Acıbadem Sağlık ve Hayat Sigorta
Anonim Şirketi
and Its Subsidiary

Consolidated Financial Statements
As at 31 December 2015
With Independent Auditors’ Report Thereon

This report contains the “Independent Auditors’ Report on the Consolidated Financial Statements” comprising 2 pages and “Consolidated Financial Statements and their Explanatory Notes” comprising 53 pages.

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary

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Akis Bağımsız Denetim ve
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Independent Auditors' Report

To the Board of Directors of Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi;

We have audited the accompanying consolidated financial statements of Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi ("the Company") and its subsidiary, which comprise consolidated statement of financial position as at 31 December 2015, the consolidated statements of the profit loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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, the consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2015, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Alper Güvenç
Partner

29 January 2016
İstanbul, Türkiye

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary
Consolidated Statement of Financial Position
At 31 December 2015
(Currency: Turkish Lira (TL))

	Notes	**31 December 2015**	**31 December 2014**
ASSETS			
Cash and cash equivalents	*7*	106,788,582	186,887,423
Financial assets at fair value through profit or loss	*8*	995,374	2,481,104
Premium and other insurance receivables	*10*	104,643,320	88,966,559
Due from insurance and reinsurance companies	*11*	10,805,167	5,148,019
Investment securities	*8*	290,454,408	174,473,098
Reinsurance assets	*22*	4,769,311	6,091,847
Current tax assets	*17*	2,108,270	96,002
Deferred acquisition costs	*18*	13,821,662	10,504,440
Property and equipment, net	*15*	5,390,411	3,186,342
Intangible assets, net	*16*	2,168,052	436,368
Deferred tax assets	*17*	2,500,269	2,156,134
Other assets	*13*	7,809,280	8,379,839
Total assets		**552,254,106**	**488,807,175**
LIABILITIES AND EQUITY			
Financial liabilities	*9*	6,191,112	5,764,112
Due to reinsurance companies	*11*	5,229,749	27,687
Other insurance payables	*12*	6,293,394	4,051,574
Payables to medical networks	*12*	68,369,858	59,104,387
Insurance contract liabilities	*22*	203,218,986	161,468,169
Investment contract liabilities	*23*	19,848,896	23,308,787
Income taxes payable	*17*	-	1,536,368
Employee benefits	*19*	4,770,444	3,855,497
Other provisions	*20*	4,758,775	6,866,693
Other liabilities	*21*	35,809,480	53,115,922
Total liabilities		**354,490,694**	**319,099,196**
Share capital	*24*	119,010,960	119,010,960
Fair value reserve of available-for-sale financial assets		(338,983)	66,815
Legal reserves	*24*	2,803,183	1,449,785
Retained earnings		76,288,252	49,180,419
Equity attributable to owners of the Group		**197,763,412**	**169,707,979**
Total liabilities and equity		**552,254,106**	**488,807,175**

The notes on pages 7 to 53 are an integral part of these consolidated financial statements.

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2015

(Currency: Turkish Lira (TL))

	Notes	**2015**	**2014**
Gross premiums earned	*22*	481,007,064	367,260,096
Premiums ceded to reinsurers	*22*	(8,688,978)	(4,273,688)
Net premiums	*22*	**472,318,086**	**362,986,408**
Fees and commission income	*25*	24,062	223,292
Investment income	*27*	45,231,443	31,703,480
Other technical income	*29*	906,832	247,801
Other income	*28*	2,547,421	5,298,249
Total income		**521,027,844**	**400,459,230**
Gross benefits and claims paid	*22*	(417,845,816)	(316,337,060)
Claims ceded to reinsurers	*22*	6,730,636	6,212,892
Gross changes in insurance contract liabilities	*22*	(1,368,378)	(1,598,895)
Changes in insurance contract liabilities ceded to reinsurers	*22*	(2,211,251)	1,040,379
Gross change in investment contract liabilities		(4,003,818)	(2,673,219)
Net benefits and claims		**(418,698,627)**	**(313,355,903)**
Commission expenses	*18*	(24,255,387)	(20,372,155)
Other operating and administrative expenses	*26*	(40,645,678)	(29,951,821)
Finance costs	*27*	(1,234,391)	(1,453,983)
Other technical expenses	*29*	(330,378)	(776,581)
Other expenses	*28*	(272,680)	(300,935)
Total expenses		**(485,437,141)**	**(366,211,378)**
Profit before taxes		**35,590,703**	**34,247,852**
Income tax expenses	*17*	(7,131,031)	(6,831,250)
Profit for the year		**28,459,672**	**27,416,602**
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Net changes in fair values of available-for sale-financial assets owned by the Group		(288,430)	(400,932)
Net changes in fair values of available-for-sale financial assets backing investment contract liabilities		(138,197)	223,638
Foreign exchange effect of available-for-sale financial assets backing investment contract liabilities		(29,295)	(29,894)
Net changes in fair values of available-for-sale financial assets owned by the Group, transferred to profit or loss		(62,163)	1,534,865
Net changes in fair values of available-for-sale financial assets backing investments contract liabilities, transferred to profit or loss		10,838	(152,978)
Related tax		101,449	(234,939)
Items that will never be reclassified to profit or loss			
Actuarial gains/(losses) on employee severance indemnity	*19*	1,949	(12,136)
Related tax		(390)	2,427
Other comprehensive income for the year, net of tax		**(404,239)**	**930,051**
Total comprehensive income for the year		**28,055,433**	**28,346,653**

The notes on pages 7 to 53 are an integral part of these consolidated financial statements.

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary
Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2015
(Currency: Turkish Lira (TL))

		Share capital	Fair value reserve of available-for-sale financial assets	Legal reserves	Retained earnings	Total
Balances at 31 December 2013		**74,010,960**	**(872,945)**	**468,026**	**22,755,285**	**96,361,326**
Total comprehensive income for the year						
Profit of the year		-	-	-	27,416,602	27,416,602
Other comprehensive income, net of tax		-	939,760	-	(9,709)	930,051
Total comprehensive income for the year		**-**	**939,760**	**-**	**27,406,893**	**28,346,653**
Transactions with equity holders, recognised directly in equity						
Capital increase – Cash	34	45,000,000	-	-	-	**45,000,000**
Transfers		-	-	981,759	(981,759)	-
Total contributions and distributions to equity holders		**45,000,000**	**-**	**981,759**	**(981,759)**	**45,000,000**
Balances at 31 December 2014		**119,010,960**	**66,815**	**1,449,785**	**49,180,419**	**169,707,979**
Balances at 31 December 2014		**119,010,960**	**66,815**	**1,449,785**	**49,180,419**	**169,707,979**
Total comprehensive income for the year						
Profit of the year		-	-	-	28,459,672	28,459,672
Other comprehensive income, net of tax		-	(405,798)	-	1,559	(404,239)
Total comprehensive income for the year		**-**	**(405,798)**	**-**	**28,461,231**	**28,055,433**
Transactions with equity holders, recognised directly in equity						
Transfers		-	-	1,353,398	(1,353,398)	-
Total contributions from and distributions to equity holders		**-**	**-**	**1,353,398**	**(1,353,398)**	**-**
Balances at 31 December 2015		**119,010,960**	**(338,983)**	**2,803,183**	**76,288,252**	**197,763,412**

The notes on pages 7 to 53 are an integral part of these consolidated financial statements.

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2015
(Currency: Turkish Lira (TL))

	Notes	**2015**	**2014**
Cash flows from operating activities:			
Profit for the year		28,459,672	27,416,602
Adjustments for:			
Current and deferred tax charge	*17*	7,131,031	6,831,250
Depreciation and amortisation	*26*	1,285,207	735,570
Provision for employee severance indemnity	*19*	456,067	324,774
Provision for vacation pay liability	*19*	159,859	232,549
Provision for personnel bonus		2,967,792	1,679,615
Change in other provisions	*20*	(2,107,918)	721,986
Claims reported during the year and change in claims estimation incurred in previous years, gross	*22*	419,214,194	317,935,955
Change in reserve for unearned premiums, gross	*22*	40,379,518	47,206,294
Change in life mathematical reserves for long term contracts	*22*	2,921	25,683
Provision / reversal of provision for doubtful receivables, net	*28*	272,680	104,797
Losses from disposal of property and equipment		-	359
Net interest and trading income		(42,157,422)	(29,446,989)
Unrealized foreign exchange gains and losses on investment securities		(3,301,149)	(765,345)
Changes in operating activities:			
Change in premium and other insurance receivables		(16,665,278)	(27,575,191)
Change in receivables from insurance and reinsurance companies		(5,745,542)	86,607
Change in reinsurance assets	*22*	1,322,536	(727,325)
Change in other assets		706,815	(4,541,563)
Change in deferred acquisition costs	*18*	(3,317,222)	(2,539,099)
Change in investment contract liabilities		(3,459,891)	(5,345,006)
Change in due to reinsurance companies		5,202,062	(371,348)
Change in other insurance payables		2,380,872	535,310
Change in payables to medical networks		9,409,221	22,216,739
Change in other liabilities		(17,324,964)	49,930,254
Change in loan and receivables backing investment contracts		13,155,299	(7,584,739)
Change in Blocked cash at banks		(3,231,896)	(23,882,861)
Change in loan and receivables with original maturity more than 3 months		(90,973,421)	(51,048,304)
Claims paid, gross	*22*	(417,845,816)	(316,337,060)
Employee severance indemnity paid	*19*	(362,822)	(302,925)
Unused vacations paid		(40,646)	(27,484)
Personnel bonuses paid		(2,304,000)	(1,840,615)
Income taxes paid		(11,018,355)	(5,339,368)
Net cash used in operating activities		**(87,350,596)**	**(1,690,878)**

The notes on pages 7 to 53 are an integral part of these consolidated financial statements.

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary
Consolidated Statement of Cash Flows *(continued)*
For the Year Ended 31 December 2015
(Currency: Turkish Lira (TL))

	Notes	**2015**	**2014**
Cash flows from investing activities:			
Acquisition of property and equipment	*15*	(3,277,984)	(951,076)
Acquisition of intangible assets	*16*	(1,942,976)	(339,998)
Proceeds from sale of investment properties		-	-
Acquisition of financial assets at fair value through profit or loss	*8*	-	(82,252)
Proceeds from financial assets at fair value through profit or loss	*8*	2,296,884	3,022,156
Acquisition of available-for-sale financial assets	*8*	(65,806,745)	(45,074,620)
Proceeds from sale of available-for-sale financial assets	*8*	34,945,375	73,653,700
Interest received		41,292,827	29,985,834
Interest paid		(379,160)	(1,108,841)
Net cash provided investing activities		**7,128,221**	**59,104,903**
Cash flows from financing activities:			
Capital increase	*34*	-	45,000,000
Proceeds from obligations under repurchase agreements		2,246,538,196	1,882,511,689
Payment of obligations under repurchase agreements		(2,246,092,821)	(1,887,450,689)
Net cash provided financing activities		**445,375**	**40,061,000**
Net (decrease) / increase in cash and cash equivalents		**(79,777,000)**	**97,475,025**
Cash and cash equivalents at 1 January	*7*	185,900,801	88,425,776
Cash and cash equivalents at 31 December	***7***	**106,123,801**	**185,900,801**

The notes on pages 7 to 53 are an integral part of these consolidated financial statements.

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi and Its Subsidiary

Notes to the Consolidated Financial Statements

1 Reporting entity

Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi ("the Company") was established under "Bayındır Hayat Sigorta Anonim Şirketi" title to operate in whole kinds of underwriting activities within the scope of life insurance and especially life, personal accident, health and sickness insurances as well as co-insurance, re-insurance and retrocession operations within the boundaries of Turkey and in foreign countries. The Company initiated insurance activities in 1994, executing insurance policies and investment contracts in life, personal accident and health branches.

On 6 February 2004, shares representing 99.72% of the Company's capital was purchased by Mehmet Ali Aydinlar from Savings Deposit Insurance Fund and the title of the Company has been changed as "Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi" based on the resolution of the General Assembly held on 12 February 2004.

Following the formal approval given by the Republic of Turkey Prime Ministry Under Secretariat of Treasury (the "Turkish Treasury") on 13 November 2007, 50.0% of the Company shares were transferred to Walnut Holding Cooperaite U.A. operating under Abraaj Capital which is an international investment company, through share increase method in accordance with the resolution of the Board of Directors held on 17 December 2007.

Following the approval of Turkish Treasury dated 1 November 2013 and numbered 18153030, shares representing 40.0% of the Company's capital owned by Mehmet Ali Aydınlar and shares representing 50.0% of the Company's capital owned by Walnut Holding Cooperaite U.A. has been transferred to Burau Ventures Sdn Bhd, that is a fully owned subsidiary of Avicennia Capital Sdn Bhd that is in turn a fully owned subsidiary of Khazanah Nasional Berhad.

Khazanah Nasional Berhad that manages the strategic investment funds of the Malaysian Government also owns 75% of shares of Acıbadem Sağlık Yatırımları Holding AŞ. owns investments in over 50 companies, amounting to more than 110.8 billion Malaysian Ringgit and outside Malaysia, operates mainly in India, China, Singapore and Turkey.

The consolidated financial statements of the Company as at and for the year ended 31 December 2015 comprises the Company and its subsidiary (together referred to as the "Group" and individually as "Group Entities").

The Group has 476 employees as at 31 December 2015 (31 December 2014: 398 employees).

The address of the registered office of the Company is as follows:

Küçükbakkalköy Mah. Başar Sok. No: 20

34750 Ataşehir Istanbul – Turkey

2 Basis of preparation

a) Statement of compliance

The accompanying consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs). The Group adopted all IFRSs, which were mandatory as at 31 December 2015.

2 Basis of preparation *(continued)*

b) Basis of measurement

The accompanying consolidated financial statements are prepared in accordance with historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2005, except for items measured at fair value that are financial assets at fair value through profit or loss, derivative financial assets and liabilities, available-for-sale financial assets and investment contract liabilities which are measured at their fair values.

c) Functional and presentation currency

The accompanying consolidated financial statements are presented in TL, which is the Group Entities' functional currency.

d) Accounting in hyperinflationary countries

The consolidated financial statements of the Group has been restated for the changes in the general purchasing power of the Turkish Lira based on International Accounting Standards ("IAS") IAS 29 – *Financial Reporting in Hyperinflationary Economies* until 31 December 2005. *IAS 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 periods be restated in the same terms. One characteristic that necessitates the application of *IAS 29* is a cumulative three-year inflation rate approaching or exceeding 100%. The cumulative three-year inflation rate in Turkey was 35.61% as at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by the Turkish Statistical Institute. This, together with the sustained positive trend in qualitative factors, such as the stabilisation in financial and monetary markets, decrease in interest rates and the appreciation of TL against the US Dollar and other hard currencies have been taken into consideration to categorise Turkey as a non-hyperinflationary economy under *IAS 29* effective from 1 January 2006.

e) Use of estimates and judgments

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

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

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

- Note 4 – *Critical accounting estimates and judgments in applying accounting policies*
- Note 5 – *Management of insurance risk*
- Note 6 – *Management of financial risk*
- Note 10 – *Premium and other insurance receivables*
- Note 17 – *Income taxes*
- Note 18 – *Deferred acquisition costs*
- Note 19 – *Employee benefits*
- Note 20 – *Other provisions*
- Note 22 – *Insurance contract liabilities*
- Note 23 – *Investment contract liabilities*

(Currency: Turkish Lira (TL))

3 Significant accounting policies

The accompanying consolidated financial statements include the accounts of the Group Entities on the basis set out in sections below.

a) Basis of consolidation

The accompanying consolidated financial statements comprise the financial statements of the parent company ("Acıbadem Sağlık ve Hayat Sigorta Anonim Şirketi") and its subsidiary ("Acıbadem Grubu Sigorta Aracılık Hizmetleri Anonim Şirketi") prepared on the basis set out in sections below. The consolidated financial statements of the entities included in the consolidation have been prepared as at the date of these consolidated financial statements.

Subsidiary

Subsidiary is the entity controlled by the Group. The financial statements of the subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b) Foreign currency

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognized in OCI:

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign currency exchange rates used by the Group as at respective dates are as follows:

Dates	US Dollar / TL	Euro / TL
31 December 2015	2.9076	3.1776
31 December 2014	2.3189	2.8207

As written on the face of the saving life policies executed by the Group, investment contract liabilities are translated into TL by using effective foreign exchange selling rates announced by the Central Bank of Turkey which were 2.9172 US Dollar/TL and 3.1881 Euro/TL as at reporting date (31 December 2014: 2.3265 US Dollar/TL and 2.8300 Euro/TL).

3 Significant accounting policies *(continued)*

c) Insurance premiums

Premiums are recognised on the date on which the policy commences. Premiums also include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premiums when due. Premiums are shown before deduction of commissions given or received and deferred acquisitions costs, and are gross of any taxes and duties levied on premiums.

Reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

For short-term insurance contracts (refer to accounting policy *(o)*), premiums are recognised as revenue (net insurance premium revenue) in profit or loss, net of premiums ceded to reinsurance firms, proportionally over the period of coverage. The portion of premiums received on in-force contracts that relates to unexpired risks at reporting date is recognised as the reserve for unearned premiums (refer to accounting policy *(q)*).

For long-term insurance contracts (refer to accounting policy *(o)*), premiums are recognised as revenue in profit or loss when the premiums are due from the policyholders.

Amounts collected as premiums from investment contracts (refer to accounting policy *(o)*), are not recognised as revenue in profit or loss. Premiums for such contracts are reported as deposits in the consolidated statement of financial position as investment contract liabilities.

d) Fees and commission income and commission expenses

Commission income and expenses comprise commissions received from reinsurance companies and commissions paid to the intermediaries, respectively. Commission income and commission expenses are recognised based on accrual basis over the life of the related insurance policies.

Commissions earned from the intermediary operations of the Group on behalf of other insurance companies for property and casualty insurance products (refer to accounting policy *(o)*) are recognised as revenue at the inception of the contracts.

Other fees and commission income, especially for the fees charged to other parties against the consulting services provided by the Group is recognised as the related services are performed.

e) Interest

Interest income and expenses are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial assets or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial assets or liabilities. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

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 financial assets or liabilities. Interest income and expenses presented in the consolidated statement of comprehensive income includes:

- interest on financial assets and liabilities at amortised cost on an effective interest rate basis,
- interest on available-for-sale financial assets on an effective interest rate basis,
- interest earned till the disposal of financial assets at fair value through profit or loss.

(Currency: Turkish Lira (TL))

3 Significant accounting policies *(continued)*

f) Trading income, net

Net trading income includes gains and losses arising from disposal of financial assets at fair value through profit or loss and available-for-sale financial assets and gains and losses on derivative financial instruments held for trading purpose.

g) Claims, net of ceded

Benefits and claims include all claims occurring during the period, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the recoveries, and any adjustments to claims outstanding from previous years. Claims are recognised in the period in which they occur, based on reported claims or on the basis of estimates when not reported. Full provision is accounted for the claims outstanding, including claim settlements reported at the reporting date. Incurred but not reported claims are also provided for under the claims provision.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

h) Property and equipment

The cost of the property and equipment acquired before 1 January 2006 are restated for the effects of inflation in TL unit current at 31 December 2005 pursuant to *IAS 29*. The property and equipment acquired subsequent to this date are recorded at their historical costs. Accordingly, property and equipment are carried at costs less accumulated depreciation and impairment losses, if any.

Depreciation is calculated using the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

Property and equipment	**Estimated useful lives (years)**
Buildings	50
Furniture and fixtures	3-15
Other tangible assets (including leasehold improvements)	5
Assets obtained through finance leases	5

Gains/losses arising from the disposal of the property and equipment are recognised in profit or loss and calculated as the difference between the net book value and the net sales price.

There are no changes in the accounting estimates that are expected to have an impact in the current or subsequent periods.

Expenditures incurred to replace a component of a tangible asset that is accounted for separately, and major inspection and overhaul costs, are capitalised. Other subsequent expenditures are capitalised only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are reflected as expense in profit or loss as incurred.

i) Intangible assets

The Group’s intangible assets consist of rights and software programs. Intangible assets are recorded at cost. The costs of the intangible assets purchased before 31 December 2005 are restated from the purchasing dates to 31 December 2005, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. The intangible assets are amortised based on straight line amortisation. The economic lives of intangible assets vary within the range of three and fifteen years and hereby the amortisation rates applied are within 33.33% and 6.66%.

3 Significant accounting policies *(continued)*

j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both. Investment properties are measured initially at cost including transaction costs.

Subsequent to initial recognition, the Group measures investment property based on the cost model in accordance with the cost model for property and equipment (i.e. at cost less accumulated depreciation and less any accumulated impairment losses). Estimated useful lives of investment properties and depreciation rates are 50 years and 2.0%, respectively.

k) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists for as particular asset or a group of assets, then that asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses in respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

l) Leases

Finance leases

Leases of property and equipment where the Company has substantially all the risks and the rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the principal balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables and provisions. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period. The property and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

If there is impairment in the value of the assets obtained through finance lease and in the expected future benefits, the leased assets are written down to their recoverable amount. Depreciation for assets obtained through finance lease is calculated in the same manner as other tangible assets.

Operational leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

3 Significant accounting policies *(continued)*

m) Financial instruments

Recognition

The Group initially recognises loans and advances on the date which they are originated. All other financial assets and liabilities are initially recognised on the date of settlement at which the related financial instruments are transferred from the counterparties physically.

A financial asset or liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification

The Group classifies its investments into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments securities and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this at every reporting date.

Financial assets at fair value through profit or loss (“FAAFTPL”) are the financial assets, classified into this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit making.

Held-to-maturity investment securities are financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. These include certain debt securities.

Available-for-sale financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has as at fair value through profit or loss or available-for-sale. They arise when the Company provides money, goods and services directly to a debtor with no intention of trading the receivable.

Financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

See also *specific instruments* below.

Measurement

Subsequent to initial recognition, all financial assets at fair value through profit or loss and all available-for-sale financial assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, loans and receivables and held-to-maturity investments are measured at amortised cost less impairment losses. The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial and the maturity amounts, minus any reduction for impairment.

3 Significant accounting policies *(continued)*

m) Financial instruments *(continued)*

Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

Gains and losses on subsequent measurement

Gains and losses arising from changes in the fair value of financial assets at fair values through profit or loss are recognised in the consolidated statement of comprehensive income in the period in which they arise. Unrealised gains and losses arising from changes in the fair values of available-for-sale financial assets are recognised in equity except to the extent that they qualify for assets backing liabilities (investment contracts). When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are transferred to the profit or loss as net realised gains/losses on financial assets.

Derecognition

A financial asset is derecognised when the control over the contractual rights that comprise that asset, is lost. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished.

Available-for-sale financial assets and financial assets at fair value through profit or loss that are sold are derecognised and corresponding receivables from the buyer for the payment are recognised as at the date the Group commits to sell the assets. The specific identification method is used to determine the gain or loss on derecognition.

Loans and receivables are derecognised on the day they are transferred by the Group.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Specific instruments

Cash and cash equivalents: For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and short-term cash at banks with an original maturity of three months or less except for cash at banks collateralised in favour of the Turkish Treasury.

Loans to the policyholders are the securitised loans that are used by the policyholders with the security of their life policies that have made premium payments throughout a certain period, determined by the technical bases related to certified tariffs of life policies (this period is 3 years according to general conditions of life insurance). As at 31 December 2015, total amount of loans to the policyholders amounts to TL 807,551 (31 December 2014: TL 655,066) *(Note 10)*.

Investment in equity participations are measured at cost as adjusted to reflect the effect of inflation as of 31 December 2005 less impairment losses, if any.

3 Significant accounting policies *(continued)*

m) Financial instruments *(continued)*

Specific instruments *(continued)*

Investment securities: Investment securities are the financial assets that are classified as held-to-maturity financial assets and available-for-sale financial assets.

Assets backing liabilities are the financial assets invested against the savings of the life policyholders which are classified as investment contract liabilities in the accompanying consolidated statement of financial position. In accordance with the prevailing legislation assets backing liabilities could be classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investment securities and available-for-sale financial assets by considering the benefits of the policyholders and measured in accordance with the principles as stated above.

See also accounting policy regarding *investment contracts (o)*.

Time deposits at banks are the assets deposited at banks with an original maturity of more than three months on behalf of the Group or the policyholders for earning interest.

Repurchase transactions: The Group enters into purchases/sales of investments under agreements to resell/repurchase the same investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised in the accompanying consolidated financial statements. The amounts paid are recognised as receivables from reverse repurchase agreements in the accompanying consolidated financial statements. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the consolidated statement of financial position and are measured in accordance with the accounting policy applicable for the financial instrument group they are classified in.

Finance income and expenses arising from the repurchase and resale agreements over investments are recognised on an accruals basis over the period of the transaction and are included in "interest income" or "interest expense" in the accompanying consolidated profit or loss.

n) Impairment of financial assets

At each reporting date the Group assesses whether there is objective evidence that financial assets are individually impaired. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated amounts recoverable from individual financial asset. Objective evidence that a financial asset is impaired includes observable data that comes to the attention of the Group about the following loss events:

(a) significant financial difficulty of the counterparty (agency or debtor);

(b) a breach of contract, such as a default or delinquency in interest or principal payments by more than 60 days;

(c) it is probable that the counterparty will declare bankruptcy or enter into other financial reorganisation;

(d) the disappearance of an active market for the related financial asset because of financial difficulties; or

(e) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

  (i) adverse changes in the payment status of counterparties; or

  (ii) national or local economic conditions that correlate with defaults on the assets in the group.

3 Significant accounting policies *(continued)*

n) Impairment of financial assets *(continued)*

If there is objective evidence that there occurs an impairment loss on receivables, the amount of the loss is measured based on the difference between the asset's carrying amount and the estimated recoverable amount. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its cost at the reversal date.

If an available-for-sale investment security is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income to profit or loss as a reclassification adjustment. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

A write off is made when all or part of a receivable is deemed uncollectible or in the case of debt forgiveness. Such receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Write offs are charged against previously established allowances and reduce the amount of the receivables. Subsequent recoveries of amounts previously written off are included in profit or loss.

The methodology and assumptions used for estimating both the amount and timing of recoverable amounts are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

o) Insurance and investment contracts – classification

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

Investment contracts are those contracts which transfer financial risk without significant insurance risk. Financial risk is the risk of a possible future change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided, that it is not specific to a party to the contract, in the case of a non-financial variable.

The insurance contracts and investment contracts are classified into three main categories, depending on the duration.

Short-term insurance contracts

Short-term insurance contracts are health, personal accident and life insurance products protecting the Group's customers against cost of treatments in case of sickness, personal accident and short-duration life contracts protecting the Group's customers from the consequences of events (such as death and disability) that would affect on the ability of the customer or his/her dependants to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder.

3 Significant accounting policies *(continued)*

o) Insurance and investment contracts – classification *(continued)*

The Group also makes the intermediary of other insurance companies in Turkey for property and casualty insurance products and earns commission from intermediary operations. Casualty insurance contracts protect the customers against the risk of causing harm to third parties as a result of their legitimate activities. Property insurance contracts mainly compensate the customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover). Those contracts are not recognised in the accompanying consolidated financial statements.

Long-term insurance contracts

These contracts insure events associated with human life (for example, death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the policyholders. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is determined as the sum of the discounted value of the benefit payments less the theoretical premiums that would be required to meet the benefits on the valuation assumptions used.

All insurance benefit amounts are defined in TL or indexed to US Dollar or Euro. Net level premium amount depends on the real age of the life assured. Upon request of the policyholder and against surrender of the policy; the Group is obliged to purchase the insurance in the way specified in the policy for which premiums have been paid at least for the stated term.

Investment contracts

The Group has saving life policies with regular and single premium payments. Premiums received for such contracts are recognised directly as liability. These liabilities are increased by interest rate calculated by the Group and are decreased by policy administration fees, mortality and surrender charges and any withdrawals.

These contracts entitle the holders to a minimum guaranteed crediting rate per annum or, when higher, a bonus rate declared by the Group from the eligible surplus available to date. The Group has an obligation to eventually pay to contract holders at least 90% - 95% of the eligible surplus (i.e., all interest earned from the assets backing these contracts) and holds 5% - 10 % as fee of administration of the operations.

The Group classifies these assets backing liabilities as financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables and held-to-maturity investments in the accompanying consolidated financial statements. Since the Group is obliged to pay all eligible surplus obtained from these assets to the policyholders, the Group recognises 90% - 95% (5%-10% is decreased as policy administration fees) of eligible surplus as investment contract liabilities. In relation to the unrealised gains and losses arising from the assets backing these contracts, the Group establishes a liability equal to 90% - 95% of these net gains. Shareholders’ interest in the unrecognised gains and losses (equal to 5% - 10%) is recognised in the equity.

Premium and benefit amounts are determined according to the future expectations of the policyholders and the age of the life assured. Benefit amounts and premiums are indexed to hard currencies (US Dollar or Euro) in order to make provision against the inflation.

3 Significant accounting policies *(continued)*

o) Insurance and investment contracts – classification *(continued)*

Liability adequacy test

At each balance sheet date, asset-liability adequacy tests are performed to ensure the adequacy of contract liabilities. In performing these tests, current best estimates of future cash flows are used. When estimating future cash flows, the following parameters are used. Any deficiency is immediately assessed to test whether if there is a need of establishing a provision for losses arising from liability adequacy tests.

-Future interest rate forecasts,

-Lapse and surrender rates of the existing contracts,

-Maturity rates,

-Average premium per insured

Long term life insurance contracts are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions are used for the subsequent measurement of these liabilities.

p) Deferred acquisition costs and deferred commission income

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing insurance contracts are capitalised as deferred acquisition costs (“DAC”). Deferred acquisition costs are amortised on a straight-line basis over the life of the contracts.

Deferred commission income which is also calculated on a straight-line basis over the life of the contract based on commission received from reinsurance firms is presented in other liabilities in the accompanying consolidated financial statements.

q) Reserve for unearned premiums

Unearned premiums are those proportions of the premiums written in a period that relate to the period of risk subsequent to the reporting date for all short-term insurance policies. In accordance with the incumbent legislation on the computation of insurance contract liabilities, reserve for unearned premiums set aside for unexpired risks as at the reporting dates, has been computed on daily pro-rata basis. The change in the reserve for unearned premiums is recognised in the consolidated statement of comprehensive income in the order that revenue is recognised over the period of risk.

Since the occurrence of the claim is directly correlated with the seasons, for short-term insurance contracts especially in health branch, the Group reassesses the reserve for unearned premiums on the basis of the expected timing of incurred claims and benefits in a year and makes related adjustment on reserve for unearned premiums considering the inception and maturity dates of the policies’ coverage. The Group also adjusts reserve for unearned premiums to reflect the effect of medical inflation on reserve for unearned premiums. Since the medical inflation is mainly determined by the change in TTB cofactor by the Turkish Medical Association and announced once in a year at the beginning of the year, distribution of the claim over the policy period is not parallel to the earning schedule of the premiums. Those analyses are made on policy basis. Accordingly as at and for the year ended 31 December 2015, the Group adjusted reserve for unearned premiums by TL 2,971,002 (31 December 2014: TL 3,884,459).

3 Significant accounting policies *(continued)*

r) Provision for outstanding claims / IBNR

Outstanding claims reserve 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. A provision for claims incurred but not reported ("IBNR") is also established as described below. In the accompanying consolidated financial statements, provision for claims is presented by netting of amounts recoverable from reinsurers. Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR claims at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty. The primary technique adopted by management in estimating the cost of IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. In addition to that, the Group also reassesses its notified claims provision at each reporting date on each claim file basis. General insurance claims provisions are not discounted for the time value of money.

s) Life mathematical provisions

Life mathematical provisions are recorded to reflect the liability of the Group against the policyholders for long-term life policies and calculated as the difference between the net present values of premiums collected in return of the risk covered by the Group and the liabilities to policyholders. Life mathematical provisions are the sum of the remainder of collected premiums. Life mathematical provisions are computed on the basis of actuarial mortality assumptions as approved by the Turkish Treasury, which are applicable for Turkish insurance companies.

t) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group, and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

(Currency: Turkish Lira (TL))

3 Significant accounting policies *(continued)*

u) Employee benefits

Reserve for employee severance indemnity

Reserve for employee severance indemnity represents the present value of the estimated future probable obligation of the Group arising from the retirement of the employees and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the consolidated financial statements on an accrual basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The ceiling amounts are TL 3,828 and TL 3,438 at 31 December 2015 and 2014 respectively.

IAS 19 – *Employee benefits* requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The principal statistical assumptions used in the calculation of the total liability in the accompanying consolidated financial statements As at 31 December 2015 and 2014 are as follows:

	31 December 2015	**31 December 2014**
Discount rate	4.25%	3.32%
Expected rate of salary/limit increase	6.00%	6.15%
Turnover rate to estimate the probability of retirement	17.59%	17.96%

In accordance with the revision of IAS 19, effective starting from 1 January 2013, the Group recognized actuarial gains and losses arising on the defined benefit obligations in other comprehensive income.

Short-term employee benefits

The Group has recorded provision for undiscounted short-term employee benefits accrued during the period as per services rendered in compliance with IAS 19 in the accompanying consolidated financial statements.

v) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Future operating costs are not provided for.

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. When discounting is used, the increase in provision reflecting the passage of time is recognised as finance cost.

3 Significant accounting policies *(continued)*

w) Taxes on income

Income tax expense comprises current and deferred taxes. In case where gains/losses resulting from the subsequent measurement of the assets or liabilities are recognised in profit or loss, then the related current and/or deferred tax effects are also recognised in profit or loss. On the other hand, if such gains/losses are recognised as an item under equity, then the related current and/or deferred tax effects are also recognised directly in the equity.

Current taxes

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

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

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

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

Deferred taxes

Deferred tax assets and liabilities are recognised on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3 Significant accounting policies *(continued)*

w) Taxes on income *(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.

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.

x) Related parties

For the purpose of the accompanying consolidated financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties.

y) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. The Group does not expect these new standards, amendments to standards and interpretations to have an effect on the consolidated financial statements except *IFRS 9.*

IFRS 9 (2009) that shall supersede *IAS 39,* introduces new requirements for the classification and measurement of financial assets and additions relating to financial liabilities.

IFRS 9 if effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group has commenced the process of evaluating the potential effect on this standard but is awaiting finalisation of limited amendments before the evaluation can be completed.

4 Critical accounting estimates and judgments in applying accounting policies

The notes given in this section are provided to addition/supplement the commentary on the Note 5 – *Management of insurance risk* and Note 6 – *Management of financial risk.*

The preparation of the consolidated 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.

Ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is executed depending on different assumptions. Mortality tables CSO1953-58, CSO 80 (Male-Female), CSO 2001 (Male-Female) approved by the Turkish Treasury are used to estimate the ultimate liability arising from life insurance policies. For estimating the risk of critical illness, the Critical Illness Rating Tables which are recommended by leader treaty reinsurer are used.

4 Critical accounting estimates and judgments in applying accounting policies *(continued)*

Estimate of future benefit payments and premiums arising from long-term insurance contracts

For estimation of future benefit and premium payments, four parameters have significant impacts:

i) The lapse and surrender rates: These estimated rates are derived from past experience. In its estimation, the Group also takes into consideration the economic crisis or positive economic developments that will affect the rates either in a positive or a negative way.

ii) Number of deaths: While estimating number of deaths in a year, the historical mortality experiences are used.

iii) Future investment income: This estimate is based on current market returns as well as expectations about future economic and financial developments.

iv) Average premium per insured: The assumption is based on historical trends in average premium amounts per insured and economical expectations that may affect the average premium amount.

5 Management of insurance risk

Insurance risk is the likelihood that an insured event will occur, requiring the insurer to pay a claim. By the very nature of an insurance contact, the risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of the probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claim and benefit payments exceed carrying amount of the insured liabilities. These could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is likely to be affected across the board by a change in any subset of portfolio.

The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Pricing policies

The pricing policies and principles of the Group are as follows:

i) While determining risk premiums, the amount of expected losses are considered and premium limits are determined accordingly.

ii) During the study of pricing activities as a part of developing a new product, working of relevant units together within the Group is maintained by considering the needs of the customers and competition in the market.

iii) It is aimed to achieve profitability in product basis and providing continuity.

iv) Results of the pricing studies are compared with the prices of the competitors and international pricing cases, if observable.

The Group accepts insurance risk in health, life insurance, and personal accident branches. The Group also engages in other non-life branches through its intermediary operations of its subsidiary of which financial statements are consolidated in the accompanying consolidated financial statements. On the other hand, since the Group does not underwrite policies in those branches, they are not included in the accompanying consolidated financial statements.

5 Management of insurance risk *(continued)*

Health contracts

In health branch, the Group underwrites both individual and corporate policies under which insured medical expenses are compensated by the Group.

In individual segment, the Group offers a wide-range of products and extensive network of contracted service providers and detailed policy coverage to its individual customers which includes different indemnities and guarantees containing inpatient, outpatient, physician, birth-maternity, treatments in abroad, doctor and medicine, laboratory and screening, physical treatment, check-up, domestic and international travels and critical illnesses warranties.

The company offers optional coverage to its customers enabling to establish a product by including a variety of coverages in line with the customers' needs. The unique product offered in the market, requires the Company to assess the risk arising due to flexible type and based on the needs accordingly and accurately. This brings Company to face with high risk due to risk selection issue underlying in the nature of the product.

In corporate segment, the Group provides tailor-made products which are designed in accordance with the requests and needs of the corporate by considering the demographic distribution of the corporate employees. The Group offers a wide range of elastic products and extensive network of contracted service providers and detailed policy coverage.

The risk for the insurance contracts is related with the fact that the possibility of the insurance incident to occur and the damage amounts stemming from this certain incident is unknown due to the very nature of the insurance contracts, the respective risk is coincidental and hence cannot be foreseen thoroughly. The Group manages the respective risks with policy construction strategies and reassurance contracts where there are parties in all branches. Pricing by the Group is made based on the statistical analysis, previous data and morbidity and mortality tables with regards to the respective product.

Considering the guarantee types provided by the Group, the numbers and quantitative distribution can be observed in the table below. The Group management believes that the numbers and the quantitative distribution are sufficient.

Risk contracts in life and personal accident

Çınar Accident Insurance: It provides the guarantee of hospital stay due to accidents and breakages due to accidents, permanent disability due to accidents, and loss of life due to accidents.

Acıbadem Accident: While death due to the accident is the main guarantee, other guarantees such as medical treatment costs for the permanent disability due to the accident, permanent disability due to illness, and guarantees for death due to the accidents in public transportation are also provided under Acıbadem Accident.

Acıbadem School: It is designed so that the child can continue his/her education in the event that the person who is taking care of the education costs of the child dies. Insurance duration is determined with consideration of the child's education duration and insurance guarantee is determined with consideration of education costs which might emerge during this period. Death indemnity can be presented as stable or in annually decreasing amounts during the insurance period depending on the request of the insurer. Within the framework of this product, disability guarantee due to the accident can also be provided.

Goknar Annual Life Insurance: In this product whose insurance duration is one year, the death risk of the insurer in one year is taken under indemnity. Indemnity and premiums can be selected as Turkish Lira, US Dollar and Euro in the policy.

5 Management of insurance risk *(continued)*

Risk contracts in life and personal accident *(continued)*

Acıbadem Credit: It is designed for the payment of bank loan taken for house purchases in the event that the person who got the credit dies and for the rest of the family not to suffer. Insurance period is determined with consideration of the credit period and the insurance indemnity is determined with the consideration of loan amount to be paid during this period. Death indemnity can be presented as stable or in annually decreasing amounts during the insurance period depending on the request of the insured. Within the framework of this product, disability guarantee due to the accident can also be provided.

Investment contracts

Acıbadem Savings: In this product where insurance period can be selected between 10 years and 30 years, the possibilities of death and life for the insured during the insurance period are taken under guarantee. Depending on the payment terms, it is separated into two: with regular premium payment term and with single premium payment term. Death indemnities can change depending on the selection. In Acıbadem Savings product with regular premium payment term, all the premiums paid until the death time together with the profit margins up until that time is paid as death indemnity. In Acıbadem Savings with single premium payment term, in the event of death, death indemnity which is the 10 times of the single premium and the cumulative profit margins up until death time.

Acıbadem Future: Acıbadem future is guaranteeing the situations such as death or disability of the insured within the insurance period, or survival of the insured at the end of the insurance period. The main difference from other savings life insurance products is the fact that it guarantees both the death or disability and survival of the insured at the end of the insurance period. at the beginning of the policy or when required, risk evaluation is made and guarantee is provided with the selected numbers annually. Up to 150, 300 or 600 times of the monthly premium can be provided as death and disability guarantees.

Ekin Savings Insurance: This is an investment and savings product which depends on savings completely, under the Capital redemption insurances. It provides capital accumulation with the payments starting from today so as to reach a certain capital for a certain term and goal. It covers requirements for regular income provision in short and middle term. It is utterly for savings and therefore has no risk indemnity and risk costs at all.

Reinsurance contracts

Reinsurance contracts are the contracts which are signed by the Group for the losses which might stem from one or more insurance contracts, and which put into force by the Group and reinsurance company, whose costs have been paid and which meets all the requirements to be categorised as insurance contracts.

As at 31 December 2015, the Group has proportional and catastrophic (“Cat XL”) reinsurance agreements with Scor Global Life SE Paris, Zurich Branch (“Scor Re”) in life, personal accident and critical illnesses branches.

The Group signed excess of loss non-proportional reinsurance contracts in order to protect itself against catastrophic damages in health branch. In CAT XL non-proportional reinsurance contracts signed by the Group in health branch, the reinsurer company is HCC International Insurance Company PLC (“HCC”). In excess of loss non-proportional reinsurance contract signed by the Group in health branch, the reinsurer company is Scor Re.

(Currency: Turkish Lira (TL))

5 Management of insurance risk *(continued)*

Reinsurance companies

Reinsurance companies, providing reinsurance protection against health, life, personal accident and critical illness insurance risks are the one of the most important service providers of the Group. The decisive criteria for the relationship with reinsurers are as follows:

i) Financial strength,

ii) Long-term relationship approach,

iii) Competitive prices,

iv) Capacity provided for facultative and un-proportional (catastrophic) reinsurance contracts,

v) Opportunities and information provided in risk assessment process, product development, trainings, information about new developments in the sector and etc.

Performance of the reinsurance companies in treaty agreements is evaluated for each year by considering the payment performance of the reinsurers for the claims paid and other due payables to the Group. Performance of the reinsurance companies in facultative agreements is evaluated by considering capacity provided to the Group, speed in operational reinsurance transactions, and technical and market information provided to the Group. In case where the performance of the reinsurer is not assessed as adequate, the Group decides on to agree with alternative reinsurance companies.

The latest credit rating grades of these companies can be seen in the table below.

	Standard & Poors		AM Best	
Company	**Grade**	**Outlook**	**Grade**	**Outlook**
Scor Re	A+	Stable	A	Stable
HCC	AA	Stable	A+	Stable

Insurance risk accepted by the Group in accordance with their total amounts and numbers are presented in the below table. The Group management believes that the distribution of the insurance risk in terms of their total amounts and numbers are satisfactory.

	31 December 2015		31 December 2014	
	Insurance risk (TL)	**Number**	**Insurance risk (TL)**	**Number**
Disability due to accident (Earthquake included)	21,123,420,125	1,313,972	8,695,123,555	483.901
Death due to accident (Earthquake included)	21,115,120,125	1,313,972	8,676,335,342	483.901
Death	2,066,074,966	87,939	1,431,111,896	25.935
Death due to accident	1,393,896,496	29,964	1,998,373,366	48.236
Disability due to accident	1,363,104,391	63,351	1,902,840,896	47.515
Disability due to illness	1,268,347,282	20,601	1,340,651,347	23.835
Critical illness	107,144,735	1,396	79,967,443	922
Treatment costs due to accident	21,315,109	5,350	21,080,908	5.623
Broken/Burn	325,000	65	2,720,000	544
Daily hospital benefit due to accident	9,750	65	81,600	544
Daily damages	-	-	8,370	144
Daily disability due to accident	-	-	8,370	144

6 Management of financial risk

Introduction and overview

This note presents information about the Group's exposure to each of the below risks, the Group's objectives, policies and processes for measuring and managing financial risk, and the Group's management of capital. The Group has exposure to the following risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The most significant components of these financial risks are:

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors monitors the effectiveness of the risk management system through the Group's internal audit and internal control functions. The Group's finance and management reporting department is responsible from monitoring and management of financial risk that the Group faces, preparing financial risk analysis of the Group.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Key areas where the Group is exposed to credit risk are:

- cash and cash equivalents (except for cash on hand),
- financial assets at fair value through profit or loss,
- available-for-sale financial assets,
- held to maturity investment securities,
- loans and receivables,
- reinsurers' share of insurance liabilities,
- amounts due from reinsurers in respect of claims already paid and commissions,
- amounts due from insurance contract holders,
- amounts due from insurance intermediaries, and
- other receivables.

Reinsurance is utilised to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholders. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of the contract.

The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls associated with regulatory solvency.

(Currency: Turkish Lira (TL))

6 Management of financial risk *(continued)*

Credit risk *(continued)*

The carrying amount of assets represents the maximum credit exposure. As at 31 December 2015 and 2014, the maximum exposure to credit risk is:

	Carrying amount	
	31 December 2015	**31 December 2014**
Cash and cash equivalents *(Note 7)*	106,787,148	186,885,073
Financial assets owned by the Group *(Note 8)*	215,070,077	99,760,786
Premium and other insurance receivables *(Note 10,11)*	115,448,487	94,114,578
Cast at banks pledged in favour of the Turkish Treasury *(Note 8)*	53,710,981	50,479,085
Fin. assets backing inv. contract liabilities *(Note 8)*	22,211,352	26,714,331
Income accruals *(Note 13)*	5,433,156	5,895,503
Claims provision, reinsurers' share *(Note 22)*	3,538,135	5,749,386
Miscellaneous receivables *(Note 13)*	704,342	955,939
Advances given *(Note 13)*	499,571	426,800
Deposits given *(Note 13)*	48,495	41,035
Due from related parties *(Note 13)*	20,876	30,288
Total	**523,472,620**	**471,052,804**

Since the Group operates only in Turkey, geographic concentration of the maximum exposure to credit risk for premium and other insurance receivables at the reporting date is domestic. The Group's securities portfolio mainly consists of TL and foreign currency (FC) denominated government bonds, treasury bills and Eurobonds issued by the Turkish Government. Those securities are accepted as having low credit risk. The Group also has private sector corporate bonds of some private Turkish banks and industrial companies with high credit ratings. The Group only invests in the corporate bonds of the private sector companies which accomplish certain financial criteria set by the Group.

As at 31 December 2015 and 2014, the aging of premium and other insurance receivables and due from reinsurance companies is:

	31 December 2015		**31 December 2014**	
	Gross	**Impairment**	**Gross**	**Impairment**
Not past due	84,145,135	-	71,365,369	-
Past due 0-30 days	24,495,684	-	18,725,172	-
Past due 31-60 days	2,673,501	-	1,446,000	-
Past due 61-180 days	2,081,075	(70,672)	1,706,507	(153,438)
Past due 180-365 days	1,376,400	(10,360)	1,053,247	(109,338)
More than one year	7,008,442	(6,250,718)	4,430,005	(4,348,946)
Total	**121,780,237**	**(6,331,750)**	**98,726,300**	**(4,611,722)**

For the years ended 31 December 2015 and 2014, the movements in the allowance for impairment in premium and other insurance receivables and due from insurance and reinsurance companies is as follows:

	31 December 2015	**31 December 2014**
Balance at the beginning of the year *(Note 10,11)*	(4,611,722)	(4,506,925)
Collections during the year	424,983	288,577
Impairment loss recognised during the year	(2,145,011)	(393,374)
Balance at the end of the year *(Note 10,11)*	**(6,331,750)**	**(4,611,722)**

The Group cancels the policies where premiums are accrued but not collected within a certain period of time, and deducts them from the gross premiums and from the premium and other insurance receivables.

(Currency: Turkish Lira (TL))

6 Management of financial risk *(continued)*

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations of its financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group monitors its liquidity position on a daily basis, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the Group ensures that it has sufficient liquid assets to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. The following table provides an analysis of monetary liabilities of the Group into relevant maturity groupings based on the remaining periods to repayments. The figures show the undiscounted cash flows of the Group's monetary liabilities on the basis of their earliest possible contractual maturity.

31 December 2015	**Carrying amounts**	**Contractual amounts**	**Up to 1 month**	**1 to 3 month**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**
Non-derivative financial liabilities							
Financial liabilities	6,191,112	(6,191,112)	(6,191,112)	-	-	-	-
Insurance liabilities including the payables to medical networks	79,893,001	(79,893,001)	(26,759,879)	(53,133,122)	-	-	-
Investment contract liabilities	19,848,896	(19,848,896)	(484,270)	(841,058)	(1,467,348)	(1,551,576)	(15,504,644)
Outstanding claims provision	16,195,278	(16,195,278)	(4,396,554)	(8,214,668)	(1,169,807)	(300,685)	(2,113,564)
Other prov. and employee benefits	8,334,064	(8,334,064)	(1,184,139)	(381,307)	(973,626)	(5,187,495)	(607,497)
Other liabilities	35,809,480	(35,809,480)	(35,091,220)	(165,644)	-	-	(552,616)
Income taxes payable	-	-	-	-	-	-	-
Total	**166,271,831**	**(166,271,831)**	**(74,107,174)**	**(62,735,799)**	**(3,610,781)**	**(7,039,756)**	**(18,778,321)**
Derivative financial liabilities							
Inflow	799,948	33,210,585	2,953,213	13,103,905	17,153,467	-	-
Outflow	-	(32,457,539)	(2,907,600)	(12,831,239)	(16,718,700)	-	-
Total	**799,948**	**753,046**	**45,613**	**272,666**	**434,767**	**-**	**-**

31 December 2014	**Carrying amounts**	**Contractual amounts**	**Up to 1 month**	**1 to 3 month**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**
Non-derivative financial liabilities							
Financial liabilities	5,764,112	(5,765,401)	(5,765,401)	-	-	-	-
Insurance liabilities including the payables to medical networks	63,183,648	(63,939,212)	(13,288,520)	(50,650,692)	-	-	-
Investment contract liabilities	23,308,787	(23,308,787)	(1,082,633)	(1,252,718)	(1,696,321)	(2,239,763)	(17,037,352)
Outstanding claims provision	14,826,900	(14,826,900)	(3,929,977)	(7,779,238)	(1,249,164)	(374,566)	(1,493,955)
Other prov. and employee benefits	9,686,894	(9,686,894)	(882,358)	(1,202,206)	(432,083)	(6,654,046)	(516,201)
Other liabilities	53,115,922	(53,115,922)	(52,415,041)	(224,680)	-	-	(476,201)
Income taxes payable	1,536,368	(1,536,368)	-	(1,536,368)	-	-	-
Total	**171,422,631**	**(172,179,484)**	**(77,363,930)**	**(62,645,902)**	**(3,377,568)**	**(9,268,376)**	**(19,523,709)**
Derivative financial liabilities							
Inflow	7,088	9,641,420	-	9,641,420	-	-	-
Outflow	-	(9,502,952)	-	(9,502,952)	-	-	-
Total	**7,088**	**138,568**	**-**	**138,568**	**-**	**-**	**-**

Market risk

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

6 Management of financial risk *(continued)*

Market risk *(continued)*

Currency risk (continued)

The Group is exposed to currency risk mainly on investment contracts, underwriting and reinsurance activities denominated in US Dollar and Euro other than TL which is the functional currency of the Group. The Group also invests in financial assets denominated in the same currencies in relation to the insurance and investment contract liabilities.

The Group is long in on-balance sheet position in US Dollar and Euro as a result of general characteristics of insurance sector in Turkey especially due to investment contracts issued in years that Turkey had hyperinflationary economy. It is not possible to match foreign currency denominated financial assets with foreign currency denominated investment contract liabilities on an ongoing basis, since the policyholders have right to withdraw their savings at any time after completing a certain time as defined in the regulations after inception of the contracts. The Group's exposure to foreign currency position was as follows based on notional amounts (TL equivalents):

31 December 2015	US Dollar	Euro	Total
Cash and cash equivalents	19,377	13,693	33,070
Investment securities	41,373,571	535,304	41,908,875
Premiums and other insurance receivables	1,654,582	91,059	1,745,641
Other receivables	39,852	76,447	116,299
Total foreign currency denominated monetary assets	**43,087,382**	**716,503**	**43,803,885**
Due to reinsurance companies	13,923	103,426	117,349
Outstanding claims provision	2,631,814	164,979	2,796,793
Investment contract liabilities	7,837,729	353,993	8,191,722
Other liabilities	180,701	25,381	206,082
Total foreign currency denominated monetary liabilities	**10,664,167**	**647,779**	**11,311,946**
Net on-balance sheet position	**32,423,215**	**68,724**	**32,491,939**
Net off-balance sheet position	**(32,457,539)**	**-**	**(32,457,539)**
Net long/(short) position	**(34,324)**	**68,724**	**34,400**

31 December 2014	US Dollar	Euro	Total
Cash and cash equivalents	11	2,165	2,176
Investment securities	20,672,632	489,232	21,161,864
Premiums and other insurance receivables	1,324,355	64,720	1,389,075
Other receivables	42,459	-	42,459
Total foreign currency denominated monetary assets	**22,039,457**	**556,117**	**22,595,574**
Due to reinsurance companies	-	6,415	6,415
Outstanding claims provision	244,282	64,829	309,111
Investment contract liabilities	11,626,640	460,558	12,087,198
Other liabilities	142,868	19,004	161,872
Total foreign currency denominated monetary liabilities	**12,013,790**	**550,806**	**12,564,596**
Net on-balance sheet position	**10,025,667**	**5,311**	**10,030,978**
Net off-balance sheet position	**(9,502,852)**	**-**	**(9,502,852)**
Net long/(short) position	**522,815**	**5,311**	**528,126**

10% devaluation of the TL against the following currencies as at 31 December 2015 and 2014 would have increased equity and profit or loss (without tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. If TL evaluates against other currencies by 10%, the effect will be the reverse of the following amounts.

(Currency: Turkish Lira (TL))

6 Management of financial risk *(continued)*

Market risk *(continued)*

Currency risk (continued)

	31 December 2015		31 December 2014	
	Equity(*)	**Profit or loss**	**Equity(*)**	**Profit or loss**
US Dollar	(3,432)	8,056	52,282	70,523
Euro	6,872	8,315	531	441
Total, net	**3,440**	**16,371**	**52,813**	**70,964**

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

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 due to changes in market interest rates and to which trading portfolios are exposed is the risk of loss from fluctuations in the 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 re-pricing bands. As at 31 December 2015 and 2014, interest rate profile of the Group's interest earning and interest-bearing financial instruments is:

	Carrying amount	
	31 December 2015	**31 December 2014**
Financial assets with fixed interest rates		
Cash at banks with original maturity more than 3 months *(Note 8)*	159,570,824	67,844,435
Cash at banks *(Note 7)*	97,326,382	178,867,394
Blocked cash at banks *(Note 8)*	54,168,353	50,809,867
Available-for-sale fin. assets – FC private sector corporate bonds *(Note 8)*	9,339,080	-
Available-for-sale financial assets backing investment contracts – FC private sector corporate bonds *(Note 8)*	9,112,449	-
Available-for-sale financial assets backing investment contracts – government bonds *(Note 8)*	5,134,733	5,869,233
Held to maturity financial assets backing investment contracts – government bonds *(Note 8)*	4,556,524	4,560,100
Available-for-sale financial assets backing investment contracts – FC private sector corporate bonds *(Note 8)*	4,032,995	-
Available-for-sale fin. assets – government bonds issued by the Turkish Government *(Note 8)*	2,903,881	953,099
Loans and receivables backing inv. cont. liab. – time deposit *(Note 8)*	2,645,711	15,795,765
Loans to the policyholders *(Note 10)*	807,551	655,066
Available-for-sale financial assets backing investment contracts – Eurobonds *(Note 8)*	437,340	399,700
FAAFTPL backing investment contracts – Eurobonds *(Note 8)*	97,964	89,533
Available-for-sale fin. assets – FC private sector corporate bonds *(Note 8)*	-	7,193,838
Financial assets with variable interest rates		
Available-for-sale financial assets – debt securities indexed to consumer price index *(Note 8)*	23,903,402	7,738,660
Available-for-sale fin. assets – TL private sector cor. bonds *(Note 8)*	6,662,189	6,115,386
Held to maturity financial assets – government bonds *(Note 8)*	3,061,542	2,838,718
Available-for-sale fin. assets – government bonds issued by the Turkish Government *(Note 8)*	2,017,785	2,035,397
FAAFTPL – TL private sector corporate bonds *(Note 8)*	-	2,296,883
Financial liabilities with fixed interest rates		
– Obligations under repurchase agreements *(Note 9)*	6,191,112	5,745,590

(Currency: Turkish Lira (TL))

6 Management of financial risk *(continued)*

Market risk *(continued)*

Fair value sensitivity analysis for financial instruments

The Group classified both financial assets owned by the Group and financial assets backing investment contract liabilities as financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables and held-to-maturity investment securities. Financial assets at fair value through profit or loss and available-for-sale financial assets both owned by the Group and backing investment contract liabilities are subject to market risk due to change in market interest rates. Profit or loss and equity effects (without tax effects) of 100 bp changes in interest rates are shown below. This analysis assumes that all other variables, in particular foreign currency rates remain constant. This analysis is performed on the same basis as at and for the year ended 31 December 2014.

	31 December 2015			
	Profit or loss		Equity(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Available-for-sale financial assets	84,382	(84,382)	(557,183)	599,314
Other floating rate financial assets	(243,102)	254,529	(243,102)	254,529
Financial assets at fair value through profit and loss backing investment contract liabilities	(351)	268	(351)	268
Available-for-sale financial assets backing investment contract liabilities	-	-	(73,977)	76,236
Total	**(159,071)**	**170,415**	**(874,613)**	**930,347**

	31 December 2014			
	Profit or loss		Equity(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial assets at fair value through profit and loss	22,088	(22,068)	22,088	(22,068)
Available-for-sale financial assets	79,202	(79,202)	(329,987)	405,847
Other floating rate financial assets	(125,379)	132,892	(125,379)	132,892
Financial assets at fair value through profit and loss backing investment contract liabilities	(491)	506	(491)	506
Available-for-sale financial assets backing investment contract liabilities	-	-	(23,051)	23,974
Total	**(24,580)**	**32,128**	**(456,820)**	**541,151**

(*) Equity effect also includes profit or loss effect of the changes in interest rates.

The fair values of financial assets and liabilities

The Group has reclassified its quoted marketable securities as either financial assets at fair value through profit or loss or as available-for-sale financial assets in the accompanying consolidated financial statements and measured based on quoted market prices at the reporting date. The Group has also measured its investment contract liabilities based on the market prices of those underlying securities classified as financial assets at fair value through profit or loss or available-for-sale financial assets.

As at 31 December 2015, fair value of held to maturiy investment securitites with a carrying value of TL 7,618,066 (31 December 2014: TL 7,398,818) was amounted to TL 7,804,568 (31 December 2014: TL 8,222,746). Held to matury investment securitites have quoted market prices that are in the Level 1 of fair value classification.

The Group management believes that carrying values of other financial assets and financial liabilities are reasonable approximation of their fair values, considering their average maturities.

(Currency: Turkish Lira (TL))

6 Management of financial risk *(continued)*

Market risk *(continued)*

Classification of fair value measurement

IFRS 7 – *Financial Instruments* 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 Group. 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 using observable market data if possible.

	31 December 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets at fair value through profit or loss *(Note 8)*	97,462	799,948	-	**897,410**
Available-for-sale financial assets *(Note 8)*	48,632,701	2,907,600	-	**51,540,301**
Financial assets at fair value through profit or loss backing inv. contract liabilities *(Note 8)*	97,964	-	-	**97,964**
Available-for-sale financial assets backing inv. contract liabilities *(Note 8)*	14,911,153	-	-	**14,911,153**
Total financial assets measured at fair value	**63,739,280**	**3,707,548**	**-**	**67,446,828**
Financial liabilities:				
Investment contract liabilities	19,848,896	-	-	19,848,896
Total financial liabilities measured at fair value	**19,848,896**	**-**	**-**	**19,848,896**

	31 December 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Financial assets at fair value through profit or loss *(Note 8)*	2,384,483	7,088	-	**2,391,571**
Available-for-sale financial assets *(Note 8)*	24,036,380	2,318,900	-	**26,355,280**
Financial assets at fair value through profit or loss backing inv. contract liabilities *(Note 8)*	89,533	-	-	**89,533**
Available-for-sale financial assets backing inv. contract liabilities *(Note 8)*	6,268,933	-	-	**6,268,933**
Total financial assets measured at fair value	**32,779,329**	**2,325,988**	**-**	**35,105,317**
Financial liabilities:				
Derivative financial instruments held for trading purposes *(Note 9)*				
Investment contract liabilities	23,308,787	-	-	23,308,787
Total financial liabilities measured at fair value	**23,308,787**	**-**	**-**	**23,308,787**

6 Management of financial risk *(continued)*

Capital management

The Group's capital management policies include the following:

- to comply with the insurance capital requirements required by the Turkish Treasury;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In accordance with the "Circular regarding the measurement and assessment of capital adequacy of insurance, reinsurance and individual pension companies" issued by the Turkish Treasury on 19 January 2008 dated and 26761 numbered Official Gazette, capital requirement is measured on a semi-annually and standalone basis based on the statutory financial statements of insurance companies.

The Group has measured the minimum level of required capital and available capital as TL 154,564,096 and TL 172,900,394 respectively, as at 30 June 2015 (The Group has measured the minimum level of required capital and available capital as TL 130,680,222 and TL 164,063,700 respectively, as at 31 December 2014).

7 Cash and cash equivalents

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

	31 December 2015	**31 December 2014**
Cash on hand	1,434	2,350
Cash at banks	97,479,277	179,102,064
Credit card receivables	9,307,871	7,783,009
Cash and cash equivalents	**106,788,582**	**186,887,423**
Interest income accruals on cash at banks	(664,781)	(986,622)
Cash and cash equivalents in the consolidated statement of cash flows	**106,123,801**	**185,900,801**

As at 31 December 2015 and 2014, cash at banks are further analysed as follows:

	31 December 2015	**31 December 2014**
Foreign currency denominated bank deposits		
- demand deposits	33,070	2,176
	33,070	**2,176**
Bank deposits in Turkish Lira		
- demand deposits	119,825	232,494
- time deposits	97,326,382	178,867,394
	97,446,207	**179,099,888**
Total	**97,479,277**	**179,102,064**

As at 31 December 2015 and 2014, interest rate interval for time deposits is as follows:

	Interest rate per annum (%)	
	31 December 2015	**31 December 2014**
TL	7.50-13.75	5.99 – 11.50

(Currency: Turkish Lira (TL))

8 Investment securities

As at 31 December 2015 and 2014, the investment portfolio of the Company is as follows:

	31 December 2015	31 December 2014
Financial assets at fair value through profit or loss	995,374	2,481,104
Investment securities	290,454,408	174,473,098
Total investment securities	**291,449,782**	**176,954,202**

	31 December 2015	31 December 2014
Group's own portfolio:		
Financial assets at fair value through profit or loss	897,410	2,391,571
Available-for-sale financial assets	51,540,301	26,355,280
Held-to-maturity investments	3,061,542	2,838,718
Loans and receivables	213,739,177	118,654,302
Total Group's own portfolio	**269,238,430**	**150,239,871**
Financial assets backing investment contract liabilities:		
Financial assets at fair value through profit or loss	97,964	89,533
Available-for-sale financial assets	14,911,153	6,268,933
Held-to-maturity investments	4,556,524	4,560,100
Loans and receivables	2,645,711	15,795,765
Total financial assets backing investment contract liabilities	**22,211,352**	**26,714,331**
Total investment securities	**291,449,782**	**176,954,202**

As at 31 December 2015 and 2014, the Group's own portfolio is as follows:

	31 December 2015			
	Nominal value	Cost	Fair value	Carrying value
Non-fixed income securities:				
Investment funds – TL	-	85,386	97,462	97,462
		85,386	**97,462**	**97,462**
Derivative financial instruments:				
Derivative financial instruments	-	-	799,948	799,948
		-	**799,948**	**799,948**
Financial assets at fair value through profit or loss		**85,386**	**897,410**	**897,410**
Fixed income securities:				
Government bonds – TL	15,912,291	21,830,442	22,359,976	22,359,976
Government bonds subject to repurchase transactions – TL	5,521,000	5,670,807	6,465,092	6,465,092
Private sector corporate bonds – FC	8,722,800	8,984,484	9,112,449	9,112,449
Private sector corporate bonds – TL	10,500,000	10,588,740	10,695,184	10,695,184
		47,074,473	**48,632,701**	**48,632,701**
Non-fixed income securities:				
Investment funds – FC		2,907,600	2,907,600	2,907,600
		2,907,600	**2,907,600**	**2,907,600**
Available-for-sale financial assets		**49,982,073**	**51,540,301**	**51,540,301**
Fixed income securities:				
Government bonds – TL	2,011,000	1,972,823	3,269,566	3,061,542
Held to maturity investment securities		**1,972,823**	**3,269,566**	**3,061,542**
Blocked cash at banks		53,710,981	54,168,353	54,168,353
Cash at banks with original maturity more than 3 months- FC		19,917,060	20,014,442	20,014,442
Cash at banks with original maturity more than 3 months- TL		138,504,665	139,556,382	139,556,382
Loans and receivables		**212,132,706**	**213,739,177**	**213,739,177**
Total Group's own portfolio		**264,172,988**	**269,446,454**	**269,238,430**

(Currency: Turkish Lira (TL))

8 Investment securities *(continued)*

	31 December 2014			
	Nominal value	Cost	Fair Value	Carrying value
Fixed income securities:				
Private sector corporate bonds – TL	2,280,000	2,290,533	2,296,883	2,296,883
		2,290,533	**2,296,883**	**2,296,883**
Non-fixed income securities:				
Investment funds – TL	-	85,386	87,600	87,600
	-	**85,386**	**87,600**	**87,600**
Derivative financial instruments:				
Derivative financial instruments	-	-	7,088	7,088
	-	**-**	**7,088**	**7,088**
Financial assets at fair value through profit or loss		**2,375,919**	**2,391,571**	**2,391,571**
Fixed income securities:				
Government bonds – TL	3,219,459	3,423,867	4,636,042	4,636,042
Government bonds subject to repurchase transactions – TL	4,987,000	5,249,227	6,091,114	6,091,114
Private sector corporate bonds – FC	6,956,700	7,165,401	7,193,838	7,193,838
Private sector corporate bonds – TL	5,980,000	5,989,619	6,115,386	6,115,386
		21,828,114	**24,036,380**	**24,036,380**
Non-fixed income securities:				
Investment funds – FC	-	2,318,900	2,318,900	2,318,900
	-	**2,318,900**	**2,318,900**	**2,318,900**
Available-for-sale financial assets		**24,147,014**	**26,355,280**	**26,355,280**
Fixed income securities:				
Government bonds – TL	2,011,000	1,972,823	3,232,299	2,838,718
Held to maturity investment securities		**1,972,823**	**3,232,299**	**2,838,718**
Cash at banks with original maturity more than 3 months-TL	-	67,448,304	67,844,435	67,844,435
Blocked cash at banks	-	50,479,085	50,809,867	50,809,867
Loans and receivables	-	**117,927,389**	**118,654,302**	**118,654,302**
Total Group’s own portfolio		**146,423,145**	**150,633,452**	**150,239,871**

As at 31 December 2015, the Group has TL 54,168,353 (31 December 2014: TL 50,809,867) blocked deposits in favour of the Turkish Treasury *(Note 8, 31)* which is recorded as loans and receivables under investment securities in the accompanying consolidated financial statements.

As at 31 December 2015 and 2014, financial assets backing investment contract liabilities are as follows:

	31 December 2015			
	Nominal value	Cost	Fair value	Carrying value
Fixed income securities:				
Eurobonds issued by the Turkish Government	88,973	85,969	97,964	97,964
Financial assets at fair value through profit or loss		**85,969**	**97,964**	**97,964**
Fixed income securities:				
Government bonds – TL	5,067,653	5,197,385	5,134,733	5,134,733
Eurobonds issued by the Turkish Government	363,450	442,131	437,340	437,340
Private sector corporate bonds – FC	9,013,560	9,526,529	9,339,080	9,339,080
Available-for-sale financial assets		**15,166,045**	**14,911,153**	**14,911,153**
Fixed income securities:				
Government bonds – TL	4,329,343	4,375,442	4,535,002	4,556,524
Held to maturity investment securities		**4,375,442**	**4,535,002**	**4,556,524**
Cash at banks – TL		2,614,381	2,645,711	2,645,711
Loans and receivables		**2,614,381**	**2,645,711**	**2,645,711**
Total financial assets backing investment contract liabilities		**22,241,837**	**22,189,830**	**22,211,352**

(Currency: Turkish Lira (TL))

8 Investment securities *(continued)*

	31 December 2014			
	Nominal value	**Cost**	**Fair Value**	**Carrying value**
Fixed income securities:				
Government bonds – TL				
Eurobonds issued by the Turkish Government	78,980	76,313	89,533	89,533
Financial assets at fair value through profit or loss		**76,313**	**89,533**	**89,533**
Fixed income securities:				
Eurobonds issued by the Turkish Government	289,863	392,472	399,700	399,700
Private sector corporate bonds – FC				
Government bonds – TL	5,607,050	5,982,754	5,869,233	5,869,233
Private sector corporate bonds – TL				
Available-for-sale financial assets		**6,375,226**	**6,268,933**	**6,268,933**
Fixed income securities:				
Government bonds – TL	4,329,343	4,375,442	4,990,447	4,560,100
Held to maturity investment securities		**4,375,442**	**4,990,447**	**4,560,100**
Cash at banks – TL	-	4,633,037	4,635,872	4,635,872
Cash at banks – FC	-	11,155,247	11,159,893	11,159,893
Loans and receivables		**15,788,284**	**15,795,765**	**15,795,765**
Total financial assets backing investment contract liabilities		**26,615,265**	**27,144,678**	**26,714,331**

As at 31 December 2015 and 2014, foreign currency denominated securities are as follows:

	Amount in original currency		**TL equivalent**	
	31 December 2015	**31 December 2014**	**31 December 2015**	**31 December 2014**
US Dollar	7,345,965	4,102,263	21,359,129	9,512,739
Euro	168,462	173,444	535,304	489,232
Total			**21,894,433**	**10,001,971**

As at 31 December 2015 and 2014, interest rates for the investment securities are as follows:

	31 December 2015	**31 December 2014**
Financial assets at fair value through profit and loss:		
Private sector corporate bonds owned by the Group	-	6.86% -13.09%
Eurobonds issued by the Turkish Government backing inv. contract liabilities	5.86% - 6.02%	5.86% - 6.02%
Available-for-sale financial assets:		
Government bonds and treasury bills owned by the Group	6.64% - 12.41%	5.84% -11.54%
Government bonds and treasury bills backing inv. contract liabilities	8.21% - 9.06%	7.93% -9.59%
Private sector corporate bonds owned by the Group	10.89% - 14.96%	10.57% -13.20%
FC Private sector corporate bonds owned by the Group		7.71%
Private sector corporate bonds backing investment contract liabilities		-
Eurobonds issued by the Turkish Government backing inv. contracts	2.56% - 7.71%	2.56%
Held to maturity investment securities:		
Government bonds and treasury bills owned by the Group	13.03% - 13.23%	13.03% - 13.23%
Government bonds and treasury bills backing inv. contract liabilities	10.32% -10.65%	10.32% -10.65%

(Currency: Turkish Lira (TL))

8 Investment securities *(continued)*

As at 31 December 2015 and 2014, the movement of securities, excluding derivative financial instruments and loans and receivables is follows:

	Group's own portfolio			Financial assets backing inv. contract liabilities			
31 December 2015	**Fin. assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Held to maturity inv. securities**	**Fin. assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Held to maturity inv. securities**	**Total**
Balance at the beginning of the year	**2,384,483**	**26,355,280**	**2,838,718**	**89,533**	**6,268,933**	**4,560,100**	**42,497,047**
Foreign currency differences of financial assets	-	2,433,692	-	11,328	856,129	-	**3,301,149**
Acquisitions during the year	-	57,109,302	-	-	8,697,443	-	**65,806,745**
Transfers	-	(2,771,013)	-	-	2,771,013	-	-
Disposals (either sold or settled)	(2,296,884)	(31,573,688)	-	(2,897)	(3,371,687)	-	**(37,242,259)**
Change in the fair value of financial assets	9,863	(288,430)	-	-	(179,113)	-	**(460,577)**
Change in amortised costs of the financial assets	-	275,158	222,824	-	(131,565)	(3,576)	**362,841**
Balance at the end of the year	**97,462**	**51,540,301**	**3,061,542**	**97,964**	**14,911,153**	**4,556,524**	**74,264,946**

	Group's own portfolio			Financial assets backing inv. contract liabilities			
31 December 2014	**Fin. assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Held to maturity inv. securities**	**Fin. assets at fair value through profit or loss**	**Available-for-sale financial assets**	**Held to maturity inv. securities**	**Total**
Balance at the beginning of the year	**2,379,633**	**42,910,442**	**2,599,333**	**3,014,500**	**17,142,495**	**4,563,214**	**72,609,617**
Foreign currency differences of financial assets	-	743,028	-	(3,646)	25,963	-	**765,345**
Acquisitions during the year	82,252	42,901,867	-	-	2,172,753	-	**45,156,872**
Transfers	-	(3,724,891)	-	-	3,724,891	-	-
Disposals (either sold or settled)	(100,166)	(56,661,181)	-	(2,921,990)	(16,992,519)	-	**(76,675,856)**
Change in the fair value of financial assets	22,764	(400,932)	-	669	229,559	-	**(147,940)**
Change in amortised costs of the financial assets	-	586,947	239,385	-	(34,209)	(3,114)	**789,009**
Balance at the end of the year	**2,384,483**	**26,355,280**	**2,838,718**	**89,533**	**6,268,933**	**4,560,100**	**42,497,047**

(Currency: Turkish Lira (TL))

8 Investment securities *(continued)*

Total securities blocked in favour of the Turkish Treasury are as follows:

	31 December 2015			
	Nominal value	**Cost**	**Fair value**	**Carrying value**
Financial assets backing investment contract liabilities – debt securities	18,862,979	19,627,456	19,544,119	19,565,641
Financial assets backing investment contract liabilities – bank deposits	-	2,614,381	2,645,711	2,645,711
Financial assets at fair value through profit or loss owned by the Group – debt securities	-	-	-	-
Financial assets at fair value through profit or loss owned by the Group – investment funds	-	-	-	-
Total *(Note 30)*		**22,241,837**	**22,189,830**	**22,211,352**

	31 December 2014			
	Nominal value	**Cost**	**Fair value**	**Carrying value**
Financial assets backing investment contract liabilities – debt securities	-	15,788,284	15,795,765	15,795,765
Financial assets backing investment contract liabilities – bank deposits	10,305,236	10,826,981	11,348,913	10,918,566
Financial assets at fair value through profit or loss owned by the Group – debt securities	-	85,386	87,600	87,600
Financial assets at fair value through profit or loss owned by the Group – investment funds	7,256	7,558	7,341	7,341
Total *(Note 30)*		**26,708,209**	**27,239,619**	**26,809,272**

9 Financial liabilities

As at 31 December 2015 and 2014, financial liabilities are as follows:

	31 December 2015	**31 December 2014**
Obligations under repurchase agreements	6,191,112	5,745,590
Other financial liabilities	-	18,522
Total financial liabilities	**6,191,112**	**5,764,112**

Obligations under repurchase agreements

The Group raises funds by selling financial instruments under agreements to repay the funds by repurchasing the instruments at future dates at the same price plus interest at a predetermined rate. Repurchase agreements are commonly used as a tool for short-term financing of interest-bearing assets, depending on the prevailing interest rates.

Assets sold under repurchase agreements comprise the following:

	31 December 2015		**31 December 2014**	
	Fair value of underlying assets	**Carrying value of corresponding liabilities**	**Fair value of underlying assets**	**Carrying value of corresponding liabilities**
Available for sale portfolio	6,465,092	6,191,112	6,091,114	5,745,590

As at 31 December 2015, accrued interest on obligations under repurchase agreements amounted to TL 1,737 (31 December 2014: TL 1,590) and is included in the carrying amount of corresponding liabilities.

(Currency: Turkish Lira (TL))

9 Financial liabilities *(continued)*

Derivative financial instruments held for trading purposes

A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlyings, such as financial instrument prices, reference rates, commodity prices or indices. The fair value of derivative financial instruments is calculated by using forward exchange rates at the reporting date.

As at 31 December 2015 and 2014, notional amounts of derivative financial instruments held for trading purposes are as follows:

	31 December 2015			
Maturity:	**Up to 1 month**	**1 - 3 months**	**3-12 months**	**Total**
Currency swaps:				
Purchase-TL	-	12,467,489	17,153,467	29,620,956
Sales-US Dollars	-	12,206,105	16,718,700	28,924,805
Forwards:				
Purchase-TL	2,953,213	636,416	-	3,589,629
Sales-US Dollars	2,907,600	625,134	-	3,532,734
Total:				
Purchase-TL	2,953,213	13,103,905	17,153,467	33,210,585
Sales-US Dollars	2,907,600	12,831,239	16,718,700	32,457,539
Total	**5,860,813**	**25,935,144**	**33,872,167**	**65,668,124**

	31 December 2014			
Maturity:	**Up to 1 month**	**1 - 3 months**	**3-12 months**	**Total**
Currency swaps:				
Purchase-TL	-	7,126,020	-	7,126,020
Sales-US Dollars	-	7,183,952	-	7,183,952
Forwards:				
Purchase-TL	-	2,515,400	-	2,515,400
Sales-US Dollars	-	2,318,900	-	2,318,900
Total:				
Purchase-TL	-	9,641,420	-	9,641,420
Sales-US Dollars	-	9,502,852	-	9,502,852
Total	**-**	**19,144,272**	**-**	**19,144,272**

As at 31 December 2015, derivative financial instruments held for trading purposes in a net receivable position (positive fair value) amount to TL 799,948 (31 December 2014: positive fair value of TL 7,088) *(Note 8, 9)*.

10 Premium and other insurance receivables

	31 December 2015	**31 December 2014**
Policyholders and intermediaries	109,832,615	92,588,345
Loans to the policyholders	807,551	655,066
Provision for overdue receivables *(Note 6)*	(5,996,846)	(4,276,852)
Total premium and other insurance receivables	**104,643,320**	**88,966,559**

The Group individually assesses all premium receivables for more than 60 days for any potential impairment. Accordingly, as at 31 December 2015, the provision for overdue receivables amounting to TL 5,996,846 (31 December 2014: TL 4,276,852) including the doubtful receivables for which the Group has started to legal procedures, is provided in relation to premium and other insurance receivables.

(Currency: Turkish Lira (TL))

11 Amounts due from/to insurance and reinsurance companies

As at 31 December 2015 and 2014, amounts due from and due to reinsurance companies comprised the followings:

Due from insurance and reinsurance companies	31 December 2015	31 December 2014
Aksigorta	8,480,776	-
Milli Reasürans TAŞ	978,143	794,617
Scor Re	884,916	1,334,908
SBN Sigorta AŞ	338,011	7,434
GBG	104,874	-
Munich Re	46,647	151,423
Zurich Sigorta AŞ	-	2,799,676
Others	306,704	394,831
Provision for overdue receivables *(Note 6)*	(334,904)	(334,870)
Total	**10,805,167**	**5,148,019**

Due to insurance and reinsurance companies	31 December 2015	31 December 2014
Scor Re	3,913,044	-
Global Benefits	1,305,938	7,570
Others	10,767	20,117
Total	**5,229,749**	**27,687**

12 Payables to medical networks and other insurance payables

As at 31 December 2015 and 2014, other insurance payables comprised following:

	31 December 2015	31 December 2014
Payables to brokerage companies	2,477,595	2,390,193
Payables to agencies	2,415,530	1,381,655
Payables to policyholders	1,219,275	193,155
Others	180,994	86,571
Total	**6,293,394**	**4,051,574**

As at 31 December 2015, the Group has TL 68,369,858 (31 December 2014: TL 59,104,387) payable to medical networks and pharmacies.

13 Other assets

As at 31 December 2015 and 2014, other assets comprised following:

	31 December 2015	31 December 2014
Income accruals (*)	5,433,156	5,895,503
Prepaid expenses	923,628	881,691
Miscellaneous receivables	704,342	955,939
Advances given	499,571	426,800
Stationary stocks	179,127	148,583
Deposits given	48,495	41,035
Receivables from related parties *(Note 31)*	20,876	30,288
Other assets	85	-
Total	**7,809,280**	**8,379,839**

(*) Income accruals mainly include accruals for loss sharing agreements signed with corporate customers based on the performance of their health insurance contracts.

(Currency: Turkish Lira (TL))

14 Investment properties, net

The Group has no investment property as at 31 December 2015 and 2014.

15 Property and equipment, net

For the years ended 31 December 2015 and 2014, the movement of property and equipment is as follows:

	1 January 2015	**Additions**	**Disposals**	**Reversal of impairment**	**31 December 2015**
Cost:					
Building	1,026,779	-	-	-	1,026,779
Leasehold improvements	1,477,913	394,266	-	-	1,872,179
Furniture and fixtures	2,879,795	2,883,718	(67,490)	-	5,696,023
Tangible assets acquired through finance leases	-	-	-	-	
	5,384,487	**3,277,984**	**(67,490)**	**-**	**8,594,981**
Accumulated depreciation:					
Building	(285,944)	(27,386)	-	-	(313,330)
Leasehold improvements	(666,419)	(294,167)	-	-	(960,586)
Furniture and fixtures	(1,245,782)	(752,362)	67,490	-	(1,930,654)
Tang. assets acquired through finance leases	-	-	-	-	-
	(2,198,145)	**(1,073,915)**	**67,490**	**-**	**(3,204,570)**
Net carrying value	**3,186,342**				**5,390,411**

	1 January 2014	**Additions**	**Disposals**	**Reversal of impairment**	**31 December 2014**
Cost:					
Building	1,026,779	-	-	-	1,026,779
Leasehold improvements	1,205,576	275,448	(3,111)	-	1,477,913
Furniture and fixtures	2,212,063	675,628	(7,896)	-	2,879,795
Tangible assets acquired through finance leases	129,125	-	(129,125)	-	-
	4,573,543	**951,076**	**(140,132)**	**-**	**5,384,487**
Accumulated depreciation:					
Building	(258,559)	(27,385)	-	-	(285,944)
Leasehold improvements	(423,310)	(246,220)	3,111	-	(666,419)
Furniture and fixtures	(886,585)	(366,734)	7,537	-	(1,245,782)
Tang. assets acquired through finance leases	(129,125)	-	129,125	-	-
	(1,697,579)	**(640,339)**	**139,773**	**-**	**(2,198,145)**
Net carrying value	**2,875,964**				**3,186,342**

(Currency: Turkish Lira (TL))

16 Intangible assets, net

For the years ended 31 December 2015 and 2014, the movement of intangible assets is as follows:

	1 January 2015	**Additions**	**Disposals**	**31 December 2015**
Cost:				
Rights	24,586	19,843	-	44,429
Computer software	2,652,620	1,923,133	-	4,575,753
	2,677,206	**1,942,976**	-	**4,620,182**
Accumulated amortisation:				
Rights	(5,502)	(2,553)	-	(8,055)
Computer software	(2,235,336)	(208,739)	-	(2,444,075)
	(2,240,838)	**(211,292)**	-	**(2,452,130)**
Net carrying value	**436,368**			**2,168,052**

	1 January 2014	**Additions**	**Disposals**	**31 December 2014**
Cost:				
Rights	13,423	11,163	-	24,586
Computer software	2,323,785	328,835	-	2,652,620
	2,337,208	**339,998**	-	**2,677,206**
Accumulated amortisation:				
Rights	(4,261)	(1,241)	-	(5,502)
Computer software	(2,141,346)	(93,990)	-	(2,235,336)
	(2,145,607)	**(95,231)**	-	(2,240,838)
Net carrying value	**191,601**			**436,368**

17 Income taxes

As at 31 December 2015 and 2014, prepaid income taxes are netted off with the current income tax payable as stated below:

	31 December 2015	**31 December 2014**
Income taxes payable	9,190,064	6,236,651
Prepaid income taxes	(7,081,794)	(4,700,283)
Income taxes payable / (Current tax assets)	**(2,108,270)**	**1,536,368**

As at 31 December 2015 and 2014, deferred tax asset is attributable to the items detailed in the table below:

	31 December 2015	**31 December 2014**
Technical provisions	1,266,983	794,323
Employee related provisions	954,088	771,100
Provision for overdue premium receivables	568,904	273,919
Tax losses carried forward	286,453	-
Provision for legal cases	167,417	420,148
Difference in valuation of financial assets	(130,983)	186,643
Profit/loss share provisions	(172,238)	68,424
Income accrual	(175,346)	-
Others	(265,009)	(358,423)
Deferred tax assets, net	**2,500,269**	**2,156,134**

(Currency: Turkish Lira (TL))

17 Income taxes *(continued)*

Income tax expense for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Income tax expense recognised in profit or loss:		
- Current tax charge	(7,485,607)	(5,755,892)
- Deferred tax benefit/(charge)	354,576	(1,075,358)
Income tax expense	**(7,131,031)**	**(6,831,250)**

As at and for the year ended 31 December 2015 and 2014, movement of deferred tax balances are as follows:

	31 December 2015	31 December 2014
Deferred tax assets balance at previous year	2,156,134	3,261,446
Deferred tax recognised in profit or loss	354,576	(1,075,358)
Deferred tax recognised in other comprehensive income	(10,441)	(29,954)
Deferred tax assets balance at current year	**2,500,269**	**2,156,134**

The total provision for taxes on income is different than the amount computed by applying the statutory tax rate to income before provision for taxes as shown in the following reconciliation:

	31 December 2015	%	31 December 2014	%
Profit before taxes	35,590,703		34,247,852	
Taxes on income per statutory tax rate	(7,118,141)	20.00	(6,849,570)	20.00
Non-deductible expenses and tax exempt income, net	(12,890)	0.04	18,320	(0.05)
Income tax expense	**(7,131,031)**	**20.04**	**(6,831,250)**	**19.95**

18 Deferred acquisition costs

As at 31 December 2015 and 2014, deferred acquisition costs are as follows:

	31 December 2015	31 December 2014
Deferred commission expenses	10,578,224	7,960,493
Deferred other acquisition costs	3,243,438	2,543,947
Deferred acquisition costs	**13,821,662**	**10,504,440**

Acquisition costs are those costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts. Commissions and other costs (for example, salaries of certain employees involved in direct sales functions) that are primarily related to insurance contracts issued or renewed during the period in which the costs are incurred are considered as acquisition costs and deferred over the life of the insurance contracts.

As at 31 December 2015 and 2014, movements of deferred commission expenses, are as follows:

	31 December 2015	31 December 2014
Deferred commission expenses at the beginning of the year	7,960,493	6,735,098
Expenses deferred during the year	26,873,118	21,597,550
Amortisation	(24,255,387)	(20,372,155)
Deferred commission expenses at the end of the year	**10,578,224**	**7,960,493**

(Currency: Turkish Lira (TL))

18 Deferred acquisition costs *(continued)*

As at 31 December 2015 and 2014, movements of deferred other acquisition costs, are as follows:

	31 December 2015	31 December 2014
Deferred other acquisition costs at the beginning of the year	2,543,947	1,230,243
Expenses deferred during the year	7,183,423	4,879,073
Amortisation	(6,483,932)	(3,565,369)
Deferred other acquisition costs at the end of the year	**3,243,438**	**2,543,947**

19 Employee benefits

As at 31 December 2015 and 2014, employee benefits are as follows:

	31 December 2015	31 December 2014
Bonus provision	2,967,792	2,304,000
Reserve for vacation pay liability	1,195,155	1,035,296
Reserve for employee severance indemnity	607,497	516,201
Total employee benefits	**4,770,444**	**3,855,497**

For the years ended 31 December 2015 and 2014, movement of reserve for employee severance indemnity is as follows:

	31 December 2015	31 December 2014
Balance at the beginning of the year	**516,201**	**482,216**
Service costs	387,415	284,393
Interest costs	68,652	40,381
Paid during the year	(362,822)	(302,925)
Actuarial differences (*)	(1,949)	12,136
Balance at the end of the year	**607,497**	**516,201**

(*) As at 31 December 2015 and 2014, service and interest costs on reserve for employee severance indemnity has been recorded in profit or loss, whereas actuarial differences have been accounted for in the consolidated other comprehensive income.

20 Other provisions

As at 31 December 2015 and 2014, other provisions are as follows:

	31 December 2015	31 December 2014
Profit share provisions for health insurance agreements	2,689,577	2,814,090
Provision for legal cases	837,086	2,100,742
Provision for supplementary policies	482,069	1,210,284
Provision for portfolio management success fees	205,292	407,855
Profit share provisions for life agreements	32,290	191,804
Others	512,461	141,918
Total other provisions	**4,758,775**	**6,866,693**

(Currency: Turkish Lira (TL))

21 Other liabilities

As at 31 December 2015 and 2014, other liabilities are as follows:

	31 December 2015	31 December 2014
Deposits and advances received (*)	31,943,329	50,254,092
Payable to personnel	1,381,238	1,000,831
Taxes payable other than on income	1,391,317	985,899
Payable to suppliers	802,159	606,195
Payable to related parties *(Note 31)*	174,160	166,335
Other expense accruals	117,277	102,570
Total other liabilities	**35,809,480**	**53,115,922**

(*) The balance includes prepayments of some corporate clients' health insurance policies that have not started as at 31 December 2015.

22 Insurance contract liabilities

Insurance contract liabilities and reinsurance assets as at 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Reserve for unearned premiums	186,705,695	146,326,177
Claims provision	16,195,278	14,826,900
Life mathematical reserves	318,013	315,092
Insurance contract liabilities	**203,218,986**	**161,468,169**
Reserve for unearned premiums, ceded	1,231,176	342,461
Claims provision, ceded	3,538,135	5,749,386
Reinsurance assets	**4,769,311**	**6,091,847**

Movements in insurance liabilities and reinsurance assets

Claims

31 December 2015	Gross	Ceded	Net
Total at the beginning of the year	14,826,900	(5,749,386)	9,077,514
Cash paid for claims settled during year	(417,845,816)	6,730,636	(411,115,180)
Claims incurred in current year and change in the estimates of claims amount incurred in previous years	419,214,194	(4,519,385)	414,694,809
Total at the end of the year	**16,195,278**	**(3,538,135)**	**12,657,143**

31 December 2015	Gross	Ceded	Net
Notified claims	13,670,744	(3,471,591)	10,199,153
Incurred but not reported	2,524,534	(66,544)	2,457,990
Total at the end of the year	**16,195,278**	**(3,538,135)**	**12,657,143**

31 December 2014	Gross	Ceded	Net
Total at the beginning of the year	13,228,005	(4,709,007)	8,518,998
Cash paid for claims settled during year	(316,337,060)	6,212,892	(310,124,168)
Claims incurred in current year and change in the estimates of claims amount incurred in previous years	317,935,955	(7,253,271)	310,682,684
Total at the end of the year	**14,826,900**	**(5,749,386)**	**9,077,514**

31 December 2014	Gross	Ceded	Net
Notified claims	12,047,056	(5,689,375)	6,357,681
Incurred but not reported	2,779,844	(60,011)	2,719,833
Total at the end of the year	**14,826,900**	**(5,749,386)**	**9,077,514**

(Currency: Turkish Lira (TL))

22 Insurance contract liabilities *(continued)*

Reserve for unearned premiums and short term insurance risk

31 December 2015	**Gross**	**Ceded**	**Net**
Reserve for unearned premiums at the beginning of the year	146,326,177	(342,461)	145,983,716
Premiums written during the year	521,386,582	(9,577,693)	511,808,889
Premiums earned during the year	(481,007,064)	8,688,978	(472,318,086)
Reserve for unearned premiums	**186,705,695**	**(1,231,176)**	**185,474,519**

31 December 2014	**Gross**	**Ceded**	**Net**
Reserve for unearned premiums at the beginning of the year	99,119,883	(655,515)	98,464,368
Premiums written during the year	414,466,390	(3,960,634)	410,505,756
Premiums earned during the year	(367,260,096)	4,273,688	(362,986,408)
Reserve for unearned premiums	**146,326,177**	**(342,461)**	**145,983,716**

Reserve for long term risk contracts:

	31 December 2015	**31 December 2014**
Mathematical reserve for long term life contracts	318,013	315,092
Mathematical reserve for long term risk contracts	**318,013**	**315,092**

Claim development tables

The general insurance claims provision is sensitive to the some key assumptions. 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 recognised in subsequent consolidated financial statements.

The table below indicates the impact of various changes in assumptions which are within a reasonable range of possible outcomes given the uncertainties involved in the estimation process.

The table demonstrates the effect of change in key assumptions whilst other assumptions remain unchanged, if these assumptions were changed in a single calendar year. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact on the claims liabilities due to changes in assumptions, these assumptions changes had to be done on an individual basis. It should also be stressed that these assumptions are non-linear and larger or smaller impacts cannot easily be gleaned from these results.

(Currency: Turkish Lira (TL))

22 Insurance contract liabilities *(continued)*

Claim development tables (continued)

	31 December 2015						
Accident year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Accident year	125,865,067	143,903,833	178,512,973	234,920,742	340,230,546	443,791,798	1,467,224,959
1 year later	124,879,630	143,786,424	178,222,895	235,520,030	338,824,721	-	1,021,233,700
2 years later	123,659,235	143,743,376	177,548,057	233,480,410	-	-	678,431,078
3 years later	123,507,045	143,450,145	176,576,274	-	-	-	443,533,464
4 years later	123,178,527	142,805,294	-	-	-	-	265,983,821
5 years later	122,299,436	-	-	-	-	-	122,299,436
Current estimate of cum. claims	122,299,436	142,805,294	176,576,274	233,480,410	338,824,721	443,791,798	1,457,777,933
Cumulative payments to date	(121,359,666)	(142,673,841)	(176,465,940)	(233,132,609)	(336,696,044)	(431,883,979)	(1,442,212,079)
Liability recognised	939,770	131,453	110,334	347,801	2,128,677	11,907,819	15,565,854
Liability recognised for the years before 2009							**164,679**
Claims provision for life branch							**464,745**
Total claims provision, gross as per the consolidated statement of financial position							**16,195,278**

	31 December 2015						
Accident year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Accident year	56,798,094	80,909,226	157,237,904	230,896,813	333,241,480	442,761,374	1,301,844,891
1 year later	56,142,682	80,739,033	157,087,59	231,886,438	331,236,434		857,092,177
2 years later	55,473,214	80,727,059	156,982,454	230,997,205			524,179,932
3 years later	55,390,259	80,552,281	156,101,281				292,043,821
4 years later	55,221,201	80,082,337					135,303,538
5 years later	54,782,055						54,782,055
Current estimate of cum. claims	54,782,055	80,082,337	156,101,281	230,997,205	331,236,434	442,761,374	1,295,960,686
Cumulative payments to date	(54,679,825)	(80,076,049)	(156,015,296)	(231,106,337)	(330,642,988)	(431,883,979)	(1,284,404,474)
Liability recognised	102,230	6,288	85,985	(109,132)	593,446	10,877,395	11,556,212
Liability recognised for the years before 2009							**790,664**
Claims provision for life branch							**310,267**
Total claims provision, net of ceded as per the consolidated statement of financial position							**12,657,143**

	31 December 2014						
Accident year	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Accident year	92,575,253	125,865,067	143,903,833	178,512,973	234,920,742	340,230,546	1,116,008,414
1 year later	92,464,152	124,879,630	143,786,424	178,222,895	235,520,030	-	774,873,131
2 years later	92,681,760	123,659,235	143,743,376	177,548,057	-	-	537,632,428
3 years later	92,715,477	123,507,045	143,450,145	-	-	-	359,672,667
4 years later	92,649,570	123,178,527	-	-	-	-	215,828,097
5 years later	92,682,447	-	-	-	-	-	92,682,447
Current estimate of cum. claims	92,682,447	123,178,527	143,450,145	177,548,057	235,520,030	340,230,546	1,112,609,752
Cumulative payments to date	(92,588,946)	(122,172,338)	(143,195,441)	177,196,217)	232,935,909)	(330,394,343)	**(1,098,483,194)**
Liability recognised	93,501	1,006,189	254,704	351,840	2,584,121	9,836,203	**14,126,558**
Liability recognised for the years before 2009							**584,849**
Claims provision for life branch							**115,493**
Total claims provision, gross as per the consolidated statement of financial position							**14,826,900**

	31 December 2014						
Accident year	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
Accident year	41,827,771	56,798,094	80,909,226	157,237,904	230,896,813	333,241,480	900,911,288
1 year later	41,191,790	56,142,682	80,739,033	157,087,590	231,886,438	-	567,047,533
2 years later	41,268,467	55,473,214	80,727,059	156,982,454	-	-	334,451,194
3 years later	41,283,455	55,390,259	80,552,281	-	-	-	177,225,995
4 years later	41,489,153	55,221,201	-	-	-	-	96,710,354
5 years later	41,445,724	-	-	-	-	-	41,445,724
Current estimate of cum. claims	41,445,724	55,221,201	80,552,281	156,982,454	231,886,438	333,241,480	899,329,578
Cumulative payments to date	(41,411,254)	(55,042,720)	(80,374,878)	(156,659,021)	(230,872,018)	(326,537,405)	**(890,897,296)**
Liability recognised	34,470	178,481	177,403	323,433	1,014,420	6,704,075	8,432,282
Liability recognised for the years before 2009							**584,849**
Claims provision for life branch							**60,383**
Total claims provision, net of ceded as per the consolidated statement of financial position							**9,077,514**

(Currency: Turkish Lira (TL))

23 Investment contract liabilities

As at 31 December 2015 and 2014 movement for investment contract liabilities is as follows:

	31 December 2015	31 December 2014
Opening balance	**23,308,787**	**28,653,793**
Contributions during the year	974,638	1,682,171
Withdrawals during the year	(5,987,768)	(9,106,894)
Change in share of policyholder in unrecognised gain/(losses) of financial assets backing liabilities	(40,916)	5,921
Change in profit sharing	885,927	970,081
Foreign exchange differences	3,114,970	1,103,715
Ending balance	**19,848,896**	**23,308,787**

Profit sharing rates of investments contracts As at 31 December 2015 and 2014 are as follows:

	TL Fund (For the policies with distribution rate 90%)	TL Fund (For the policies with distribution rate 95%)	USD Fund	Euro Fund
31 December 2015	9.24%	9.03%	3.00%	3.01%
31 December 2014	9.22%	8.11%	3.25%	3.01%

24 Equity

The authorized nominal share capital of the Company as at 31 December 2015 amounts to TL 116,500,000 (31 December 2014: TL 116,500,000) and is held as follows:

	31 December 2015		31 December 2014	
	Share-holding %	TL	Share-holding %	TL
Burau Ventures Sdn Bhd	90.00	104,850,000	90.00	104,850,000
Mehmet Ali Aydınlar	10.00	11,650,000	10.00	11,650,000
	100.00	**116,500,000**	**100.00**	**116,500,000**

At 31 December 2015, share capital of the Group as adjusted for the effects of inflation pursuant to *IAS 29* at 31 December 2005, amounts to TL 119,010,960 (31 December 2014: TL 119,010,960).

Retained earnings as per the statutory financial statements, other than legal reserves, are available for distribution subject to the legal reserve requirement referred to below.

Fair value reserves of available-for-sale financial assets

Fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

Legal reserves

Under the Turkish Commercial Code, legal reserves are composed of primary and secondary reserves. Primary legal reserves are set aside as 5% of the legal term profit until it reaches up to 20% of the company capital. Secondary legal reserves are set aside as 10% of the divided distributions exceeding 5% of the company capital. Primary and secondary legal reserves cannot be distributed unless they exceed 50% of total capital. However, in the event that free reserves are completely consumed, those can be used to cover the losses. As at 31 December 2015, total amount of legal reserves amount to TL 2,803,183 (31 December 2014: TL 1,449,785).

(Currency: Turkish Lira (TL))

25 Fees and commission income

Fees and commission income for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Commission income due to intermediary operations	24,062	223,292
Fees and commission income	**24,062**	**223,292**

26 Operating expenses

Operating expenses for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Personnel expenses	29,087,606	21,541,992
Tax, duties and charges expenses	2,225,579	1,517,472
Rent expenses	1,743,730	1,334,660
Depreciation and amortisation expenses	1,285,207	735,570
Transportation expenses	1,231,014	1,108,959
Consultancy expenses	1,018,103	727,973
Legal expenses	157,366	119,090
Change in other deferred acquisition expenses	(699,491)	(1,313,704)
Others	4,596,564	4,179,809
Total	**(40,645,678)**	**29,951,821**

Personnel expenses for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Salaries	20,496,006	15,510,291
Bonus, premiums and commissions to the personnel	3,295,160	1,912,864
Social security premiums	3,169,396	2,350,621
Provision for unused vacations	159,859	205,065
Provision for employee termination benefits	93,245	21,849
Other fringe benefits	1,873,940	1,541,302
Total	**29,087,606**	**21,541,992**

27 Investment income and finance costs

Investment income and finance costs for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Interest income from bank deposits	21,922,441	20,687,682
Trading gains, net	16,462,914	4,425,147
Interest income from investment securities	4,672,803	5,106,533
Foreign exchange gains, net	2,694,714	1,152,500
Other finance income/ expense	(521,429)	331,618
Total investment income	**45,231,443**	**31,703,480**

(Currency: Turkish Lira (TL))

27 Investment income and finance costs *(continued)*

	31 December 2015	31 December 2014
Interest expense for repurchase transactions	(900,736)	(772,373)
Portfolio management fee	(333,655)	(638,168)
Other finance costs	-	(43,442)
Total finance costs	**(1,234,391)**	**(1,453,983)**

28 Other income and expenses

Other income for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Other provisions expenses/reversal income	2,417,478	3,952,374
Fees earned from consultancy services	-	976,908
Other income	129,943	368,967
Total other income	**2,547,421**	**5,298,249**

Other expenses for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Provision expenses for premium receivables	(272,680)	(104,797)
Provision expenses for lawsuits against the Group	-	(196,138)
Total other expenses	**(272,680)**	**(300,935)**

29 Other technical income and expenses

Other technical income for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Accrual for loss sharing contracts, net of ceded	411,010	167,915
Other technical income	495,822	79,886
Total	**906,832**	**247,801**

Other technical expenses for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Provision for profit sharing in health contracts	(325,829)	(751,362)
Other technical expense	(4,549)	(25,219)
Total	**(330,378)**	**(776,581)**

(Currency: Turkish Lira (TL))

30 Blocked securities and bank deposits

In order to protect the interests of policyholders, under Insurance Law, insurance companies are obliged to deposit investments within two months in a blocked account with a state bank in favour of Turkish Treasury. Accordingly the following guarantees have been issued to the Turkish Treasury based on the financial results:

	31 December 2015	31 December 2014
Blocked bank deposits *(Note 8)*	54,168,353	50,809,867
Blocked securities *(Note 8)*	22,211,352	26,809,272

31 Related party balances and transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. For the purpose of these consolidated financial statements, shareholders and Group companies are referred to as related parties. Related parties also include individuals that are principal owners and management and members of the Group's Board of Directors and their families.

In the course of conducting its insurance business, the Group conducted some business transactions with related parties on commercial terms.

As at 31 December 2015 and 2014, outstanding balances with related parties are as follows:

	31 December 2015	31 December 2014
Other receivables *(Note 13)*	20,876	30,288
Other payables *(Note 21)*	174,160	166,335
Receivables from insurance operations	633,148	427,013
Payables to medical network	27,905,382	28,760,525

As at and for the year ended 31 December 2015 and 2014, transactions with related parties are as follows:

	31 December 2015	31 December 2014
Premiums written	12,317,235	10,897,855
Claims incurred	172,091,156	154,725,171
Other operating expense	816,152	647,557
Operating income	230,120	155,914

As at and for the year ended 31 December 2015, salaries and similar benefits provided to the senior management including Chairman, Member of the Board of Directors, General Manager and Assistant General Managers amounted to TL 4,840,605 (31 December 2014: TL 3,758,697).

32 Contingencies

As at 31 December 2015 and 2014, total insurance risk accepted by the Group under normal courses of the insurance business is detailed in Note 5 – *Management of Insurance Risk.*

As at 31 December 2015 and 2014, future minimum rentals payable under non-cancellable operating leases for the rent of head office, regional offices and car rentals are as follows:

	31 December 2015	31 December 2014
Within one year	1,217,571	1,094,359
After one year but not more than five years	1,854,856	3,300,616
Total	**3,072,427**	**4,394,975**

(Currency: Turkish Lira (TL))

33 Subsidiaries

The table below sets out the subsidiaries and shows their shareholding structure as at 31 December 2015 and 31 December 2014:

Subsidiaries	*Direct shareholding interest (%)*	*Indirect shareholding interest (%)*
Acıbadem Grubu Sigorta Aracılık Hizmetleri AŞ	100.00	100.00

Acıbadem Grubu Sigorta Aracılık Hizmetleri Anonim Şirketi ("ASA") was established in 2010 to operate as an insurance agency in Turkey and foreign countries, to act as an intermediary in insurance and pension business contracts. Beside these operations, ASA can operate in other areas with the proposal of the Board and approval of the General Assembly, which are necessary and beneficial for the entity. ASA is consolidated under the Company in the accompanying consolidated financial statements.

34 Other issues

- As a result of the reassessment performed by JCR Eurasia Rating in 2015, the credit rating of AA (Trk) on the long term national scale along with a stable outlook has been confirmed. Long term international foreign and local currency ratings have been confirmed as BBB, above the country ceiling. Other notes and details of the ratings are as follows:

Long Term International Foreign Currency :	BBB / (Stable Outlook)
Long Term International Local Currency :	BBB / (Stable Outlook)
Long Term National Local Rating :	AA (Trk) / (Stable Outlook)
Short Term International Foreign Currency :	A-3 / (Stable Outlook)
Short Term International Local Currency :	A-3 / (Stable Outlook)
Short Term National Local Rating :	A-1+ (Trk) / (Stable Outlook)
Sponsor Support :	2
Stand Alone :	AB

- In the Acıbadem Sigorta General Assembly meeting dated 16 June 2015 it has been decided that, of the total net profit of the year ended 31 December 2014 amounting to TL 27,067,955, TL 1,353,398 shall be set aside as 5% of the remaining balance as primary legal reserves and the remaining amount of TL 25,714,557 shall be classified as retained earnings. As at the reporting date, the profit distribution has been completed.

- In the ASA General Assembly meeting dated 28 May 2015 it has been decided that, since legal reserves amount to 20% of equity, total net profit of the year ended 31 December 2014 amounting to TL 261,992, TL shall be classified as retained earnings. As at the reporting date, the profit distribution has been completed.