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

Ray Sigorta Anonim Şirketi

31 December 2015
Financial Statements
Together With
Independent Auditors' Report Thereon
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

25 February 2016
This report includes 2 pages of independent auditors' report and 79 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 REPORT

To the Board of Directors of Ray Sigorta Anonim Şirketi

Report on the Financial Statements

We have audited the accompanying balance sheet of Ray Sigorta Anonim Şirketi ("the Company") as at 31 December 2015 and the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with the accounting principles and standards, in force as per the insurance legislation. This responsibility includes: designing, implementing and maintaining internal systems relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with audit standards in force as per Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the insurance legislation. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, nothing has come to our attention that causes us to believe that the accompanying financial statements give a true and fair view of the financial position of Ray Sigorta A.Ş. as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the accounting principles and standards in force as per the insurance legislation.

Report on Other Legal and Regulatory Requirements

1) The auditor's report on Committee and System for Early Identification of Risk regulated as to 4th paragraph of Article 398 of Turkish Commercial Code no. 6102 was submitted on February 25, 2016 to the Company's Board of Directors.

2) In accordance with 4th paragraph of Article 402 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2015 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with 4th paragraph of Article 402 of the Turkish Commercial Code; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

Alper Güvenç, SMMM
Partner

25 February 2016
İstanbul, TURKEY

Additional paragraph for convenience translation to English:

As explained in Note 2.1.1, the accompanying interim 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.

RAY SİGORTA ANONİM ŞİRKETİ
FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

We confirm that the financial statements and related disclosures and footnotes as at 31 December 2015 which were prepared in accordance with the accounting principles and standards in force as per the regulations of T.C. Başbakanlık Hazine Müsteşarlığı are in compliance with the "Code Related to the Financial Reporting of Insurance, Reinsurance and Private Pension Companies" and the financial records of our Company.

İstanbul, 25 February 2016

Koray ERDOĞAN
Member of Board of Directors
General Manager

Derya ÖZTÜRK
Member of Management Board
Director, CFO

Mustafa ÖNDER
Finance Manager

Banu GÖNENÇ
Actuary

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Ray Sigorta Anonim Şirketi
Balance Sheet
As At 31 December 2015
(Currency: Turkish Lira (TL))

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

ASSETS			
I- Current Assets	**Note**	**Audited Current Period 31 December 2015**	**Audited Prior Period 31 December 2014**
A- Cash and Cash Equivalents	**14**	**226.401.451**	**202.151.622**
1- Cash	14	45.712	39.326
2- Cheques Received	14	12	12
3- Banks	14	173.504.035	164.107.105
4- Cheques Given and Payment Orders		-	-
5- Bank Guaranteed Credit Card Receivables with Maturities Less ThanThree Months	14	52.851.692	38.005.179
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments with Risks on Policyholders	**11**	**21.901.340**	**19.893.909**
1- Available-for-Sale Financial Assets		-	-
2- Held to Maturity Investments	11	-	5.015.524
3- Financial Assets Held for Trading	11	21.901.340	14.878.385
4- Loans and Receivables		-	-
5- Provision for Loans and Receivables		-	-
6- Financial Investments with Risks on Saving Life Policyholders		-	-
7- Company's Own Equity Shares		-	-
8- Diminution in Value of Financial Investments		-	-
C- Receivables from Main Operations	**12**	**109.625.813**	**95.964.545**
1- Receivables from Insurance Operations	12	108.839.915	95.447.702
2- Provision for Receivables from Insurance Operations	12	(343.922)	(637.611)
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited to Insurance and Reinsurance Companies	12	9.213	9.213
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Operations		-	-
9- Doubtful Receivables from Main Operations	12	53.173.661	46.248.752
10- Provision for Doubtful Receivables from Main Operations	12	(52.053.054)	(45.103.511)
D- Due from Related Parties	**12**	**579**	**34.047**
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel	12	579	34.047
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**	**1.839.825**	**569.730**
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		477.741	438.553
4- Other Miscellaneous Receivables	12	1.362.084	131.177
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
F- Prepaid Expenses and Income Accruals	**17**	**41.417.470**	**35.061.502**
1- Prepaid Expenses	17	39.496.130	33.648.322
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses	17	1.921.340	1.413.180
G- Other Current Assets		**2.699.951**	**2.312.725**
1- Stocks to be Used in the Following Months		-	-
2- Prepaid Taxes and Funds	19	2.699.951	2.312.725
3- Deferred Tax Assets		-	-
4- Job Advances		-	-
5- Advances Given to Personnel		-	-
6- Inventory Count Differences		-	-
7- Other Miscellaneous Current Assets		-	-
8- Provision for Other Current Assets		-	-
I- Total Current Assets		**403.886.429**	**355.988.080**

ASSETS			
II- Non-Current Assets	**Note**	**Audited Current Period 31 December 2015**	**Audited Prior Period 31 December 2014**
A- Receivables from Main Operations		**-**	**-**
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited for Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Business		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-
B- Due from Related Parties		**-**	**-**
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
C- Diğer Alacaklar		**-**	**-**
1- Finansal Kiralama Alacakları		-	-
2- Kazanılmamış Finansal Kiralama Faiz Gelirleri		-	-
3- Verilen Depozito ve Teminatlar		-	-
4- Diğer Çeşitli Alacaklar		-	-
5- Diğer Çeşitli Alacaklar Reeskontu		-	-
6- Şüpheli Diğer Alacaklar		-	-
7- Şüpheli Diğer Alacaklar Karşılığı		-	-
D- Financial Assets	**9**	**235.125**	**226.320**
1- Investments in Equity Shares	9	235.125	226.320
2- Investments in Associates		-	-
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**	**42.750.531**	**44.215.009**
1- Investment Properties		-	-
2- Impairment for Investment Properties		-	-
3- Owner Occupied Property	6	41.950.701	41.950.701
4- Machinery and Equipments		-	-
5- Furniture and Fixtures	6	3.762.258	3.480.497
6- Motor Vehicles	6	2.395.992	2.258.611
7- Other Tangible Assets (Including Leasehold Improvements)	6	2.293.440	2.281.345
8- Tangible Assets Acquired Through Finance Leases	6	536.916	841.069
9- Accumulated Depreciation	6	(8.188.776)	(6.597.214)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
F- Intangible Assets	**8**	**2.096.089**	**1.010.115**
1- Rights	8	7.476.042	5.856.146
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortization	8	(5.379.953)	(4.846.031)
7- Advances Paid for Intangible Assets		-	-
G- Prepaid Expenses and Income Accruals		**684.151**	**36.586**
1- Prepaid Expenses		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses and Income Accruals		684.151	36.586
H- Other Non-Current Assets	**21**	**749.580**	**-**
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	749.580	-
6- Other Miscellaneous Non-Current Assets		-	-
7- Amortization on Other Non-Current Assets		-	-
8- Provision for Other Non-Current Assets		-	-
II- Total Non-Current Assets		**46.515.476**	**45.488.030**
TOTAL ASSETS		**450.401.905**	**401.476.110**

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

LIABILITIES			
III- Short-Term Liabilities	**Note**	**Audited Current Period 31 December 2015**	**Audited Prior Period 31 December 2014**
A- Financial Liabilities		**-**	**-**
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Liabilities		-	-
3- Deferred Leasing Costs		-	-
4- Current Portion of Long Term Debts		-	-
5- Principal Instalments and Interests on Bonds Issued		-	-
6- Other Financial Assets Issued		-	-
7- Valuation Differences of Other Financial Assets Issued		-	-
8- Other Financial Liabilities		-	-
B- Payables Arising from Main Operations	**19**	**47.144.799**	**44.378.688**
1- Payables Arising from Insurance Operations	19	14.335.804	24.659.903
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies	19	32.808.995	19.718.785
4- Payables Arising from Individual Pension Business		-	-
5- Payables Arising from Other Main Operations		-	-
6- Discount on Payables from Other Main 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	**19**	**8.260.792**	**7.508.125**
1- Deposits and Guarantees Received		1.862.044	1.577.303
2- Medical Treatment Payables to Social Security Institution		3.095.409	4.715.133
3- Other Miscellaneous Payables		3.303.339	1.215.689
4- Discount on Other Miscellaneous Payables		-	-
E- Insurance Technical Provisions	**17**	**236.713.281**	**187.898.603**
1- Reserve for Unearned Premiums - Net	17	112.506.403	87.098.965
2- Reserve for Unexpired Risks - Net	2.25,17	8.891.803	2.109.126
3- Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net	17	115.315.075	98.690.512
5- Provision for Bonus and Discounts – Net		-	-
6- Other Technical Provisions – Net		-	-
F- Provisions for Taxes and Other Similar Obligations	**19**	**6.379.617**	**4.951.287**
1- Taxes and Funds Payable		6.016.634	4.620.144
2- Social Security Premiums Payable		362.983	331.143
3- Overdue, Deferred or By Instalment Taxes and Other Liabilities		-	-
4- Other Taxes and Similar Payables		-	-
5- Corporate Tax Payable		-	-
6- Prepaid Taxes and Other Liabilities Regarding Current Period Income		-	-
7- Provisions for Other Taxes and Similar Liabilities		-	-
G- Provisions for Other Risks	**23**	**3.729.125**	**2.163.248**
1- Provision for Employee Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	23	3.729.125	2.163.248
H- Deferred Income and Expense Accruals	**19**	**30.347.388**	**26.430.820**
1- Deferred Income	19	30.347.388	26.430.820
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Short-Term Liabilities		**-**	**-**
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		-	-
3- Other Various Short-Term Liabilities		-	-
III – Total Short-Term Liabilities		**332.575.002**	**273.330.771**

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

LIABILITIES			
IV- Long-Term Liabilities	**Note**	**Audited Current Period 31 December 2015**	**Audited Prior Period 31 December 2014**
A- Financial Liabilities		**-**	**-**
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Liabilities		-	-
3- Deferred Leasing Costs		-	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued		-	-
7- Other Financial Liabilities		-	-
B- Payables Arising from Main Operations		**-**	**-**
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business		-	-
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations		-	-
C- Due to Related Parties		**-**	**-**
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		**-**	**-**
1- Deposits and Guarantees Received		-	-
2- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables		-	-
4- Discount on Other Miscellaneous Payables		-	-
E-Insurance Technical Provisions	**17**	**20.870.081**	**15.840.398**
1- Reserve for Unearned Premiums – Net	17	13.599.115	10.556.380
2- Reserve for Unexpired Risks - Net		-	-
3- Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts – Net		-	-
6- Other Technical Provisions – Net	17	7.270.966	5.284.018
F-Other Liabilities and Relevant Accruals		**-**	**-**
1- Other Liabilities		-	-
2- Overdue, Deferred or By Instalment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks	**23**	**2.942.377**	**2.205.630**
1- Provision for Employee Termination Benefits	23	2.942.377	2.205.630
2- Provision for Pension Fund Deficits		-	-
H-Deferred Income and Expense Accruals		**-**	**-**
1- Deferred Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Long-Term Liabilities	**21**	**-**	**452.709**
1- Deferred Tax Liabilities	21	-	452.709
2- Other Long-Term Liabilities		-	-
IV- Total Long-Term Liabilities		**23.812.458**	**18.498.737**

EQUITY			
V- Equity	**Note**	**Audited Current Period 31 December 2015**	**Audited Prior Period 31 December 2014**
A- Paid in Capital		**163.069.856**	**163.069.856**
1- (Nominal) Capital	2.13,15	163.069.856	163.069.856
2- Unpaid Capital		-	-
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences		-	-
5- Register in Progress Capital		-	-
B- Capital Reserves	**15**	**2.070.152**	**2.070.152**
1- Share Premiums	15	2.070.152	2.070.152
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Asset Sales That Will Be Transferred to Capital		-	-
4- Currency Translation Adjustments		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves	**15**	**30.594.119**	**32.354.364**
1- Legal Reserves		-	-
2- Statutory Reserves		-	-
3- Extraordinary Reserves		-	-
4- Special Funds		-	-
5- Revaluation of Financial Assets		-	-
6- Other Profit Reserves	15	30.594.119	32.354.364
D- Retained Earnings		**-**	**-**
1- Retained Earnings		-	-
E- Accumulated Losses		**(86.905.844)**	**(90.224.506)**
1- Accumulated Losses		(86.905.844)	(90.224.506)
F-Net Profit/(Loss) for the Period		**(14.813.838)**	**2.376.736**
1- Net Profit for the Period		-	2.376.736
2- Net Loss for the Period		(14.813.838)	-
3- Profit not Available for Distribution		-	-
V- Total Equity		**94.014.445**	**109.646.602**
TOTAL EQUITY AND LIABILITIES		**450.401.905**	**401.476.110**

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

I-TECHNICAL SECTION	Note	Audited Current Period 31 December 2015	Audited Prior Period 31 December 2014
A- Non-Life Technical Income		**193.137.425**	**172.431.624**
1- Earned Premiums (Net of Reinsurer Share)		177.707.158	171.339.627
1.1- Written Premiums (Net of Reinsurer Share)	17	212.940.008	170.060.755
1.1.1- Written Premiums, gross	17	444.639.200	380.025.291
1.1.2- Written Premiums, ceded	10,17	(221.415.614)	(202.200.215)
1.1.3- Premiums Transferred to Social Security Institutions		(10.283.578)	(7.764.321)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(28.450.173)	(612.686)
1.2.1- Reserve for Unearned Premiums, gross	17	(47.262.807)	(16.157.601)
1.2.2- Reserve for Unearned Premiums, ceded	17	17.117.472	14.259.694
1.2.3 – Reserve for Unearned Premiums, Social Security Institution Share		1.695.162	1.285.221
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	(6.782.677)	1.891.558
1.3.1- Reserve for Unexpired Risks, gross		(8.836.528)	14.787.935
1.3.2- Reserve for Unexpired Risks, ceded		2.053.851	(12.896.377)
2- Investment Income - Transferred from Non-Technical Section		14.147.549	12.762.126
3- Other Technical Income (Net of Reinsurer Share)		(4.781.455)	(11.364.095)
3.1- Other Technical Income, gross		(4.781.455)	(11.364.095)
3.2- Other Technical Income, ceded		-	-
4- Accrued Salvage and Subrogation Income		6.064.173	(306.034)
B - Non-Life Technical Expense		**(205.389.988)**	**(164.164.805)**
1- Incurred Losses (Net of Reinsurer Share)	17	(150.425.082)	(113.047.821)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(133.800.519)	(102.805.771)
1.1.1- Claims Paid, gross	17	(276.956.159)	(184.524.174)
1.1.2- Claims Paid, ceded	10,17	143.155.640	81.718.403
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(16.624.563)	(10.242.050)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	16.039.510	(69.020.883)
1.2.2- Change in Provisions for Outstanding Claims, ceded	17	(32.664.073)	58.778.833
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts, gross		-	-
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	29	(1.986.948)	(1.063.998)
4- Operating Expenses	32	(52.977.958)	(50.052.986)
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)		**(12.252.563)**	**8.266.819**
D- Life Technical Income		**-**	**-**
1- Earned Premiums (Net of Reinsurer Share)		-	-
1.1- Written Premiums (Net of Reinsurer Share)		-	-
1.1.1- Written Premiums, gross		-	-
1.1.2- Written Premiums, ceded		-	-
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.2.1- Reserve for Unearned Premiums, gross		-	-
1.2.2- Reserve for Unearned Premiums, ceded		-	-
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.3.1- Reserve for Unexpired Risks, gross		-	-
1.3.2- Reserve for Unexpired Risks, ceded		-	-
2- Investment Income		-	-
3- Unrealized Gains on Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		-	-

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

I-TECHNICAL SECTION	Note	Audited Current Period 31 December 2015	Audited Prior Period 31 December 2014
E- Life Technical Expense		-	-
1- Incurred Losses (Net of Reinsurer Share)		-	-
1.1- Claims Paid (Net of Reinsurer Share)		-	-
1.1.1- Claims Paid, gross		-	-
1.1.2- Claims Paid, ceded		-	-
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.2.1- Change in Provisions for Outstanding Claims, gross		-	-
1.2.2- Change in Provisions for Outstanding Claims, ceded		-	-
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts, gross		-	-
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
3.1- Change in Mathematical Provisions, gross		-	-
3.2- Change in Mathematical Provisions, ceded		-	-
4- Change in Provision for Investment Risk to Life Insurance Policyholders (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
4.1- Provisions for Investment Risk to Life Insurance Policyholders		-	-
4.2- Reinsurance Share for Investment Risk to Life Insurance Policyholders		-	-
5- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
6- Operating Expenses		-	-
7- Investment Expenses		-	-
8- Unrealized Losses on Investments		-	-
9- Investment Income Transferred to the Non-Life Technical Section		-	-
F- Net Technical Income- Life (D – E)		-	-
G- Pension Business Technical Income		-	-
1- Fund Management Income		-	-
2- Management Fee		-	-
3- Entrance Fee Income		-	-
4- Management Expense Charge in case of Suspension		-	-
5- Income from Private Service Charges		-	-
6- Increase in Value of Capital Allowances Given as Advance		-	-
7- Other Technical Expense		-	-
H- Pension Business Technical Expense		-	-
1- Fund Management Expense		-	-
2- Decrease in Value of Capital Allowances Given as Advance		-	-
3- Operating Expenses		-	-
4- Other Technical Expenses		-	-
I- Net Technical Income - Pension Business (G – H)		-	-

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

II-NON-TECHNICAL SECTION	Note	Audited Current Period 31 December 2015	Audited Prior Period 31 December 2014
C- Net Technical Income – Non-Life (A-B)		**(12.252.563)**	**8.266.819**
F- Net Technical Income – Life (D-E)		**-**	**-**
I - Net Technical Income – Pension Business (G-H)		**-**	**-**
J- Total Net Technical Income (C+F+I)		**(12.252.563)**	**8.266.819**
K- Investment Income		**31.380.123**	**21.345.895**
1- Income from Financial Assets	4.2	18.910.604	15.147.585
2- Income from Disposal of Financial Assets	4.2	-	614.863
3- Valuation of Financial Assets	4.2	-	458.860
4- Foreign Exchange Gains	4.2	12.469.519	5.124.587
5- Income from Associates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment		-	-
8- Income from Derivative Transactions		-	-
9- Other Investments		-	-
10- Income Transferred from Life Section		-	-
L- Investment Expense		**(28.270.104)**	**(23.633.211)**
1- Investment Management Expenses (including. interest)	4.2	(2.861.228)	(3.139.242)
2- Diminution in Value of Investments	4.2	(1.322.708)	-
3- Loss from Disposal of Financial Assets	4.2	(482.066)	-
4- Investment Income Transferred to Non-Life Technical Section		(14.147.549)	(12.762.126)
5- Loss from Derivative Transactions		-	-
6- Foreign Exchange Losses	4.2	(6.801.775)	(5.401.691)
7- Depreciation and Amortization Expenses	6,8	(2.654.778)	(2.330.152)
8- Other Investment Expenses		-	-
M- Income and Expenses From Other and Extraordinary Operations		**(5.671.294)**	**(3.602.767)**
1- Provisions	47	(8.095.827)	(2.194.615)
2- Rediscounts		-	-
3- Specified Insurance Accounts		-	-
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Assets)	35	997.709	-
6- Deferred Taxation (Deferred Tax Liabilities)	35	-	(1.171.436)
7- Other Income and Profits		1.971.255	265.410
8- Other Expenses and Losses		(544.431)	(502.126)
9- Prior Year's Income		-	-
10- Prior Year's Expenses and Losses		-	-
N- Net Profit or Loss for the Period		**(14.813.838)**	**2.376.736**
1- Profit or Loss for the Period		(14.813.838)	2.376.736
2- Corporate Tax Provision and Other Fiscal Liabilities		-	-
3- Net Profit or Loss for the Period		(14.813.838)	2.376.736
4- Monetary Gains and Losses		-	-

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

	Note	Audited Current Period 31 December 2015	Audited Prior Period 31 December 2014
A - Cash flows from operating activities			
1- Cash provided from insurance activities		437.316.887	393.850.169
2- Cash provided from reinsurance activities		65.447.418	32.910.132
3- Cash provided from individual pension business		-	-
4- Cash used in insurance activities		(316.216.684)	(218.751.253)
5- Cash used in reinsurance activities		(84.241.111)	(106.670.253)
6- Cash used in individual pension business		-	-
7- Cash provided by operating activities		**102.306.510**	**101.338.795**
8- Interest paid		-	-
9- Income taxes paid		(4.179.794)	(770.605)
10- Other cash inflows		4.065.714	-
11- Other cash outflows		(93.616.175)	(86.685.589)
12-Net cash provided by operating activities		**8.576.255**	**13.882.601**
B - Cash flows from investing activities			
1- Proceeds from disposal of tangible assets		452.675	201.520
2- Acquisition of tangible assets	6,8	(2.336.854)	(1.962.661)
3- Acquisition of financial assets	11	(89.463.966)	(135.595.928)
4- Proceeds from disposal of financial assets	11	86.133.827	131.403.940
5- Interests received		11.481.116	11.134.984
6- Dividends received		-	-
7- Other cash inflows		-	-
8- Other cash outflows		-	-
9- Net cash provided by investing activities		**6.266.798**	**5.181.855**
C- Cash flows from financing activities			
1- Equity shares issued		-	-
2- Cash provided from loans and borrowings		-	-
3- Finance lease payments		-	(55)
4- Dividends paid		-	-
5- Other cash inflows		-	-
6- Other cash outflows		-	-
7- Net cash used in financing activities		-	**(55)**
D- Effect of exchange rate fluctuations on cash and cash equivalents		**939.588**	**(105.354)**
E- Net increase in cash and cash equivalents		**15.782.641**	**18.959.047**
F- Cash and cash equivalents at the beginning of the year	**14**	**167.575.596**	**148.616.549**
G- Cash and cash equivalents at the end of the year	**14**	**183.358.237**	**167.575.596**

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

Shareholder's Equity – 31 December 2014 – Audited												
	Note	**Share Capital**	**Treasury Shares**	**Value Increase in Assets**	**Inflation Adjustments**	**Currency Translation Adjustments**	**Legal Reserves**	**Statutory Reserves**	**Other Reserves and Retained Profit**	**Net Profit for the Period**	**Retained Earnings /Previous Years' Losses**	**Total**
I – Balance at 31 December 2013		**163.069.856**	**-**	**15.071.637**	**-**	**-**	**-**	**-**	**10.966.017**	**8.565.429**	**(99.278.825)**	**98.394.114**
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
1 – In cash		-	-	-	-	-	-	-	-	-	-	-
2 – From reserves		-	-	-	-	-	-	-	-	-	-	-
B- Treasury shares		-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not recognized in the statement of income		-	-	-	-	-	-	-	(821.608)	-	-	**(821.608)**
D- Change in the value of financial assets	15	-	-	9.697.360	-	-	-	-	-	-	-	**9.697.360**
E- Currency translation adjustments	6	-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period		-	-	-	-	-	-	-	-	2.376.736	-	**2.376.736**
I- Other Reserves and Transfers from Retained Earnings		-	-	-	-	-	-	-	-	-	-	-
J- Transfers	15	-	-	(488.890)	-	-	-	-	-	(8.565.429)	9.054.319	-
II – Balance at 31 December 2014		**163.069.856**	**-**	**24.280.107**	**-**	**-**	**-**	**-**	**10.144.409**	**2.376.736**	**(90.224.506)**	**109.646.602**

Shareholder's Equity – 31 December 2015 – Audited												
	Note	**Share Capital**	**Treasury Shares**	**Value Increase in Assets**	**Inflation Adjustments**	**Currency Translation Adjustments**	**Legal Reserves**	**Statutory Reserves**	**Other Reserves and Retained Profit**	**Net Profit for the Period**	**Retained Earnings /Previous Years' Losses**	**Total**
I – Balance at 31 December 2014		**163.069.856**	**-**	**24.280.107**	**-**	**-**	**-**	**-**	**10.144.409**	**2.376.736**	**(90.224.506)**	**109.646.602**
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
1 – In cash		-	-	-	-	-	-	-	-	-	-	-
2 – From reserves		-	-	-	-	-	-	-	-	-	-	-
B- Treasury shares		-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not recognized in the statement of income		-	-	-	-	-	-	-	(818.319)	-	-	**(818.319)**
D- Change in the value of financial assets		-	-	-	-	-	-	-	-	-	-	-
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period		-	-	-	-	-	-	-	-	(14.813.838)	-	**(14.813.838)**
I – Other Reserves and Transfers from Retained Earnings		-	-	-	-	-	-	-	-	-	-	-
J- Transfers	15	-	-	(941.926)	-	-	-	-	-	(2.376.736)	3.318.662	-
II – Balance at 31 December 2015	15	**163.069.856**	**-**	**23.338.181**	**-**	**-**	**-**	**-**	**9.326.090**	**(14.813.838)**	**(86.905.844)**	**94.014.445**

The accompanying notes are integral part of these financial statements.

	Note	Audited Current Period 31 December 2015(*)	Audited Prior Period 31 December 2014
I. PROFIT DISTRIBUTION			
1.1. CURRENT YEAR PROFIT /(LOSS)		(14.813.838)	2.376.736
1.2. TAX AND FUNDS PAYABLE		--	--
1.2.1. Corporate Income Tax(Income Tax)		--	--
1.2.2. Income tax deduction		--	--
1.2.3. Other taxes and Duties		--	--
A NET PROFIT/(LOSS)(1.1 – 1.2)		**(14.813.838)**	**2.376.736**
1.3. PREVIOUS PERIOD LOSSES (-)		(86.905.844)	(90.224.506)
1.4. FIRST LEGAL RESERVE		--	--
1.5. STATUTORY FUND (-)		--	--
B NET PROFIT DISTRIBUTION [(A-(1.3 + 1.4 + 1.5)]		--	--
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		--	--
1.6.1. Holders of shares		--	--
1.6.2. Holders of Preferred shares		--	--
1.6.3 Holders of Redeemed shares		--	--
1.6.4 Holders of Participation Bond		--	--
1.6.5 Holders of Profit and Loss sharing certificate		--	--
1.7. DIVIDEND TO PERSONNEL (-)		--	--
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		--	--
1.9.1. Holders of shares		--	--
1.9.2. Holders of Preferred shares		--	--
1.9.3. Holders of Redeemed shares		--	--
1.9.4. Holders of Participation Bond		--	--
1.9.5. Holders of Profit and Loss sharing certificate		--	--
1.10. SECOND LEGAL RESERVE (-)		--	--
1.11. STATUTORY RESERVES (-)		--	--
1.12. EXTRAORDINARY RESERVES		--	--
1.13. OTHER RESERVES		--	--
1.14. SPECIAL FUNDS		--	--
II. DISTRIBUTION OF RESERVES		--	--
2.1. DISTRIBUTION OF RESERVES		--	--
2.2. SECOND LEGAL RESERVES (-)		--	--
2.3. COMMON SHARES (-)		--	--
2.3.1. Holders of shares		--	--
2.3.2 Holders of Preferred shares		--	--
2.3.3. Holders of Redeemed shares		--	--
2.3.4 Holders of Participation Bond		--	--
2.3.5 Holders of Profit and Loss sharing certificate		--	--
2.4. DIVIDENDS TO PERSONNEL (-)		--	--
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		--	--
III. PROFIT PER SHARE		--	--
3.1. HOLDERS OF SHARES		--	--
3.2. HOLDERS OF SHARES (%)		--	--
3.3. HOLDERS OF PREFERRED SHARES		--	--
3.4. HOLDERS OF PREFERRED SHARES (%)		--	--
IV. DIVIDEND PER SHARE		--	--
4.1. HOLDERS OF SHARES		--	--
4.2. HOLDERS OF SHARES (%)		--	--
4.3. HOLDERS OF PREFERRED SHARES		--	--
4.4. HOLDERS OF PREFERRED SHARES (%)		--	--

(*) Since the proposal for profit distribution as to 2015 has not been prepared yet by the Board of Directors, profit distribution table is not be fulfilled.

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

Ray Sigorta Anonim Şirketi

Notes to the Financial Statements
As at 31 December 2015

(Currency: Turkish Lira (TL))

1 General Information

1.1 Name of the Company and the ultimate owner of the group

The shareholding structure of Ray Sigorta Anonim Şirketi ("the Company") is presented below. As at 31 December 2015 and 31 December 2014, the shareholder having direct control over the shares of Ray Sigorta Anonim Şirketi ("the Company") is TBIH Financial Services Group N.V ("TBIH") and the ultimate parent company is Vienna Insurance Group AG'dir ("VIG"). %5,04 of shares are being traded at Borsa İstanbul A.Ş. ("BIST").

	31 December 2015		31 December 2014	
Name	**Shareholding Amount (TL)**	**Shareholding Rate (%)**	**Shareholding Amount (TL)**	**Shareholding Rate (%)**
TBIH Financial Services Group N.V.	133.048.627	81,59	133.048.627	81,59
Vienna Insurance Group	20.663.528	12,67	20.663.528	12,67
LVP Holding Gmbh	1.145.734	0,70	1.145.734	0,70
Other	8.211.967	5,04	8.211.967	5,04
Paid in Capital	**163.069.856**	**100,00**	**163.069.856**	**100,00**

1.2 Domicile and the legal structure of the Company, country and the address of the registered office (address of the operating centre if it is different from the registered office)

The Company was registered in Turkey and has the status of 'Incorporated Company'. The Company's address is "Cumhuriyet Mahallesi Haydar Aliyev Caddesi No:28 Tarabya-İstanbul" and the Company has seven regional offices; two of them established in İstanbul and others established in Antalya, İzmir, Adana, Ankara and Bursa, and a branch in Turkish Republic of Northern Cyprus.

1.3 Business of the Company

The Company operates in almost all non-life insurance branches consisting of mainly accident, health, motor vehicles, air vehicles, water vehicles, transportation, fire and natural disasters, general loss, credit, financial losses, and legal protection.

As at 31 December 2015, the Company serves through, 1.254 authorized agencies, 64 Alternatif Bank branches, 68 Fibabanka branches, 57 Burganbank branches, 68 broker, 5 leasing (31 December 2014: 1.129 authorized agencies, 77 Alternatif Bank branches, 69 Fibabanka branches, 61 Burganbank branches, 67 broker, 6 leasing) of which, 1.516 agencies (31 December 2014: 1.409 authorized).

1 General Information *(contiuned)*

1.4 Description of the main operations of the Company

The Company conducts its operations in accordance with the Insurance Law No.5684 (the "Insurance Law") issued in 14 June 2007 dated and 26552 numbered Official Gazette and the communiqués and other regulations in force issued by the Turkish Treasury based on the Insurance Law. The Company operates in insurance branches as mentioned above *Note 1.3 Business of the Company*.

The Company's shares have been listed on the Istanbul Stock Exchange ("ISE"). The company operates in their own specific laws and regulations for the matters of establishment, auditing, supervision/oversight, accounting and financial reporting in accordance Capital Market Law No:6362, part of VIII and paragraph of 5 of Article 136.

1.5 The average number of the personnel during the period in consideration of their categories

The average number of the personnel during the period in consideration of their categories is as follows:

	31 December 2015	31 December 2014
Senior and middle level menagers	36	37
Other	210	206
Total	**246**	**243**

1.6 Wages and similar benefits provided to the senior management

For the year ended 31 December 2015, wages and similar benefits provided to the senior and middle level management including chairman is amounting to TL 3.406.376 (31 December 2014: 3.664.768 TL).

1.7 Keys used in the distribution of investment income and operating expenses (personnel, administrative, research and development, marketing and selling, services rendered from third parties and other operating expenses) in the financial statements

Procedures and principles related to keys used in the financial statements of the companies are determined in accordance with the 4 January 2008 dated and 2008/1 numbered "Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan" issued by the Turkish Treasury.

In accordance with the above mentioned Communiqué, insurance companies are allowed to transfer technical section operating expense to insurance section through methods determined by Turkish Treasury or by the Company itself. Methods determined by the Company should be approved by the Turkish Treasury, known and exactly distinguishable operating expenses are distributed to related branches directly, while operating expenses are distributed to the sub-branches in accordance with the average of 3 ratios calculated by dividing "number of the policies produced within the last three years", "gross premium written within the last three years", and "number of the claims reported within the last three years" to the "total number of the policies", "total gross written premiums" and the "total number of the claims reported", respectively.

Income from the assets invested against non-life technical provisions is transferred to technical section from non-technical section; remaining income is transferred to the non-technical section.

1.8 Information on the financial statements as to whether they comprise an individual company or a group of companies

The accompanying financial statements comprise only the financial information of the Company.

1 General information *(contiuned)*

1.9 Name or other identity information about the reporting entity and the changes in this information after previous reporting date

Trade name of the Company	: Ray Sigorta Anonim Şirketi
Registered address of the head office	: Haydar Aliyev Caddesi No:28 Tarabya 34457 Sarıyer / İstanbul
The web page of the Company	: **www.raysigorta.com.tr**

The information presented above has not any change since the end of the previous reporting period.

1.10 Events after the reporting date

There haven't been any change at services of the company, recording of this services and company policies after accounting date.

2 Summary of significant accounting policies

2.1 Basis of preparation

2.1.1 Information about the principles and the specific accounting policies used in the preparation of the financial statements

In accordance with Article 136(5) in Section VIII of the Capital Markets Law, numbered 6362 insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting. Therefore, the Company maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS"), and other accounting and financial reporting principles, statements and guidance (collectively "the Reporting Standards") in accordance with the "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies" as promulgated by the Turkish Treasury based on Article 18 of the Insurance Law and Article 11 of the 4632 numbered Individual Pension Savings and Investment System Law (''Individual Retirement Law'').

In Article 4 of the mentioned regulation; insurance contracts , subsidiaries , recognition of jointly controlled subsidiaries and affiliates, and consolidated financial statements with financial statements will be disclosed to the public are set out the principles and procedures relating to the preparation of notes and disclosures related to these it will be determined by Communiqués to be issued by the Turkish Treasury .

"Communiqué Related to Presentation of Financial Statements published in Offical Gazette dated 18 April 2008 and numbered 26851 by ensuring the comparision of the prior period financial statements and the financial statements of other companies regulated the form and content of the financial statements that are prepared by companies.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

2.1.2 Other accounting policies appropriate for the understanding of the financial statements

Accounting in hyperinflationary countries

Financial statements of the Turkish entities have been restated for the changes in the general purchasing power of the Turkish Lira based on "TAS 29 – *Financial Reporting in Hyperinflationary Economies*" as at 31 December 2004. *TAS 29* requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date, and that corresponding figures for previous years be restated in the same terms.

With respect to the declaration of the Turkish Treasury with the article dated 4 April 2005 and numbered 19387, financial statements as of 31 December 2004 are adjusted for the opening balances of 2005 in accordance with the section with respect to inflation accounting of the Capital Markets Board ("CMB") Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market" published in the Official Gazette dated 15 January 2003 and numbered 25290. Inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Turkish Treasury. Accordingly, as at 31 December 2015, non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded before 31 December 2004 in order to reflect inflation adjustments. Non-monetary assets and liabilities and items included in shareholders' equity including paid-in capital recognized or recorded after 1 January 2005 are measured at their nominal values

Other accounting policies

Information regarding other accounting polices is disclosed above in *"*Note 2.1.1 - *Information about the principles and the specific accounting policies used in the preparation of the financial statements"* and each under its own caption in the following sections of this report.

2.1.3 Valid and presentation currency

The accompanying financial statements are presented in TL, which is the Company's functional currency.

2.1.4 Rounding scale of the amounts presented in the financial statements

Financial information presented in TL, has been rounded to the nearest TL values.

2.1.5 Basis of measurement used in the preparation of the financial statements

The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2004, except for the financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments and associates which are measured at their fair values unless reliable measures are available.

2.1.6 Accounting policies, changes in accounting estimates and errors

There is not any change in accounting estimates or determined errors in current year. Critical accounting judgements used in applying the Company's accounting policies are explained in Note 3 – *Critical accounting estimates and judgments in applying accounting policies*.

2 Summary of significant accounting policies *(continued)*

2.2 Consolidation

The Company has not any associate or subsidiary to be consolidated as of the reporting period,so consolidated financial statements have not been prepared.

2.3 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Since the main economic environment, where the Company operates, is Turkey, a geographical segment reporting has not been presented. A business segment reporting of the Company is presented in Note 5 in accordance with TFRS 8-*Operating Segments* standard.

2.4 Foreign currency transactions

Transactions are recorded in TL, which is the Company's functional currency. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates ruling at the reporting date and foreign currency exchange differences are offset and all exchange differences are recognized in the statement of income.

2 Summary of significant accounting policies *(continued)*

2.5 Tangible assets

Except for buildings in use, tangible assets of the Company are recorded at their historical costs that have been adjusted for the effects of inflation until the end of 31 December 2004. There have been no other inflationary adjustments for these tangible assets for the following years and therefore they have been recorded at their costs restated for the effects of inflation until 31 December 2004. Tangible assets that have been purchased after 1 January 2005 have been recorded at their costs after deducting any exchange rate differences and finance expenses.

The Company measures its properties for use through far value. For the properties measured at fair value that subject to amortisation, the amortisation started to be calculated by taking into consideration the rest of lives of related properties as of the date of the fair value determined.

Revaluation surplus arising from fair value measurement in buildings is recorded in “Other Capital Reserves" under equity by taking into account the effects of deferred tax. Decreases after revaluation arising from fair value measurement in buildings is subtracted from related assets "Other Capital Reserves" under Shareholders' Equity by comparing on the basis of account. Decreases after revaluation of the assets with no balances in "Other Capital Reserves" under Shareholders' Equity is associated with profit / loss accounts.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net carrying value and the proceeds from the disposal of related tangible assets and reflected to the statement of income of the related period.

Maintenance and repair costs incurred in the ordinary course of the business are recorded as expense.

There are no pledges, mortgages and other encumbrances on tangible fixed assets.

There are no changes in accounting estimates that have significant effect on the current period or that are expected to have significant effect on the following periods.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation rates and estimated useful lives are as follows:

Tangible Assets	Estimated Useful Lives (years)	Depreciation Rates (%)
Buildings	50	2,0
Machinery and equipments	3 – 16	6,3 – 33,3
Furniture and fixtures	4 – 16	6,3 – 25,0
Vehicles	5	20,0
Other tangible assets (including leasehold improvements)	5 – 10	10,0 – 20,0
Leased tangible assets	4 – 10	10,0 – 25,0

2 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.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of retirement or disposal.

The company does not have investment properties as of the reporting period (31 December 2014: None).

2.7 Intangible Assets

The Company's intangible assets consist of computer softwares and rights.

Intangible assets are recorded at cost in compliance with "TAS 38 – *Accounting for intangible assets*". The cost of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs.

Amortization is charged on a straight-line basis over their estimated useful lives over the cost of the asset.

Intangible assets' useful lifes are 3 and 5 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.

Financial assets are classified in three categories; as financial assets fair value through profit or loss, held to maturity financial assets, and loans and receivables.

Financial assets at fair value through profit or loss are presented as financial assets held for trading in the accompanying financial statements and trading securities and derivatives are included in this category. Financial assets at fair value through profit or loss measured at their fair values and gain/loss arising due to changes in the fair values of related financial assets is recorded in profit / loss. Interest income earned on trading purpose financial assets and the difference between their fair values and acquisition costs are recorded as interest income in the statement of income. In case of disposal of such financial assets before their maturities, the gains/losses on such disposal are recorded under trading income/losses. Accounting policies of derivatives are detailed in note 2.10 – D*erivative financial instruments*.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables those are not interest earning are measured by discounting of future cash flows less impairment losses, and interest earning loans and receivables are measured at amortized cost less impairment losses.

2 Summary of significant accounting policies *(contiuned)*

2.8 Financial assets *(contiuned)*

Held to maturity financial assets are the financial assets with fixed maturities and fixed or pre-determined payment schedules that the Company has the intent and ability to hold until maturity, excluding loans and receivables. Subsequent to initial recognition, held to maturity financial assets and loans and receivables are measured at amortized cost using effective interest rate method less impairment losses, if any. The Company has no financial assets that are not allowed to be classified as held to maturity financial assets for two years due to the tainting rules applied for the breach of classification rules.

Securities are recognized and derecognized at the date of settlement.

Long-term securities are financial assets that give a power to govern the financial and operating policies to benefit from the Company's benefit. These financial assets are measured at their cost value after deducting the proviison for impairment,if any.

A financial asset is derecognized when the control over the contractual rights that comprise that asset is lost. This occurs when the rights are realized, expire or are surrendered.

2.9 Impairment on assets

Impairment on financial asset

Financial assets or group of financial assets are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, the Company estimates the amount of impairment. A financial asset is impaired if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) ("loss event(s)") incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

2 Summary of significant accounting policies *(continued)*

2.9 Impairment on assets *(continued)*

Impairment of financial assets *(continued)*

Loans and receivables are presented net of specific allowances for uncollectibility. Specific allowances are made against the carrying amounts of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these loans and receivable to their recoverable amounts.

The recoverable amount of an equity instrument is its fair value. The recoverable amount of debt instruments and purchased loans measured to fair value is calculated as the present value of the expected future cash flows discounted at the current market rate of interest.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in the statement of operations. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

Impairment on tangible and intangible assets

On each reporting date, the Company evaluates whether there is an indication of impairment of tangible and intangible assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the "TAS 36 – *Impairment of Assets*" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

Rediscount and provision expenses of the period are detailed in *Note 47*.

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 recognized at their fair value.

The receivables and liabilities arising from the derivative transactions are recognized under the off-balance sheet accounts through the contract amounts.

Derivative financial instruments are subsequently remeasured at fair value and positive fair value differences are presented either as "financial assets held for trading" and negative fair value differences are presented as "other financial liabilities" in the accompanying financial statements. All unrealized gains and losses on these instruments are included in the statement of income.

2.11 Offsetting of financial assets

Financial assets and liabilities are offset and the net amount is presented in the balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the Reporting Standards, or for gains and losses arising from a group of transactions resulting from the Company's similar activities like trading transactions.

2 Summary of significant accounting policies *(contiuned)*

2.12 Cash and cash equivalents

Cash and cash equivalents, which is the basis for the preparation of the statement of cash flows includes cash on hand, cheques received, other cash and cash equivalents, demand deposits and time deposits at banks having an original maturity less than 3 months which are ready to be used by the Company or not blocked for any other purpose.

2.13 Capital

The shareholder having indirect control over the shares of the Company is Vienna Insurance Group, As at 31 December 2015 and 31 December 2014, the share capital and ownership structure of the Company are as follows:

	31 December 2015		31 December 2014	
Adı	**Shareholding Amount (TL)**	**Shareholding Rate (%)**	**Shareholding Amount (TL)**	**Shareholding Rate (%)**
TBIH Financial Services Group N.V.	133.048.627	81,59	133.048.627	81,59
Vienna Insurance Group	20.663.528	12,67	20.663.528	12,67
LVP Holding Gmbh	1.145.734	0,70	1.145.734	0,70
Other	8.211.967	5,04	8.211.967	5,04
Paid in Capital	**163.069.856**	**100,00**	**163.069.856**	**100,00**

In the Company's Board of Directors Meeting dated 23 June 2015 and numbered 1480, acceptance of General Manager and Member of the Board of Directors Mr. Mehmet Levent Şişmanoğlu's resignation from General Manager and Member of the Board of Directors that be effective from 31 July 2015 and decided to appoint Mr.Koray Erdoğan to this position that be effective 1 August 2015 after the resignation of Mehmet Levent Şişmanoğlu from General Manager and Member of the Board of Directors.

Sources of capital increases during the period

The company has not performed capital increase as at 31 December 2015. (31 December 2014: None).

Privileges on common shares representing share capital

As at 31 December 2015, the issued share capital of the Company is TL 163.069.856 (31 December 2014: TL 163.069.856) and the share capital of the Company consists of 16,306,985,600 (31 December 2014: 16,306,985,600 shares) issued shares with TL 0.01 nominal value each.

Registered capital system in the Company

The Company has accepted the registered capital system. As of 31 December 2015, the Company's registered capital is TL 200.000.000 (31 December 2014: TL 200.000.000).

Repurchased own shares by the Company

None (31 December 2014: None).

2 Summary of significant accounting policies *(contiuned)*

2.14 Insurance and investments contracts-classification

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

Investment contracts are those contracts which transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable.

As of the reporting date, the Company does not have a contract which is classified as an investment contract.

2.15 Insurance contracts and investment contracts with discretionary participation feature

Discretionary participation feature ("DPF") within insurance contracts and investment contracts is the right to have following benefits in addition to the guaranteed benefits.

(i) that are likely to comprise a significant portion of the total contractual benefits;
(ii) whose amount or timing is contractually at the discretion of the Issuer; and
(iii) that are contractually based on:
(1) the performance of a specified pool of contracts or a specified type of contract;
(2) realized and/or unrealized investments returns on a specified pool of assets held by the Issuer; or
(3) the profit or loss of the Company, Fund or other entity that issues the contract.

As at the reporting date, the Company does not have any insurance or investment contracts that contain a DPF.

2.16 Investment contracts without DPF

As of the reporting date, the Company does not have any insurance contracts and investment contracts without DPF.

2.17 Liabilities

Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities of the Company are measured at their discounted values. A financial liability is derecognized when it is extinguished.

2 Summary of significant accounting policies *(contiuned)*

2.18 Income taxes

Corporate tax

Statutory income is subject to corporate tax at 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

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

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

In accordance with Turkish Tax Legislation, tax losses can be carried forward to offset against future taxable income for up to five years. The company has deductible tax losses amounting to TL 12.561.560 as of 31 December 2015 (Note 21) (31 December 2014: TL 14.593.619).

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings

Deferred taxes

In accordance with TAS 12 – *Income taxes*, deferred tax assets and liabilities are recognized on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

Deferred tax assets and liabilities are reported as net in the financial statements if, and only if, the Company has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.

In case where gains/losses resulting from the subsequent measurement of the assets are recognized in the statement of income, then the related current and/or deferred tax effects are also recognized in the statement of income. On the other hand, if such gains/losses are recognized as an item under equity, then the related current and/or deferred tax effects are also recognized directly in the equity.

2 Summary of significant accounting policies *(contiuned)*

2.18 Income taxes *(continued)*

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.

In accordance with the General Comminique, if a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

2.19 Employee benefits

Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amaount as at 31 December 2015 is TL 4.093 (31 December 2014: TL 3.541).

In Accordance IAS 19 which published by Public Company Accounting Oversight Board (PCAOB) dated March 12, 2013 is about "Benefits Employee Accounting Standard" and defined by beginning from December 31,2012 net defined benefit liability of the actuarial gains and losses arising on re-measurement should be recognized in other comprehensive income under shareholders' equity and this effect should be applied retrospectively. The company started to account current actuarial gains and losses under equity (other profit reserves) due to the fact that prior period actuarial gains and losses have remained below the materiality.

The Company accounted for employee severance indemnities using actuarial method in compliance with the TAS 19 – *Employee Benefits*, The major actuarial assumptions used in the calculation of the total liability as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
Discount rate	%3,77	%3,81
Expected retirement turnover rate	%93	%93

Expected rate of salary/limit increase above was determined according to the government's annual inflation forecasts.

Other benefits

The Company has provided for undiscounted short-term employee benefits earned during the period as per services rendered in compliance with *TAS 19* in the accompanying financial statements.

2 Summary of significant accounting policies *(continued)*

2.20 Provisions

A provision is made for an existing obligation resulting from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of management on the expenses to incur as of the reporting date and, if material, such expenses are discounted to their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Company to settle the liability, the related liability is considered as "contingent" and disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs. If an inflow of economic benefits has become probable, the Company discloses the contingent asset.

2.21 Revenue recognition

Written premiums and claims paid

Written premiums represent premiums on policies written during the period net of taxes, premiums of the cancelled policies which were produced in prior periods and premium ceded to reinsurance companies,. Premiums ceded to reinsurance companies are accounted as "written premiums, ceded" in the statement of income.

Claims are recognized as expense as they are paid. Outstanding claims provision is provided for both reported unpaid claims at period-end and incurred but not reported claims. Reinsurer's shares of claims paid and outstanding claims provisions are off-set against these reserves.

2 Summary of significant accounting policies *(continued)*

2.21 Revenue recognition *(contiuned)*

Subrogation, salvage and quasi income

According to the Circular 2010/13 dated 20 September 2010; the Company may account for income accrual for subrogation receivables without any voucher after the completion of the claim payments made to the insure. If the amount cannot be collected from the counterparty insurance company, the Company provides provision for uncollected amounts due for six months. If the counter party is not an insurance Company, the provision is provided after four months. As at the reporting date, in accordance with the related circular the Company provided TL 5.197.020 (31 December 2014: TL 3.728.324) subrogation receivables and recorded TL 5.204.823 (31 December 2014: TL 3.728.324) (*Note 12*) net subrogation and salvage receivables under receivables from main operations. The Company provided allowance for uncollected subrogation receivables amounting to TL 295.804 (31 December 2014: TL 456.051) *(Note 12)* in accordance with circular

For the years ended 31 December 2015 and 2014, salvage and subrogation collected are as follows:

	31 December 2015	**31 December 2014**
Motor Vehicles	18.234.118	19.661.270
Third Party liability for motor vehicles (MTPL)	1.377.688	1.168.713
Fire and natural disaster	318.099	291.383
Transportation	244.098	210.989
Genel Losses	53.100	22.905
General Responsibility	4.493	22.679
Water Vehicles	4.138	182
Breach of Trust	1.288	-
Health	75	317
Total	**20.237.097**	**21.378.438**

As at 31 December 2015 and 31 December 2014, accrued subrogation and salvage income per branches is as follows:

	31 December 2015	**31 December 2014**
Motor Vehicles	3.870.223	2.627.297
Third Party liability for motor vehicles (MTPL)	967.047	611.597
Fire and natural disaster	220.117	203.890
Transportation	107.933	59.528
Genel Losses	37.185	100.109
Breach of Trust	2.318	125.090
General Responsibility	-	812
Water Vehicles	-	1
Toplam	**5.204.823**	**3.728.324**

2 Summary of significant accounting policies *(continued)*

2.21 Revenue recognition *(continued)*

Commission income and expense

As further disclosed in Note 2.24 - *Reserve for unearned premiums*, commissions paid to the agencies related to the production of the insurance policies and the commissions received from the reinsurance firms related to the premiums ceded are recognized over the life of the contract by deferring commission income and expenses within the calculation of reserve for unearned premiums for the policies produced before 1 January 2008 and recognizing deferred commission income and deferred commission expense in the financial statements for the policies produced after 1 January 2008.

Interest income and expense

Interest income and expense are recognized using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Trading income/expense

Trading income/expense includes gains and losses arising from disposals of financial assets held for trading purpose and available-for-sale financial assets. Trading income and trading expenses are recognized as "Income from disposal of financial assets" and "Loss from disposal of financial assets" in the accompanying unconsolidated financial statements.

Dividends

Dividend income is recognized when the Company's right to receive payment is ascertained.

2.22 Leasing transactions

The maximum period of the lease contracts is 10 years. Tangible assets acquired by way of finance leases are recorded in tangible assets and the obligations under finance leases arising from the lease contracts are presented under "Finance Lease Payables" account in the financial statements. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through finance lease and in the expected future benefits, the leased assets are measured at net realizable value. Depreciation for assets obtained through financial lease is calculated in the same manner as tangible assets.

Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease.

2.23 Dividend distribution

Based on the guidelines and principals issued by the CMB dated 27 January 2010 for the distribution of dividends from the profit generated from operating activities in 2009, concerning public entities, the shares of which are quoted in public equity markets, it has been agreed upon not to set a mandatory minimum dividend payment quota. Furthermore, it has been agreed upon to let public entities perform dividend distributions.

2 Summary of significant accounting policies *(continued)*

2.23 Dividend distribution *(continued)*

Additionally, as stated within the aforementioned decision of CMB, for entities required to prepare consolidated financial statements, it has been agreed upon to require the net distributed profit calculations to be performed on the net profit for the period as stated on the consolidated financial statements, so long that the distribution can be funded through statutory resources.

The company did not perform dividend distribution in 2014 and 2015.

2.24 Reserve for unearned premiums

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 26606 numbered and 7 August 2007 dated Official Gazette and put into effect starting from 1 January 2008, the reserve for unearned premiums represents the proportions of the gross premiums written without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the reporting date for all short-term insurance policies. For commodity transportation policies with indefinite expiration dates, 50% of the remaining portion of the premiums accrued in the last three months, less any commissions is also provided as unearned premium reserves.

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

Since the Communiqué on Technical Reserves was effective from 1 January 2008, the Turkish Treasury issued 4 July 2007 dated and 2007/3 numbered "Circular to Assure the Compliance of the Technical Reserves of Insurance, Reinsurance and Pension Companies With the Insurance Law No,5684" ("Compliance Circular") to regulate the technical provisions between the issuance date and enactment date of the Communiqué on Technical Reserves. In accordance with the Compliance Circular, it is stated that companies should consider earthquake premiums written after 14 June 2007 in the calculation of the reserve for unearned premiums while earthquake premiums were deducted in the calculation of the reserve for unearned premiums before. Accordingly, the Company has started to calculate reserve for unearned premiums for the earthquake premiums written after 14 June 2007, while the Company had not calculated reserve for unearned premiums for the earthquake premiums written before 14 June 2007.

According to the 2009/9 Numbered Circular Related to Application of Technical Reserves issued on 27 March 2009 reserve for unearned premiums is calculated by taking into account that all polices become active at 12:00 at noon and end at 12:00 at noon.

According to the Communiqué on Technical Reserves, for the calculation of unearned premium reserves of foreign currency indexed insurance agreements, foreign currency selling exchange rates announced by Turkish Central Bank will be considered, unless there is a specified exchange rate in the agreement.

As at the reporting date, the Company has provided reserve for unearned premiums amounting to TL 263.181.295 (31 December 2014: TL 215.918.488) and reinsurer share in reserve for unearned premiums amounting TL 131.123.743 (31 December 2014: TL 114.006.271). Furthermore, reserve for unearned premiums includes Social Security Institution ("SSI") share amounting to TL 5.952.034 (31 December 2014:TL 4.256.872) as at 31 December 2015.

2 Summary of significant accounting policies *(continued)*

2.25 Reserve for unexpired risks

In accordance with the Communiqué on Technical Reserves, while providing reserve for unearned premiums, in each accounting period, the companies should perform adequacy test covering the preceding 12 months due to the probability that future claims and compensations of the outstanding policies may be in excess of the reserve for unearned premiums already provided. In performing this test, it is required to multiply the reserve for unearned premiums, net with the expected claim/premium ratio. Expected claim/premium ratio is calculated by dividing incurred losses (provision for outstanding claims, net at the end of the period + claims paid, net – provision for outstanding claims, net at the beginning of the period) to earned premiums (written premiums, net + reserve for unearned premiums, net at the beginning of the period – reserve for unearned premiums, net at the end of the period). In the calculation of earned premiums; deferred commission expenses paid to the agencies and deferred commission income received from the reinsurance firms which were netted off from reserve for unearned premiums both at the beginning of the period and at the end of the period are not taken into consideration.

In accordance with Treasury circular numbered 2012/15, unexpired risk reserve started to be calculated over main branches as of December 31, 2012. The test is performed on branch basis and in case where the expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that specific branch is added to the reserves of that branch.

Accordingly, as at the reporting date, the Company has provided net reserve for unexpired risk amounting to TL 14.007.687 (31 December 2014: TL 5.171.159) and unexpired risk amounting of reassurance to TL 5.115.884 (31 December 2014: TL 3.062.033) in the accompanying unconsolidated financial statements.

In accordance with sector announcements of Turkish Treasury numbered 2015/30 and 2016/1, as of 31 December 2015, opening provision for outstanding claims amount which is used in determined expected claim/premium ratio for calculating the reserve for unexpired risks has been restated in consistently with the current period.

According to the Circular numbered 2011/18, the Company excluded both the premiums transferred to SSI and claims related to treatment costs from calculation of reserve for unexpired risks in motor third party liability, compulsory transportation financial liability and compulsory personal accident for bus transportation branches.

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 date as well as the corresponding handling costs.

Claims incurred before the accounting periods but reported subsequent to those dates are considered as incurred but not reported ("IBNR") claims.

As at 1 January 2012, 100% of the calculated negative IBNR balances per each insurance branch are taken into calculation in accordance with the Circular issued by the Turkish Treasury dated 26 December 2011 and numbered 2011/23. Accrued salvage, subrogation and similar income is taken into calculation with collections in ACLM method.

According to Article 7 of Provision for Outstanding Claims titled of the Communique Related to Technical Reserves of Insurance and Reinsurance Companies and the Technical Reserves Invested to Assets dated 7 August 2007 and numbered 26606 entered into force by publishing in the Official Gazette, the Company allocates the provision for outstanding claims for incurred and identified but the actual unpaid claims amounts in the prior accounting periods or current period or for the claims realized with its expected amounts but not be reported when the cost could not be calculated.

Claims incurred before the accounting periods but reported after these dates are accepted as the claims incurred but not reported. In accordance with the Comminuque Related to Provision for Outstanding Claims that entered into force in 1 January 2015 by publishin in 5 December 2014 and numbered 2014/16, IBNR account in non-life branches can be made calculation of Actuarial Chain Ladder Method (ACLM) with its six different methods as Standart Chain, Claim/Premium, Cape Code, Frequency/Volume, Munich Chain Method or BornhuetterFerguson.

The difference which is found by using the chain ladder method with provision for outstanding claims incurred and identified as be defined as IBNR.

The Company recorded the IBNR calculated by ACLM method with additional provision explained below amounting to TL 37.612.039 (31 December 2014: TL 40.897.912) reflected to financial statements as IBNR and TL 19.379.178 (31 December 2014: TL 23.778.883) as reinsurer's share of IBNR.

2 Summary of significant accounting policies *(continued)*

2.26 Provision for outstanding claims *(continued)*

In accordance with "Circular Related to Information on Calculation of Incurred But Not Reported Claims Reserve" numbered 2011/23 and dated 26 November 2011, companies may decrease their outstanding claims reserve balances based on the winning ratio of the sub-branches calculated from the last five years claims. Winning ratio used for decrease in provision for outstanding claims could not exceed 25% (15% for the new sub-branches which do not have five year data). Based on the aforementioned regulation, the Company calculated winning ratio within 5%-25% from the last five year data set and TL 30.862.055 (31 December 2014: TL 26.213.913 as IBNR and TL 16.350.269 (31 December 2014: TL 14.495.325) as reinsurer's share of IBNR is excluded from outstanding claims reserve balance.

The calculated winning ratio of the Company as at 31 December 2015 is within 5% - 25% range (31 December 2014: %3-%25), Winning ratios used in and amounts increased from provision for outstanding claims are as follows:

31 December 2015 **Branch**	**Winning Ratios Used**	**Gross Amount Decreased**	**Net Amount Decreased**
Third party liability for motor vehicles (MTPL)	%15-%25	12.533.903	11.119.542
Fire and natural disasters	%25	9.052.064	1.144.777
General Responsibility	%5-%25	4.269.476	898.750
General Losses	%25	1.443.658	181.606
Water Vehicles	%25	1.152.740	86.967
Transportation	%25	922.466	142.481
Motor Vehicles	%25	869.825	845.605
Aircraft Liability	%25	478.757	-
Accident	%14-%25	107.311	60.203
Rail Vehicles	%25	31.855	31.855
Total		**30.862.055**	**14.511.786**

31 December 2014 **Branch**	**Winning Ratios Used**	**Gross Amount Decreased**	**Net Amount Decreased**
Third party liability for motor vehicles (MTPL)	%15-%25	9.235.715	8.716.762
Fire and natural disasters	%25	8.481.528	1.075.724
General Losses	%25	2.939.813	212.310
General Responsibility	%3-%25	2.183.150	436.820
Water Vehicles	%25	1.219.289	223.610
Motor Vehicles	%25	859.929	829.711
Transportation	%25	796.486	146.747
Aircraft Liability	%25	388.567	-
Accident	%18-%25	79.520	46.988
Rail Vehicles	%25	29.916	29.916
Total		**26.213.913**	**11.718.588**

2 Summary of significant accounting policies *(continued)*

2.26 Provision for outstanding claims *(continued)*

The Company eliminated severe damages for compulsory traffic branch by using Box-Plot method to make more homogenous calculation in ACML Instead of TL 79.650 limit calculated with Box-Plot, by using TL 150.250 limit calculated with normal distribution of 0.2% it eliminated 242 files. Also in other branches like in the end of 2014 with Box-Plot method, severe damage elimination has been made. Furthermore, total number of files located in the related main branch, except of health branch, in the total number of claim files in the remaining branches up to one thousand or below 300 severe damage elimanation made by the Company's actuaries.

The Company for branches with inadequate files has adopted the IBNR method as a result of assesment of the Company's actuaries and has not made severe damage elimination. In accordance with the Comminuque numbered 2014/16 of Turkish Treasury, the IBNR calculation can be made with other methods which determined by the companies if only this has an actuarial basis and should be more than the amount calculated with ACML method.

On the condition that selected methods remain same, the Company has made two additions to ACML method for the branches of General Losses, General Responsibility, Fire and Natural Disasters, Motor Vehicles and Compusory Traffic:

(1) Since especially in the prior periods inflation rate was so high, the Company has made inflation adjustment on ACML in order to remove inflation effect.
(2) Since the completion time of the law files is longer than 7 years which is ACML duration, addition of tail factor has been made.as

In accordance with the Communique Related to Change of the Communique Related to Provision for Outstanding Claims numbered 2015/28 (2014/16), in the case of the amount found as a result of the IBNR calculation is over than in the previous three-month period, as of the fourth quarter of 2015 the IBNR calculation can be made by the rate of increase taken as 10%. According to the Communique, the Company in the compulsory traffic branch instead of TL 33.708.963 calculated as of 31 December 2015, 10% (1.461.253) of TL 19.096.425 reserved in the prior period with TL 14.612.538 which is the difference of current and prior period by adding to the reserved amount recognized TL 20.557.678 in the financial statements.

According to decision of the Commision of Fixing the Minimum Wages dated 31 December 2015 and published in the Official Gazette numbere 29579, the minimum wage to be implemented between the dates of 1 January 2016 and 31 December 2016 has been increased by 30%. In order to remove the IBNR effect of possible occurance of provison increase retroactively, additional reserves calculated on actuarial assumptions by adding to IBNR amount of TL 20.557.678 calculated as of 31 December 2015, the Company recognized for compulsory traffic branch totally TL 22.557.678 gross IBNR amount in financial statements.

Over the gross IBNR amount to be recognized by determining the offset rate between calculated gross IBNR and net IBNR amounts, it has been reached to the net IBNR amount. In this context, as applying the offset rate of the compulsory branch gross IBNR amouning to TL 22.557.678, the net IBNR amounting to TL 17.315.170 recognized in financial statements.

Calculated IBNR amounts in other branches without considering rising rate be reflected to records 100%.

2 Summary of significant accounting policies *(continued)*

2.26 Provision for outstanding claims *(continued)*

ACML methods be selected on the basis of the Company's branch are as follows. Furthermore, method selection has been made by considering run-off calculated as at the end of 2014 and results of Back-Tests made in prior periods.

	31 December 2015	31 December 2014
Motor Vehicles	Standard Chain Ladder	Standard Chain Ladder
Water Vehicles	Standard Chain Ladder	Standard Chain Ladder
Third party liability for motor vehicles (MTPL)	Standard Chain Ladder	Standard Chain Ladder
Third party liability	Standard Chain Ladder	Standard Chain Ladder
Third party liability for air vehicles	Test IBNR	Test IBNR
Fire and natural disasters	Standard Chain Ladder	Standard Chain Ladder
Air crafts	Test IBNR	Test IBNR
Accident	Standard Chain Ladder	Standard Chain Ladder
General losses	Standard Chain Ladder	Standard Chain Ladder
Financial losses	Test IBNR	Test IBNR
Health	Test IBNR	Test IBNR
Transportation	Standard Chain Ladder	Standard Chain Ladder
General Liability	Claim/Premium	Claim/Premium
Legal Protection	Test IBNR	Test IBNR
Breach of Trust	Test IBNR	Test IBNR

2 Summary of significant accounting policies *(continued)*

2.26 Provision for outstanding claims *(continued)*

The calculation of net IBNR on the basis of the Company's branches has been made over current reinsurance share in the way of reflecting the reinsurance contracts in the force

Besides, for the purpose of assessing the adequacy of outstanding claims provisions for branches in which operations have recently started, an outstanding claims provisions adequacy table is prepared on a branch basis at the end of each accounting year. While preparing the adequacy table and calculating the outstanding claims provision; outstanding claims accrued andrealized and incurred butnot reported claims provision as well asall expense chargesare taken ito account Within this framework, the ratio of outstandingclaims provision to the total of amounts of paid claims, including all expense charges withregards to the files, indicates the outstanding claims provisions adequacy retio. In case the outstanding claims provisions adequacy ratio relatin to these branches is lower than 100%, the difference between this rate and 100% is multiplied by outstanding claims provisions fort he current period and the outstanding claims adewuacy provision amount is determined. The final outstanding claims provision to be allocated in the current year is calculated after addition of the outstanding claims adequacy provision amount seprately for each branch. As a result of the calculation of outstanding claims provision adequacy performed as of 31 December 2015 , the Company allocated a net additional provision amounting to TL 140.863 for related branches with an outstanding claims provision adequacy rate above 100% (31 December 2014: TL 157.633).

New Regulations on Treatment Costs Resulted from Traffic Accidents in Accordance with the Circular Numbered 2011/18 "Circular Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from Traffic Accidents and New Accounts in the Insurance Chart of Accounts"

58th and 59th articles and 1st and 2nd provisional articles of the Law no 6111 on "Restructuring of certain receivables and amendment to the law of social insurance and general health insurance and certain other laws and decree laws" published in the Official Gazette numbered 27857 and has come into effect on 25 February 2011.

According to the Article 59 of the aforementioned law, starting from 25 February 2011, premiums written under compulsory motor third party liability insurance contracts providing health assurance will be transferred to SSI by the rate up to 15% which will be later defined by Turkish Treasury. By this premium transfer, all liabilities related to body injuries resulted from traffic accidents will be compensated by SSI. According to the Provisional Article 1 and Article 59 of the Law, up to 20% of the transferred premium amount defined by the Turkish Treasury will also be transferred to SSI and treatment costs resulted from traffic accidents occurred before 25 February 2011 will also be compensated by SSI. As part of the aforementioned law, "Communiqué on Payment of Treatment Costs Resulted from Traffic Accidents" which was issued in Official Gazette numbered 28038 and dated 27 August 2011 has become effective. On 17 October 2011, the Turkish Treasury issued circular numbered 2011/18 "Circular Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from Traffic Accidents and New Accounts in the Insurance Chart of Accounts".

In accordance with the related circular, the Company recognited outstanding claims reserve amounting to TL 10.283.578 (1 January – 31 December 2014: TL 7.764.321) as "Premium Transferred to SSI"(Note 2.14).

2 Summary of significant accounting policies *(continued)*

2.26 Provision for outstanding claims *(continued)*

New Regulations on Treatment Costs Resulted from Traffic Accidents in Accordance with the Circular Numbered 2011/18 "Circular Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from Traffic Accidents and New Accounts in the Insurance Chart of Accounts" *(continued)*

The movement of the total debt for treatment costs to pay SSI as follow;

	31 December 2015	31 December 2014
Opening Balance	4.715.133	6.460.740
Premiums Transfferred to SSI(*) (**)	10.283.578	7.764.321
Difference with current period and calculation(***)	-	483.361
Balance Confirmation	(1.283.862)	-
Adjusment before regulation	-	-
Premium Paid to SSI	(10.619.440)	(9.993.289)
Closing Balance	**3.095.409**	**4.715.133**

(*) In statement of income, it is named Premiums Transfferred to SSI.

(**) As described in Note 2.14, as part of the aforementioned law, "Communiqué on Payment of Treatment Costs Resulted from Traffic Accidents" which was issued in Official Gazette numbered 28038 and dated 27 August 2011 has become effective. On 17 October 2011, the Turkish Treasury issued circular numbered 2011/17 "Circular Related to the Accounting of Payments Related to Payment of Treatment Costs Resulted from Traffic Accidents and New Accounts in the Insurance Chart of Accounts". In accordance with the related circular, as at 1 January-31 December 2015 the Company recognited outstanding claims reserve amounting to TL 10.283.578 (1 January – 31 December 2014: TL 7.764.321), as "Debt for treartment cost to pay SSI- Short Term" account, payments are decreased till the end of period.

(***) In the event of differences between 2011/17 and 2012/4 Circular No. of provisions within the framework of companies reported liabilities and the portion corresponding to the relevant period, the amount found as a result of calculation stated, regarding the difference in the balance sheet as "SSI debt on treatment expenses" account in the income statement other technical income expenses or income statement. In this respect, the Company as at January 1 – 31 December 2015 , taking into account the liability reported for the 2015 fiscal year has no any debt which will be adding to the acount of "SSI debt on treatment costs" (1 January - 31 December 2014: TL 483.361).

2.27 Equalization provision

In accordance with the Communiqué on Technical Reserves put into effect starting from 1 January 2008, the companies should provide equalization provision in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Equalization provision, started to be provided in 2008, is calculated as 12% of net premiums written in credit insurance and earthquake branches. In the calculation of net premiums, fees paid for un-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. The companies should provide equalization provision up to reaching 150% of the highest premium amount written in a year within the last five years.

In case where claims incurred, the amounts below exemption limits as stated in the contracts and the share of the reinsurance firms cannot be deducted from equalization provisions. Claims payments are deducted from first year's equalization provisions by first in first out method. Equalization provisions are presented under "other technical reserves" in the accompanying financial statements. As at the reporting date, the Company provided equalization provision amounting to TL 7.270.966 in the accompanying unconsolidated financial statements (31 December 2014: TL 5.284.018).

Net losses (after reinsurance) resulted from earthquake occurred in several cities amounting to TL 7.962 (31 December 2014: TL 11.522) are decreased from prior periods' equalization provision .

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2 Summary of significant acounting policies *(continued)*

2.28 Related parties

Parties are considered related to the Company if;

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

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

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

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

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

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

(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or

(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

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

A number of transactions are entered into with related parties in the normal course of business.

2.29 Earnings per share

Earnings per share are determined by dividing the net income by the weighted average number of shares outstanding during the year attributable to the shareholders of the Company. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus shares issued are regarded as issued shares.

2.30 Events after the reporting date

Post-balance sheet events that provide additional information about the Company's position at the reporting dates (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

2 Summary of significant accounting period *(continued)*

2.31 New standards and interpretations not yet adopted

There are a number of new standards, updates related to the existing standards and interpretations which are not adopted in the preparation of the accompanying financial statements and have not yet entered into force for the accounting period 31 December 2015. It is expected to be no important effect of this new regulation and the updates related to this regulations to the Company's financial statements except of TFRS 9.

TFRS 9 *Financial Instruments – Classification and Assessment*

The new standart with the ragulation published in December 2012 will be valid for annually years beginning on or after 1 January 2018. The objective of TFRS 9, being the first phase of the project, is to establish principles for the financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of amounts, timing and uncertainty of the entity's future cash flows. With TFRS 9 an entity shall classify financial assets as subsequently measured at either amortized cost or fair value on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristic of the financial assets. The guidance in TAS 39 on impairment of financial assets and hedge accounting continues to apply.

3 Critical accounting estimates and judgments in applying accounting policies

The notes given in this section are provided to addition/supplement the commentary on the management of insurance risk note 4.1 – *Management of insurance risk* and note 4.2 – *Financial risk management*.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas at estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

4 Note 4.1 – *Management of insurance risk*
5 Note 4.2 – *Financial risk management*
6 Note 10 – *Reinsurance assets/liabilities*
7 Note 11 – *Financial assets*
8 Note 12 – *Loans and receivables*
9 Note 17 – *Insurance liabilities and reinsurance assets*
10 Note 17 – *Deferred acquisition costs*
11 Note 19 – *Trade and other payables, deferred income*
12 Note 21 – *Deferred income taxes*
13 Note 23 – *Provisions for other liabilities and charges*

14 Management of insurance and financial risk

14.1 Management of insurance risk

Insurance risk is defined as coverage for exposures that exhibit a possibility of financial loss due to applying inappropriate and insufficient insurance techniques. Main reasons of insurance risk exposure result from the risk selection and inaccurate calculation of insurance coverage, policy terms and fee or inaccurate calculation of coverage portion kept within the company and coverage portion transfers to policyholders and transfer conditions.

Objective of managing risks arising from insurance contracts and policies used to minimize such risks

Potential risks that may be exposed in transactions are managed based on the requirements set out in the Company's "Risk Management Policies" issued by the approval of the Board of Directors. The main objective of risk management policies is to determine the risk measurement, assessment, and control procedures and maintain consistency between the Company's asset quality and limitations allowed by the insurance standards together with the Company's risk tolerance of the accepted risk level assumed in return for a specific consideration. In this respect, instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

Risk tolerance is determined by the Company's Board of Directors by considering the Company's long-term strategies, equity resources, potential returns and economical expectations, and it is presented by risk limitations. Authorization limitations during policy issuing include authorizations for risk acceptances granted based on geographical regions in relation to unacceptable special risks or pre-approved acceptable special risks, insurance coverage to agencies, district offices, technical offices, assistant general managers and top management in the policy issuance period and authorizations for claim payment granted to district offices, claim management administration, automobile claims administration and Claim Committee established by the managing director and assistant managing director in the claim payment period.

Whatsoever, risk acceptance is based on technical income expectations under the precautionary principle. In determining insurance coverage, policy terms and fee, these expectations are based accordingly

It is essential that all the authorized personnel in charge of executing policy issuance transactions, which is the initial phase of insurance process, should ensure to gather or provide all the accurate and complete information to issue policies in order to obtain evidence on the acceptable risks that the Company can tolerate from the related insurance transactions. On the other hand, decision to be made on risk acceptance will be possible by transferring the coverage to the reinsurers and/or coinsurers and considering the terms of the insurance policy.

In order to avoid destructive losses over company's financial structure, company transfers the exceeding portion of risks assumed over the Company's risk tolerance and equity resources through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies. Insurance coverage and policy terms of reinsurance are determined by assessing the nature of each insurance branch.

4 Management of insurance anf financial risk *(continued)*

4.1 Management of insurance risk *(continued)*

Objective of managing risks arising from insurance contracts and policies used to minimize such risk *(continued)*

Sensitivity to insurance risk

Insurance risks do not generally have significant unrecoverable losses in the course of ordinary transactions, except for risks associated with earthquake and other catastrophic risks. Therefore, there is a high sensitivity to earthquake and catastrophic risks.

The case of potential claims' arising from earthquake and other catastrophic risks exceeding the maximum limit of the excess of loss agreements, such risks are treated as the primary insurance risks and are managed based on the precautionary principle. Maximum limit of excess of loss agreements is determined based on the worst case scenario on the possibility of an earthquake that Istanbul might be exposed to in terms of its severity and any potential losses incurred in accordance with the generally accepted international earthquake models. The total amount of protection for catastrophic risks of the company is indentified taking into the compensation amount for an earthquake will occur in a 1000 years.

4 Management of insurance and financial risk *(continued)*

4.1 Management of insurance risk *(continued)*

Objective of managing risks arising from insurance contracts and policies used to minimize such risk *(continued)*

Insurance risk concentration

The Company's gross and net insurance risk concentrations (after reinsurance) in terms of insurance branches are summarized as below:

Total claims liability 31 December 2015	**Gross total claims liability**	**Reinsurance share of total claims liability**	**Net total claims liability**
Motor vehicles liability (MTPL)	107.084.806	(16.646.277)	90.438.529
Motor vehicles	8.361.672	(70.338)	8.291.334
Fire and natural disasters	43.785.054	(38.009.193)	5.775.861
General Liability	34.084.251	(28.560.004)	5.524.247
General Losses	18.607.934	(15.663.394)	2.944.540
Transportation	5.688.989	(5.048.422)	640.567
Accident	1.515.557	(894.128)	621.429
Financial Losses	6.236.293	(5.668.679)	567.614
Health	1.293.458	(1.080.021)	213.437
Breach of Trust	298.647	(208.289)	90.358
Rail Vehicles	95.566	-	95.566
Legal protection	77.151	-	77.151
Water Vehicles	1.405.160	(1.370.718)	34.442
Aircrafts	3.033.247	(3.033.247)	-
Aircrafts Liability	9.009.559	(9.009.559)	-
Total	**240.577.344**	**(125.262.269)**	**115.315.075**

Total claims liability 31 December 2014	**Gross total claims liability**	**Reinsurance share of total claims liability**	**Net total claims liability**
Motor vehicles liability (MTPL)	81.221.452	(7.903.973)	73.317.479
General Liability	34.692.377	(26.928.120)	7.764.257
Motor vehicles	5.931.099	(86.404)	5.844.695
Fire and natural disasters	71.856.527	(67.874.901)	3.981.626
General Liability	22.610.064	(19.571.397)	3.038.667
Water Vehicles	15.747.809	(14.108.901)	1.638.908
Accident	3.192.443	(1.667.799)	1.524.644
Financial Losses	9.194.511	(8.667.148)	527.363
Transportation	2.582.367	(2.068.591)	513.776
Health	1.226.641	(1.022.885)	203.756
Breach of Trust	648.658	(480.264)	168.394
Rail Vehicles	89.748	-	89.748
Legal Protection	77.199	-	77.199
Aircrafts	1.155.558	(1.155.558)	-
Aircrafts Liability	6.390.401	(6.390.401)	-
Total	**256.616.854**	**(157.926.342)**	**98.690.512**

4 Management of insurance and financial risk *(continued)*

4.1 Management of insurance risk *(continued)*

Objective of managing risks arising from insurance contracts and policies used to minimize such risk *(continued)*

Insurance risk concentration *(continued)*

Given insurance collateral amounts in respect to branches

	31 December 2015	31 December 2014
Motor vehicles liability (MTPL)	874.958.161.547	769.050.859.823
Fire and natural disasters	63.347.064.540	46.333.455.885
General Losses	32.761.154.637	28.742.965.802
General Liability	28.201.949.447	19.971.920.746
Transportation	17.381.064.991	15.862.848.668
Accident	7.874.219.766	6.501.286.479
Motor vehicles	4.718.237.949	3.482.069.366
Aircrafts Liabilty	3.844.276.829	3.855.089.761
Financial Losses	2.438.801.759	1.222.681.775
Water Vehicles	1.281.482.610	763.751.404
Legal Protection	1.014.810.000	922.870.000
Health	1.006.505.377	637.412.519
Aircrafts	329.418.100	183.985.128
Breach of Trust	89.515.764	78.507.807
Total	**1.039.246.663.316**	**897.609.705.163**

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk

Introduction and overview

This note presents information about the Company's exposure to each of the below risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Duties and responsibilities of the Risk Management and Internal Control Department include design and implementation of risk management system and identification and implementation of risk management policies. It is also responsible for ensuring that the Company implements all necessary risk management techniques. Activities of the Risk Management and Internal Control Department are managed directly by General Manager. The Board of Directors monitors the effectiveness of the risk management system through company's chairman of the supervisory board.

Risk management policies and guidelines are set by the Board of Directors and applied by the top management. These policies include organisation and scope of the risk management function, risk measurement and assessment methods, duties and responsibilities of the Board of Directors, top management and all of the employees, procedures followed in the case of limit extension and compulsory approval and confirmation processes for certain situations.

Credit Risk

Credit risk is most simply defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The balance sheet items that the Company is exposed to credit risks are as follows:

- cash at banks
- other cash and cash equivalents
- available for sale financial assets (except equity-shares)
- financial assets held for trading (except equity-shares)
- Premium receivables from policyholders
- receivables from intermediaries (agencies)
- receivables from reinsurance companies related to commissions and claims paid
- reinsurance shares of insurance liability
- receivables from related parties
- other receivables

Reinsurance contracts are the most common method to manage insurance risk. This does not, however, discharge the Company's liability as the primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of the reinsurance contract.

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Credit risk *(continued)*

Net carrying value of the assets that is exposed to credit risk is shown in the table below.

	31 December 2015	31 December 2014
Cash and cash equivalents *(Note 14)(*)*	226.355.739	202.112.296
Financial assets *(Note 11)*(**)	20.716.399	19.197.245
Reinsurer share in provision for outstanding claims *(Note 10)*, *(Note 17)*	125.262.269	157.926.342
Receivables from main operations *(Note 12)*	109.625.813	95.964.545
Other prepaid expenses *(Not 17)*	42.101.621	35.098.088
Prepaid taxes and funds *(Note 12)*	2.699.951	2.312.725
Other receivables *(Note 12)*	1.362.084	131.177
Due from related parties *(Note 12)*	579	34.047
Total	**528.124.455**	**512.776.465**

(*) Cash balance accounting to TL 45.712 are not included (31 December 2014: TL 39.326).

(**) Equity shares amounting to TL 1.184.941 are not included (31 December 2014: TL 696.664).

As at 31 December 2015 and 31 December 2014, the aging of the receivables from main operations and reserved provisions are as follows:

	31 December 2015		31 December 2014	
	Gross Amount	**Provision**	**Gross Amount**	**Provision**
Not past due	87.869.921	-	75.916.612	-
Past due 0-30 days	14.679.266	-	11.682.732	-
Past due 31-60 days	4.942.982	-	4.676.514	-
Past due 61-90 days	54.530.620	52.396.976	49.429.809	45.741.122
Toplam	**162.022.789**	**52.396.976**	**141.705.667**	**45.741.122**

The movements of the allowances for impairment losses for receivables from insurance and main operations during the period are as follows:

	31 December 2015	3December 2014
Provision for receivables from insurance operations at the beginning of the period	45.741.122	43.020.775
Collections and additions during the period, net *(Note 47)*	6.655.854	2.720.347
Provision for receivables from insurance operations at the end of the period	**52.396.976**	**45.741.122**

4 Management of insurance and financial risk *(contiuned)*

4.2 Management of financial risk *(contiuned)*

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments.

Management of the liquidity risk

The Company considers the maturity match between asset and liabilities for the purpose of avoiding liquidity risk and ensure that it will always have sufficient liquidity to meet its liabilities when due.

Maturity distribution of monetary assets and liabilities:

31 December 2015	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Unallocated
Cash and cash equivalents	226.401.451	112.820.598	65.705.762	7.916.873	39.958.218	-	-
Financial assets(*)	20.716.399	-	20.716.399	-	-	-	-
Receivable from main operations	109.625.813	10.579.358	17.762.667	41.376.744	14.805.733	3.345.419	21.755.892
Due from related parties	579	579	-	-	-	-	-
Other receivables and current assets	4.062.035	1.362.084	-	2.699.951	-	-	-
Other prepaid expenses	2.605.491	-	-	-	1.921.340	684.151	-
Total monetary assets	**363.411.768**	**124.762.619**	**104.184.828**	**51.993.568**	**56.685.291**	**4.029.570**	**21.755.892**
Insurance technical provisions(**)	115.315.075	-	56.966.351	33.043.606	19.973.971	5.331.147	-
Liabilities from main operations	47.144.799	3.038.686	5.179.067	3.539.422	33.880.408	-	1.507.216
Other liabilities	8.260.792	5.614.738	2.646.054	-	-	-	-
Provisions for taxes and other similar obligations	6.379.617	6.379.617	-	-	-	-	-
Provisions for other risks and expense accruals	6.671.502	-	-	1.868.400	1.860.725	2.942.377	-
Total monetary liabilities	**183.771.785**	**15.033.041**	**64.791.472**	**38.451.428**	**55.715.104**	**8.273.524**	**1.507.216**

(*) Equity shares amounting to TL 1.184.941 are not included.

(**) Provision for outstanding claims is presented as short term liabilities in the accompanying financial statements whereas maturity distribution is presented according to projected payment dated in the above table.

4 Management of insurance and financial risk *(contiuned)*

4.2 Management of financial risk *(contiuned)*

Liquidity risk *(contiuned)*

Management of the liquidity risk (contiuned)

31 December 2014	Carrying amount	Up to 1 month	1 to 3 months	3 to 6 mo
Cash and cash equivalents	202.151.622	95.584.911	19.305.783	87.260.9
Financial assets(*)	19.197.245	-	14.181.721	5.015.5
Receivable from main operations	95.964.545	9.621.711	15.974.585	35.609.7
Due from related parties	34.047	34.047	-	
Other receivables and current assets	2.443.902	131.177	-	2.312.7
Other prepaid expenses	1.449.766	-	-	
Total monetary assets	**321.241.127**	**105.371.846**	**49.462.089**	**130.198.8**
Insurance technical provisions(*)	98.690.512	-	48.753.715	28.279.8
Liabilities from main operations	44.378.688	5.515.586	3.724.983	12.862.1
Other liabilities	7.508.125	3.546.236	1.593.696	2.368.1
Povisions for taxes and other similar obligations	4.951.287	4.951.287	-	
Provisions for other risks and expense accruals	4.368.878	-	-	1.921.5
Total monetary liabilities	**159.897.490**	**14.013.109**	**54.072.394**	**45.431.0**

(*) Equity shares amounting to TL 696.664 are not included.

(**) Provision for outstanding claims is presented as short term liabilities in the accompanying financial statements whereas maturity distribution is presented according to projected payment dated in the above table.

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and credit spreads will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency Risk

The Company is exposed to currency risk through insurance and reinsurance transactions in foreign currencies.

Foreign exchange gains and losses arising from foreign currency transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated by the Central Bank of the Republic of Turkey's spot purchase rates and the differences arising from foreign currency rates are recorded as foreign exchange gain or loss in the statement of income.

The Company's exposure to foreign currency risk is as follows:

31 December 2015	US Dollar	Euro	Other Currencies	Total
Receivables from main operations	17.944.402	15.227.328	2.409	33.174.139
Cash and cash equivalents	3.961.679	2.884.036	245.486	7.091.201
Total foreign currency assets	**21.906.081**	**18.111.364**	**247.895**	**40.265.340**
Liabilities from main operations	215.255	206.403	-	421.658
Insurance technical provisions	4.368.208	257.129	-	4.625.337

Total foreign currency liabilities	**4.583.463**	**463.532**	**-**	**5.046.995**
Net financial position	**17.322.618**	**17.647.832**	**247.895**	**35.218.345**

31 December 2014	**US Dollar**	**Euro**	**Other Currencies**	**Total**
Cash and cash equivalents	1.392.393	3.645.830	128.711	5.166.934
Receivables from main operations	14.068.755	12.699.867	163.261	26.931.883
Total foreign currency assets	**15.461.148**	**16.345.697**	**291.972**	**32.098.817**
Liabilities from main operations	3.235.722	658.299	2.394	3.896.415
Insurance technical provisions	603.781	359.387	-	963.168
Total foreign currency liabilities	**3.839.503**	**1.017.686**	**2.394**	**4.859.583**
Net financial position	**11.621.645**	**15.328.011**	**289.578**	**27.239.234**

TL equivalents of the related monetary amounts denominated in foreign currencies are presented in the above table

If technical provision denominated in any currency not specified, it is evaluated are evaluated by the Central Bank of the Republic of Turkey's spot sales rates as at 31 December 2015 and Foreign currency transactions are recorded at the foreign exchange rates ruling at the dates of the transactions and foreign currency denominated monetary items are evaluated by the Central Bank of the Republic of Turkey's spot purchase rates as at 31 December 2015.

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(contiuned)*

Market risk *(contiuned)*

Exposure to currency risk

Foreign currency rates used for the translation of foreign currency denominated assets and liabilities as at 31 December 2015 and 31 December 2014 are as follows:

	US Dollar	Euro
31 December 2015	2, 9076	3,1776
31 December 2014	2,3189	2,8207

A 10 percent depreciation of the TL against the following currencies as at 31 December 2015 and 31 December 2014 would have increased or decreased equity and profit or loss (excluding tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. In case of a 10 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

	31 December 2015		31 Deecmber 2014	
	Profit or loss	Equity (*)	Profit or loss	Equity (*)
US Dollar	1.732.262	1.732.262	1.162.165	1.162.165
Euro	1.764.783	1.764.783	1.532.801	1.532.801
Other	24.790	24.790	28.958	28.958
Toplam, net	**3.521.835**	**3.521.835**	**2.723.924**	**2.723.924**

(*) Equity effect also includes profit or loss effect of 10% depreciation of TL against related currencies.

4 Management of insurance and financial risk *(contiuned)*

4.2 Management of financial risk *(contiuned)*

Market risk *(contiuned)*

Exposure to interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands.

As at reporting date; the interest rate profile of the Company's interest earning financial assets and interest bearing financial liabilities are detailed as below:

	31 December 2015	31 December 2014
Financial assets with fixed interest rates:		
Cash at banks *(Note 14)*	165.925.862	159.447.210
Available for sale financial assets – Government bonds *(Note 11)*	20.716.399	14.181.721
Held to maturity investments – Government bonds *(Note 11)*	None	5.015.524
Financial assets with variable interest rates:	None	None

Interest rate sensitivity of the financial instruments

Interest rate sensitivity of the statement of income is the effect of the assumed changes in interest rates on the fair values of financial assets at fair value through profit or loss and on the net interest income for the trading financial assets and financial liabilities held at 31 December 2015 and 2014. This analysis assumes that all other variables remain constant. Tax effect of changes in interest rate is not taken into consideration in the calculations.

	Profit or loss		Equity (*)	
31 December 2015	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets held for trading	207.164	(207.164)	207.164	(207.164)
Total, net	**207.164**	**(207.164)**	**207.164**	**(207.164)**

(*) Equity effect also includes changes in interest rate on statement of income.

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Market risk *(continued)*

Interest rate sensitivity of the financial instruments (continued)

	Profit or loss		Equity (*)	
31 December 2014	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial assets held for trading	(141.817)	141.817	(141.817)	141.817
Total, net	**(141.817)**	**141.817**	**(141.817)**	**141.817**

(*) Equity effect also includes changes in interest rate on statement of income.

Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where they exist, appropriate valuation methodologies.

The Company has classified its financial assets as financial assets held for trading and held to maturity. As at the reporting date, financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying unconsolidated financial statements. Equity shares not traded in active markets are measured at cost less impairment losses if any. In accompanying financial tables, as at 31 December 2015 financial assets held to maturity do not exist that are calculated in according to effective interest method and indicated on amortised cost. (31 December 2014: carrying amount to TL 5.015.524, fair value amounting to TL 5.243.367). The fair value of financial assets held to maturity are shown in the first level.

Company management estimates that the fair value of other financial assets and liabilities are not materially different than their carrying amounts.

Fair value sensitivity of the equities

Equity price risk is the risk that the fair values of equities decrease as a result of the changes in the levels of equity indices and the value of individual stocks.

The effect on income as a result of 10% change in the fair value of equity instruments held as held for trading financial assets which is traded at BIST due to a reasonably possible change in equity indices (with all other variables held constant) is as follows (excluding tax effect):

	31 December 2015		31 December 2014	
	Profit or loss	**Equity (*)**	**Profit or loss**	**Equity (*)**
Financial assets held for trading	(118.494)	(118.494)	(69.666)	(69.666)
Total, net	**(118.494)**	**(118.494)**	**(69.666)**	**(69.666)**

(*) Equity impact includes impact of change of conjectural interest rates on income statement.

4 Management of insurance and financial risk *(contiuned)*

4.2 Management of financial risk *(contiuned)*

Market risk *(contiuned)*

Classification of fair value measurements

TFRS 7 – *Financial instruments: Disclosures* requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company. This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires the utilization of observable market data, if available.

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

	31 December 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets held for trading *(Note 11)*	21.901.340	-	-	**21.901.340**
Total financial assets	**21.901.340**	**-**	**-**	**21.901.340**

	31 December 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets held for trading *(Note 11)*	14.878.385	-	-	**14.878.385**
Total financial assets	**14.878.385**	**-**	**-**	**14.878.385**

4 Management of insurance and financial risk *(continued)*

4.2 Management of financial risk *(continued)*

Gains and losses from financial assets

Gains and losses recognized in the statement of income:	31 December 2015	31 December 2014
Interest income from time deposit	15.879.487	14.225.833
Foreign exchange gains	12.469.519	5.124.587
Income from debt securities classified as held to maturity financial instruments	409.199	289.628
Income from equity shares classified as trading financial assets	(163.306)	119.107
Income from debt securities classified as held for trading financial assets	980.450	1.586.740
Investment income	**29.575.349**	**21.345.895**
Foreign exchange losses	(6.801.775)	(5.401.691)
Investment expenses – including interest	(2.861.228)	(3.139.242)
Investment expenses	**(9.663.003)**	**(8.540.933)**
Financial gains and losses recognized in the statement of income, net	**19.912.346**	**12.804.962**

Capital management

The Company's capital management policies include the following:

- To comply with the insurance capital requirements required by the Turkish Treasury
- To safeguard the Company's ability to continue as a going concern

In accordance with the "Communiqué on Measurement and Assessment of Capital Adequacy for Insurance, Reinsurance and Individual Pension Companies" issued by Turkish Treasury on 23 August 2015 dated and 29454 numbered; the Company measured its minimum capital requirement as TL 94.783.756 as at 31 December 2015. As at 31 December 2015, the capital amount of the Company presented in financial statements is TL 101.285.413, and it has capital surplus amounting to TL 6.501.657 according to the communiqué.

5 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Business segment

A business segment reporting of the Company is presented in accordance with TFRS 8 – *Operating Segments* standard in this section.

Insurance Fire and Natural Disaster

Insurance on fire and natural disasters covers material damages occurred due to fire, lightining, explotion or smoke, steam and temperature resulted from fire, lightning and explosion up to insurance policy limits.

Motor Third Party Liability Insurance

According to the Motorway Traffic Code numbered 2918, Motor Third Party Liability Insurance is covers vehicle owner's legal liability for all bodily damages to third persons and financial damages to other vehicles.

Damages caused by the trailer or semi-trailers (included light trailers) or the vehicles pulled is covered by the insurance of the trailer. However, the trailers used for transportion of people should be included in an additional liability insurance in order to obtain coverage.

In order to reduce and prevent the damage in the accident happened, reasonable and neccessary expenses of the policyholder is compensated by the Company. This insurance also covers unfair claims against the policyholders.

Motor Vehicles (Casco)

Insurance on motor vehicles covers the following dangers related with vehicles. It is possible to widen policy scope for accessories or audio, display and communication devices which are not included in standard version of the vehicle by specifying on the insurance policy.

- Accident with the motorized or non-motorized vehicles which used in high-ways,
- Crash with fixed or moving items without desire of the driver or accidents due to crash, capsize, fall or tumble
- The actions of third parties resulted from bad intention or mischief,
- Burn,
- Theft or attempted theft

Health-illness Insurance

Insurance on health compensates treatment costs of illnesses or accidental injuries during the period of insurance and, if any, daily allowances in this general framework with special conditions up to the amount written in the policy. Geographical limits of the insurance are stated in the policy.

Geographical segment

The main geographical segment which the Company operates is Turkey. Hence, the Company has not disclosed report on geographical segments.

5 Segment reporting *(contiuned)*

	Fire	Transportation	Accident	Engineering	Other	Unallocated	Total
1 January – 31 December 2015							
1- Earned Premiums (Net of Reinsurer Share)	14.879.163	6.459.233	142.925.647	10.699.694	2.743.421	--	177.707.158
1.1- Written Premiums (Net of Reinsurer Share)	19.330.404	6.330.559	171.325.031	13.137.508	2.816.506	--	212.940.008
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	(4.451.241)	(172.793)	(21.315.240)	(2.437.814)	(73.085)	--	(28.450.173)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	--	301.467	(7.084.144)	--	--	--	(6.782.677)
2- Other Technical Income (Net of Reinsurer Share)	114.734	644.370	1.181.721	45.168	(703.275)	--	1.282.718
Technical Income (*)	**14.993.897**	**7.103.603**	**144.107.368**	**10.744.862**	**2.040.146**		**178.989.876**
1- Incurred Losses (Net of Reinsurer Share)	(10.923.674)	471.850	(133.242.028)	(5.799.943)	(931.287)	--	(150.425.082)
1.1- Claims Paid (Net of Reinsurer Share)	(9.089.190)	(1.005.824)	(116.728.126)	(6.055.724)	(921.655)	--	(133.800.519)
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	(1.834.484)	1.477.674	(16.513.902)	255.781	(9.632)	--	(16.624.563)
2- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	(1.357.740)	(257.225)	(25.404.661)	5.386.713	3.256.442	--	(18.376.471)
Technical Expense	**(12.281.414)**	**214.625**	**(158.646.689)**	**(413.230)**	**2.325.155**		**(168.801.553)**
Investment Income	--	--	--	--	--	31.380.123	31.380.123
Personnel Expenses	--	--	--	--	--	(21.141.823)	(21.141.823)
Administrative Expense	--	--	--	--	--	(15.446.612)	(15.446.612)
Other and Investment Expense (*)	--	--	--	--	--	(19.793.849)	(19.793.849)
Net Profit							**(14.813.838)**

(*) The investment incomes transferred from non-technical branches amounting to TL 14.147.549 has not been included.

5 Segment Reporting *(continued)*

	Fire	Transportation	Accident	Engineering	Other	Unallocated	Total
1 January – 31 December 2014							
1- Earned Premiums (Net of Reinsurer Share)	11.727.944	6.293.193	142.766.498	8.677.526	1.874.466	--	171.339.627
1.1- Written Premiums (Net of Reinsurer Share)	11.963.655	6.452.219	137.351.825	11.764.213	2.528.843	--	170.060.755
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	(455.391)	124.570	3.459.199	(3.086.687)	(654.377)	--	(612.686)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	219.680	(283.596)	1.955.474	--	--	--	1.891.558
2- Other Technical Income (Net of Reinsurer Share)	521.942	589.804	(12.415.739)	297.380	(663.516)	--	(11.670.129)
Technical Income (*)	**12.249.886**	**6.882.997**	**130.350.759**	**8.974.906**	**1.210.950**		**159.669.498**
1- Incurred Losses (Net of Reinsurer Share)	(5.508.080)	(2.259.734)	(97.850.494)	(6.606.972)	(822.541)	--	(113.047.821)
1.1- Claims Paid (Net of Reinsurer Share)	(5.929.230)	(1.231.930)	(88.272.198)	(6.650.108)	(722.305)	--	(102.805.771)
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	421.150	(1.027.804)	(9.578.296)	43.136	(100.236)	--	(10.242.050)
2- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	(167.694)	(35.762)	(19.299.009)	2.527.239	2.399.619	--	(14.575.607)
Technical Expense	**(5.675.774)**	**(2.295.496)**	**(117.149.503)**	**(4.079.733)**	**1.577.078**		**(127.623.428)**
Investment Income	--	--	--	--	--	21.345.895	**21.345.895**
Other and Investment Expense(*)	--	--	--	--	--	(19.809.482)	**(19.809.482)**
Personnel Expense	--	--	--	--	--	(16.731.896)	**(16.731.896)**
Administrative Expense	--	--	--	--	--	(14.473.851)	**(14.473.851)**
Net Profit							**2.376.736**

(*) Investment income transferred to non-technical section from technical section amounting to TL 12.762.126 is not included.

6 Tangible assets

Movements in tangible assets in the period from 1 January to 31 December 2015 are presented below

	1 January 2015	Additions	Disposals	31 December 2015
Cost:				
Buildings for own use	41.950.701	-	-	41.950.701
Furniture and fixtures	3.480.497	302.578	(20.817)	3.762.258
Motor vehicles	2.258.611	402.285	(264.904)	2.395.992
Other tangible assets (including leasehold improvements)	2.281.345	12.095	-	2.293.440
Leased tangible assets	841.069	-	(304.153)	536.916
	50.812.223	**716.958**	**(589.874)**	**50.939.307**
Accumulated depreciation:				
Buildings for operational use	(48.550)	(1.302.318)	-	(1.350.868)
Furniture and fixtures	(2.615.609)	(279.151)	17.544	(2.877.216)
Motor vehicles	(887.064)	(490.280)	208.945	(1.168.399)
Other tangible assets (including leasehold improvements)	(2.208.296)	(47.082)	-	(2.255.378)
Leased tangible assets	(837.695)	(2.025)	302.805	(536.915)
	(6.597.214)	**(2.120.856)**	**(529.294)**	**(8.188.776)**
Carrying amounts	**44.215.009**			**42.750.531**

The Company's buildings for own use are revalued. "Headquarter Building" located in İstanbul and İzmir Office" buildings are presented in financial statements at the amounts determined in the expertise report dated 1 December 2014, is appraised by independent appraisal experts authorized by Capital Markets Board of Turkey using sales comparison method. The Company's buildings for own use are designated as "Level 2" as fair value.

	31 December 2015 Net book value	31 December 2014 Net book value
Headquarter building	40.700.000	40.700.000
İzmir office	1.160.000	1.160.000
Other buildings	88.845	88.845
Land	1.856	1.856
Depreciation	(1.350.868)	(48.550)
Net book value after increasing in value	**40.599.833**	**41.902.151**

Revaluation surplus arising from fair value measurement in buildings is recorded in "Other Capital Reserves" under equity by taking into account the effects of deferred tax. Decreases after revaluation arising from fair value measurement in buildings is subtracted from related assets "Other Capital Reserves" under Shareholders' Equity by comparing on the basis of account. Decreases after revaluation of the assets with no balances in "Other Capital Reserves" under Shareholders' Equity is associated with profit / loss accounts.

6 Tangible assets *(contiuned)*

Revaluation movement of property for own use in accordance with fair value method as of 31 December 2015 and 2014;

	31 December 2015	31 December 2014
Valuation increase at the begining of period *(Note 15)*	24.280.107	15.071.637
Fair value increase due to revaluation *(Note 15)*	-	12.121.697
Deferred tax due to revaluation, net	-	(2.424.337)
Current year depreciation	(941.926)	(488.890)
Revaluation increase at the end of period *(Note 15)*	**23.338.181**	**24.280.107**

Movements in tangible assets in the period from 1 January to 31 December 2014 are presented below:

	1 January 2014	Additions	Revaluation Difference	Disposals	31 December 2014
Cost:					
Buildings for own use	32.599.305	-	9.351.396	-	41.950.701
Furniture and fixtures	2.993.294	692.075	-	(204.872)	3.480.497
Motor Vehicles	1.871.888	440.740	-	(54.017)	2.258.611
Other tangible assets (including leasehold improvements)	2.281.345	-	-	-	2.281.345
Leased tangible assets	914.348	-	-	(73.279)	841.069
	40.660.180	**1.132.815**	**9.351.396**	**(332.168)**	**50.812.223**
Accumulated depreciation:					
Buildings for own use	(1.866.582)	(952.269)	2.770.301	-	(48.550)
Furniture and fixtures	(2.556.813)	(259.040)	-	200.244	(2.615.609)
Motor vehicles	(490.998)	(434.778)	-	38.712	(887.064)
Other tangible assets (including leasehold improvements)	(2.154.597)	(53.699)	-	-	(2.208.296)
Leased tangible assets	(887.744)	(23.230)	-	73.279	(837.695)
	(7.956.734)	**(1.723.016)**	**2.770.301**	**312.235**	**(6.597.214)**
Carrying amounts	**32.703.446**				**44.215.009**

There is not any change in depreciation method in the current period.

There is not any mortgage over tangible assets of the Company as at 31 December 2015 and 31 December 2014.

7 Investment properties

There is no investment property (31 December 2014: None).

8 Intangible assests

Movements in intangible assets in the period from 1 January to 31 December 2015 are presented below:

	1 January 2015	Additions	Disposals	31 December 2015
Cost:				
Rights	5.856.146	1.619.896	-	7.476.042
	5.856.146	**1.619.896**	**-**	**7.476.042**
Accumulated amortization:				
Rights	(4.846.031)	(533.922)	-	(5.379.953)
	(4.846.031)	**(533.922)**	**-**	**(5.379.953)**
Carrying amounts	**1.010.115**			**2.096.089**

Movements in intangible assets in the period from 1 January to 31 December 2014 are presented below:

	1 January 2014	Additions	Disposals	31 December 2014
Cost:				
Rights	5.026.300	829.846	-	5.856.146
	5.026.300	**829.846**	**-**	**5.856.146**
Accumulated amortization:				
Rights	(4.238.895)	(607.136)	-	(4.846.031)
	(4.238.895)	**(607.136)**	**-**	**(4.846.031)**
Carrying amounts	**787.405**			**1.010.115**

9 Investments in associates

In 7 June 2012, Risk Ekspert Risk Danışmanlık Hizmetleri Limited Şti. has been founded with 30% partnership of the company as it was registered in "Ticari Sicil Gazetesi". As of 31 December 2015 and 2014, the Company's share amount is accounted with acquisition cost as it has been predicted in accordance with Consolidation Communique. Since the mentioned affiliate's total asset amount is lower than 1% of the Company's total asset amount.

	31 December 2015		31 December 2014	
	Carrying value	Participation rate	Carrying value	Participation rate
Tarım Sigortaları Havuz İşlt. AŞ	220.125	%4,17	211.320	%4,00
Risk Expert Risk ve Hasar Danışmanlığı Ltd. Şti.	15.000	%30,00	15.000	%30,00
Investments in associates, net	**235.125**		**226.320**	

Name	Total assets	Shareholders' equity	Retaines earnings	Profit fpr the period	Audited or not	Period
Tarım Sigortaları Havuz İşlt. AŞ	12.325.052	7.949.010	-	790.460	-Not	31 December 2015
Risk Expert Risk ve Hasar Danışmanlığı Ltd. Şti.	93.338	74.206	13.989	10.218	Not	31 December 2015

10 Reinsurance assets and liabilities

As at 31 December 2015 and 31 December 2014, reinsurance assets and liabilities of the Company in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	**31 December 2015**	**31 December 2014**
Reserve for unearned premiums, ceded *(Note 17)*	131.123.743	114.006.271
Provision for outstanding claims, ceded *(Note 17)*	125.262.269	157.926.342
Commission income accrual from reinsurers and receivables due to paid claims *(Note 12)*	3.093.316	3.481.940
Total	**259.479.328**	**275.414.553**

There is no value decrease for reinsuarance assets.

Reasuarance Liabilities	**31 December 2015**	**31 December 2014**
Commission debts related to written premiums to reinsurance companies *(Note 19)*	12.179.638	23.032.916
Depository from reasurance company *(Note 19)*	32.808.995	19.718.785
Total	**44.988.633**	**42.751.701**

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

	31 December 2015	**31 December 2014**
Premiums ceded during the period *(Note 17)*	(221.415.614)	(202.200.215)
Reserve for unearned premiums, ceded at the beginning of the period *(Note 17)*	(114.006.271)	(99.746.577)
Reserve for unearned premiums, ceded at the end of the period *(Note 17)*	131.123.743	114.006.271
Premiums earned, ceded *(Note 17)*	**(204.298.142)**	**(187.940.521)**
Claims paid, ceded during the period *(Note 17)*	143.155.640	81.718.403
Provision for outstanding claims, ceded at the beginning of the period *(Note 17)*	(157.926.342)	(99.147.509)
Provision for outstanding claims, ceded at the end of the period *(Note 17)*	125.262.269	157.926.342
Claims incurred, ceded *(Note 17))*	**110.491.567**	**140.497.236**
Commission income accrued from reinsurers during the period	46.482.629	42.771.807
Deferred commission income at the beginning of the period *(Note 19)*	26.430.820	23.744.612
Deferred commission income at the end of the period *(Note 19)*	(30.347.388)	(26.430.820)
Commission income earned from reinsurers *(Note 32)*	**42.566.061**	**40.085.599**
Total, net	**(51.240.514)**	**(7.357.686)**

11 Financial assets

As at 31 December 2015 and 31 December 2014, the Company's financial assets portfolio are as follows:

	31 December 2015	31 December 2014
Held to maturity financial assets	-	5.015.524
Financial assets held for trading	21.901.340	14.878.385
Toplam	**21.901.340**	**19.893.909**

As at 31 December 2015 and 31 December 2014, details of the Company's financial assets held for trading are as follows:

	31 December 2015			
	Face Value	**Cost**	**Fair Value**	**Carrying Value**
Debt instruments:				
Government bonds – TL	21.400.000	21.291.684	20.716.399	20.716.399
	21.400.000	**21.291.684**	**20.716.399**	**20.716.399**
Other non-fixed income financial assets:				
Equity shares	145.635	1.064.812	1.184.941	1.184.941
	145.635	**1.064.812**	**1.184.941**	**1.184.941**
Total financial assets held for trading *(Note 4.2)*	**21.545.635**	**22.356.496**	**21.901.340**	**21.901.340**

	31 December 2014			
	Face Value	**Cost**	**Fair Value**	**Carrying Value**
Debt instruments:				
Government bonds – TL	13.600.000	8.409.481	14.181.721	14.181.721
	13.600.000	**8.409.481**	**14.181.721**	**14.181.721**
Other non-fixed income financial assets:				
Equity shares	92.126	631.975	696.664	696.664
	92.126	**631.975**	**696.664**	**696.664**
Total financial assets held for trading *(Note 4.2)*	**13.692.126**	**9.041.456**	**14.878.385**	**14.878.385**

11 Financial assets *(contiuned)*

As at 31 December 2015, the Company has not any financial assets held to maturity. However, as at 31 December 2014, details of the Company's financial assets held to maturity are as follows:

	31 December 2014			
	Face Value	**Cost**	**Fair Value**	**Carrying Value**
Debt instruments:				
Government bonds - TL	5.277.268	5.000.000	5.243.367	5.015.524
Total financial assets held to maturity	**5.277.268**	**5.000.000**	**5.243.367**	**5.015.524**

All debt instruments (financial assets held to maturity and financial assets held for trading) presented above are publicly traded in active markets and the fair value of financial assets.

There is no debt security issued during the period or issued before and paid during the period by the Company.

There is no financial asset that is overdue but not impaired among the Company's financial investments portfolio.

Movements of the financial assets during the period are presented below:

	31 December 2015		
	Trading	**Held to maturity**	**Total**
Balance at the beginning of the period	**14.878.385**	**5.015.524**	**19.893.909**
Acquisitions during the period	89.463.966	-	89.463.966
Disposals (sale and redemption)	(81.133.827)	(5.000.000)	(86.133.827)
Change in the fair value of financial assets	(1.307.184)	(15.524)	(1.322.708)
Balance at the end of the period	**21.901.340**	**-**	**21.901.340**

	31 December 2014		
	Trading	**Held to maturity**	**Total**
Balance at the beginning of the period	**10.268.825**	**4.974.236**	**15.243.061**
Acquisitions during the period	135.595.928	-	135.595.928
Disposals (sale and redemption)	(131.403.940)	-	(131.403.940)
Change in the fair value of financial assets	417.572	41.288	458.860
Balance at the end of the period	**14.878.385**	**5.015.524**	**19.893.909**

11 Financial assets *(contiuned)*

As at 31 December 2015, the Company has no any financial assets blocked in favour of the Turkish Treasury as a guarantee for the insurance activities. Financial assets blocked in favour of the Turkish Treasury as a guarantee for the insurance activities are presented in *Note 17.* Financial assets blocked in favour of the Turkish Treasury as a guarantee for the insurance activities are as follows:

	31 December 2014			
	Face Value	**Cost**	**Fair Value**	**Carrying Value**
Held to maturity financial assets *(Note 17)*	5.277.268	5.000.000	5.243.367	5.015.524
Total	**5.277.268**	**5.000.000**	**5.243.367**	**5.015.524**

12 Loans and receivables

	31 December 2015	31 December 2014
Receivables from main operations *(Note 4.2)*	109.625.813	95.964.545
Other receivables *(Note 4.2)*	1.362.084	131.177
Prepaid taxes and funds *(Note 4.2)*	2.699.951	2.312.725
Receivables from ralated parties *(Note 4.2)*	579	34.047
Total	**113.688.427**	**98.442.494**

As at 31 December 2015 and 31 December 2014, the details of the receivables from main operations are as follows:

	31 December 2015	31 December 2014
Receivables from agencies, brokers and intermediaries	70.373.378	65.854.502
Receivebles from guaranteed credit card	24.243.567	17.391.906
Receivebles from policyholders	5.924.831	4.991.030
Salvage and subrogation receivables	5.204.823	3.728.324
Receivables from reinsurance companies (*Note 10)*	3.093.316	3.481.940
Other receivebles	9.213	9.213
Doubtful receivables from insurance operations – subrogation receivables *(Note 4.2)*	(343.922)	(637.611)
Total receivables from insurance operations, net	**108.505.206**	**94.819.304**
Doubtful receivables from main operations	53.173.661	46.248.752
Provisions for doubtful receivables from main operations *(Note 4.2)*	(52.053.054)	(45.103.511)
Receivables from main operations *(Note 4.2)*	**109.625.813**	**95.964.545**

As at 31 December 2015 and 31 December 2014, the details of mortgages and other guarantees for the Company's receivables are presented below:

	31 December 2015	31 December 2014
Mortgage notes	20.471.208	21.246.208
Letters of guarentees	11.429.860	10.784.760
Public securities	72.810	72.272
Colleteral cheques	937.719	1.785.165
Colleteral bills	1.848.276	2.790.363
Other guarentees	2.160.797	1.900.004
Total	**36.920.670**	**38.578.772**

Provisions for overdue receivables and receivables not due yet

a) Receivables under legal and administrative follow up (due): TL 10.520.141 (31 December 2014: TL 10.279.566).

b) Provision for subrogation receivables under legal and administrative follow up: TL 41.532.913 (31 December 2014: TL 34.823.945).

c) Doubtful receivables from insurance operations: TL 343.922 (31 December 2014: TL 637.611).

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

The details of the receivables and payables denominated in foreign currencies and foreign currency rates used for the translation are presented in *Note 4.2– Financial risk management*.

13 Derivative financial instruments

As at 31 December 2015, the Company does not have derivative financial instruments (31 December 2014: None).

14 Cash and cash equivalents

As at 31 December 2015 and 31 December 2014, cash and cash equivalents are as follows:

	31 December 2015		31 December 2014	
	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	45.712	39.326	39.326	34.501
Cheques received	12	12	12	5.352
Banks	173.504.035	164.107.105	164.107.105	146.374.111
Other cash and cash equivalents	52.851.692	38.005.179	38.005.179	34.516.206
Cash and cash equivalents in the balance sheet	**226.401.451**	**202.151.622**	**202.151.622**	**180.930.170**
Interest accruals on banks deposits	(4.485.217)	(1.603.103)	(1.603.103)	(1.211.930)
Bank deposits – blocked (*) *(Note 17)*	(38.557.997)	(32.972.923)	(32.972.923)	(31.101.691)
Cash and cash equivalents in the statement of cash flows	**183.358.237**	**167.575.596**	**167.575.596**	**148.616.549**

(*) As at 31 December 2015 and 31 December 2014 cash collateral kept in favour of the Turkish Treasury and TARSİM as a guarantee for the insurance activities.

As at 31 December 2015 and 31 December 2014, bank deposits are further analyzed as follows:

	31 December 2015	**31 December 2014**
Foreign currency denominated bank deposits		
- demand deposits	4.063.528	1.129.919
- time deposits	3.027.673	4.037.015
Bank deposits in Turkish Lira		
- demand deposits	3.514.645	3.529.976
- time deposits	162.898.189	155.410.195
Bank deposits	**173.504.035**	**164.107.105**

15 Equity

Paid in capital

The shareholder having direct or indirect control over the shares of the Vienna Insurance Group.

The Company does not increase its share capital in the period ended at 31 December 2015.

As at 31 December 2015, the issued share capital of the Company is TL 163.069.856 (31 December 2014: TL 163.069.856). The share capital of the Company consists of 16.306.985.600 (31 December 2014: 16.306.985.600 shares) issued shares with TL 0.01 nominal value each.

Other capital reserves

In accordance with "TAS 16 – Tangible Assets", the Company accounts for property for operational use using the revaluation model. Increases in the carrying amounts arising on revaluation pf properties, net of tax, are accounted for in "Other profit reserves" under shareholders' equity. At each accounting period, the difference between depreciation based on the ravalued carrying amount of the asset (charged to the statement of income) and the depreciation based on the asset's origial cost is transferred revaluation increases arising from the revaluation of property for operational use are not allowed to be used in capital increases.

In accordance with the 4 July 2007 dated and 2007/3 numbered Compliance Circular issued by the Turkish Treasury, it was stated that the companies would not further provide earthquake provision for the year 2007. However, it was also stated that earthquake provisions provided in previous periods (earthquake provision in the financial statements as at 31 December 2006) should be transferred to the reserve accounts under equity in accordance with the 5th Temporary Article of the Insurance Law. The companies had to transfer total amount of provisions, including earthquake provisions reserved as at 31 December 2006 and related gains obtained from investment of these amounts, to the account called as "549.01 – transferred earthquake provisions" which would be opened as at 1 September 2007 within Uniform Chart of Account and the reserves amount should not be subject to dividend distribution or should not be transferred to other accounts.

Other capital reserves distrubution is presented below;

	31 December 2015	31 December 2014
Revaluation fund	23.338.181	24.280.107
Earthquake provision transferred to profit reserve	9.265.403	9.265.403
Actuarial losses, net	(2.009.465)	(1.191.146)
Other capital reserves at the end of the period	**30.594.119**	**32.354.364**

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.

16 Other reserves and equity component of DPF

As at 31 December 2015 and 31 December 2014, change in fair values of available-for-sale financial assets which is presented as "valuation of financial assets" and earthquake provisions provided in the previous years presented under "other profit reserves" are explained in detail in Note 15 – *Equity* above. As at 31 December 2015 and 31 December 2014, the Company does not hold any insurance or investment contracts which contain a DPF.

17 Insurance contract and reinsurance assets

Estimation of the ultimate payment for the outstanding claims is one of the most important accounting assumptions of the Company. Estimation of the insurance contract liabilities contains several ambiguities by nature. The Company makes calculation of the related insurance technical provisions accordance with the Insurance Legislation and reflects them into financial statements as mentioned in Note 2 – *Summary of significant accounting policie*.

As at 31 December 2015 and 31 December 2014, details of the technical reserves of the Company are as follows:

	31 December 2015	31 December 2014
Reserve for unearned premiums, gross	263.181.295	215.918.488
Reserve for unearned premiums, ceded *(Note 10)*	(131.123.743)	(114.006.271)
Reserve for unearned premiums, SSI share	(5.952.034)	(4.256.872)
Reserves for unearned premiums, net	**126.105.518**	**97.655.345**
Provision for outstanding claims, gross	240.577.344	256.616.854
Provision for outstanding claims, ceded *(Note 10)*	(125.262.269)	(157.926.342)
Provision for outstanding claims, net	**115.315.075**	**98.690.512**
Equalization provision, net	7.270.966	5.284.018
Provision unexpired risk reserve, net	8.891.803	2.109.126
Other technical provisions, net	**16.162.769**	**7.393.144**
Total technical provisions, net	**257.583.362**	**203.739.001**
Short-term	236.713.281	187.898.603
Medium and long-term	20.870.081	15.840.398
Total technical provisions, net	**257.583.362**	**203.739.001**

17 Insurance liabilities and reinsurance assets *(continued)*

As at 31 December 2015 and 31 December 2014, movements of the insurance liabilities and related reinsurance assets are presented below:

	31 Decmber 2015			
Reserve for unearned premiums	**Gross**	**Reinsurer share**	**SSI share**	**Net**
Reserve for unearned premiums at the beginning of the period	215.918.488	(114.006.271)	(4.256.872)	97.655.345
Premiums written during the period	444.639.200	(221.415.614)	(10.283.578)	212.940.008
Premiums earned during the period	(397.376.393)	204.298.142	8.588.416	(184.489.835)
Reserve for unearned premiums at the end of the period	**263.181.295**	**(131.123.743)**	**(5.952.034)**	**126.105.518**

	31 December 2014			
Reserve for unearned premiums	**Gross**	**Reinsurer share**	**SSI share**	**Net**
Reserve for unearned premiums at the beginning of the period	199.760.887	(99.746.577)	(2.971.651)	97.042.659
Premiums written during the period	380.025.291	(202.200.215)	(7.764.321)	170.060.755
Premiums earned during the period	(363.867.690)	187.940.521	6.479.100	(169.448.069)
Reserve for unearned premiums at the end of the period	**215.918.488**	**(114.006.271)**	**(4.256.872)**	**97.655.345**

	31 December 2015		
Provision for outstanding claims	**Gross**	**Reinsurer share**	**Net**
Provision for outstanding claims at the beginning of the period	256.616.854	(157.926.342)	98.690.512
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	260.916.649	(110.491.567)	150.425.082
Claims paid during the period	(276.956.159)	143.155.640	(133.800.519)
Provision for outstanding claims at the end of the period	**240.577.344**	**(125.262.269)**	**115.315.075**

	31 December 2014		
Provision for outstanding claims	**Gross**	**Reinsurer share**	**Net**
Provision for outstanding claims at the beginning of the period	187.595.971	(99.147.509)	88.448.462
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	253.545.057	(140.497.236)	113.047.821
Claims paid during the period	(184.524.174)	81.718.403	(102.805.771)
Provision for outstanding claims at the end of the period	**256.616.854**	**(157.926.342)**	**98.690.512**

17 Insurance liabilities and reinsurance assets *(continued)*

Claim development tables

The basic assumption used in the estimation of provisions for outstanding claims is the Company's past experience on claim developments. Judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process, etc, is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the reporting date. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent financial statements.

Development of insurance liabilities enables to measure the performance of the Company in estimation of its ultimate claim losses. The amounts presented on the top of the below tables show the changes in estimations of the Company for the claims in subsequent years after claim years. The amounts presented on the below of the below tables give the reconciliation of total liabilities with provision for outstanding claims presented in the accompanying financial statements.

31 December 2015

Claim year	2009	2010	2011	2012	2013	2014	2015	Total gorss incurred claims
Claim incurred in accident period	163.778.390	137.774.093	140.321.021	136.643.044	132.333.394	225.840.918	226.201.820	1.162.892.680
1 year later	38.731.528	34.161.108	35.456.718	41.112.935	45.085.065	105.925.736	--	300.473.090
2 years later	43.387.323	15.790.881	20.282.534	25.005.288	26.187.885	--	--	130.653.911
3 years later	15.626.929	12.959.415	20.899.066	26.428.182	--	--	--	75.913.592
4 years later	11.379.653	18.124.780	20.233.637	--	--	--	--	49.738.070
5 years later	11.828.244	18.272.516	--	--	--	--	--	30.100.760
6 years later	12.158.939	--	--	--	--	--	--	12.158.939
Total gorss incurred claims	**296.891.006**	**237.082.793**	**237.192.976**	**229.189.449**	**203.606.344**	**331.766.654**	**226.201.820**	**1.761.931.042**

31 December 2014

Claim year	2008	2009	2010	2011	2012	2013	2014	Total gorss incurred claims
Claim incurred in accident period	144.110.646	163.778.390	137.771.162	140.321.021	136.643.044	132.333.394	225.840.918	1.080.798.575
1 year later	54.747.640	38.731.528	34.161.108	35.456.718	41.112.935	45.085.065	--	249.294.994
2 years later	27.344.201	43.387.323	15.790.881	20.282.534	25.005.288	--	--	131.810.227
3 years later	27.327.187	15.626.929	12.959.415	20.899.066	--	--	--	76.812.597
4 years later	26.864.436	11.379.653	18.124.780	--	--	--	--	56.368.869
5 years later	28.191.933	11.828.244	--	--	--	--	--	40.020.177
6 years later	29.989.055	--	--	--	--	--	--	29.989.055
Total gorss incurred claims	**338.575.098**	**284.732.067**	**218.807.346**	**216.959.339**	**202.761.267**	**177.418.459**	**225.840.918**	**1.665.094.494**

17 Insurance liabilities and reinsurance assets *(continued)*

Total amount of guarantee that should be placed by the Company for life and non-life branches and guarantees placed for the life and non-life branches in respect of related assets

	31 December 2015		
	Should be placed (**)	**Placed** (*)	**Carrying amount**
Non-life:			
Bank deposits *(Note 14)*		36.850.151	36.850.151
Total	**31.594.585**	**36.850.151**	**36.850.151**

	31 December 2014		
	Should be placed (**)	**Placed** (*)	**Carrying amount**
Non-life:			
Bank deposits *(Note 14)*		31.675.647	31.675.647
Financial assets (*) *(Note 11)*		5.015.524	5.015.524
Total	**30.590.963**	**36.691.171**	**36.691.171**

(*) "As at 31 December 2015 and 31 December 2014, government bonds and treasury bills are measured at daily official prices announced by the Central Bank of Turkey in accordance with the 6th Article of "Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies.

(**) "According to the 7th article of the "Circular Related to the Financial Structure of Insurance, Reinsurance, and Private Pension Companies" which regulates necessary guarantee amount, minimum guarantee fund for capital adequacy calculation period will be established as a guarantee in two months following the calculation period. According to "Regulations Regarding to Capital Adequacy Measurement and Assessment of Insurance, Reinsurance, and Private Pension Companies", companies must prepare their capital adequacy tables twice in a financial year at June and December periods and must sent capital adequacy tables to the Turkish Treasury Department within two months.

17 Insurance liabilities and reinsurance assets *(continued)*

Company's number of life insurance policies, additions, disposals during the period and the related mathematical reserves

None.

Distribution of new life insurance policyholders in terms of numbers and gross and net premiums as individual or group during the period

None.

Distribution of mathematical reserves for life insurance policyholders who left the Company's portfolio as individual or group during the period

None.

Deferred commission expenses

The Company capitalizes commissions paid to the intermediaries related to policy production under short-term and long-term prepaid expenses. As at 31 December 2015, short-term prepaid expenses amounting to TL 42.101.621 (31 December 2014: TL 35.098.088) consist of deferred commission expenses amounting to TL 39.496.130 (31 December 2014: TL 33.648.322) and other prepaid expenses amounting to TL 2.605.491 (31 December 2014: TL 1.449.766).

As at 31 December 2015 and 31 December 2014, the movements of deferred commission expenses are presented below:

	31 December 2015	31 December 2014
Deferred commission expenses at the beginning of the period	33.648.322	30.627.911
Commissions accrued during the period *(Note 32)*	58.864.599	56.617.618
Commissions expensed during the period	(53.016.791)	(53.597.207)
Deferred commission expenses at the end of the period	**39.496.130**	**33.648.322**

Individual pension funds

None.

18 Investment contract liabilities

None

.

19 Trade and other payables and deferred income

	31 December 2015	31 December 2014
Payables from main operations	47.144.799	44.378.688
Short-term deferred income *(Note 10)*	30.347.388	26.430.820
Taxes and funds payable and other similar obligations	6.379.617	4.951.287
Other payables	5.165.383	2.792.992
Payables to SSI	3.095.409	4.715.133
Total	**92.132.596**	**83.268.920**
Short-term liabilities	92.132.596	83.268.920
Long-term liabilities	-	-
Total	**92.132.596**	**83.268.920**

Payables arising from main operations of the Company as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
Payables to reinsurance companies *(Note 10)*	12.179.638	23.032.916
Payables to agencies, brokers and intermediaries	2.156.166	1.626.987
Total payables arising from insurance operations	**14.335.804**	**24.659.903**
Cash deposited by insurance and reinsurance companies *(Note 10)*	32.808.995	19.718.785
Payables arising from main operations	**47.144.799**	**44.378.688**

Total amount of investment incentives which will be benefited in current and forthcoming periods

None.

20 Financial liabilities

The Company has no financial liabilities as at 31 December 2015 (31 December 2014: None).

21 Deferred Tax

As at 31 December 2015 and 31 December 2014, deferred tax assets and liabilities are attributable to the following:

	31 December 2015	31 December 2014
	Deferred tax assets /(liabilities)	**Deferred tax assets /(liabilities)**
Deferred tax effect of previous periods tax losses *(Note 2.18)*	2.512.312	2.918.724
Equalization provision	1.259.456	917.826
Reserve for unexpired risks	1.778.361	421.825
Provisions for employee termination benefits and unused vacations	835.761	659.432
Provision for subrogation receivables	59.161	91.210
Difference in depreciation methods on tangible and intangible assets between tax regulations and the Reporting Standards	(5.939.366)	(6.094.184)
Doubtful receivables provision	9.623	36.312
Chain difference	-	664.267
Lawsuit provision	124.859	48.343
Others	109.413	(116.464)
Deferred tax assets/(liabilities), net	**749.580**	**(452.709)**

Deferred income tax assets are recognised to the extent that it is probable that future taxableprofit will be available against which the temporary differences can be utilised. Accordingly, the Company, based on its best estimates, calculated a deferred tax asset based on the tax losses to be utilitized with budgeted profits. In the respect, as of 31 December 2015, the Company has calculated a deferred tax asset amounting to TL 12.561.560 (31 December 2014: TL 14.593.619) over deductible tax losses amounting to TL 2.512.312 (31 December 2014: TL 2.918.724).

The maturity analysis of the deductable tax losses out of which the deferred tax asset has not been recognized is as follow:

Expiration date	**31 December 2015**	**31 December 2014**
31 December 2015	-	10.997.041
31 December 2016	3.596.578	3.596.578
31 December 2020	8.964.982	-
Total	**12.561.560**	**14.593.619**

22 Retirement benefit obligations

None.

23 Other liabilities and provisions

As at 31 December 2015 and 31 December 2014; the details of the provisions for expense accruals are as follows:

	31 December 2015	31 December 2014
Personnel bonus provision	1.868.400	830.000
Provision for unused vacation pay liability	1.236.429	1.091.531
Provision for lawsuits	624.296	241.717
Provision for expense accruals	**3.729.125**	2.163.248

Movements of provision for employee termination benefits during the period are presented below:

	31 December 2015	31 December 2014
Provision at the beginning of the period	2.205.630	1.407.159
Interest and service cost *(Note 47)*	399.410	299.570
Payments made during the period *(Note 47)*	(685.562)	(528.109)
Actuarial difference *(Note 15)*	1.022.899	1.027.010
Provision at the end of the period	**2.942.377**	**2.205.630**

24 Net insurance premium

Net insurance premium revenue is presented in detailed in the accompanying statement of income.

25 Fee revenue

None.

26 Investment income

Investment income is presented in "*Note 4.2* – Financial Risk Management.

27 Net income accrual on financial assets

Net realized gains on financial assets are presented in "*Note 4.2* – Financial Risk Management.

28 Assets held at fair value through profit or loss

Presented in "*Note 4.2* – Financial Risk Management".

29 Insurance rights and claims

	31 December 2015	31 December 2014
Claims paid, net off reinsurers' share	(133.800.519)	(102.805.771)
Changes in reserve for unearned premiums, net off reinsurers' share	(28.450.173)	(612.686)
Changes in provision for outstanding claims, net off reinsurers' share	(16.624.563)	(10.242.050)
Change in equalization provisions	(1.986.948)	(1.063.998)
Changes in reserve for unexpired risks, net off reinsurers' share	(6.782.677)	1.891.558
Total	**(187.644.880)**	**(112.832.947)**

30 Investment contract benefits

None.

31 Other expenses

The allocation of the expenses with respect to their nature or function is presented in Note 32 – *Expenses by nature* below.

32 Operating expenses

As at 31 December 2015 and 31 December 2014; the details of the operating expenses are disclosed as follows:

	1 January-31 December 2015	1 January-31 December 2014
Commission expenses *(Note 17)*	58.864.599	53.597.207
Employee benefit expenses *(Note 33)*	21.141.823	19.809.482
Commission income from reinsurers *(Note 10)*	(42.566.061)	(40.085.599)
Administration expenses	3.335.010	3.319.494
Advertising and marketing expenses	1.762.585	2.002.837
Communication and information technologies expenses	3.424.497	5.013.706
Other expenses	7.015.505	6.395.859
Total	**52.977.958**	**50.052.986**

33 Employee benefits expenses

	1 January-31 December 2015	1 January-31 December 2014
Wages and salaries	16.191.524	14.761.591
Employer's share of social security premium	2.520.715	2.268.101
Bonus payments	1.169.722	1.686.712
Severance and notice payments	698.780	602.733
Social Benefits	561.082	490.345
Total	**21.141.823**	**19.809.482**

34 Financial costs

Finance costs of the period are presented in "*Note 4.2* – Financial Risk Management" above. There are no finance costs classified in production costs or capitalized on tangible assets. All financial costs are directly recognised as expense in the statement of income.

35 Income tax

Income tax expense in the accompanying financial statements is as follows:

	31 December 2015	31 December 2014
Deferred taxes:		
Origination and reversal of temporary differences	997.709	(1.171.436)
Total income tax expense recognised in profit or loss		
Deferred taxes:	**997.709**	**(1.171.436)**

As at 31 December 2015 and 31 December 2014, a reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate is as follows:

	31 December 2015		31 December 2014	
Profit before tax	**(15.811.547)**	**Tax Rate (%)**	**3.548.172**	**Tax Rate (%)**
Taxes on income per statutory tax rate	3.162.309	(20,00)	(709.634)	(20,00)
Other	(2.164.600)	13,69	(461.802)	(13,02)
Total tax income recognized in profit or loss	**997.709**	**(6,31)**	**(1.171.436)**	**(33,02)**

36 Net foreign Exchange gains

Net foreign exchange gains are presented in "*Note 4.2* – Financial Risk Management" above.

37 Earnings per share

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

	31 December 2015	31 December 2014
Net profit / (loss) for the period	(14.813.838)	2.376.736
Weighted average number of shares	16.306.985.600	16.306.985.600
Earning per share (TL)	(0,0908)	0,0146

38 Dividends per share

None.

39 Cash generated from operations

The cash flows from operating activities are 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 under provision for outstanding claims in the accompanying financial statements.

As at 31 December 2015, total amount of the claims that the Company face is TL 159.786.764 in gross (31 December 2014: TL 134.077.619). The Company provided provision for outstanding claims in the financial statements by considering collateral amounts.

As at 31 December 2015, ongoing law suits prosecuted by the Company against the third parties amounting TL 53.173.661 (31 December 2014: TL 46.248.752).

As a result of investigation conducted by the Ministry of Finance Tax Audit Board, tax penalty, which is amounting to TL 4.216.511, is announced by reason to tax salvage operations not subject to the Banking and Insurance Transactions Tax for 2009-2010-2011-2012 . The Company has not made any provision for this tax penalty because of thinking that the Company's operations are in line with the local regulations.

43 Commitments

The details of the guarantees that are given by the Company for the operations in non-life branches are presented in *Note 17*.

The future aggregate minimum lease payments under operating leases for properties rented for use of head office and regional offices and motor vehicles rented for sales and marketing departments are as follows:

	31 December 2015	31 December 2014
Within one year	537.515	724.990
Between one to five year	669.525	104.940
Total of minimum lease payments	**1.207.040**	**829.930**

44 Business combinations

None.

45 Related party transactions

The ultimate controlling party of the Company is VIG Group and the affiliates and associates of VIG Group are defined as related parties of the Company.

The related party balances as of 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
VIG Holding	(153.032)	3.119.048
VIG Re	322.099	1.840.585
Kooperativa	923.706	622.594
Other	268	7.267
Payables from main operations	**1.093.041**	**5.589.494**
VIG Re	37.912.483	32.076.519
VIG Holding	38.985.598	28.954.461
Kooperativa	1.148.618	834.053
Other	297.471	4.813.994
Technical provisions	**78.344.170**	**66.679.027**
VIG Re	5.424.644	4.649.758
VIG Holding	4.921.551	3.926.616
Other	68.173	52.732
Deferred commission income	**10.414.368**	**8.629.106**

No guarantees have been taken against receivables from related parties.

There are no doubtful receivables from shareholders, subsidiaries and joint ventures.

No guarantees, commitments, guarantee letters, advances and endorsements given in favour of shareholders, associates and subsidiaries.

45 Related party transactions *(continued)*

The transactions with related parties during the year ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
VIG Re	40.265.574	31.122.107
VIG Holding	36.915.471	29.908.966
Other	3.582.706	3.077.791
Premiums written, ceded	**80.763.751**	**64.108.864**
VIG Re	8.412.244	7.210.944
VIG Holding	7.591.516	6.626.918
Other	180.012	154.759
Commissions received	**16.183.772**	**13.992.621**
VIG Re	20.130.805	12.152.123
VIG Holding	29.406.967	12.016.012
Other	5.276.579	1.577.418
Reinsurers' share on paid claims	**54.814.351**	**25.745.553**
VIG Holding	199.670	180.781
Operational Expense	**199.670**	**180.781**

46 Events after the reporting date

Subsequent events are disclosed in Note 1.10 *Events after the reporting date*.

47 Others

Items and amounts classified under the "other" account in financial statements either exceeding 20% of the total amount of the group to which they relate or 5% of the total assets in the balance sheet

They are presented in the related notes above.

"Payables to employees and receivables from employees presented under accounts, "other receivables" and "other short or long term payables", and which have balance more than 1% of the total assets

None.

Subrogation recorded in "Off-Balance Sheet Accounts"

None.

Real rights on immovable and their values

None.

Explanatory note for the amounts and nature of previous years' income and losses

None.

For the years ended 31 December 2015 and 2014, details of discount and provision expenses are as follows:

	1 January – 31 December 2015	1 January – 31 December 2014
Subrogation receivables provision under legal follow-up	6.708.968	3.370.024
Provision for unused vacation	144.898	251.520
Provision for dubtful receivables from main operations	240.576	(114.548)
Provision for receivables from policyholder and intermediaries	(133.442)	(264.920)
Provision for employment termination benefits	(286.152)	(228.539)
Provision for personnel bonuses	1.038.400	(910.150)
Lawsuits provision	382.579	91.228
Total	**8.095.827**	**2.194.615**