908	4,597,908
Other short term liabilities	-	-	-	-	-	-	-	-
Provisions for other risks	-	1,000,000	-	7,051,411	-	13,666,671	6,673,971	28,392,053
Deferred tax liabilities	-	-	-	-	-	-	2,278,122	2,278,122
Shareholders' equity	-	-	-	-	-	-	789,122,412	789,122,412
Total liabilities	-	73,204,539	-	9,212,184	-	13,666,671	13,116,587,527	13,212,670,921
Net liquidity surplus/(deficit)	9,141,647	270,524,852	96,495,904	171,843,847	1,031,934,164	813,165,446	(2,393,105,860)	-

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Liquidity risk (continued)

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)	-

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

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 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 – 30 June 2016						
	Total TRY (Functional currency)	US Dollar	Euro	GBP	CHF	JPY
1. Cash at banks	4,412,395	1,103,412	3,253,525	32,300	23,158	-
2. Financial assets and financial investments with risks on policyholders	489,700,789	373,209,406	99,082,950	17,408,433	-	-
3. Receivables from main operations	908,432	680,058	226,641	1,733	-	-
4. Reinsurance receivables	-	-	-	-	-	-
5. Rent receivables	-	-	-	-	-	-
6. Deposits given	31,830	31,830	-	-	-	-
Foreign currency assets, current	495,053,446	375,024,706	102,563,116	17,442,466	23,158	-
7. Total assets	495,053,446	375,024,706	102,563,116	17,442,466	23,158	-
8. Other miscellaneous payables	-	-	-	-	-	-
9. Payables to reinsurers	383	-	-	377	-	6
10. Agency guarantees	292,867	281,937	10,930	-	-	-
11. Technical provisions	407,215,844	317,257,194	77,445,723	12,495,131	4,133	13,663
Foreign currency liabilities, short term	407,509,094	317,539,131	77,456,653	12,495,508	4,133	13,669
12. Total liabilities	407,509,094	317,539,131	77,456,653	12,495,508	4,133	13,669
Net financial position	87,544,352	57,485,575	25,106,463	4,946,958	19,025	(13,669)
Net long/(short) position on monetary items	87,512,522	57,453,745	25,106,463	4,946,958	19,025	(13,669)

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Market risk (continued)

Foreign currency risk (continued)

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:

30 June 2016	US Dollar	Euro	GBP	CHF	JPY
Foreign currency rate used in translation of balance sheet items	2.8936	3.2044	3.8690	2.9440	0.0281
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

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Market risk (continued)

Foreign currency risk (continued)

Exposure to foreign currency risk

A 10 percent depreciation of the TRY against the following currencies as at 30 June 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 – 30 June 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	5,422,352	(5,422,352)	5,748,558	(5,748,558)
2- Hedged portion from US Dollar risk (-)	-	-	-	-
3- Net effect of US Dollar (1+2)	5,422,352	(5,422,352)	5,748,558	(5,748,558)
If EUR value changes by 10% against TRY:				
4- Net Euro assets/liabilities	2,461,000	(2,461,000)	2,510,646	(2,510,646)
5- Hedged portion from Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	2,461,000	(2,461,000)	2,510,646	(2,510,646)
If GBP value changes by 10% against TRY:				
7- Net GBP assets/liabilities	478,849	(478,849)	494,696	(494,696)
8- Hedged portion from GBP risk (-)	-	-	-	-
9- Net effect of GBP (7+8)	478,849	(478,849)	494,696	(494,696)
If CHF value changes by 10% against TRY:				
10- Net CHF assets/liabilities	1,903	(1,903)	1,903	(1,903)
11- Hedged portion from CHF risk (-)	-	-	-	-
12- Net effect of CHF (10+11)	1,903	(1,903)	1,903	(1,903)
If JPY value changes by 10% against TRY:				
13- Net JPY assets/liabilities	(1,367)	1,367	(1,367)	1,367
14- Hedged portion from JPY risk (-)	-	-	-	-
15- Net effect of JPY (13+14)	(1,367)	1,367	(1,367)	1,367
Total (3+6+9+12+15)	8,362,737	(8,362,737)	8,754,436	(8,754,436)

⁽¹⁾ Includes profit / loss effect.

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Market risk (continued)

Foreign currency risk (continued)

Exposure to foreign currency risk (continued)

Exchange rate sensitivity analysis table – 30 June 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	4,336,061	(4,336,061)	4,583,053	(4,583,053)
2- Hedged portion from US Dollar risk (-)	-	-	-	-
3- Net effect of US Dollar (1+2)	4,336,061	(4,336,061)	4,583,053	(4,583,053)
If EUR value changes by 10% against TRY:				
4- Net Euro assets/liabilities	2,308,513	(2,308,513)	2,352,847	(2,352,847)
5- Hedged portion from Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	2,308,513	(2,308,513)	2,352,847	(2,352,847)
If GBP value changes by 10% against TRY:				
7- Net GBP assets/liabilities	213,107	(213,107)	224,298	(224,298)
8- Hedged portion from GBP risk (-)	-	-	-	-
9- Net effect of GBP (7+8)	213,107	(213,107)	224,298	(224,298)
If CHF value changes by 10% against TRY:				
10- Net CHF assets/liabilities	6,464	(6,464)	6,464	(6,464)
11- Hedged portion from CHF risk (-)	-	-	-	-
12- Net effect of CHF (10+11)	6,464	(6,464)	6,464	(6,464)
If JPY value changes by 10% against TRY:				
13- Net JPY assets/liabilities	(1,929)	1,929	(1,929)	1,929
14- Hedged portion from JPY risk (-)	-	-	-	-
15- Net effect of JPY (13+14)	(1,929)	1,929	(1,929)	1,929
Total (3+6+9+12+15)	6,862,216	(6,862,216)	7,164,733	(7,164,733)

⁽¹⁾ Includes profit / loss effect.

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Market risk (continued)

Interest risk

Exposure to interest risk (continued)

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:

	30 June 2016	31 December 2015
Fixed rate financial instruments		
Financial assets	1,840,784,642	1,803,766,421
<i>Financial assets at fair value through profit or loss</i>	-	-
<i>Available-for-sale financial assets</i>	1,819,979,885	1,792,899,542
<i>Loans and receivables</i>	20,804,757	10,866,879
Banks	83,941,707	137,923,868
Variable rate financial instruments		
Financial assets	301,069,386	352,941,809
<i>Available-for-sale financial assets</i>	301,069,386	352,941,809

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Market risk (continued)

Interest risk (continued)

Interest rate sensitivity of financial instruments

As at 30 June 2016 and 31 December 2015, interest rate risk analysis of financial assets and financial liabilities are summarised in the table below:

30 June 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	258,450,738	-	-	-	-	9,141,647	267,592,385
Financial assets and investments with risks on policyholders	264,633,557	91,278,393	140,297,353	818,812,607	826,832,117	236,428,643	2,378,282,670
Receivables from main operations	2,335,622	4,449,618	10,051,435	-	-	10,299,148,450	10,315,985,125
Due from related parties	-	2,912	-	-	-	-	2,912
Other receivables	62,138,274	-	-	-	-	1,919,908	64,058,182
Prepaid expenses and income accruals, short term	-	-	-	-	-	16,127,159	16,127,159
Other current assets	-	-	-	-	-	38,247	38,247
Other current receivables	-	764,981	-	-	-	-	764,981
Financial assets (Associates)	-	-	-	-	-	12,762,193	12,762,193
Tangible assets	-	-	-	-	-	137,619,533	137,619,533
Intangible assets	-	-	-	-	-	19,247,767	19,247,767
Prepaid expenses and income accruals, long term	-	-	-	-	-	189,767	189,767
Deferred tax assets	-	-	-	-	-	-	-
Total assets	587,558,191	96,495,904	150,348,788	818,812,607	826,832,117	10,732,623,314	13,212,670,921
Liabilities:							
Financial liabilities	45,254,403	-	-	-	-	-	45,254,403
Payables arising from main operations	13,396,778	-	2,097,256	-	-	10,486,569,172	10,502,063,206
Due to related parties	16,192	-	63,517	-	-	48	79,757
Other liabilities	6,383,817	-	-	-	-	3,451,008	9,834,825
Insurance technical provisions	-	-	-	-	-	1,810,577,117	1,810,577,117
Provisions for taxes and other similar obligations	7,153,349	-	-	-	-	13,317,769	20,471,118
Deferred income and expense accruals	-	-	-	-	-	4,597,908	4,597,908
Other short term liabilities	-	-	-	-	-	-	-
Provisions for other risks	1,000,000	-	7,051,411	-	13,666,671	6,673,971	28,392,053
Deferred tax liabilities	-	-	-	-	-	2,278,122	2,278,122
Shareholders' equity	-	-	-	-	-	789,122,412	789,122,412
Total liabilities and equity	73,204,539	-	9,212,184	-	13,666,671	13,116,587,527	13,212,670,921
Net position	514,353,652	96,495,904	141,136,604	818,812,607	813,165,446	(2,383,964,213)	-

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Market risk (continued)

Interest risk (continued)

Interest rate sensitivity of financial instruments (continued)

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)	-

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Market risk (continued)

Interest risk (continued)

Interest rate sensitivity of financial instruments (continued)

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 30 June 2016 and 2015 of the floating rate non-trading financial assets and financial liabilities held at 30 June 2016 and 2015. Interest rate sensitivity of equity is calculated by revaluating available-for-sale financial assets at 30 June 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.

30 June 2016	100 bp increase	100 bp decrease	500 bp increase	500 bp decrease
Company's own portfolio	(15,202,985)	16,013,808	(68,894,349)	89,382,391
Total, net	(15,202,985)	16,013,808	(68,894,349)	89,382,391

30 June 2015	100 bp increase	100 bp decrease	500 bp increase	500 bp decrease
Company's own portfolio	(14,820,559)	15,715,117	(66,371,977)	89,035,175
Total, net	(14,820,559)	15,715,117	(66,371,977)	89,035,175

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.

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Market risk (continued)

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.

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

	30 June 2016			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Financial assets held for trading	34,704,449	-	-	34,704,449
Available for sale financial assets ⁽¹⁾	693,152,293	5,765,918	-	698,918,211
Loans and receivables	20,804,757	-	-	20,804,757
Financial investments with risks on policyholders classified as available for sale	1,554,343,294	-	-	1,554,343,294
Financial investments with risks on policyholders classified as for the purposes of purchase and sale	43,722,241	-	-	43,722,241
Receivables from individual pension business	10,233,346,136	-	-	10,233,346,136
Total financial assets	12,580,073,170	5,765,918	-	12,585,839,088
Financial liabilities:				
Investment contract liabilities – life mathematical provision for saving life policies	1,695,308,718	-	-	1,695,308,718
Payables arising from individual pension business ⁽²⁾	10,233,346,136	-	-	10,233,346,136
Total financial liabilities	11,928,654,854	-	-	11,928,654,854

⁽¹⁾ As at 30 June 2016, 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.

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

Market risk (continued)

Classification relevant to fair value information (continued)

	31 December 2015			Total
	Level 1	Level 2	Level 3	
Financial assets:				
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
Loans and receivables	10,866,879	-	-	10,866,879
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	11,275,491,363	12,563,647	-	11,288,055,010
Financial liabilities:				
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 30 June 2016 and 2015.

	Change of price	30 June 2016	30 June 2015
Market price of equity share	10%	16,276,314	11,944,573

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 30 June 2016 and 2015.

	Change of price	30 June 2016	30 June 2015
Market price of equity share	10%	174,622	235,734

4 Management of insurance and financial risk (continued)

4.2 Financial risk management (continued)

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 31 December 2015 is summarised below. As at 31 December 2015, the capital adequacy of the Company is TRY 159,065,081 and TRY 183,519,717; 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 31 December 2015. The Company's capital calculated based on the regulation as at 31 December 2015 is TRY 789,451,208. Consequently, the Company's capital is adequate.

Capital adequacy table		
	31 December 2015	31 December 2014
First Method		
Required capital for non-life branches	69,050	134,922
Required capital for life branch	114,328,281	107,844,908
Required capital for pension branch	44,667,750	20,336,943
Required capital based on the first method	159,065,081	128,316,773
Second Method		
Required capital for asset risk	157,124,350	72,005,364
Required capital for reinsurance risk	1,294,274	1,543,011
Required capital for excessive premium increase	-	-
Required capital for outstanding claims risk	2,820,075	1,772,902
Required capital for underwriting risk	17,989,688	17,601,225
Required capital for interest rate and currency risk	4,291,330	6,172,539
Required capital based on the second method	183,519,717	99,095,041
Required capital	183,519,717	128,316,773
Current capital⁽¹⁾	789,451,208	710,080,266
Excessive capital	605,931,491	581,763,493

⁽¹⁾ According to legal regulations, equalisation provision of TRY 11,245,755 (31 December 2014: TRY 8,129,447) have been included in the amount for equity.

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.

30 June 2016	Life	Individual pension	Personal accident	Total
<i>Continuing operations:</i>				
Technical income	275,267,504	113,337,590	141,875	388,746,969
Technical expense	(223,514,130)	(102,073,852)	(412,145)	(326,000,127)
Total of other income and expense	21,827,893	24,247,865	200,962	46,276,720
Income before tax	73,581,267	35,511,603	(69,308)	109,023,562
Income tax expense	-	-	-	(22,720,000)
Net profit for the period	73,581,267	35,511,603	(69,308)	86,303,562

30 June 2016	Life	Individual pension	Personal accident	Total
Segment assets	2,257,322,358	10,934,566,139	20,782,424	13,212,670,921
Total assets	2,257,322,358	10,934,566,139	20,782,424	13,212,670,921
Segment liabilities	(2,234,193,866)	(10,957,928,214)	(20,548,841)	(13,212,670,921)
Total liabilities	(2,234,193,866)	(10,957,928,214)	(20,548,841)	(13,212,670,921)

Other segment information				
Depreciation and amortisation	(2,583,277)	(2,869,675)	(23,783)	(5,476,735)

30 June 2015	Life	Individual pension	Personal accident	Total
<i>Continuing operations:</i>				
Technical income	316,200,348	99,886,263	270,790	416,357,401
Technical expense	(272,777,399)	(83,985,262)	(293,378)	(357,056,039)
Total of other income and expense	19,836,651	20,236,939	192,205	40,265,795
Income before tax	63,259,600	36,137,940	169,617	99,567,157
Income tax expense	-	-	-	(16,480,000)
Net profit for the period	63,259,600	36,137,940	169,617	83,087,157

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	(2,159,341)	(2,202,915)	(20,923)	(4,383,179)

6 Tangible assets

Movement in tangible assets in the period from 1 January to 30 June 2016 is presented below:

	1 January 2016	Additions	Increase in value	Disposals	30 June 2016
Cost:					
Owner occupied land and buildings	4,610,000	-	-	-	4,610,000
Machinery and equipment	19,763,450	2,379,363	-	(385,007)	21,757,806
Vehicles	541,760	-	-	(2,900)	538,860
Furniture and fixtures (includes leased assets)	4,415,371	18,766	-	-	4,434,137
Leasehold improvements	3,456,710	5,074	-	-	3,461,784
	32,787,291	2,403,203	-	(387,907)	34,802,587
Accumulated depreciation:					
Owner occupied land and buildings	(4,422)	(6,633)	-	-	(11,055)
Machinery and equipment	(8,779,101)	(2,066,184)	-	340,739	(10,504,546)
Vehicles	(195,171)	(41,785)	-	242	(236,714)
Furniture and fixtures (includes leased assets)	(3,290,743)	(157,581)	-	-	(3,448,324)
Leasehold improvements	(2,449,188)	(148,037)	-	-	(2,597,225)
	(14,718,625)	(2,420,220)	-	340,981	(16,797,864)
Carrying amounts	18,068,666				18,004,723

As of 30 June 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 30 June 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 (30 June 2016)
Southern Anatolia district sales office / Adana	2,560,000	2,548,945
Land / İstanbul Kağıthane	2,050,000	2,050,000
Total	4,610,000	4,598,945

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.

6 Tangible assets (continued)

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
<i>Cost:</i>					
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
<i>Accumulated depreciation:</i>					
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 30 September 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 30 June 2016 is presented below:

	1 January 2016	Additions	Increase in value	Disposals	30 June 2016
Land/ İstanbul Ömerli	57,183,000	-	-	-	57,183,000
Building/ İstanbul Gayrettepe	33,072,113	69,697	-	-	33,141,810
Building / Mersin	29,290,000	-	-	-	29,290,000
	119,545,113	69,697	-		119,614,810
Carrying amounts	119,545,113				119,614,810

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

For the period ended 30 June 2016, the Company has rental income from investment properties amounting to TRY 1,342,952 (30 June 2015: TRY 1,741,293). There is no valuation income from investment properties as at 30 June 2016 (30 June 2015: TRY 9.524.940).

As of 30 September 2015, the Company has started measuring the fair value of investment properties which were measured by historical cost basis method before. Also the effects of accounting policy change have been provided by updating the previous financial statements. In this context, as of 30 June 2015 the valuation gain amounting to TRY 9,524,940 is presented under the income from property, plant and equipment in the income statement. But as of 30 June 2016 there is no valuation gain presented in the financial statements because revaluation of properties have not been made by CMB licensed real estate appraisal companies yet.

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 2014)	Net carrying value (31 December 2015)	Net carrying value (30 June 2016)
Land/ İstanbul Ömerli	52,603,000	57,183,000	57,183,000
Building / İstanbul Gayrettepe	29,120,000	33,072,113	33,141,810
Building / Mersin	28,120,000	29,290,000	29,290,000
Appraisal and net carrying value	109,843,000	119,545,113	119,614,810

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 30 June 2016 is presented below:

	1 January 2016	Additions	Disposals	30 June 2016
<i>Cost:</i>				
Rights	29,612,153	2,525,161	-	32,137,314
Advances for intangible assets	7,603,974	2,624,156	-	10,228,130
	37,216,127	5,149,317	-	42,365,444
<i>Accumulated amortisation:</i>				
Rights	(20,061,162)	(3,056,515)	-	(23,117,677)
	(20,061,162)	(3,056,515)	-	(23,117,677)
Carrying amounts	17,154,965			19,247,767

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

9 Investments in associates

	30 June 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	87,167,178	84,134,455	1,721,784	7,546,979	Audited	30 June 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	30 June 2016	31 December 2015
Life mathematical reserve, ceded (Note 17.15)	2,257,556	2,648,864
Provision for outstanding claims, ceded (Note 17.15)	2,756,691	3,096,310
Reserve for unearned premiums, ceded (Note 17.15)	3,673,274	2,281,948
Provision for bonus and discount, ceded (Note 17.15)	808,015	636,991
Reserve for unexpired risks, ceded (Note 17.15)	14,513	-
Other technical provision, ceded	498,501	437,489
Due from reinsurers	-	145,611
Total	10,008,550	9,247,213

There is not any impairment losses recognised for reinsurance assets.

Reinsurance liabilities	30 June 2016	31 December 2015
Payables to reinsurance companies	348,206	-
Current account of reinsurance companies (Note 19)	2,097,256	1,505,123
Total	2,445,462	1,505,123

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

	1 January - 30 June 2016	1 April - 30 June 2016	1 January - 30 June 2015	1 April - 30 June 2015
Life branch:				
Premiums ceded during the period	(7,371,357)	(3,945,528)	(7,323,772)	(3,850,342)
Change in unearned premiums reserve, ceded	1,317,333	823,212	725,904	491,271
Commissions received from reinsurers ⁽¹⁾	564,512	211,352	1,584,733	1,222,509
Reinsurers share of claims paid	3,883,794	1,715,274	3,130,230	1,385,920
Change in outstanding claims, ceded	(241,580)	(955,097)	261,577	290,622
Change in provision for bonus and discount, ceded	168,438	3,138	399,011	(96,755)
Change in life mathematical reserve, ceded	(391,308)	(80,793)	(33,707)	(43,981)
	(2,070,168)	(2,228,442)	(1,256,024)	(600,756)
Non-life branch:				
Premiums ceded during the period	(148,218)	(44,883)	(101,447)	(39,673)
Change in unearned premiums reserve, ceded	73,993	3,460	30,650	4,590
Commissions received from reinsurers ⁽¹⁾	33,886	9,578	34,409	14,412
Reinsurers share of claims paid	91,956	91,956	-	-
Change in outstanding claims, ceded	(97,793)	11,971	(10,120)	6,511
Change in provision for bonus and discount, ceded	2,586	1,513	2,533	1,497
	(43,590)	73,595	(43,975)	(12,663)
Total, net	(2,113,758)	(2,154,847)	(1,299,999)	(613,419)

⁽¹⁾ Deferred commissions are excluded from commissions received from reinsurers.

11 Financial assets

As at 30 June 2016 and 31 December 2015, the Company's financial assets are detailed as follows:

Financial assets and financial investments with risk on policyholders	30 June 2016	31 December 2015
Available for sale financial assets, Company's own portfolio	729,469,119	704,042,404
Financial assets held for trading purpose	34,704,449	33,213,002
Loans and receivables	20,804,757	10,866,879
Financial investments with risks on saving life policyholders classified and held for trading purpose as available for sale	1,598,065,535	1,636,933,658
Impairment loss on financial assets	(4,761,190)	(4,761,190)
Total	2,378,282,670	2,380,294,753

As at 30 June 2016 and 31 December 2015, the Company's financial assets held for trading are detailed as follows:

	30 June 2016			
	Face value	Cost	Fair value	Carrying value
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares	1,197,489	1,746,224	1,746,224	1,746,224
Investment funds	28,917,653	32,958,225	32,958,225	32,958,225
Total financial assets held for trading purpose – other	30,115,142	34,704,449	34,704,449	34,704,449
Total financial assets held for trading purpose	30,115,142	34,704,449	34,704,449	34,704,449
	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

11 Financial assets (continued)

The Company's financial assets held for trading issued by the Company's related parties, are detailed as follows:

	30 June 2016			
	Face value	Cost	Fair value	Carrying value
Investment funds	6,240,978	28,917,653	32,958,225	32,958,225
Total	6,240,978	28,917,653	32,958,225	32,958,225

	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

As at 30 June 2016 and 31 December 2015, the Company's loans and receivables are detailed as follows:

	30 June 2016		
	Cost	Fair value	Carrying value
Reverse repo transaction	20,800,000	20,804,757	20,804,757
Receivables from reverse repo	20,800,000	20,804,757	20,804,757

	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

11 Financial assets (continued)

As at 30 June 2016 and 31 December 2015, the Company's available for sale financial assets in its own portfolio are detailed as follows:

	30 June 2016			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Private sector bonds and asset-backed securities	40,700,000	37,494,063	39,272,665	39,272,665
Government bonds	496,933,488	490,775,315	527,433,312	527,433,312
Total available for sale financial assets – debt instruments		528,269,378	566,705,977	566,705,977
<i>Equity shares and other non-fixed income financial assets:</i>				
Equity shares ⁽¹⁾		122,534,927	162,763,142	162,763,142
Total available for sale financial assets – other		122,534,927	162,763,142	162,763,142
Total available for sale financial assets		650,804,305	729,469,119	729,469,119
Impairment loss on available for sale equity shares		(4,761,190)	(4,761,190)	(4,761,190)
Net available for sale financial assets		646,043,115	724,707,929	724,707,929
<i>31 December 2015</i>				
	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.

⁽¹⁾ Financial assets of which the fair values are measured reliably are presented at their fair values, if not, presented at their costs.

11 Financial assets (continued)

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 121,530,687 and with a carrying value TRY 160,960,750 and bonds issued by the Company's related parties with a cost amount of TRY 33,095,343 and with a carrying value TRY 33,506,747 as at 30 June 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). Financial investments with risks on saving life policyholders ("FIRSLP") as at 30 June 2016 and 31 December 2015 are detailed as follows:

	30 June 2016			
	Face value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds – TRY	1,043,004,352	1,042,638,158	1,079,466,464	1,079,466,464
Eurobonds issued by the Turkish Government				
Investment funds	132,088,000	387,377,677	474,876,830	474,876,830
Total available for sale financial assets – debt instruments	1,175,092,352	1,430,015,835	1,554,343,294	1,554,343,294
Debt instruments for trading purposes				
Investment funds	32,132,164	45,867,614	43,722,241	43,722,241
The sum of debt instruments classified as financial assets for trading purposes	32,132,164	45,867,614	43,722,241	43,722,241
Financial investments with risks on saving life policyholders		1,475,883,449	1,598,065,535	1,598,065,535
	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

11 Financial assets (continued)

The financial assets issued by the Company's related parties and classified as FIRSLP are detailed as follows:

	30 June 2016			
	Face value	Cost	Fair value	Carrying value
Investment funds	32,132,164	45,867,614	43,722,241	43,722,241
Total investment funds	32,132,164	45,867,614	43,722,241	43,722,241

	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

11 Financial assets (continued)

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:

	30 June 2016	31 December 2015	31 December 2014
Current financial assets:			
Available for sale financial assets, Company's own portfolio	78,664,814	48,080,469	55,161,780
Financial assets held for trading purpose	4,589,307	3,231,860	13,468,854
Loans and receivables	4,757	2,879	691
Financial investments with risks on saving life policyholders classified as available for sale	122,182,086	42,116,148	170,950,273
Total	205,440,964	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 4,761,190 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:

	30 June 2016			
	Face value	Cost	Fair value	Carrying value
Financial investments with risks on saving life policyholders – debt securities	1,207,224,516	1,475,883,449	1,598,065,535	1,598,065,535
Available for sale financial assets	176,779,844	171,126,668	177,962,410	177,962,410
Time deposits	38,263,104	38,263,104	38,626,086	38,626,086
Total	1,685,273,221	1,814,654,031	1,814,654,031	1,814,654,031
	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	164,907,313	161,020,634	161,020,634
Time deposits	36,329,267	36,329,267	36,659,769	36,659,769
Total	1,796,054,090	1,834,614,061	1,834,614,061	1,834,614,061

12 Loans and receivables

	30 June 2016	31 December 2015
Receivables from insurance operations	23,792,487	24,112,811
Provisions for receivables from insurance operations	(2,574)	(2,574)
Loans to the policyholders	31,411,819	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	10,260,783,393	8,959,503,693
<i>Net fund value of participants</i>	<i>10,233,346,136</i>	<i>8,933,549,975</i>
<i>Other</i>	<i>27,437,257</i>	<i>25,953,718</i>
Total receivables from main operations	10,315,985,125	9,015,053,555
Receivables from personnel	2,912	8,031
Other receivables	64,058,182	7,134,993
Total	10,380,046,219	9,022,196,579

The details of guarantees for the Company's receivables are presented below:

	30 June 2016	31 December 2015
Guarantees and commitments	4,004,675	1,385,786
Letters of guarantees	2,039,226	2,529,204
Real estate pledges	1,185,400	1,185,400
Total	7,229,301	5,100,390

	30 June 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.

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

13 Derivative financial instruments

As at 30 June 2016, the detailed information about the Company's current derivative financial instruments is presented in Note 11 – *Financial assets*. At the reporting period, the Company has not any derivative financial instruments.

14 Cash and cash equivalents

As at 30 June 2016 and 31 December 2015, cash and cash equivalents are as follows:

	30 June 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	5,930	3,385	3,385	27,952
Bank deposits	93,945,723	145,598,543	145,598,543	87,301,020
Bank guaranteed credit card receivables with maturities less than three months ⁽¹⁾	174,509,032	157,397,530	157,397,530	129,124,352
Cheques given and payment orders	(868,300)	-	-	(24,895)
Cash and cash equivalents in the balance sheet	267,592,385	302,999,458	302,999,458	216,428,429
Blocked amount ⁽²⁾ (Note 17)	(38,626,086)	(36,329,266)	(36,329,266)	-
Interest accruals on bank deposits	(678,602)	(594,601)	(594,601)	(441,793)
Term deposits with original maturities of longer than 3 months	-	-	-	(31,000,000)
Cash and cash equivalents presented in the statement of cash flow	228,287,697	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 30 June 2016, this amount regarding insurance operations is blocked in favor for Undersecretariat of Treasury.

As at 30 June 2016 and 31 December 2015, bank deposits are further analysed as follows:

	30 June 2016	31 December 2015
Foreign currency denominated bank deposits		
- time deposits	-	-
- demand deposits	4,412,395	1,935,303
Bank deposits in TRY		
- time deposits	83,941,707	137,923,868
- demand deposits	5,591,621	5,739,372
Cash at banks	93,945,723	145,598,543

As at 30 June 2016, TRY time deposits have a maximum maturity of 25 days and their simple interest rates vary between 12.32% and 12.42%. 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 30 June 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 30 June 2016, the Company's registered capital is TRY 900,000,000.

As at 30 June 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:

	30 June 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:

	30 June 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

15 Equity (continued)

Statutory reserves

The movement of statutory reserves is presented below:

	30 June 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 30 June 2016, actuarial loss amounting to TRY (1.856.690) 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:

	30 June 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	(5,997)	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	85,851,882	(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	(81,559,288)	111,335,375
Change in unrealised gains and losses from available for sale financial assets, company's own portfolio	37,501,706	6,808,422
Deferred and corporate tax effect	(8,029,252)	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	(1,276,459)	(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	1,212,636	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	1,181,314	(13,067,933)
Deferred and corporate tax effect	(223,498)	2,802,527
<i>Amounts transferred to income statement due to bonus shares:</i>	(10,108,365)	(2,794,937)
Fair value reserves at the end of the period	58,075,062	33,530,383

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:

	30 June 2016	31 December 2015
Temporary differences arising from revaluation of financial assets	31,459,025	18,250,630
Permanent differences arising from revaluation of financial assets	32,133,838	28,345,706
The differences arising from revaluation of investment properties	774,004	-
Deferred tax effect	(6,291,805)	(3,650,126)
Total	58,075,062	42,946,210

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:

	30 June 2016		31 December 2015	
	Should be placed ⁽²⁾	Placed ⁽¹⁾	Should be placed ⁽²⁾	Placed ⁽¹⁾
<i>Life:</i>				
Financial assets ⁽¹⁾	1,678,558,029	1,729,358,785	1,753,420,397	1,786,161,361
Total	1,678,558,029	1,729,358,785	1,753,420,397	1,786,161,361
<i>Non-life:</i>				
Financial assets ⁽¹⁾	168,505	989,380	169,508	938,010
Total	168,505	989,380	169,508	938,010
Total	1,678,726,534	1,730,348,165	1,753,589,905	1,787,099,371

(1) As at 30 June 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 30 June 2016 (31 December 2015), minimum guarantee amount of 31 December 2015 is shown as necessary guarantee amount; since, minimum guarantee amount as at 31 December 2015 (30 June 2015) is based on 30 June calculations.

As at 30 June 2016, TRY 1,251,462,778 of government bonds (31 December 2015: TRY 1,307,158,597) and TRY 396,537,060 of Eurobonds (31 December 2015: TRY 401,775,850) and TRY 43,722,241 (31 December 2015: TRY 41,505,156) of investment funds and TRY 38,626,086 of time deposits (31 December 2015: TRY 36,659,768) are placed as guarantee for the life and non-life branches.

17 Insurance contract liabilities and reinsurance assets (continued)

17.2 Number of life insurance policies, additions, disposals in the current period, and current life policy holders and the related mathematical reserves

	30 June 2016 ⁽¹⁾		31 December 2015 ⁽¹⁾	
	Number of policies	Mathematical reserves	Number of policies	Mathematical reserves
Additions during the period	702,516	67,968,333	1,623,568	222,987,201
Disposals during the period	(793,925)	(153,446,859)	(1,381,328)	(250,100,751)
Outstanding	2,378,620	1,612,293,406	2,470,029	1,697,771,932

⁽¹⁾ The above table includes 35 of reactivated life insurance policies (31 December 2015: 55 policies) and their corresponding mathematical reserves.

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 85,272,868 (31 December 2015: TRY 5,040,151) is recognised under the life mathematical provisions.

TRY 2,257,556 (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:

	30 June 2016	31 December 2015
Guarantees given to death by accident	3,994,553,182	1,496,188,932
Guarantees given to disability by accident	3,970,270,710	1,486,629,097
Total	7,964,823,892	2,982,818,029

17 Insurance contract liabilities and reinsurance assets (continued)

17.4 Pension investment funds established by the Company and their unit prices:

As at 30 June 2016 and 31 December 2015, individual pension investment funds founded by the Company and their unit prices are as follows:

	30 June 2016	31 December 2015
	Unit price	Unit price
AH1 Bond Fund	0.052120	0.048166
AH2 Liquid Fund	0.037836	0.036007
AH3 First Public Foreign Borrowing Fund	0.043801	0.041706
AH4 Second Public Foreign Borrowing Fund	0.033729	0.032710
AH5 Equity Fund	0.077983	0.072235
AH6 Developed Countries Flexible Fund	0.033271	0.034150
AH8 Conservative Fund	0.042784	0.040705
AH9 Balanced Fund	0.051902	0.048793
AH0 Aggressive Fund	0.071691	0.067483
AGE Alternative Gain Fund	0.014458	0.013730
ABE BRIC Plus Fund	0.013709	0.012193
AHC Mixed Fund(TRY)	0.014425	0.013905
AHL Dynamic Flexible Fund	0.013580	0.012785
AET Contribution Fund	0.012072	0.011035
AER Alternative Contribution Fund	0.012475	0.011894
AEA Gold Fund	0.013157	0.011003
AG1 Group Bound Fund	0.049043	0.044942
AG2 Group Eurobond Fund	0.031759	0.030140
AG3 Group Equity Fund	0.052314	0.048190
AG4 Group Conservative Fund	0.042516	0.040199
HS1 Bond-Bill Fund	0.033263	0.030555
AHB White Equity Fund	0.032394	0.029143
ATK Standard Fund	0.025118	0.023297
ATE Isbank Subsidiaries Index Fund ⁽¹⁾	0.026423	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.

17 Insurance contract liabilities and reinsurance assets (continued)

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 30 June 2016 and 31 December 2015:

	30 June 2016		31 December 2015	
	Participation certificates in circulation		Participation certificates in circulation	
	Number	Amount	Number	Amount
AH1 Bond Fund	47,119,808,554.44	2,455,884,421.86	46,400,949,276.827	2,234,948,122.87
AH2 Liquid Fund	14,793,883,336.02	559,741,369.90	11,074,452,560.426	398,757,813.34
AH3 First Public Foreign Borrowing Fund	11,222,380,998.18	491,551,510.10	9,846,007,794.200	410,637,601.06
AH4 Second Public Foreign Borrowing Fund	6,135,161,567.53	206,932,864.51	5,400,855,660.382	176,661,988.65
AH5 Equity Fund	5,253,481,117.51	409,682,217.99	5,181,975,842.994	374,320,025.02
AH6 Developed Countries Flexible Fund	4,071,410,224.64	135,459,889.58	4,493,221,585.122	153,443,517.13
AH8 Conservative Fund	13,357,736,887.06	571,497,414.98	10,782,250,018.501	438,891,487.00
AH9 Balanced Fund	31,240,652,185.55	1,621,452,329.73	30,807,926,828.276	1,503,211,173.73
AH0 Aggressive Fund	10,598,720,068.98	759,832,840.47	10,558,195,111.791	712,498,680.73
AGE Alternative Gain Fund	14,313,066,519.92	206,938,315.74	13,276,815,675.952	182,290,679.23
ABE BRIC Plus Fund	3,872,994,909.67	53,094,887.22	3,880,649,075.880	47,316,754.18
AHC Mixed Fund(TRY)	12,113,744,232.82	174,740,760.56	10,342,335,518.768	143,810,175.39
AHL Dynamic Flexible Fund	3,229,557,699.09	43,857,393.55	3,007,592,659.384	38,452,072.15
AET Contribution Fund	100,647,088,925.89	1,215,011,657.51	87,699,647,035.037	967,765,605.03
AER Alternative Contribution Fund	2,607,857,199.99	32,533,018.57	2,212,023,828.105	26,309,811.41
AEA Gold Fund	15,096,732,418.57	198,627,708.43	10,798,121,372.802	118,811,729.46
AG1 Group Bound Fund	3,950,551,419.99	193,746,893.29	4,219,143,230.985	189,616,735.09
AG2 Group Eurobond Fund	1,027,589,234.08	32,635,206.49	970,853,886.844	29,261,536.15
AG3 Group Equity Fund	1,000,447,301.71	52,337,400.14	1,061,242,775.601	51,141,289.36
AG4 Group Conservative Fund	3,208,004,733.39	136,391,529.24	3,245,602,323.491	130,469,967.80
HS1 Bond-Bill Fund	12,071,892,005.08	401,547,343.77	12,238,259,555.981	373,940,020.73
AHB White Equity Fund	2,410,799,156.41	78,095,427.87	2,610,453,988.185	76,076,460.58
ATK Standard Fund	7,016,949,390.00	176,251,734.78	6,082,407,144.656	141,701,839.25
ATE Isbank Subsidiaries Index Fund ⁽¹⁾	965,144,003.86	25,502,000.01	543,286,035.425	13,214,889.53
Total		10,233,346,136.29		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 Insurance contract liabilities and reinsurance assets (continued)

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

30 June 2016				
	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
Individuals	100,595	48,585	914,898	6,707,125,970
Group	39,269	21,156	340,609	2,278,675,490
Total	139,864	69,741	1,255,507	8,985,801,460
31 December 2015				
	Additions during the period	Left/cancellations during the period	Outstanding	Total amount
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 1,247,544,676 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 Insurance contract liabilities and reinsurance assets (continued)

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

	1 January – 30 June 2016			1 April – 30 June 2016		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	100,595	134,951,573	134,690,702	47,290	84,000,636	83,884,666
Group	39,269	26,805,296	26,720,699	17,550	16,931,568	16,883,720
Total	139,864	161,756,869	161,411,401	64,840	100,932,204	100,768,386
	1 January – 30 June 2015			1 April – 30 June 2015		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	96,664	131,573,420	130,448,365	51,695	82,903,775	82,149,003
Group	49,157	45,677,884	45,485,295	25,899	36,139,331	36,001,252
Total	145,821	177,251,304	175,933,660	77,594	119,043,106	118,150,255

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 25,221,839 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 – 30 June 2016			1 April – 30 June 2016		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	1,494	28,694,962	28,694,962	1,274	14,149,611	14,149,611
Group	373	6,244,648	6,244,648	123	1,678,643	1,678,643
Total	1,867	34,939,610	34,939,610	1,397	15,828,254	15,828,254
	1 January – 30 June 2015			1 April – 30 June 2015		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	905	20,191,879	20,191,879	525	10,656,313	10,656,313
Group	301	7,470,373	7,470,373	160	3,190,013	3,190,013
Total	1,206	27,662,252	27,662,252	685	13,846,326	13,846,326

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 – 30 June 2016			1 April – 30 June 2016		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	-	-	-	-	-	-
Group	-	-	-	-	-	-
Total	-	-	-	-	-	-
	1 January – 30 June 2015			1 April – 30 June 2015		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	-	-	-	-	-	-
Group	580	47,574,373	47,574,373	579	47,121,725	47,121,725
Total	580	47,574,373	47,574,373	579	47,121,725	47,121,725

In addition, the Company has transferred TRY 3,865,687 as state contribution from other pension companies in the related period.

17 Insurance contract liabilities and reinsurance assets (continued)

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 – 30 June 2016			1 April – 30 June 2016		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	48,585	522,642,974	504,574,196	23,741	267,801,246	258,668,909
Group	21,156	199,384,948	193,166,808	9,048	79,662,757	76,919,744
Total	69,741	722,027,922	697,741,004	32,789	347,464,003	335,588,653

	1 January – 30 June 2015			1 April – 30 June 2015		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individuals	38,367	397,609,470	380,842,077	18,316	199,548,630	191,542,054
Group	16,415	175,389,029	169,844,581	8,291	102,258,908	99,109,911
Total	54,782	572,998,499	550,686,658	26,607	301,807,538	290,651,965

Number of contracts indicates the number of disposals in the related period.

Gross contributions indicate the fund sales amount as a result of disposal, i.e.; disposal amount.

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 83,546,646 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 – 30 June 2016		1 April – 30 June 2016	
	Number of contracts	First premium amounts (TRY)	Number of contracts	First premium amounts (TRY)
Individuals	24,942	18,720,773	14,262	10,387,334
Group	677,539	149,686,156	339,347	86,116,626
Total⁽¹⁾	702,481	168,406,929	353,609	96,503,960

	1 January – 30 June 2015		1 April – 30 June 2015	
	Number of contracts	First premium amounts (TRY)	Number of contracts	First premium amounts (TRY)
Individuals	9,271	39,677,821	6,211	19,968,992
Group	804,737	126,814,437	474,883	64,950,391
Total	814,008	166,492,258	481,094	84,919,383

⁽¹⁾ 35 of reactivated contracts are not included in the current period additions.

17 Insurance contract liabilities and reinsurance assets (continued)

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 – 30 June 2016		1 April – 30 June 2016	
	Number of contracts	Mathematical reserves (TRY)	Number of contracts	Mathematical reserves (TRY)
Individuals	16,642	115,062,294	9,792	29,212,892
Group	777,283	38,384,565	412,383	17,629,067
Total	793,925	153,446,859	422,175	46,841,959
	1 January – 30 June 2015		1 April – 30 June 2015	
	Number of contracts	Mathematical reserves (TRY)	Number of contracts	Mathematical reserves (TRY)
Individuals	15,071	81,439,093	8,864	30,034,928
Group	640,587	47,207,773	362,058	26,230,091
Total	655,658	128,646,866	370,922	56,265,019

17.14 Profit share distribution rate of life insurances as of 30 June 2016 and 2015

	30 June 2016 %	30 June 2015 %
TRY		
Life insurance	9.62	8.06
Income insurance	9.62	8.06
USD		
Life insurance	7.05	6.52
Income insurance	7.05	6.52
EURO		
Life insurance	6.45	6.28
Income insurance	6.45	6.28
GBP		
Life insurance	7.45	6.71
Income insurance	7.45	6.71

17.15 Information on insurance contract balances in the financial statements

	30 June 2016	31 December 2015
Reserve for unearned premiums, gross	25,453,700	18,881,229
Reserve for unearned premiums, ceded (Note 10)	(3,673,274)	(2,281,948)
Reserves for unearned premiums, net	21,780,426	16,599,281
Provision for outstanding claims, gross	82,588,969	84,748,490
Provision for outstanding claims, ceded (Note 10)	(2,756,691)	(3,096,310)
Provision for outstanding claims, net	79,832,278	81,652,180
Life mathematical provisions, gross	1,697,566,274	1,702,812,083
Life mathematical provisions, ceded (Note 10)	(2,257,556)	(2,648,864)
Life mathematical provisions, net	1,695,308,718	1,700,163,219
Provision for bonus and discount, gross	1,166,950	951,928
Provision for bonus and discount, ceded (Note 10)	(808,015)	(636,991)
Provision for bonus and discount, net	358,935	314,937
Reserve for unexpired risks, gross	30,339	-
Reserve for unexpired risks, ceded (Note 10)	(14,513)	-
Reserve for unexpired risks, net	15,826	-
Equalisation provision, gross	13,779,435	11,683,244
Equalisation provision, ceded (Note 10)	(498,501)	(437,489)
Equalisation provision, net	13,280,934	11,245,755
Total insurance technical provisions, net	1,810,577,117	1,809,975,372

17 Insurance contract liabilities and reinsurance assets (continued)

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 – 30 June 2016 and 1 January – 31 December 2015 are as follows:

Mathematical provisions	30 June 2016	31 December 2015
New policies issued	5,040,323	41,301,428
Activated from reductions	1,059,860	3,336,153
Activated from cancellations	30,244	-
Contracts with increased capital	14,543,966	92,911,643
Total increase in the portfolio	20,674,393	137,549,224

Factors resulting from individual insurance policies which provide portfolio decrease through the change in mathematical provisions for the periods 1 January – 30 June 2016 and 1 January – 31 December 2015 are as follows:

Mathematical provisions	30 June 2016	31 December 2015
Terminations and cancellations (-)	-	-
Transformed to contracts without charge (-)	2,327,757	6,116,314
Insurances had capital decrease (-)	(14,908,379)	-
Withdrawals (-)	(54,332,190)	(59,457,789)
Ceased with risk formed (-)	(3,975,198)	(5,487,694)
Expirations (-)	(41,846,527)	(114,269,668)
Total decrease in the portfolio	(112,734,537)	(173,098,837)

Factors resulting from group insurance policies which provide portfolio increase through the change in mathematical reserves for the period 1 January – 30 June 2016 and 1 January – 31 December 2015 are as follows:

Mathematical provisions	30 June 2016	31 December 2015
New contracts	42,574,749	55,096,665
Activated from reductions	51,480	59,919
Activated from cancellations	450	1,345
Insurances had capital increase	2,602,406	24,351,096
Total increase in the portfolio	45,229,085	79,509,025

Factors resulting from group insurance policies which provide portfolio decrease through the change in mathematical reserves for the periods 1 January – 30 June 2016 and 1 January – 31 December 2015 are as follows:

Mathematical provisions	30 June 2016	31 December 2015
Terminations and cancellations (-)	-	-
Transformed to contracts without charge (-)	128,405	384,703
Insurances had capital decrease (-)	(22,222,065)	(33,872,853)
Withdrawals (-)	(8,118,344)	(12,417,509)
Ceased with risk formed (-)	(404,012)	(481,293)
Expirations (-)	(7,640,143)	(24,113,945)
Total decrease in the portfolio	(38,256,159)	(70,500,897)

17 Insurance contract liabilities and reinsurance assets (continued)

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	2010 (last 6 months)	2011	2012	2013	2014	2015	2016 (first 6 months)	Total
Claim year	2,123,419	8,532,107	15,281,343	19,456,357	23,517,657	22,040,556	12,047,846	102,999,285
1 year later	4,000,967	5,329,728	9,573,042	9,690,943	10,490,787	11,168,170	-	50,253,637
2 years later	309,446	326,554	386,514	1,121,274	927,470	-	-	3,071,258
3 years later	97,467	157,168	248,897	467,007	-	-	-	970,539
4 years later	27,228	95,691	8,387	-	-	-	-	131,306
5 years later	17,074	-	-	-	-	-	-	17,074
6 years later	731	-	-	-	-	-	-	731
Cumulative payments up to date	6,576,332	14,441,248	25,498,183	30,735,581	34,935,914	33,208,726	12,047,846	157,443,830
Payments for the interim period ended as of 30 June 2016 ⁽¹⁾	731	-	8,387	467,007	927,470	11,168,170	12,047,846	24,619,611

⁽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.

19 Trade and other payables and deferred income

	30 June 2016	31 December 2015
Other financial liabilities	45,254,403	101,214,252
Financial liabilities	45,254,403	101,214,252
Payables from insurance operations	11,804,261	9,482,564
Cash deposited by insurance and reinsurance companies	2,097,256	1,505,123
Payables from pension activities	10,487,748,304	9,124,225,331
<i>Net fund value of participants</i>	<i>10,233,346,136</i>	<i>8,933,549,975</i>
<i>Other</i>	<i>254,402,168</i>	<i>190,675,356</i>
Other payables from main operations	413,385	310,840
Total payables from main operations	10,502,063,206	9,135,523,858
Due to shareholders	63,517	9,678
Due to personnel	16,192	8,836
Payables to other related parties	48	30
Total payables to related parties	79,757	18,544
Guarantees and deposits received	418,732	437,995
Other payables	9,416,093	18,178,991
Total other payables	9,834,825	18,616,986
Deferred commission income	426,072	320,353
Expense accruals	1,161,514	1,617,895
Other deferred income and expense accruals	3,010,322	2,254,689
Total deferred income and expense accruals	4,597,908	4,192,937
Total	10,561,830,099	9,259,566,577

20 Financial liabilities

As of 30 June 2016, the Company has TRY 45,254,403 liability from repo transection (31 December 2015: TRY 101,214,252).

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:	30 June 2016	31 December 2015
Difference in valuation of financial assets	22,587,894	15,942,615
Provision for employee termination benefits and other wages	(18,516,671)	(20,052,567)
Provision for claims	(3,997,570)	(406,859)
Equalisation reserves / bonus and discount provision	(13,639,869)	(11,560,692)
The difference arising from revaluation of investment properties	25,154,777	25,091,062
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	5,340,942	5,522,796
Provision for unused vacation pay liability	(5,538,892)	(4,322,389)
Total	11,390,611	10,213,966

Deferred tax (assets) / liabilities:	30 June 2016	31 December 2015
Difference in valuation of financial assets	4,517,579	3,188,523
Provision for employee termination benefits and other wages	(3,703,334)	(4,010,513)
Provision for claim	(799,514)	(81,372)
Equalisation reserves / bonus and discount provision	(2,727,974)	(2,312,138)
The difference arising from revaluation of investment properties	5,030,955	5,018,212
Differences in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	1,068,188	1,104,559
Provision for unused vacation pay liability	(1,107,778)	(864,478)
Total	2,278,122	2,042,793

Movement of deferred tax assets / liabilities for the interim period ended as of 30 June 2016 and 31 December 2015 are given below:

Movement of deferred tax (assets) / liabilities:	30 June 2016	31 December 2015
Opening balance at 1 January	2,042,793	4,373,055
Recognised in profit or loss	(6,056,172)	3,676,464
Recognised in equity	6,291,501	(6,006,726)
Closing balance	2,278,122	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 4,092.53 as at 30 June 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 30 June 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 6.70% and a discount rate of 9.56%-10.94%, resulting in a real discount rate of 2.69% - 5.00% (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.

Movement of provision for employee termination benefits during the period is presented below:

	30 June 2016	31 December 2015
Provision as at 1 January	12,077,567	10,151,958
Interest cost	404,598	558,358
Service cost	1,878,561	1,254,193
Payments made during the year	(694,055)	(1,113,301)
Actuarial gain and losses	-	1,226,359
Provision at the of the period/year	13,666,671	12,077,567

23 Other liabilities and provisions

As at 30 June 2016 and 31 December 2015; the details of the provisions for other risks are as follows:

	30 June 2016	31 December 2015
Provision for unused vacation pay liability	5,538,892	4,322,389
Dividend to personnel and salary provision	4,850,000	7,975,000
Provision for commissions to sales personnel	1,000,000	900,000
Provision for litigations	635,079	500,829
Provision for commissions and expenses	2,701,411	-
Provisions for costs	14,725,382	13,698,218
Provision for employee termination benefits	13,666,671	12,077,567
Total provisions for other risks	28,392,053	25,775,785

24 Net insurance premium revenue

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
Non-life	182,000	102,041	188,131	66,947
Life	207,967,355	114,407,485	200,025,999	103,122,913
Total	208,149,355	114,509,526	200,214,130	103,189,860

25 Fee revenues

The details of fee revenues for the interim period ended as of 30 June 2016 and 2015 received from individual pension, life and non-life branches in accordance with TAS 18 are as follows:

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
Fund management income	82,036,518	42,412,003	68,843,958	35,115,568
Administrative cost deductions	9,615,173	5,032,258	12,565,303	6,369,530
Entrance fee	19,547,740	9,572,605	15,505,751	7,495,964
Administrative cost deductions in the form of cessation	2,071,446	1,060,765	2,848,885	1,453,001
Other technical income	66,713	40,828	122,366	64,455
Total	113,337,590	58,118,459	99,886,263	50,498,518

26 Investment income

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
<i>Financial assets held-for-trading:</i>				
Valuation gain	2,977,398	(509,452)	(1,343,567)	183,817
Gain on sale	652,587	652,587	-	-
Interest income	24	-	37	19
Cash dividend income	148,211	148,211	113,938	1,000
<i>Financial assets available- for-sale:</i>				
Interest income	39,838,143	7,611,552	39,150,265	13,347,362
Valuation gain	48,699,310	39,207,149	87,872,095	39,966,348
Gain on sale	5,525,689	508,590	5,818,775	4,405,295
Cash dividend income	4,801,887	119,883	4,502,085	15,625
<i>Income from associates:</i>	2,306,721	-	1,800,342	-
<i>Investment properties:</i>				
Rent income	1,342,952	423,243	1,741,293	879,449
Valuation gain ⁽¹⁾	-	-	9,524,940	9,524,940
<i>Other income</i> ⁽²⁾ :	18,636,220	13,711,601	13,298,075	9,968,694
Total ⁽³⁾	124,929,142	61,873,364	162,478,278	78,292,549

⁽¹⁾ As of 30 September 2015, the Company has started measuring the fair value of investment properties which were measured by historical cost basis method before. Also the effects of accounting policy change have been provided by updating the previous financial statements. In this context, as of 30 June 2015 the valuation gain amounting to TRY 9,524,940 is presented under the income from property, plant and equipment in the income statement. But as of 30 June 2016, there is no valuation gain presented in the financial statements because revaluation of properties have not been made by CMB licensed real estate appraisal companies yet.

⁽²⁾ Other income includes interest income from time deposits, income from derivative transactions, foreign exchange gains and etc.

⁽³⁾ TRY 56,319,784 (30 June 2015: TRY 54,108,687) of investment income obtained from the Company's own portfolio and TRY 68,609,358 (30 June 2015: TRY 108,369,591) 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 – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
<i>Available-for-sale financial assets:</i>				
Fair value differences recognised in equity	57,313,314	5,822,896	43,470,748	(8,827,945)
Fair value differences recognised in profit / loss	14,826,373	11,516,936	8,834,632	3,111,900
Total	72,139,687	17,339,832	52,305,380	(5,716,045)

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 30 June 2016 is TRY 3,778,220 (30 June 2015: TRY (1,229,592), 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 interim period ended as of 30 June 2016 and 2015, the details of operating expenses are as follows:

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
Production commission expenses	(61,148,551)	(33,376,353)	(57,944,229)	(29,980,046)
Employee benefit expenses	(48,584,642)	(24,887,621)	(41,210,264)	(20,949,484)
Administration expenses	(15,106,610)	(7,315,503)	(12,348,146)	(5,507,166)
Marketing and sales expenses	(13,924,503)	(8,279,932)	(7,822,135)	(4,303,446)
Rent expenses	(4,689,986)	(2,428,453)	(4,194,270)	(2,102,247)
Bank fees	(63,565)	(33,143)	(42,890)	(20,561)
Outsourced benefits and services	(3,416,104)	(2,191,201)	(4,265,283)	(2,714,294)
Reinsurance commission income	492,679	182,551	1,690,810	1,237,528
Other expenses	(625,252)	(436,105)	(660,503)	(389,514)
Total	(147,066,534)	(78,765,760)	(126,796,910)	(64,729,230)

33 Employee benefit expenses

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
Wages and salaries	48,584,642	24,887,621	41,210,264	20,949,484
Employee termination benefits	1,589,104	537,895	610,664	(40,357)
Provision for unused vacation	1,216,503	412,777	1,067,986	501,633
Total	51,390,249	25,838,293	42,888,914	21,410,760

34 Financial costs

As of 30 June 2016, the Company has financial liability amounting to TRY 45,254,403 arising from repo transactions (31 December 2015: TRY 101.214.252). The Company has financial expenses from these repo transactions amounting to TRY 254,403 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

	30 June 2016	31 December 2015
<i>Corporate tax liabilities:</i>		
Corporate tax provision	22,720,000	30,778,000
Less: Corporation taxes paid in advances during the period	(9,402,231)	(23,401,212)
Total	13,317,769	7,376,788

Total tax expense recognised in profit or loss

	30 June 2016	30 June 2015
Current tax expense	22,720,000	16,480,000
Deferred tax expense / (income)	(6,056,172)	4,466,854
Total	16,663,828	20,946,854

Total tax expense recognised in equity

	30 June 2016	31 December 2015
Change in fair value of available for sale financial assets	6,291,805	304
Total deferred tax expense recognised in equity	6,291,805	304

Reconciliation of the Company's taxation for the interim period ended as of 30 June 2016 and 2015 are as follows:

	30 June 2016		30 June 2015	
Profit before tax	102,967,390	Tax rate (%)	104,034,011	Tax rate (%)
Taxes on income per statutory tax rate	(20,593,478)	(20.00)	(20,806,802)	(20.00)
Disallowable expenses	(5,816,840)	(5.65)	(1,827,987)	(1.76)
Effect of allowances	9,746,490	9.47	1,687,935	1.62
Total tax expense recognised in profit or loss	(16,663,828)	(16.18)	(20,946,854)	(20.14)

36 Net foreign exchange gains

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
Foreign exchange gains	591,499	156,674	1,941,576	1,340,990
Foreign exchange losses	(912,877)	(203,776)	(419,064)	(54,593)
Total	(321,378)	(47,102)	1,522,512	1,286,397

37 Earnings per share

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

	30 June 2016	30 June 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	86,303,562	83,087,157
Earnings per share (for 100 shares)	0.20071	0.19323

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 (%)
	A	207,317,07	0.2073171	20.73171
	B	84,792,682,93	0.2073171	20.73171
Gross	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 30 June 2016, there are 245 ongoing law suit filed against the Company and total amount of these suits are TRY 4,784,281. TRY 5,516,045 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 68 ongoing law suits prosecuted by the Company against the third parties that have amounted TRY 4,873,440. Subsequent to the reporting period, there is no expected amount of law suits to be prosecuted against the Company.

43 Commitments

Total amount of commitments that are not included in liabilities:

	30 June 2016	31 December 2015
Guarantees and commitments	1,522,436	1,385,786
Guarantees and commitments	1,522,436	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 62.31% 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	30 June 2016	9,193,224	7,546,979	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.

45 Related party transactions (continued)

g. Related party disclosures

The related party balances as at 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016	31 December 2015
Türkiye İş Bankası AŞ – receivables from credit card collections	169,861,045	152,668,110
Cash and cash equivalents	169,861,045	152,668,110
Türkiye İş Bankası AŞ – bank deposits	53,210,167	106,424,185
Cash at banks	53,210,167	106,424,185
Anadolu Anonim Türk Sigorta Şirketi – premium receivables	-	151,113
Receivables from main operations	-	151,113
Türkiye İş Bankası AŞ – commission payables	9,682,909	7,316,156
Milli Reasürans TAŞ – premium payables	229,816	312,091
Payable from main operations	9,912,725	7,628,247
Türkiye İş Bankası AŞ. – settlement and custody commission	-	3,950
Anadolu Anonim Türk Sigorta Şirketi – premium payables	63,517	9,678
Payables to shareholders	63,517	13,628
İş Portföy Yönetimi AŞ	1,654,114	5,005,658
İş Merkezleri Yönetim ve İşletim AŞ	10,719	651,487
İş-Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim AŞ	89,682	49,335
Erişim Müşteri Hizmetleri AŞ.	687,936	591,732
Sofitech Yazılım Teknoloji Araştırma Geliştirme ve Pazarlama Ticaret AŞ.	3,815	-
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği AŞ.	8,832	132
Other payables	2,455,098	6,298,344

45 Related party transactions (continued)

g. Related party disclosures (continued)

The details of revenues and expenses for the interim period ended as of 30 June 2016 and 2015 stems from related parties are as follows:

	30 June 2016	30 June 2015
Milli Reasürans TAŞ - premiums written, ceded	305,805	491,559
Premiums written, ceded	305,805	491,559
Milli Reasürans TAŞ - commission income from reinsurers	8,210	426
Commission income from reinsurers	8,210	426
Türkiye İş Bankası AŞ – interest income from deposits	3,869,748	1,183,820
Türkiye İş Bankası AŞ – rent income	5,234	868
Investment income	3,874,982	1,184,688
İş Portföy Yönetimi AŞ – investment consultancy fee	123,065	112,415
İş Portföy Yönetimi AŞ – settlement and custody expense	146	-
İş Yatırım Menkul Değerler AŞ – MKK service commission	5,250	21,000
Türkiye İş Bankası AŞ – settlement and custody expense	4,412	5,978
Investment expense	132,873	139,393
Türkiye İş Bankası AŞ – commission of policy production	47,751,827	36,816,968
İş Portföy Yönetimi AŞ – portfolio management fee of pension funds	9,472,548	8,068,573
İş Merkezleri Yönetim ve İşletim A.Ş. – building administrative expense	2,226,220	2,052,792
İş Gayrimenkul Yatırım Ortaklığı AŞ – rent expense	2,391,407	2,217,447
İş-Net Elektronik Bilgi Üretim Dağ. Tic. ve İletişim A.Ş. – communication expense	502,319	545,520
Erişim Müşteri Hizmetleri A.Ş. – call center service expense	2,836,444	507,346
Softtech Yazılım Teknoloji Araştırma Geliştirme ve Pazarlama Ticaret A.Ş – software support expense	277,328	24,780
Anadolu Anonim Türk Sigorta Şirketi – premium paid	722,697	608,054
Türkiye İş Bankası AŞ – commission of premium collection and banking services	703,564	478,759
Türkiye İş Bankası AŞ – fund operation service expense	520,000	497,000
Türkiye İş Bankası AŞ – rent expense	360,830	335,153
Türkiye İş Bankası AŞ – other rent expense	130,709	-
Anadolu Anonim Türk Sigorta Şirketi – rent expense	113,807	84,434
Other expenses	68,009,700	52,236,826

46 Events after the reporting period

Events after the reporting period are disclosed in note 1.10 – *events after the reporting period*.

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)	30 June 2016	31 December 2015
Securities reconciliation account	62,138,274	5,530,545
Other	1,890,886	1,553,310
Total	64,029,160	7,083,855
Short-term liabilities (Other miscellaneous payables)	30 June 2016	31 December 2015
Payable to suppliers	6,354,572	17,046,566
Suspense accounts	2,951,157	1,046,802
Securities reconciliation account	29,246	4,505
Other	81,118	81,118
Total	9,416,093	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.

For the interim period ended as of 30 June 2016 and 2015, details of discount and provision expenses are as follows:

	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
Unused vacation pay liability	(1,216,503)	(412,777)	(1,067,986)	(501,633)
Provisions no longer required	1,445,824	1,445,824	1,708,568	1,708,568
Provision for employee termination benefits	(1,589,104)	(537,895)	(610,664)	40,357
Other provision expenses	(2,935,661)	(778,618)	(3,166,234)	(2,041,256)
Provision expenses	(4,295,444)	(283,466)	(3,136,316)	(793,964)
	1 January – 30 June 2016	1 April – 30 June 2016	1 January – 30 June 2015	1 April – 30 June 2015
Rediscount interest expense ⁽¹⁾	1,964	-	-	-
Total rediscount	1,964	-	-	-

⁽¹⁾ Rediscount interest expense arising from selling the shares of AVEA İletişim Hizmetleri A.Ş. by installment.