



Meet the 170 years of experience

2016 Annual Report



NN

Hayat ve Emeklilik



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Our Corporate Policy

Mission and Vision

As NN Hayat ve Emeklilik, we aim our customers to have an excellent experience, so that they would recommend us to their families and friends rather than other financial institutions. Meeting their expectations and needs are an integral part of this experience.

We know that money is mainly an instrument for our customers to achieve a target; because life means living it fully. Therefore, we are doing our best for our customers to make their dream come true and to overcome any obstacle they might encounter. We devote ourselves to help our customers in securing their financial future with our pension services and insurance products.

Our Values

As NN Hayat ve Emeklilik, we have 3 important values. These values are: Care, clear and commit.

Our values show what we believe, we value, and we target. They unite and inspire us.

“Care” means our customers are the starting point of everything we do. We show respect to each other, and believe that working shoulder to shoulder will bring better results.

We take the role we assumed in the society serious as we believe every person is important.

“Clear” means that we are clear, open and accessible. We listen with a real interest, and develop empathy.

“Commit” means we take the responsibility of what we do. We focus on our customers' long term objectives and results they will achieve by acting together as a whole.

NN Hayat ve Emeklilik at a Glance

NN Hayat ve Emeklilik is acting within the structure of NN Group, which is an insurance and investment management company with an existence in 18 countries mainly in Europe and 170 years established inheritance.

The history of the company in Turkey started with ING Group's purchase of OYAK Emeklilik's 100% share on 4 December, 2008. After ING Group's decision to separate banking, insurance and investment operations, by 16 February 2015, the company has been conducting its operations under the name NN Hayat ve Emeklilik.

NN Hayat ve Emeklilik is giving a huge promise to all its partners at its every step by the NN values it denotes as "we care", "we are clear" and "we commit". It aims to take steps in order to get closer to its customers, meet their expectations faster, and enhance all its business processes by improving its commitment to present a unique customer experience.

NN Group's investments in Turkey are NN Hayat ve Emeklilik and Sigorta Cini.

About NN Group

- NN Group is an Amsterdam based insurance and investment management company acting in 18 countries in total including many European countries and Japan. It provides pension, insurance, investment and banking services to its more than 15 million customers by its 11.500 employees worldwide.
- Nationale- Nederlanden, ING Insurance Europe, ING Life Japan and ING Investment Management companies constituting ING Group's insurance and investment management lines of business have been gathered under the roof of NN Group NV by 1 March, 2014.
- As an insurance and investment management brand, NN Group has a strong stand in other European countries and Japan for life insurance and pension products besides its leader position for life and non-life insurance products in Netherlands.
- NN Group has become an independent company on 2 July, 2014. Since this date, its shares are being listed on Euronext Amsterdam stock exchange under NN Group name and with NN stock exchange code.
- On April 14, 2016, ING has decided to sell its remaining shares in NN Group. As of December 27, 2016, an agreement has been concluded on merging NN Group's operations in Netherlands and Delta Lloyd Board of Directors' operations in Belgium.

18 Countries

170 Years of



Shareholding Structure

Oyak Emeklilik Anonim Şirketi has been transferred to NN Continental Europe Holdings B.V. (prior title: ING Continental Europe Holdings B.V.) by diverging from Ordu Yardımlaşma Kurumu (Mutual Assistance Agency of the Army) with the completion of share selling procedures on December 4, 2008 following the approval of the Undersecretariat of Treasury Directorate General of Insurance on November 25, 2008. During the Ordinary General Assembly Meeting held on January 26, 2009, it's been resolved to change the trade title of the Company to ING Emeklilik Anonim Şirketi ("Company") by amending the articles of association, and the relevant resolution and draft articles of association text have been registered on January

27, 2009 according to the provisions of the Turkish Commercial Law (TCL) No. 6762. During the Ordinary General Assembly Meeting held on January 29, 2015, it's been resolved to change the trade name of the company to NN Hayat ve Emeklilik Anonim Şirketi ("Company") by amending the articles of association, and the relevant resolution and draft articles of association text have been registered on January 30, 2015 according to the provisions of the Turkish Commercial Law ("TCL") No. 6762. As of December 30, 2016, the capital group NN Continental Europe Holdings B.V. has been registered with direct control over the Company's capital.

Shareholder	No. of Shares	Share Amount
NN Continental Europe Holdings B.V.	39.441.418	39.441.418 TL

Paid-in Capital (TL)	
31.Dec.16	31.Dec.15
39.441.418	39.241.418

	31.Dec.16	31.Dec.15
	Share Amount TL	Share Amount TL
NN Continental Europe Holdings B.V.	39.441.418	39.241.414
Other		4
	39.441.418	39.241.418

The Company does not have any indirect affiliate, and the direct affiliates and shares are shown below.

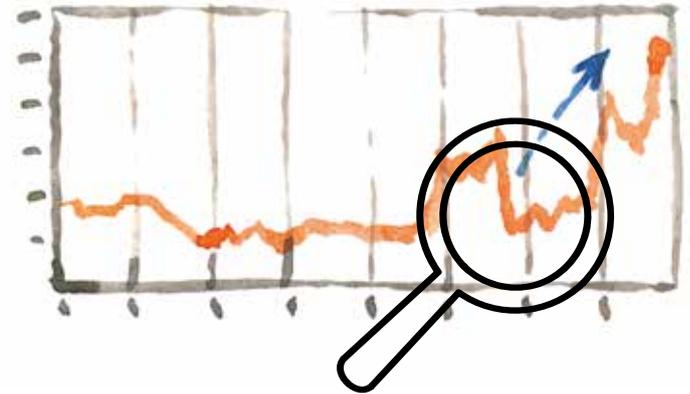
Shareholder	No. of Shares
ÜNLEM SİGORTA ARACILIK HİZMETLERİ A.Ş.	50 %
DSM EXTRA SİGORTA ARACILIK HİZMETLERİ A.Ş.	50 %
SİGORTA OFİSİ PLUS SİGORTA ARACILIK HİZMETLERİ A.Ş.	50 %
MAKİNİST VIP SİGORTA ARACILIK HİZMETLERİ A.Ş.	50 %



Financial Indicators

Thousand TL	2016	Δ%	2015	Δ%	2014
Fund Size	2.342.107	%20,52	1.943.390	%9,97	1.767.132
Paid-in Capital	40.601	%-54,59	89.401	%122,38	40.201
Shareholders' Equity	105.115	%-0,07	105.191	%699,07	13.164
Total Assets	2.614.442	%19,14	2.194.442	%14,78	1.911.821
Technical Income	186.928	%36,07	137.378	%15,66	118.775
Balance of Technical Incomes and Expenses	- 25.040	%-49,55	- 49.633	%-21,62	- 63.323
Balance of Non-Operating Incomes and Expenses	8.887	%12,55	7.896	%-144,58	- 17.713
Profit/Loss Before Tax	- 16.153	%-61,30	- 41.738	%-48,45	- 80.959

NN Hayat ve Emeklilik continued its operations actively in the pension sector that is growing rapidly in 2016. Its total equity capital reached to 105.1 million TL in 2016. The total assets of the company reached to 2.6 billion TL by the date 31 December 2015 with a 19.2% increase compared to the year 2015. By the date 31 December 2016, the share of the cash assets within the total assets was realized as 7.6%, the share of the receivables of the individual pension system within the total assets as 89.6%





Message from the CEO

Dear stakeholders,

For NN Hayat ve Emeklilik, a good year in our company has come to an end.

Our ambition was to achieve success mainly in three areas; growth in Life, longer durations in Pension and reliable processes. In 2016, we obtained favorable results in all of these.

To meet our Life growth ambition, we expanded our product shelf with innovative products such as Account Protection and Family Critical Illness products and value added services which are pioneer products in Turkey. Our products were developed with agile methodology. We introduced a new credit life insurance product with four years duration to support our Bank partner rapidly after the new legislation came about. Accordingly, our GWP in life business increased by almost 50% compared to 2015.

On the Pension side, we continued taking actions to make customers stay longer. We communicated the four reasons for the customers to choose NN. Trust; we offer expertise and global know-how. High return; we are consistently in top 3 in the industry with the high fund returns in the long term. Convenience; we offer self-service tools (Client Portal, Mobile Apps and IVR) through which the customers can reach us, follow up their accumulation and do transactions 7/24 easily and wherever they are. Privilege; we offer advantages and privileges with "Önce Sen" Dünyası, which is the biggest loyalty program in the industry. We already observe that our lapse rates drop below market average and the value of new business shows great improvement. We expect to see the overall effect of such actions in a longer run, and I believe that many other positive aspects will come out.

On pension side, a major initiative during much of 2016 was auto-enrolment development and implementation. Our colleagues worked with a great collaboration in the project development process and after the launch of the product. We aim for a success in auto-enrolment in 2017.

Related to our third ambition for reliable processes, we have made success in almost all areas in the company through implementation of change initiatives. This has led to an increase in efficiency and better internal/external customer service levels, leading to better scores by our clients on their level of satisfaction. This area requires continuous focus, we will continue with further enhancements of our processes to serve customers and distributors better.

I would like to thank our colleagues for their great effort on all initiatives taken, continuous focus on improvement and contribution to our success. Also, I would like to thank our business partners and clients for being part of our NN family.

Kind regards,
Frank Eijssink
CEO, NN Hayat ve Emeklilik



Individual Pension Sector

The Developments in the Market in 2016

By year-end 2016, the total number of participants in the Individual Pension System exceeded 6,6 million, with a total amount of participants' funds nearly as 53,4 billion TL. The number of participants rose by 10% while the total assets under management climbed 24% compared to year-end 2016. The total contribution of the participants increased by 19% to 44,4 billion TL.

According to Pension Monitoring Center (EGM) data dated December 31, 2016, the Company had increased its:

Total number of contracts and certificates to 311.700
Number of Participants to 268.853
Total contributions to 1.683.794.202 TL
The total assets under management to TL (excluding state contribution) 2.066.134.777.

These figures indicate respective growth rates of 1% in number of participants, 14% in total contributions and 18% in total fund size compared to year-end 2015. According to 2016 year-end market figures, the Company's market shares are as follows:

Market Shares	Criteria
4,1 %	Number of Participants
4,0 %	Number of Contracts-Certificates
3,8 %	Contribution
3,8 %	Amount directed to investment
3,9 %	Fund size



Market Overview

Global Economy

In 2016, the global economy grew at a slower pace than expected at around 3%. IMF expects the global growth to increase to 3.4% in 2017. It is predicted that the expected improvement in the global economy will arise from the developing countries. Developing countries, which grew by 1.6% in 2016, are expected to grow by 1.8% in 2017. Developing countries, excluding China and India, contributed significantly to global economic growth with 3% growth in 2016, following 2.1% growth in 2015.

Despite the devaluations in developing countries' currencies, the low commodity prices and the weak domestic demand have kept inflation low in the developing countries as a whole. The inflation rate, which was 4.7% in 2016, is expected to be 4.3% in 2017.

The decisive factors in the global financial markets in 2016 were the FED's interest policy and the UK's decision to leave the EU. Due to weak economic activity and low inflation for a long time, the markets have speculated that developed countries' central banks would exhibit a dovish monetary policy stance. While the interest rate increase expected from the FED in 2016 did not come during the first 11 months of the year, major central banks such as the ECB and BOJ continued with their expansion policies.

Implementation of more than expected moderate policy by the developed countries' central banks in 2016 has accelerated capital flows to developing countries, and the demand for the funds investing in market instruments in these countries has increased.

After hiking the policy rate in December 2016, FED is expected to increase interest rates deliberately in 2017. Following the presidential elections, the acceleration of economic activity in 2017 and an increase in inflation above the expected level could cause interest rates to rise faster than anticipated in the US.

Volatility in the financial markets due to the FED's interest rate increase process and the UK's withdrawal from the EU, the problems with the European banking system, ongoing rebalancing in the Chinese economy and global recession are downside risks to growth. Non-economic risks, such as the policies of President Donald Trump in the US, geopolitical tensions and the threat of terrorism could also put pressure on economies.

During the recent years, both consumer inflation and core inflation have declined rapidly in many countries. In developed economies, inflation is expected to be around 1.2% with the effect of the increase in energy prices. In developing countries, inflation is estimated to be 1.8% in 2017.

UK's decision to leave the EU in June was a big surprise for the financial markets. From a macroeconomic standpoint, it is seen that the Brexit process has greatly increased economic, political and institutional uncertainty, especially for developed countries, and is therefore a significant risk for the global economy in the future.

In the global financial markets, the losses experienced immediately after the Brexit shock have been largely overcome and the concerns about the strength of the financial markets have decreased somewhat. The moderate increase in oil prices and the favorable outlook of the US labor market are regarded as positive developments in terms of the global economy. The constraints on monetary policy in the global economy have increased the importance of public, fiscal policies and reforms to support economic activity and potential growth for sustained growth.

Turkish Economy

Despite a slight deceleration during the second quarter due to external factors, geopolitical risks, terrorist incidents and political developments, Turkish economy has recorded a 3.9% growth in the first half of the year. While growth in many countries is fluctuating, Turkey has continued its uninterrupted growth of 27 quarters. Turkey has grown faster than developing countries, except China and India, and has continued to dissociate positively. The contraction in tourism and terrorist attacks in the third quarter affected the economy negatively. However, with the rapid normalization of financial markets after the coup attempt and the reforms put into practice, the economy has got into motion in the last quarter. In addition, the practices that increase the use of credit, and normalization of relations with Russia and Israel have contributed to revitalization of economic activities.

Due to the improvement in the inflation outlook and the decline in global volatility, TCMB (the Central Bank of Republic of Turkey) simplified the monetary policy in March 2016. While the policy interest rate was fixed, an interest rate cut of 250 basis points was made in the top band of the interest rate corridor after seven open market committee meetings since March. The Central Bank has introduced instruments such as required reserve option mechanisms to ensure price stability and to support economic activity.

In 2016, consumer prices has considerably increased, due to the fluctuations in food prices the devaluation of TL, geopolitical developments, relatively low energy prices base effect h. The rate of increase in CPI, which was 8.8% in 2015, has become 8.53% in 2016. The Central Bank's inflation forecast for 2017 is announced as 8%.

In 2016, the current account deficit continued with its declining trend since 2013. The low level of energy and oil prices was the main reason for the contraction in the current account deficit, as well as the moderate course in domestic demand and the competitive exchange rate. Although the decline in tourism revenues and weakness in export figures have limited the current account deficit, the current account deficit to GDP ratio has realized as 3.8% in 2016, while it was 4.5% in 2015. In 2017, this ratio is expected to be 4.3%.

In the first quarter of 2016, the financial markets displayed a positive outlook as a result of developed countries' central banks expanding monetary policies, improvement of risk perception in developing countries' markets, and improvement of domestic political confidence. However, the increasing geopolitical problems after May, the July 15 coup attempt and rate cuts by the international credit rating agencies led to a decline in the BIST-100 Index and TL, resulting in a rise in bond interest close to 200 basis points. Looking at the MSCI index, it is observed that the Turkish index moved in line with the emerging market indices until July 15, followed by negative decomposition.

The Turkish Lira depreciated more rapidly against the US dollar than other emerging economies due to the uncertainty in political side, domestic fluctuations in July, and rate cut by S&P and Moody's below the investment grade. Expectations regarding FED's interest rate hikes, geopolitical and political risks continue to put pressure on the markets and the exchange rate.



The Success Criteria for Pension Funds and Fund Performance

Fund Name	Fund Code	NN (%) Annual Yield	NN (%) 5 Years' Yield	NN (%) 10 Years' Yield
NN Hayat ve Emeklilik Government Bonds and Bills Income PMF	IEG	9,20	42,18	145,81
NN Hayat ve Emeklilik Liquid Flexible PMF	IER	8,83	45,22	141,16
NN Hayat ve Emeklilik Flexible PMF	IEE	10,60	53,47	166,52
NN Hayat ve Emeklilik Contribution PMF	IGE	10,13	-	-
NN Hayat ve Emeklilik Composite Growth PMF	IEK	9,94	63,11	199,44
NN Hayat ve Emeklilik Kamu Borçlanma Araçları Standart EYF	IEB	9,24	44,11	173,39
NN Hayat ve Emeklilik Flexible Income PMF	IEA	17,74	64,02	139,83
NN Hayat ve Emeklilik Stock Growth PMF	IEH	9,07	68,57	164,97
NN Hayat ve Emeklilik Flexible Growth PMF	IEF	9,60	54,09	-

Fund Name	Success Criterion	Investment Strategy	Band	
			Lowest	Highest
Government Bonds and Bills Income Pension Mutual Fund	% BIST - KYD GDDS Whole Index	Government Securities + Reverse Repo	80%	100%
	%90 BIST - KYD GDDS 547 Daily Index	Private Sector Bonds and Bills	0%	20%
	KYD Gross Repo Index	Private Sector Bonds and Bills (Not Traded Publicly)	0%	10%
		Turkish Partnership Shares	0%	10%
		Reverse Repo and Over the Counter Reverse Repo	0%	10%
		Repo	0%	10%
		Time Deposit (Foreign Exchange/TL) / Participation Account (Foreign Exchange/TL)	0%	20%
		Gold and Precious Metals Based Capital Market Instruments	0%	20%
		Takasbank Money Market Operations	0%	10%
		Mutual Fund and Share	0%	20%
		Real Estate Property Based Capital Market Instruments	0%	20%
		Government Foreign Borrowing Instruments (Eurobond)	0%	20%
		Foreign Exchange Indexed Domestic Borrowing Instruments	0%	20%
		Asset Based Securities	0%	20%
		Revenue Sharing Certificate	0%	20%
	Capital Market Instruments of Venture Capital Investment Trusts, Participation Shares of Venture Capital Mutual Funds	0%	20%	
	Broker and Partnership Warrants	0%	15%	

Fund Name	Success Criterion	Investment Strategy	Band	
			Lowest	Highest
Flexible Income Pension Mutual Fund	10% BIST 100 Index	Government Securities	0%	25%
	30% BIST - KYD Eurobond EUR Index	Government Foreign Borrowing Instruments (EuroBond)	0%	75%
	%30 BIST - KYD Eurobond USD Endeksi	Private Sector Bonds and Bills	0%	25%
	30% BIST - KYD Eurobond USD Index	Private Sector Bonds and Bills (Not Traded Publicly)	0%	10%
	10% BIST - KYD 1-Month Indicator Deposit USD Index	Ters Repo ve Borsa Dışı Ters Repo	0%	10%
	10% BIST - KYD 1-Month Indicator Deposit EUR Index	Repo	0%	10%
		Turkish Partnership Shares	0%	25%
		Time Deposit (Foreign Exchange/TL) / Participation Account (Foreign Exchange/TL)	0%	25%
		Gold and Precious Metals Based Capital Market Instruments	0%	25%
		Takasbank Money Market Operations	0%	10%
		Mutual Fund and Foreign Exchange Mutual Fund, Participation Shares	0%	20%
		Real Estate Property Based Capital Market Instruments	0%	20%
		Asset Based Securities	0%	20%
		Revenue Sharing Certificate	0%	20%
	Capital Market Instruments of Venture Capital Investment Trusts, Participation Shares of Venture Capital Mutual Funds	0%	20%	
	Broker and Partnership Warrants	0%	15%	

Fund Name	Success Criterion	Investment Strategy	Band	
			Lowest	Highest
Composite Growth Pension Mutual Fund	45% BIST 100 Index	Turkish Partnership Shares	30%	60%
	5% BIST - KYD GDDS Whole Index	Government Securities	20%	50%
	40% BIST - KYD GDDS 547 Daily Index	Private Sector Bonds and Bills	0%	30%
	10% BIST - KYD Gross Repo Index	Private Sector Bonds and Bills (Not Traded Publicly)	0%	30%
		Reverse Repo and Over the Counter Reverse Repo	0%	10%
		Repo	0%	10%
		Time Deposit (Foreign Exchange/TL) / Participation Account (Foreign Exchange/TL)	0%	20%
		Gold and Precious Metals Based Capital Market Instruments	0%	20%
		Takasbank Money Market Operations	0%	10%
		Mutual Fund and Share	0%	20%
		Real Estate Property Based Capital Market Instruments	0%	20%
		Government Foreign Borrowing Instruments (EuroBond)	0%	20%
		Foreign Exchange Indexed Domestic Borrowing Instruments	0%	20%
		Asset Based Securities	0%	20%
		Revenue Sharing Certificate	0%	20%
	Capital Market Instruments of Venture Capital Investment Trusts, Participation Shares of Venture Capital Mutual Funds	0%	20%	
	Broker and Partnership Warrants	0%	15%	

Fund Name	Success Criterion	Investment Strategy	Band	
			Lowest	Highest
Büyüme Amaçlı Hisse Senedi Emeklilik Yatırım Fonu	90% BIST 100 Index	Turkish Partnership Shares	80%	100%
	10% BIST - KYD Gross Repo Index	Government Securities	0%	20%
		Private Sector Bonds and Bills	0%	20%
		Private Sector Bonds and Bills (Not Traded Publicly)	0%	10%
		Reverse Repo and Over the Counter Reverse Repo	0%	10%
		Repo	0%	10%
		Time Deposit (Foreign Exchange/TL) / Participation Account (Foreign Exchange/TL)	0%	20%
		Gold and Precious Metals Based Capital Market Instruments	0%	20%
		Takasbank Money Market Operations	0%	10%
		Mutual Fund and Share	0%	20%
		Real Estate Property Based Capital Market Instruments	0%	20%
		Government Foreign Borrowing Instruments (EuroBond)	0%	20%
		Foreign Exchange Indexed Domestic Borrowing Instruments	0%	20%
		Asset Based Securities	0%	20%
		Revenue Sharing Certificate	0%	20%
		Capital Market Instruments of Venture Capital Investment Trusts, Participation Shares of Venture Capital Mutual Funds	0%	20%
	Broker and Partnership Warrants	0%	15%	

Fund Name	Success Criterion	Investment Strategy	Band	
			Lowest	Highest
Liquid Flexible Pension Mutual Fund	%35 BIST - KYD GDDS 91 Daily Index	Government Securities + Reverse Repo	80%	100%
	60% BIST - KYD Gross Repo Index	Repo	0%	10%
	5% BIST - KYD 1-Month Indicator Deposit TL Index	Private Sector Bonds and Bills	0%	20%
		Time Deposit TL / Participation Account (TL)	0%	20%
		Takasbank Money Market Operations	0%	10%
		Asset Based Securities	0%	10%
		Mutual Fund and Share	0%	20%
		Revenue Sharing Certificate	0%	20%
		Capital Market Instruments of Venture Capital Investment Trusts, Participation Shares of Venture Capital Mutual Funds	0%	20%
		Broker and Partnership Warrants	0%	15%

Fund Name	Success Criterion	Investment Strategy	Band	
			Lowest	Highest
Flexible Pension Mutual Fund	100% BIST - KYD Gross Repo Index	Turkish Partnership Shares	0%	100%
		Government Securities	0%	100%
		Government Foreign Borrowing Instruments	0%	20%
		Domestic Private Sector Bonds and Bills	0%	100%
		Domestic Private Sector Bonds and Bills (Over the Counter)	0%	10%
		Reverse Repo and Over the Counter Reverse Repo	0%	10%
		Lease Certificate	0%	100%
		Takasbank Money Market and Domestic Organized Money Market Operations	0%	10%
		Repo	0%	10%
		Time Deposit, Participation Account (Foreign Exchange/TL)	0%	25%
		Gold and Precious Metals and Capital Market Instruments Based on These	0%	20%
		Mutual Fund and Share	0%	20%
		Real Estate Property Based Capital Market Instruments	0%	20%
		Foreign Exchange Indexed Domestic Borrowing Instruments	0%	20%
		Asset Based Securities	0%	20%
		Revenue Sharing Certificate	0%	20%
		Capital Market Instruments of Venture Capital Investment Trusts, Participation Shares of Venture Capital Mutual Funds	0%	20%
		Broker and Partnership Warrants	0%	15%

Fund Name	Success Criterion	Investment Strategy	Band	
			Lowest	Highest
Government Bonds and Bills Standard Pension Mutual Fund	10% BIST 100 Index	Debt Instruments in TL Currency Issued by Undersecretariat of Treasury, Revenue Sharing Certificates and Lease Certificates	78%	100%
	%85 BIST - KYD GDDS 547 Daily Index	Turkish Partnership Shares	0%	20%
	5% BIST - KYD GDDS Whole Index	Time Deposit / Participation Account in TL Currency	0%	20%
		Debt Instruments and Lease Certificates that are Publicly Traded in TL Currency as Issued by Banks or Other Issuers With an Investable Rating	0%	20%
		Reverse Repo / Takasbank Money Market Operations	0%	2%

Fund Name	Success Criterion	Investment Strategy	Band	
			Lowest	Highest
Flexible Growth Pension Mutual Fund	100% BIST - KYD Gross Repo Index	Domestic Partnership Shares	25%	100%
		Government Securities	0%	75%
		Government Foreign Borrowing Instruments	0%	30%
		Domestic Private Sector Bonds and Bills	0%	75%
		Lease Certificates	0%	75%
		Domestic Private Sector Bonds and Bills (Over the Counter)	0%	10%
		Reverse Repo and Over the Counter Reverse Repo	0%	10%
		Takasbank Money Market and Domestic Organized Money Market Operations	0%	10%
		Repo	0%	10%
		Time Deposit, Participation Account (Foreign Exchange/TL)	0%	25%
		Gold and Precious Metals and Capital Market Instruments Based on These	0%	20%
		Mutual Fund and Share	0%	20%
		Real Estate Property Based Capital Market Instruments	0%	20%
		Foreign Exchange Indexed Domestic Borrowing Instruments	0%	20%
		Asset Based Securities	0%	20%
		Revenue Sharing Certificate	0%	20%
		Capital Market Instruments of Venture Capital Investment Trusts, Participation Shares of Venture Capital Mutual Funds	0%	20%
		Broker and Partnership Warrants	0%	15%

Fund Name	Success Criterion	Investment Strategy	Band	
			Lowest	Highest
Contribution Pension Mutual Fund	10% BIST 100 Index	Debt Instruments in TL Currency Issued by Undersecretariat of Treasury, Revenue Sharing Certificates and Lease Certificates	75%	100%
	80% BIST - KYD GDDS 547 Daily Index	Deposit, Participation Account, Debt Instruments issued by Banks provided that they are listed in the stock exchange or Lease Certificates issued by Asset Leasing Companies which the source establishment is the banks, which all in TL currency	0%	15%
	5% BIST - KYD GDDS Whole Index	Shares in BIST 100 Index or BIST Contribution Index	0%	15%
	5% BIST - KYD 1-Month Indicator Deposit TL Index	Reverse Repo and Takasbank Money Market Operations	0%	1%



Activities of the Company and Important Progresses Related to the Activities, and Projections for 2017

Customer Communication Center 444 1 666

Activities carried out by the Customer Communication Center consist of two groups: inbound calls and outbound calls. The Customer Communication Center is available from 444 1 666 on weekdays between 09:00-18:00 hours. At the same time, thanks to advances made in the Customer Communication Center, customers can conduct their transactions directly via Voice Response System (IVR) 24/7 without a need for contacting the representatives.

• Outbound Call Activities

The Outbound Team, which contacts with the customers for sales and campaign information purposes, makes "Welcome Calls" for individual pensions, personal accident and annual life contracts entered into the system in order to increase customer satisfaction in accordance with "Customer Golden Rules".

Individual pension customers are called on anniversaries of their contracts and are informed about their savings, current legislation practices and the advantages of the system.

In order to ensure the continuity of collections, customers who make a mistake in their credit card and have a delay in monthly payments are regularly called and informed, and it is ensured that collections are made from them.

Participants who want to leave the system are called by the Retention Team, and their requests are resolved.

The Outbound Team also sells insurance products to individual pension customers.

• Activities for Increasing Service Quality

Outbound calls and inbound calls carried out by the Customer Communication Center are monitored and controlled within the framework of the specified criteria. Supportive trainings and regular feedback are provided to continuously improve the quality of service and to develop customer representatives who are experts in their fields.

• Customer Satisfaction and Customer Complaint Policy

In order to provide excellent customer experience to its customers, the services are offered through expert customer representatives and customer friendly interactive voice response system. The resolution of customer requests within 2 to 7 business days is among the priorities of NN Hayat ve Emeklilik. In 2016, the average resolution time was 1 day.

Customer complaints can be delivered directly to the Customer Communication Center or through brokers. NN Hayat ve Emeklilik's basic principle on customer complaints is that the customer is informed in writing or orally within 2 business days and that the non-sales complaints are satisfied within 5 business days and the sales complaints are resolved within 7 business days.

Operation

One of the most important projects of the year 2016 is the implementation of the Auto Enrollment System as of 01.01.2017. All Turkish citizens or blue card holder employees are required to be enrolled in pension system who are below the age of 45 and within the scope of 4A and 4C employment code, as well as those who are about to start working with mentioned age & employment code.

The Auto Enrollment System has been designed by setting up processes for the needs of employers and employees. In these processes, digital functions and paperless process flows are designed in multiple platforms for the needs and requests of both employers and employees under auto enrollment system. Designed and developed for this purpose, NN Corporate Portal aims to provide easy and fast service to NN sales team and all the employers subject to auto enrollment system scope.. Understanding employer and employee needs, NN aims to provide fast and seamless services to all its customers and distribution channels through various platforms as the Corporate Portal (online transactions for employers), the Client Portal (online transactions for employees) and the Mobile App.. All actions planned within this scope has gone live as of 01.01.2017.

Continuously analyzing the employer, employee and distribution channel needs not only for the sales process and participation-production-collection processes but also for after-sales services, NN has developed separate communication plans for employers and employees. In addition to the functions that were activated in the Corporate Portal and Client Portal in this context, instant employee and employer notifications and additional acknowledgement platforms for their requests and questions were put into live within the scope of the project.

Information Technologies

Information Technologies Department has undertaken extensive work in 2016 to expand integration with both ING Bank and its product range and to be ready for the Auto Enrollment System. In addition to these activities, they continued to improve the system infrastructure in order to enable the business units to carry out their processes more healthily and to provide better services to their customers.

• Auto Enrollment Improvements

The necessary developments within the scope of the Auto Enrollment System regulation, which entered into force in 2016, were carried out in 2016. In order to comply with regulations and provide better service to customers, special consultation lines have been set up for Auto Enrollment customers and employers, and improvements have been made in IVR, CRM, Internet Branch and other similar systems.

• Corporate Portal Improvements

In order to provide better service to customers within the scope of both digital transformation and Auto Enrollment System, the Corporate Portal improvement was planned, and completed successfully within the schedule and budget. With the Corporate Portal, customers can easily convey their data within the scope of the Auto Enrollment System, and fulfill their operational needs. The architectural and flexible structure of the Corporate Portal is also capable of meeting the new demands of the customers and expanding in this direction.

• System Improvements

Life Policies Data Integration Project has been completed with the aim of providing better and faster service to ING Bank customers. Works related to new products helping to realize ING Bank and NN sales targets have been carried out, the required technical integrations have been completed, and these new products have been offered for sale. The Renewal and Collection Continuity Project, which will increase collection rates, has started. Within the framework of the Credit Restructuring Law, the sale of insurance to credits restructured through ING Bank has been provided. In accordance with the Banking Law, customer integration with ING Bank has been realized.

A Tele-Sales System was established with the aim of presenting different products for the needs of the existing customers and selling through the call center. The Corporate Portal System has been developed with the aim of providing fast and accurate service to Auto Enrollment customers and sales teams. In the first stage of the Document Management System, improvements were made to cover the Damage and Risk Assessment Processes.

In addition to this, the aim of facilitating the monitoring of the deliveries to the customers and increasing the customer satisfaction has been established with the Delivery Centralization Structure.

• Data Warehouse and Business Intelligence Structure

New developments have been continued in order to better meet customer needs at the Data Warehouse Project, which was launched last year with the aim of enabling employees to directly access reports for their needs and to create their own reports.

• Processes and Organization

The Information Technologies Team, which handles many projects with Agile Methodology, facilitated instant sharing of information by organizing agile meetings.

Information Technologies continued its efforts in 2016 to improve its internal processes and processes with other stakeholders.

Thanks to the agile work team established to manage Information Technologies processes more effectively in cooperation with ING Bank, many projects have been completed in a timely and efficient manner.

• Strategy

Preliminary works have been started on the transition to Cloud Technology with the Information Technologies Strategy which was established in accordance with the NN Group's Information Technologies Strategy.

Marketing

• Customer experience

Reliable processes are one of the most important strategies of NN Hayat ve Emeklilik. To that end, the customer experience department has reviewed communication and processes at all customer touchpoints. It aims to improve the quality of the processes and to give the customer an excellent experience.

Each development made within the processes was measured by user tests and it is endeavored to offer the most appropriate applications to the customers. Customer calls have been made more efficient at the call center and work has been done to ensure that the web site is user friendly.

In order to improve the customer experience process, customer touchpoints such as welcome, anniversary and surrender were tracked with metrics. Positive effects are seen in many areas of these processes. In particular, decrease in the duration of the calls and increase in number of contacts is among the most effective results of the revisions made in call scripts.

Furthermore, in order to make customers conveniently keep track of their savings, alternative benchmarking tools have been developed in the internet branch. In 2017, developments will continue on both the internet branch and the mobile branch.

In order to increase customer loyalty, many privileges and advantages are offered according to the customer segment, from house assistance to check-up packages, airport transfers to car rentals. The services will be expanded and continue to be offered to the customers in 2017.

• Net Promoter Score

NN Hayat ve Emeklilik has been successfully implementing the "Net Promoter Score", a Customer Satisfaction Survey, since 2010 to measure customer loyalty.

Customer experience is measured by surveys at different points of contact. Customers are asked about the services they have received during the sales phase, on the internet branch, at the call center and on anniversaries, and how much they recommend us to their families and relatives.

After the survey, respondents are interviewed in order to resolve issues they are not satisfied with, and thus turn unhappy customers into happy customers (promoters) who are recommending NN Hayat ve Emeklilik to their friends / relatives.

• Corporate Communication Activities, Advertising and PR

In order to increase its brand awareness through its "Önce Sen" (YouMatter)" understanding, the Corporate Communication Department continued its marketing activities with full pace throughout 2016 and ensured that NN Hayat ve Emeklilik was positioned as the "Information Center" by means of the communication related to Auto Enrollment.

In 2016, three different advertising campaigns were conducted on TV. The "Life" and "Insurance" campaign, which started to be broadcasted on January 4, 2016 and which added new breath to the life category in the sector, took place on the screens for five weeks. With this campaign, children are defined as 'Life' and their families as 'Insurance', and the message is given that the children will be protected under the life insurance policy when the unwanted situation happens to their parents. The second TV advertising campaign was launched on April 19, 2016 and took place on screens for four weeks. The advertisement was underlining the NN Group's international values, 170 years of long-standing experience and brand's essence, it's been highlighted that the brand is aware of customers' needs.

On December 26, 2016, two advertising campaigns for the Auto Enrollment were broadcasted. Both commercials have addressed to the decision makers of the Auto Enrollment System. The main objective of the advertising campaign is to position NN Hayat ve Emeklilik in Auto Enrollment by differentiating it from the competitors, and to clearly give an answer to the question "Why NN?". Having defined itself as FAST and EXPERIENCED in Auto Enrollment, the company has put forward its expertise in this regard in all of its communication activities.

Two different radio spot broadcasts were carried out in the year 2016 from May until the end of the year firstly related to the brand content related to "Önce Sen" (YouMatter) approach and secondly related to Auto Enrollment.

In out of home category within the scope of Auto Enrollment publicity activities, Auto Enrollment campaign was supported by wrapping the buses in Istanbul.

Sponsorship was provided for the events held at Ankara, Kayseri, İzmir and Bursa on the topic "New Generation Jobs, Processes and Products" within the scope of the 9th Interactive Marketing Summit (IPZ) Anatolia organized by Marketing Turkey and the Marketing & Management Institute. Employers were met at the Anatolia to give information about Auto Enrollment and the system was explained in detail to the decision makers.

Nielsen has conducted a large-scale Auto Enrollment Survey at 8 cities on behalf of NN Hayat ve Emeklilik with the employees and executives of companies with more than 15 employees. With this survey, employees' and employers' approaches to the new system have been identified, and the priorities and trainings of potential

participants in Turkey have been analyzed. The survey has been repeated every month until the end of the year and NN Hayat ve Emeklilik has become the company taking the pulse of both the employers and employees in the sector.

The total number of news reports published in the media during the year 2016 is 585. In October, NN Hayat ve Emeklilik, which ranked first in the news reports compared to the competitors, closely followed the reflections in the media related to Auto Enrollment and after the second half of the year, informative activities in this area had an important place in PR activities.

Digital Communication

In 2016, NN's presence in digital channels has been doubled. The impact of digital marketing is reflected both in branding and performance campaigns.

Digital marketing activities have gained pace with the Auto Enrollment coming into the agenda during the last three months of the year. With a competition held within the company, the impact of the Auto Enrollment slogans suggested by NN employees is measured in digital media and OTOBES idea receiving the best interaction is used on all online/offline marketing activities.

In the second half of 2016, two blogs were launched. One of the content platforms launched for being the Information Center in Auto Enrollment is www.otomatikbes.com. Prepared before all competitors, the blog showed that NN is the opinion leader about Auto Enrollment.

In addition to the Auto Enrollment blog, the NN Blog has also been launched. NN Blog offers readers with all sorts of remarkable content from life to culture and art, from suggestions to funny videos. The primary purpose of launching the blog is to share easy-to-apply and life-facilitating recommendations in different fields with the readers by creating the perception "You are always first and we are on your side".

In 2016, we focused on video communications. 10 videos broadcasted in the digital media met with online users by receiving 5 million hits.

NN's corporate website has been optimized and its design has changed into a compliant one by taking the user experiences into account.

• Product Activities

NN Hayat ve Emeklilik continued to add products tailored to the needs of its customers to its product portfolio in 2016.

With its approach to dynamism and rapid adaptation to changes while designing new products, NN Hayat ve Emeklilik aimed to make a difference in the product development process using the Agile methodology.

Individual Pension Products

NN Hayat ve Emeklilik, a specialist in its field, has created new products considering the needs and expectations of customers both in niche market and wide mass market in accordance with the changing legislation in 2016 in the Individual Pension System. "Emekliliğim Güvende" Scheme, "Emekliliğim Güvende" VIP Scheme, "Mavi Yarınlar" and "Mavi Yarınlar" VIP Scheme have been offered as new schemes specifically for different channels in line with the legislation.

In addition to this, using its expertise in the field of Individual Pension, NN Hayat ve Emeklilik conducts sector analysis, determines customer needs, and prepares special products and services according to the expectations of the customers.

Life Products

Aiming to increase the sales of life business in all channels in 2016 compared to the previous year in order to strengthen its competitive position with the approach of "Önce Sen" (You Matter), NN Hayat ve Emeklilik accelerated its activities in order to position new life products in 2016 as well.

In this context, NN Hayat ve Emeklilik aims to develop new products to meet the needs of existing customers and potential customers and to develop strategies to deliver these products through the right channels.

NN Hayat ve Emeklilik contributed to the enrichment of the products of both the company and the sector with efforts towards products particularly related to critical diseases, as well as with new coverages such as life incidents in 2016.

In 2016, we designed the Critical Illness product with a brand new concept and presented it to our customers. "Hastalıkta Sağlıkta" and "Hayata Tutun" products that provide protection against only cancer or other critical illnesses with the cancer, are added to the product portfolio.

In addition to that, Rapid Diagnosis Additional Service that is the first in the market was put in to the product to offer the customers.

By analyzing the dynamics in the Turkish market, the Company has evaluated the customers' family-oriented approach. As a result, the Company did not only developed customer-focused products, but also take into consideration the customers' most valued assets and presented "Ailem Yanımda" product, the first and only in the sector, to the market. The product offers coverage to critical illnesses to customers and also family members of the customers with a single policy.

In 2016, a right was granted to restructure credit maturities up to 72 months for personal credits. In accordance with this law, credit-linked insurance was created in line with the credit maturities.

Experimental studies have been started with a corporate structure open to innovation and making a difference in the sector, and special products have been designed for sales strategies developed for different channels.

In 2017, it is expected that products such as life, critical illnesses, education, unemployment, which are offered independently from credit products, will develop in addition to the products sold in connection with the credit as the life insurance sector continues to grow steadily.

2017 Forecasts

In 2016, strategic priorities have been given to topics that will bring NN's success further. In this direction, improvements have been made in operational processes and actions have been taken in order to establish long-term relationships with individual pension customers, and life insurance has grown above the market average. The Company is planning to put innovative projects quickly into practise while continuing to implement this strategy in 2017.

2016 has been a year of full support for business partners in the distribution channels. With its 130 sales, training and sales support staff specialized in individual pension and life insurance, significant support was given to business partners and this created added value in achieving goals. In 2016, a number of products have been developed for being sold in life insurance, particularly in the bank channel, which would bring new business opportunities to the company in the following periods. In addition to this, "Family Care" product which is a first in Turkey market was launched on December in agency and bank channel, providing insurance to all family members against cancers

and 17 dangerous diseases.. Furthermore, the year 2016 was a year that the company gave great priority to the adaptation and preparation for the Auto Enrollment legislation, and it has been a year that the company pioneered developments and solutions in the sector.

As a result of the progresses in this field, the Company plans to reach more customers in 2017 by means of Individual Pension Auto Enrollment System and continue to take firm steps to create value by offering the best quality service to its customers. The company will continue to follow trends in 2017 with the awareness of continuous change in the sector and will continue to increase its strength of being innovative and experimenting with new business models in 2017 and will work to have new distribution channels.

In addition to this, life and pension companies focused on life insurance in 2016 as a result of the decrease in the profitability ratio in Pension business due to limitations defined on fees in 2015. In 2016, life insurance premium production in the sector increased by 32% compared to year 2015. But in NN the life premium production increased by 47% compared to year 2015. In 2017 the production is still expected to be shaped mostly in the context of credit life insurances sales, which is offered in order to protect the customer's risks during the bank's credit sales, if population dynamics and the customer potential in the market are utilized, there is significant growth potential also in other life branches by innovative products and channels. According to the report "2023 Vision, Goals and Expectations for Turkish Insurance and Pension Industry" of the Insurance Association of Turkey, the "protective" life insurance in 2023 is expected to reach TL 10 billion with a "normal growth" rate and TL 16 billion with an "accelerated growth" rate.

2017 Sector Forecasts

2016 the Individual Pension progresses in 2016 were realized at the level of "Most Likely Expectations" stated in the 2016 sectoral expectations section of the Individual Pension Progress Report 2015 published by the Pension Monitoring Center, and as of the end of 2016 the size of funds in the sector was 53.4 billion TL and the number of participants was 6.6 million.

At the beginning of 2017, the Individual Pension Auto Enrollment System is launched. With the effect of this system, it is expected that the year 2017 will be a completely different year for the Individual Pension Sector from the previous years. In this context, the system allows individuals who are under 45 years old and who work in

private or public sectors to be automatically involved in the system by the companies they work for has first started in companies with 1,000 or more employees. Companies with 100 employees and over will be included in the system gradually in 2017. Together with these new participating companies, it is predicted that about 7 million participants will be entering the system in 2017. The fee in Auto Enrollment Contract is limited by the fund management fee, and the deduction difference between the companies is minimized. For this reason, pension companies that want to lead the sector will have to make a difference with both the value-adding approach and with the after-sales services.

The Assent for the Annual Report

Independent Auditor's Report on the Annual Report of the Board of Directors

To the General Assembly of NN Hayat ve Emeklilik Anonim Şirketi, Report on the Independent Audit of the Annual Report of the Board of Directors in Accordance with the Independent Auditing Standards

We have audited the annual report of NN Hayat ve Emeklilik Anonim Şirketi ("Company") for the period ended December 31, 2016.

Management's Responsibility for the Annual Report

In accordance with the article 514 of the Turkish Commercial Law ("TCL") numbered 6102 and "Communique on Individual Pension Savings and Investment System" ("Communique") issued on August 7, 2007 with no. 26606, The Company Management is responsible for the preparation and fair presentation of the annual report and for the internal control considered as required for the preparation of such an annual report.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on the Company's annual report based on our audit in accordance with article 397 of TCL and Communique whether the financial information included in the accompanying annual report is consistent with the audited financial statements expressed in the auditor's report of the Company dated February 29, 2016 and provides fair presentation.

We conducted our audit in accordance with the regulations regarding auditing principles set by insurance legislation and the Independent Standards which are a part of Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority (POA). Those standards require that ethical requirements are complied with and the independent audit is planned and performed to obtain reasonable assurance whether the financial information in the annual report is free from material misstatement.

An independent audit involves performing independent audit procedures to obtain independent audit evidence on the historical financial information. The selection of these independent audit procedures is based on our professional judgment.

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

Opinion

In our opinion, the financial information included in the annual report of the board of directors is consistent with the audited financial statements and reflect the truth fairly in all material aspects.

Other Regulatory Liabilities

In accordance with the third clause of article 402 of TCL, no material uncertainty has come to our attention that causes us to believe th at NN Hayat ve Emeklilik Anonim Şirketi will not be able to continue as a going concern in the foreseeable future in accordance with TAS 570 "Continuity of Business".

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



Alper Güvenç
Auditor in Charge
March 22, 2017
Istanbul, Turkey



Information on the Management

Board of Directors

Frank Eijsink

CEO – General Manager

Frank Eijsink has graduated from the Applied Physics Department of Eindhoven Technology University in 1997, and from the Management Sciences and Industrial Engineering Department of the same university in 1998. Eijsink has started his career as a Business Analyst in A. Kearney in 1998, and he left his position while he was a manager in 2003. He worked as the Corporate Strategist in ING Corporate Strategy Company between the years 2003-2006. He continued as the Business Development Manager in ING Variable Annuities Company in 2006 and continued at this position until he became the General Manager of ING Life Luxemburg in 2008. Eijsink continued at the General Manager position in Luxemburg until 2012, and continued his works within ING Insurance Europe and Investment Management/NN Group as the Financial Strategy Manager between the years 201-2014. He continues his work life as the General Manager of NN Hayat ve Emeklilik since June 2014.

John Thomas McCarthy

Executive Vice President

John Thomas McCarthy has bachelor's degree in German and Economy from Tufts University, and master's degree in Germanistic from Ebenhard Karls University and Tufts University, and master's degree in Finance from Babson College. McCarthy has worked as the General Manager in State Street Bank GmbH from 1971 to 1975. After that, he worked as the Vice President and Senior Vice President in New York, London and Bahrain in American Express Bank Ltd. from 1976 to 1998. He worked as the Vice General Manager in Koç-American Bank A.T. from 1989 to 1990. He worked as the General Manager in ING Bank N.V. from 1991 to 2007. He continues working as the Chairman of Board of Directors in ING Bank A.Ş. since 2008.

Emine Sebilçioğlu

Executive Board Member – Chief Financial Officer

Appointed as Chief Financial Officer of NN Hayat ve Emeklilik A.Ş. in November 2013, Emine Sebilçioğlu has graduated from the Business Administration Faculty of

Istanbul University in 1994. Sebilçioğlu has started her career in 1994 as a specialist in Guarantee and Business Consultancy in PwC Turkey, and has left the company in 2002 while she was acting as the manager of the same department. She acted as Chief Financial Officer of Fortis Yatırım Menkul Değerler A.Ş. responsible for accounting, budgeting, financial reporting, compliance, risk control and internal control departments from 2002 to March 2007. She acted as vice chairman of the operations department at the same company from March 2007 to August 2008. Sebilçioğlu acted as the Vice General Manager of the same company from August 2008 to February 2009, and has also assumed a role as a Member of the Board of Directors from February 2009 to November 2009. She has joined BNP Paribas Investment Partner in November 2009 as Chief Tax, Structuring and Affiliate Officer, and continued at the same position until March 2011. In addition to acting as the CEO, she also acted as Chief Financial Officer of BNP Paribas Cardif Emeklilik A.Ş., BNP Paribas Cardif Hayat A.Ş. and BNP Paribas Cardif Sigorta A.Ş. from March 2011 to November 2013. She currently acts as Chief Financial Officer of NN Hayat ve Emeklilik since November 2013. Sebilçioğlu is a Certified Public Accountant, and also has Advanced Level and Corporate Governance Licenses issued by the Capital Markets Board of Turkey.

Johannes Hendrikus Van Barneveld

Executive Board Member

Resignation

Johannes Hendrikus Van Barneveld is an authorized auditor since 1986. He joined NN Group in 1990, and first assumed the position of NN Internal Control Manager, and then ING Group Internal Audit Manager and Team Supervisor. He has international experience on Financial Reporting, Legal Regulations, Management of Financial Reporting Risks, Tax Planning and Declaration, and Financial Business and Management Processes. He has also acted as NN Belgium Member of Board of Directors and Chairman of Supervisory Board, Finance and Economy Committee Member of the Dutch Association of Insurers, and Netherlands NN CDC Pension Fund Supervisory Board Member. Resigning of Johannes Hendrikus Van Barneveld was approved on 21.06.2016, and Edwin Smaal is appointed as an Executive Board Member.

Edwin Smaal**Head of NN International Business Development****Appointment**

Since December 2015, Edwin Smaal is responsible for the development and implementation of NN Insurance company's business strategy in all countries that NN Group operates in, except Netherlands. He acted as Chief Marketing Officer in NN Bank from 2013 to 2015. He has been appointed as an Executive Board Member in NN Turkey as of 29.12.2016.

Duncan James Russell**Executive Board Member**

Since 2013, Duncan James Russell has taken on high level assignments; he has taken parts in every critical point from strategy to finance, from purchasing to company audit within the Group with his analytical thinking systematic. Before joining to NN Group, he had a similar position in ING Group, and he led the organization as the General Manager and the President of European Insurance Research JP Morgan. Making a distinguished name for himself with his international achievements, Russel studied economy and history.

Mustafa Ali SU**Executive Board Member**

Mustafa Ali Su has graduated from the Department of Business Administration of Administrative Sciences Faculty in the Middle East Technical University. Started his career as an Intern Assistant Inspector in the Inspection Committee of Türkiye İş Bankası A.Ş. in 1976, Mustafa Ali Su has appointed as Assistant Inspector in 1977, Inspector in 1982, Assistant Manager of Organization Directorate in 1986, IT Group Manager in 1988, Credit Cards Manager in 1990, and Organization Manager in 1992. He was put in charge with the new Head Office Construction Project of Türkiye İş Bankası A.Ş. as of September 1996, and has been appointed as the General Manager of Anadolu Hayat Emeklilik A.Ş. on 26.04.2001. Mustafa Ali Su continued at this position until 31.01.2006, and then appointed as the General Manager of Anadolu Sigorta on 01.02.2006. Su acted as the Chairman of the Insurance Association of Turkey from 11.04.2011 to 20.09.2012 and after he retired on 02.04.2012 as the Vice General Manager of Türkiye İş Bankası, he acted as a Member of the Board of Directors of BAYEK A.Ş. in 2012, and Vice Chairman of the Board of Directors of SFS Yazılım A.Ş. and as Deloitte's Senior Consultant in 2013 and 2014. In addition to acting as an Executive Board Member, Mustafa Ali Su also acts as the Chairman of the Board of Directors of PORTAS Eğitim ve Danışmanlık A.Ş. he founded.

Management Team

Başak Başar Belevi**Chief Human Resources and Organizational Development Officer****Resignation**

Başak Başar Belevi has graduated from Economy Department of Boğaziçi University in 1996, and started her career the same year as Financial Analyst in Procter & Gamble. She respectively acted as Finance Manager and

Finance Group Manager in the same company. Belevi joined Cadbury Turkey as Human Resources Manager in 2008, and assumed several executive positions regarding Human Resources until 2014 in this company, which continued its operations as Kraft Foods. Başak Başar Belevi has acted as Chief Human Resources Officer in NN Hayat ve Emeklilik A.Ş. since February 24, 2014, and has resigned from her position on 31.12.2016.

Hüseyin Alper Erdinç**Chief Sales and Bancassurance Officer**

After graduating from the Statistics Department of Middle East Technical University, H. Alper Erdinç has started his career in Garanti Sigorta in 1999, and assumed various roles and responsibilities in Marketing, Corporate Business and Performance Development Department.

Erdinç was appointed as Marketing and Business Development Manager in TEB Sigorta in 2005, and continued acting in this position until 2008. After Zürich Financial Services acquired TEB Sigorta, Erdinç acted as Chief Marketing Officer in Zurich Sigorta and led the brand's launching process. H. Alper Erdinç has joined BNP Paribas Cardif Emeklilik A.Ş. in 2011 and acted as Chief Bancassurance Officer until 2013.

H. Alper Erdinç has completed several leadership and management programs during his professional career, and acts as Chief Sales and Bancassurance Officer in NN Hayat ve Emeklilik A.Ş. since February 2015.

Adrian Lupescu**Chief Risk Officer**

Graduated from Economy Department of Bucharest University of Economic Studies in 1999, Adrian Lupescu has received his Actuary Techniques degree from Oxford Actuary Institute and continued with his MBA in Warwick University at the UK. Lupescu has started his professional career in 1999 as an actuary in ING Insurance Romania, and he was assigned to Middle East Regional Office of ING Insurance where he acted as an actuary from 2003 to 2005.

After being appointed as Actuary Manager to ING Insurance Romania in 2005, Adrian Lupescu continued with this position until 2006. Adrian Lupescu has acted as Deputy Chief Risk Officer in ING Insurance Romania until 2009, and as Chief Risk Officer from 2009 to 2011 and as Chief Financial Officer from 2011 to 2014.

Worked in ING Insurance Romania until 2014, Adrian Lupescu continues as NN Hayat ve Emeklilik Chief Risk Officer since April 2014.

Metin Gül**Chief Operation and Information Technologies Officer**

Metin Gül has started his career in 1994 as Oracle ERP Consultant in the USA, and has acted as Senior Consultant and Manager related to technology in Sapient Corporation, AmerisourceBergen and FedEx until 2008.

He led the processes regarding system integration, transformation of current infrastructures, operation management, generating customer oriented solutions, improvement of sales processes, and efficiency for the companies operating in finance, production, energy and pharmaceutical industries.

Metin Gül has continued his career in Turkey since 2008 and respectively acted as IT Manager responsible for EMEA Region in Diversey, and as CIO in Metlife.

Metin Gül has joined NN Hayat ve Emeklilik as CIO in September 2014, and continues to work for the company as Chief Operation and IT Officer since 2015.

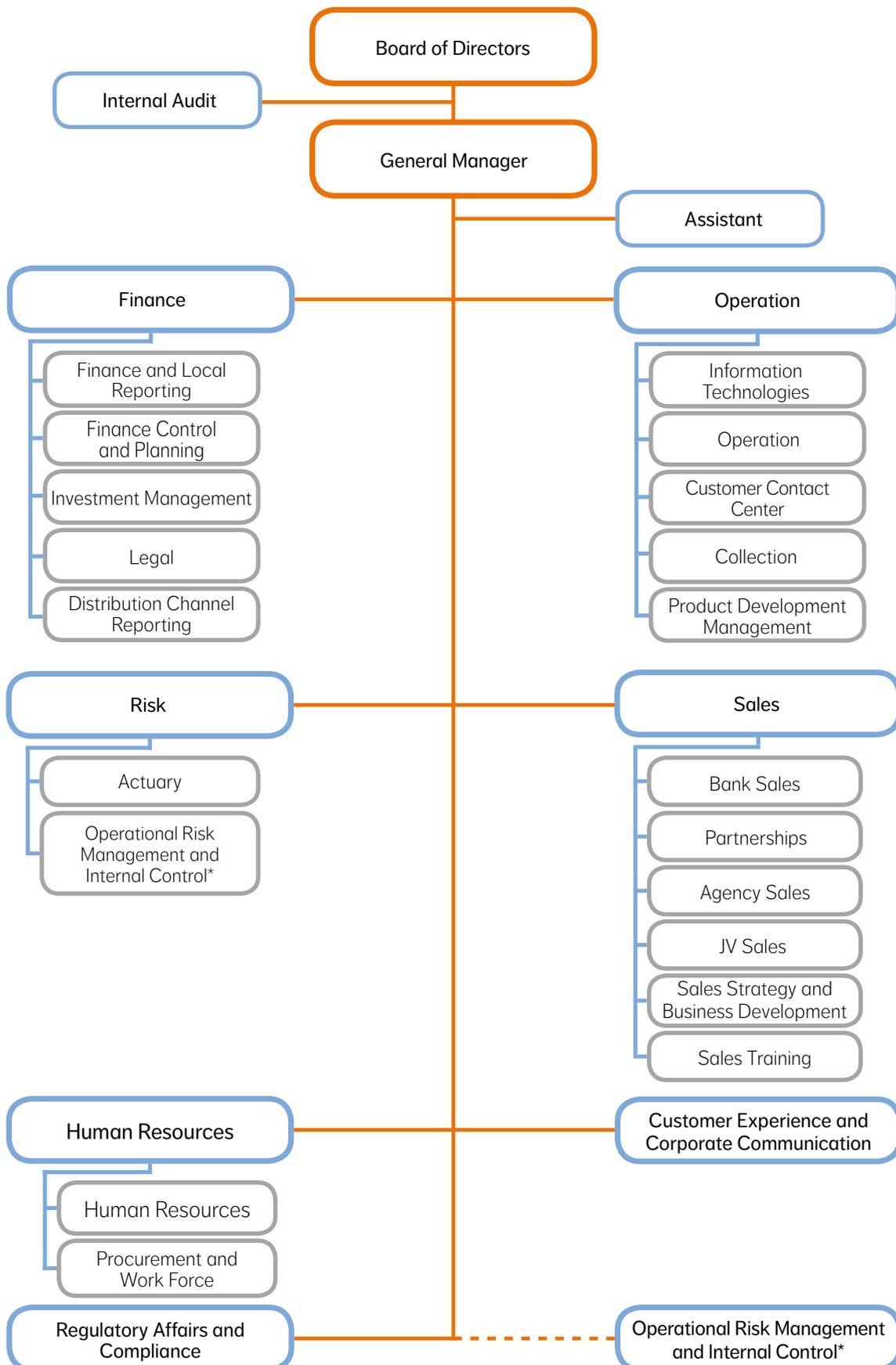
Metin Gül has graduated from Computer Engineering in Curtin Technology University in Australia.



The Information on the Attendance of the Members of the Board of Directors to the Meetings within the Financial Year

Board Meeting Dates	Resolution No.	Participant No.		
28.01.2016	1	4	01.08.2016	26 4
28.01.2016	2	6	12.08.2016	27 4
29.02.2016	3	6	08.11.2016	28 4
29.02.2016	4	6	08.11.2016	29 4
29.02.2016	5	6	08.11.2016	30 4
29.02.2016	6	6	08.11.2016	31 4
29.02.2016	7	6	15.11.2016	32 5
03.03.2016	8	4	15.11.2016	33 5
07.03.2016	9	4	15.11.2016	34 5
07.03.2016	10	4	15.11.2016	35 4
07.03.2016	11	6	15.11.2016	36 4
30.03.2016	12	4	16.12.2016	37 4
30.03.2016	13	4	16.12.2016	38 4
30.03.2016	14	4	19.12.2016	39 4
14.04.2016	15	4	19.12.2016	40 4
14.04.2016	16	4	16.12.2016	41 4
16.05.2016	17	4	16.12.2016	42 4
16.05.2016	18	4	16.12.2016	43 4
16.05.2016	19	4	16.12.2016	44 4
21.06.2016	20	4	27.12.2016	45 5
21.06.2016	21	4	27.12.2016	46 5
21.06.2016	22	4	27.12.2016	47 4
21.06.2016	23	4	27.12.2016	48 4
01.08.2016	24	4	27.12.2016	49 4
01.08.2016	25	4		

Organization Chart



*This function reports to the CEO for the activities related to Internal Control, and to the Chief Risk Officer for the activities related to Operational Risk Management.

Human Resources Strategy and Activities

NN Hayat ve Emeklilik predicates human and trust on its works. Taking the people's financial responsibility is a subject we take seriously. Besides acting in coherence and mastership, by our Professional attitude, we gain and keep the trust of our partners, that is to say our customers, workers, shareholders, business partners and the society in general, who have a particular importance in our company's success.

Our values; "Care, clear, commit", not only our managerial strategy but forms also our HR strategy and enliven in each of our daily works.

Care

We empower and support people in order for them to become the best they can. We care about our employees personal lives and their improvement, we value their ideas and their contribution. For this reason, we give our employees opportunity to improve themselves and provide an inspiring, healthy workplace environment. Indicators of "we care" are our sector-leading HR practices of "home office", "autonomy hours" and "flexible working hours". With the conscious of on-the-job learning being the most effective method of personal improvement, we can count occupational rotation, internal promotion, additional roles and project based job opportunities as examples that we provide along with conventional in-class training. We recognize our colleagues who actualize any work.

Clear

We communicate cautiously and honestly; we mean what we say and we say what we mean. We promote a culture that can be accessed easily and in which everybody is cautious and sensitive. We believe that listening with a great care and empathizing will solve any problem we face. We know that as long as our management style for our employees and business is transparent, we can create trust and justice feelings in our employees. In order to reach that, we use internationally recognized wage and performance management systems and methodologies. In terms of performance management, this enables us to make a performance measurement and evaluation in an objective way. With regards to wage setting, our transparent communication about our wages and vested benefits policy that is established accordingly with the best practices in the market enables us to build the justice understanding, for which we make efforts to reach.

Commit

We act in coherence and accordingly with all current legislations, regulations, internal policies and regulations. Not only the professionals who aims at developing together with our company, but we are also in search of employing people who are in a struggle for taking the responsibilities of their steps while we are keeping our promises. This also means doing business while always thinking of the future. For this reason, as the HR, we have underlied the base of our desire to become a strategical partner by applying HR business partnership model. Working this way enables us appreciating long term targets rather than short term gains. Finally, we encourage our employees to question the status quo in a way to add value to the continuity of our business.



Financial Rights Granted to the Board of Directors and Management Team

Financial rights granted to the members of executive board and senior executives in 2016 are summarized as follows:

These are attendance fees, salaries, premiums, bonuses, allowances, travel, accommodation and representation expenses, insurances and similar coverages. Total amount paid is 5.060.198,56 TL.

Corporate Social Responsibility Projects and Expenditures

Project expenses related to the donations and aids during 2016 are as follows:

1. A donation of 1.894 TL was made for the Yırca Village Women Association.
2. A donation of 7.000 TL was collected by NN Running Club during 38th Istanbul Marathon for Koruncuk Foundation for Children in Need.
3. Trees were planted by Aegean Forest Foundation in memory of our late insured persons, and a donation of 9.810 TL was made.
4. A donation of 10.000 TL was made to Koruncuk Foundation for Children in Need within the scope of "Life and Insurance" Digital Project.

Summary Board of Directors Report Presented to the General Assembly

Dear Shareholders,

We would like to express our gratitude to all of you for your attendance to the General Assembly Meeting convened for reviewing and taking resolutions regarding the accounts and operating results of the operating period of 2016.

Our company has continued its growth strategy this year by investing in multi-channel distribution and developing new life insurance and individual pension products. Participants benefited from the opportunity to arrange a new individual pension scheme, which provides state contributions at 25% of their investments. As of the end of 2016, NN Hayat ve Emeklilik's paid-in capital was registered as 39,441,418 TL. Our fund size has increased by 21% to 2.342 million TL.

Our company has completed the year in accordance with the capital and profit/loss plan set out at the beginning of 2015. In addition to this, the number of our employees has reached to 315 including our field team. We would like to thank you again for your confidence in the General Assembly and wish that our company, which has started with 170 years of experience as one of the biggest international financial organizations with the name of NN, will continue successfully in 2017.

Sincerely yours

Board of Directors

Internal Audit Activities Assessment for 2016 performed by Internal Audit Department

The internal audit activities are carried out by the Internal Audit Department on an independent and unbiased bases in order to ensure the compliance with the current laws and other regulations; strategies, policies and objectives of the Company and the rules of the insurance business as well as the efficiency and adequacy of the internal control and risk management systems. Furthermore, the important aims of Internal Audit Department are to support the Company to attain its objectives and to create value added opinions and suggestions.

In terms of organizational structure, the Internal Audit Department reports to the Board of Directors of the Company. Internal Audit Department is also a member of Corporate Audit Services (CAS) which is an independent audit unit within ING Group in which the activities are performed according to the standards of the Institute of Internal Auditors (IIA).

The Internal Audit Department issued 9 audit reports in 2016. A follow up memo was also issued in 2016 in order to assess the effectiveness of the activities performed by Operational Risk Management Department during the closure of audit findings.

Internal audit activities cover the following matters with including the activities of all departments of the Company, the regional directorates and the agencies into the scope:

- Examining the compliance of all activities of the Company with the legislations and the internal policies and the procedures of the Company,
- Offering assurance in terms of the effective and adequate risk management and internal control activities,
- Examining the accuracy and the reliability of financial and administrative information,
- Inspecting the economic and efficient utilization of the resources of the Company,

Ensuring that the activities and the programs are in line with the objectives and the targets set by the Company and monitoring whether the activities are carried out in the way that they were planned.

The activities of Internal Audit Department are performed through the following methods:

- Obtaining the relevant information and analyzing them with objective principles,
- Reporting in clear and comprehensible ways and conveying to the relevant authorities directly,
- Obtaining the action plans of the Management pursuant to these reports,
- Checking whether the issues set forth in the audit reports are corrected or not, and whether the warning notes issued are taken into account during the continuation of the activities.

Agenda for the 2016 Ordinary General Assembly

- 1) Opening and establishing the meeting committee,
- 2) Granting power to the meeting committee for signing the meeting minutes and documents on behalf of the General Assembly,
- 3) Reading, discussing and approving the annual report of the Board of Directors,
- 4) Reading, discussing and approving the Independent Auditor Report,
- 5) Reviewing, discussing and approving the balance sheet and income/loss statement, and discussing the profit distribution,
- 6) Acquittance of the Board of Directors,
- 7) Acquittance of the Independent Auditor,
- 8) Discussing the election of the members of Board of Directors, and determining their office term,
- 9) Discussing and determining the salaries of the members of Board of Directors,
- 10) Selecting the new independent auditor,
- 11) Adding additional items, if available, to the agenda and discussing these items,
- 12) Wishes and requests,
- 13) Closing.

Information Regarding the Extraordinary General Assembly in 2016

- 1) With the Extraordinary General Assembly held on 29.01.2016, article 6 "Capital" of the articles of association has been amended pursuant to article 6 of the Turkish Commercial Law no. 6102, and the company's registered capital has been increased by 100,000 TL to 39,341,418 TL through premium where 48,900,000 TL in total is the premium on issued shares.
- 2) With the Extraordinary General Assembly Meeting held on 29.12.2016, article 6 "Capital" of the articles of association has been amended pursuant to article 6 of the Turkish Commercial Law no. 6102, and the company's registered capital has been increased by 100,000 TL to 39,441,418 TL through premium where 15,400,000 TL in total is the premium on issued shares.
Appointment of Edwin Smaal as a Member of the Board of Directors due to resignation of Johannes Hendrikus Van Barneveld is approved at the Extraordinary General Assembly held on 29.12.2016.



Summary Financial Data for the 5-Year-Period Including the Report Period

Thousand TL	2016		2015		2014		2013		2012	
Fund Size	2.342.107		1.943.390		1.767.132		1.390.851		1.092.350	
Paid-in Capital	40.601		89.401		40.201		54.801		108.160	
Shareholders' Equity	105.115		105.191		13.164		33.476		54.865	
Total Assets	2.614.442		2.194.442		1.911.821		1.550.466		1.233.231	
Technical Income	186.928		137.378		118.775		94.820		83.813	
Balance of Technical Incomes and Expenses	-	25.040	-	49.633	-	63.324	-	60.794	-	28.052
Balance of Non-Operating Incomes and Expenses	8.887		7.896		-	17.713	-	10.793	45	
Profit/Loss Before Tax	-	16.153	-	41.738	-	80.960	-	71.587	-	28.007

Information on the Financial Structure

NN Hayat ve Emeklilik continued its operations actively in the pension sector that is growing rapidly in 2016. Its total equity capital reached to 105.1 million TL in 2016. The total assets of the company reached to 2.6 billion TL by the date 31 December 2015 with a 19.2% increase compared to the year 2015. By the date 31 December 2016, the share of the cash assets within the total assets was realized as 7.6%, the share of the receivables of the Individual Pension System within the total assets as 89.6% Net loss has decreased by 60% in 2016.

Information on the Applied Risk Policies Based on the Risk Type

Financial Risks

The company faces the financial risks below.

Liquidity risk – The risk of being obliged to sell illiquid assets with a loss because of not having enough liquid assets for a definite time. The precautions to be taken are doing liquidity planning and having the minimum amount of investment in liquid assets

Exchange Risk - The risk of damage to assets and liabilities resulting from fluctuations in the value of foreign exchange in the future. Measures that can be taken are to use the Hedging Method by taking position in the spot or derivative market against the national currency in the exchange rate corresponding to the related obligation.

Interest risk – The risk created by change in interest rates and thus the change in market value of the liabilities. The precautions to be taken are within the frame of the best realization possible for the time correspondence of asset/liability.

Stock risk – The risk created by the variability in stock market and thus the fluctuations in the stock funds. There is no precaution can be taken in this situation (for ex.: hedging) because the customers invest in stocks using their own money. When there is a decrease in the value of stock funds, the Company's effect is secondary in the context of methods like taking less portfolio management commission fee.

Credit risk - The risk of the decrease in the ratings of holdings/bonds within the Company's portfolio. The precaution can be taken is to buy the bonds over a certain degree through a platform with available capacity within the frame of an open and selective investment policy.

Non-Financial Risks

- a) Business Risk
- b) Market Risk
- c) Reputational Risk
- d) Compliance Risk
- e) Operasyonel Risk

By the Operational Risk and Compliance Risk Management Process constituted in the Company, defining and measuring the operational and compliance risks, identifying and applying risk policies and application methods, implementation, executing, monitoring and reporting the necessary controls in order to mitigate the risks are performed. The definition of the operational risk: "The risk for the Company to suffer a loss directly or indirectly because of business processes, human resources and inadequacy or failure of the systems or external factors".

By forming a powerful risk management system, it is aimed to control the Company's risks and minimize the loses on the one hand, adding value to the participants, the shareholders, distribution channels and the employees on the other. The Risk Governance Framework of NN Hayat ve Emeklilik A.Ş. is based on the "Three Line of Defense" concept and is as follows:

1ST LINE OF DEFENSE

Business Units

- First degree executives are responsible for the management of operational risk and compliance risk during the routine work flows.

2ND LINE OF DEFENSE

Compliance & ORM

- The Risk Function supports the management in determining the risk appetite, strategies and policies.
- It questions the accuracy and effectiveness of actions plans regarding risk definitions, risk reports and risk mitigation.

3RD LINE OF DEFENSE

Audit

- It carries out financial, operational, compliance and risk management audits.
- It provides an independent and objective assurance regarding the effectiveness of internal controls and risk management.

Operational risk categories are as follows:

- 1) Control and Process Risk
- 2) Unauthorized Activity Risk
- 3) Employment Practices Risk
- 4) Business Continuity and Security Risk
- 5) Information (Technologies) Risk
- 6) Compliance Risk
- 7) Fraud Risk

The main targets of the risk management system realized as to include all of the Company's activities and departments and directed towards that predefined risk types;

- Increasing the operational risk awareness,
- Ensuring to continue activities within the risk appetite of NN Group by working with the executives,
- Developing early warning systems,
- Ensuring additional precautions to be taken by monitoring the activities for mitigating the risks. Thus, eventually to lower the cost of operational risk.

As one of the main committees for early identification of risk and taking action against it, the Financial Risk Committee, which also includes the senior management, is held at least twice a year. The Company's existing financial assets, risks and market effects are assessed and decisions are taken. The Non-Financial Risk Committee is held monthly, and reports risk sensitive matters such as risks faced by the company in relation to its financial and/or reputation risks, incidents, key risk indicator results, tracking of risk mitigating actions etc. during the relevant period. The Product Risk Committee assesses and decides on matters including the current and planned products to meet customer requirements, profitability analysis, revenue generation, sales, etc.

A High Level Risk Assessment Meeting is held annually by the senior management of the company where the company's present and future risks are discussed, and the decisions are followed by the senior management.

As a part of the Operational Risk Management; Physical Security Management, Business Continuity Management and Information Security Risk Management works are executed in the Company. Physical Security Management includes compliance of the working areas of the Head Office, Regional Offices and Affiliates to the security standards and the occupational health and safety principles, preparation of emergency action plans, execution of the physical security committee meetings and training to the relevant employees. Business Continuity Management reviews existing crisis plans and critical processes, and defines how our company will continue with its critical operations in case of any crisis.

Extensive tests are performed based on crisis scenarios with the aim of to be prepared for crisis situations and determine the deficiencies, thus, it is aimed that the Company is prepared for every type of emergency situations.

Compliance Risk

Compliance Risk is an Operational Risk Category considered separately due to its importance, and is located under the second line of defense. Compliance Department reports to the General Manager, and its reports and activities are audited and assessed by NN Group.

Compliance risk is the risk of failure to comply with the company's values, procedures, legislation and other regulations, and standards related to the financial services of the company. The company attaches great importance to the management of the Compliance Risk, knowing that customer trust is a vital issue in the active financial services sector.

Compliance works on the following:

- Compliance with laws and other applicable regulations,
- Compliance with codes of conduct,
- Compliance with values of the Company and NN Group,
- Compliance applicable compliance policies and relevant internal procedure and regulations of NN Group and the Company.

The NN Group, which the company is a part of, has many policies on compliance issues that are applicable to all companies. Some of these are:

- Codes of Conduct
- Insider Policy
- Whistleblower Policy
- Gift, Entertainment and Anti-Corruption Policy

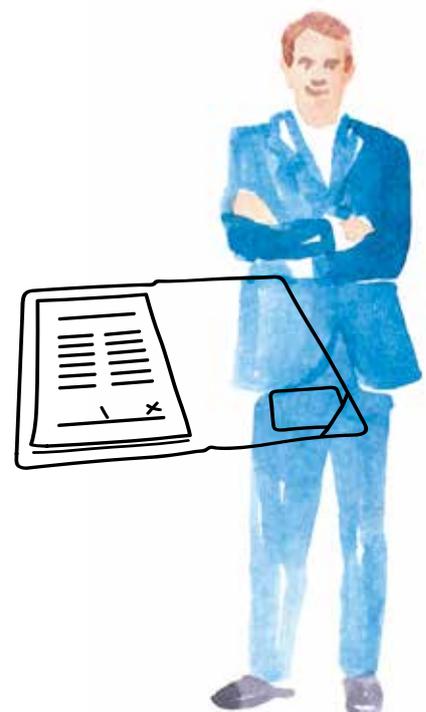
In this context, in order to effectively manage both the operational risks and the compliance risks in close cooperation with the relevant executives in accordance with the legal obligations and in order to manage the risks within the NN Group's policies and to establish a strong Compliance Risk Management Awareness in the company:

- Annual reminder compliance trainings
- Monitorings related to compliance issues
- Periodical assessment of Company's compliance risk
- Recommending and tracking the actions required for mitigating the Company's compliance risk.

The Works on Anti-Money Laundering and Combating the Financing of Terrorism

In accordance with the MASAK Regulations and the NN Group's Compliance Policies, an Anti-Money Laundering Reporting Compliance Officer is appointed to the company. Financial Economic Crimes Policy Compliance Project is also among the projects completed in 2010. Procedures for Customer Identification and Customer Acceptance Procedure, Name Scanning, Alarm Management and Suspicious Transaction Notification, Customer Risk Matrix, Guidance on Preventing the Laundering of Crime Revenues and Financing of Terrorism are effective. Awareness Trainings were provided to employees through electronic media completed in 2016. In addition to this, early warning systems for monitoring suspicious transactions have been developed and an automatic reporting system has been established.

The Independent Audit Report and the Financial Statements





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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of NN Hayat ve Emeklilik Anonim Şirketi

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Independent Auditor's Responsibility

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

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

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

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
a Turkish corporation and a member firm of the KPMG network of
independent member firms affiliated with KPMG International
Cooperative, a Swiss entity.

Opinion

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

Other Matter

The financial statements of the Company as at and for the year then ended 31 December 2015 was audited by another auditor who expressed an unmodified opinion on those financial statements dated 29 February 2016.

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of Turkish Commercial Code ("TCC") no. 6102; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities, financial statements for the period 1 January - 31 December 2016 are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and requested documents in connection with the audit.

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



Alper Güvenç
Auditor in Charge
March 10, 2017
Istanbul, Turkey

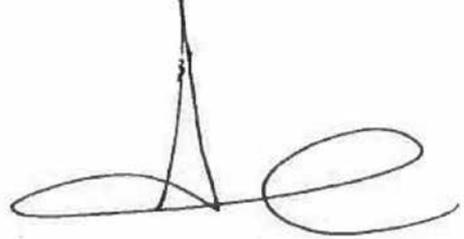
Franciscus Henricus Maria Eijsink
General Manager



Sema Dolaşoğlu
Finance and Local Reporting Manager



Emine Sebilcioğlu
Chief Financial Officer



Sibel Yamaç Tamkafa
Actuary Reg. No.: 92



NN HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ
FINANCIAL REPORT
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

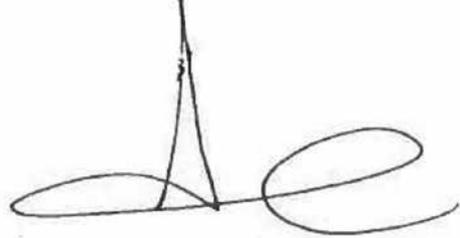
We confirm that the financial statements and related disclosures and footnotes which were prepared as of 31 December 2016 in accordance with the accounting principles and standards in force as per the regulations of Prime Ministry Undersecretariat of Treasury are in compliance with the “Code Related to the Financial Reporting of Insurance, Reinsurance and Individual Pension Companies” and the financial records of our Company.

Istanbul, 10 March 2017

Franciscus Henricus Maria Eijsink
General Manager



Emine Sebilcioğlu
Chief Financial Officer



Sema Dolaşoğlu
Finance and Local Reporting Manager



Sibel Yamaç Tamkafa
Actuary Reg. No.: 92

Balance Sheet as of December 31, 2016

(Currency: Turkish Lira (TL))

ASSETS			
I- Current Assets	Foot-note	Audited Current Period December 31, 2016	Audited Prior Period December 31, 2015
A- Cash and Cash Equivalents	14	199,206,462	182,138,084
1- Cash		-	-
2- Checks Received		-	-
3- Banks	14	154,713,424	145,428,154
4- Checks Given and Payment Orders		-	-
5- Bank Guaranteed and Short Term Credit Card Receivables	14	44,493,038	36,709,930
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments at Policyholders' Risk	11	263,222	12,214,710
1- Available-for-Sale Financial Assets	11	263,222	12,214,710
2- Held to Maturity Investments		-	-
3- Held for Trading Investments		-	-
4- Loans		-	-
5- Loans Provision (-)		-	-
6- Financial Investments at Life Policyholders' Risk		-	-
7- Company Shares		-	-
- Diminution in Value of Financial Assets Provision (-)		-	-
C- Receivables From Main Operations	12	18,076,374	18,551,495
1- Due From Insurance Operations	12	3,569,391	4,220,853
2- Due From Insurance Operations Provision (-)	12	(931,741)	(972,075)
3- Due from Reinsurance Operations		-	-
4- Due From Reinsurance Operations Provision (-)		-	-
5- Deposits at Insurance and Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Loans to Policyholders Provision (-)		-	-
8- Due From Pension Operations	12,18	15,438,724	15,302,717
9- Doubtful Receivables From Operations	12	6,454,482	5,544,142
10- Doubtful Receivables From Operations Provision	12	(6,454,482)	(5,544,142)
D- Due From Related Parties	12,45	22,039,276	7,676,983
1- Due From Shareholders		-	-
2- Due From Affiliates		-	-
3- Due From Subsidiaries		-	-
44- Due From Joint-Ventures	12,45	22,039,276	7,676,983
5- Due From Personnel		-	-
6- Due From Other Related Parties		-	-
7- Rediscount on Due From Related Parties (-)		-	-

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

Balance Sheet as of December 31, 2016

(Currency: Turkish Lira (TL))

8- Doubtful Receivables From Related Parties		-	-
9- Doubtful Receivables From Related Parties Provision (-)		-	-
E- Other Receivables	47	280,705	908,634
1- Financial Lease Receivables		-	-
2- Unearned Financial Lease Interest Income (-)		-	-
3- Deposits and Guarantees Given	47	135,726	143,198
44- Other Receivables	47	144,979	765,436
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Other Doubtful Receivables Provision (-)		-	-
F- Deferred Expenses and Income Accruals		8,745,350	7,763,868
1- Deferred Production Expenses	17	7,066,745	6,354,323
2- Accrued Interest and Rent Income		-	-
3- Deferred Income		-	-
4- Other Deferred Expense Accruals		1,678,605	1,409,545
G- Other Current Assets		2,042,676	2,080,452
1- Inventory		-	-
2- Prepaid Taxes and Funds	19	1,758,764	1,756,624
3- Deferred Tax Assets		-	-
4- Job Advances		42,605	323,828
5- Advances to Personnel		-	-
6- Count Shortages		-	-
7- Other Current Assets	12	241,307	-
8- Other Current Assets Provision		-	-
I- Total Current Assets		250,654,065	231,334,226

Balance Sheet as of December 31, 2016

(Currency: Turkish Lira (TL))

ASSETS			
II- Non-Current Assets	Footnote	Audited Current Period December 31, 2016	Audited Prior Period December 31, 2015
A- Receivables From Main Operations	12,18	2,342,106,532	1,943,390,271
1- Due From Insurance Operations		-	-
2- Due From Insurance Operations Provision (-)		-	-
3- Due from Reinsurance Operations		-	-
4- Due From Reinsurance Operations Provision (-)		-	-
5- Deposits at Insurance and Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Loans to Policyholders Provision (-)		-	-
8- Due From Pension Operations	12,18	2,342,106,532	1,943,390,271
9- Doubtful Receivables From Operations		-	-
10- Doubtful Receivables From Operations Provision		-	-
B- Due From Related Parties		-	-
1- Due From Shareholders		-	-
2- Due From Affiliates		-	-
3- Due From Subsidiaries		-	-
4- Due From Joint-Ventures		-	-
5- Due From Personnel		-	-
6- Due From Other Related Parties		-	-
7- Rediscount on Due From Related Parties (-)		-	-
8- Doubtful Receivables From Related Parties		-	-
9- Doubtful Receivables From Related Parties Provision (-)		-	-
C- Other Receivables		-	-
1- Financial Lease Receivables		-	-
2- Unearned Financial Lease Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Other Doubtful Receivables Provision (-)		-	-
D- Financial Assets	9	1,337,501	900,001
1- Investment Securities		-	-
2- Affiliates		-	-
3- Affiliates' Capital Commitments (-)		-	-
4- Subsidiaries		-	-
5- Subsidiaries' Capital Commitments (-)		-	-
6- Joint-Ventures	9	1,337,501	900,001
7- Joint-ventures Capital Commitments (-)		-	-
8- Financial Assets and Financial Investments at Policyholders' Risk		-	-

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

Balance Sheet as of December 31, 2016

(Currency: Turkish Lira (TL))

9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets Provision (-)		-	-
E- Tangible Assets	6	5,236,059	6,958,258
1- Investment Property		-	-
2- Impairment on Investment Property (-)		-	-
3- Property for Own Use		-	-
4- Machinery and Equipment	6	6,841,875	6,621,424
5- Furniture and Fixtures	6	4,819,529	4,627,479
6- Motor Vehicles	6	60,470	60,470
7- Other Tangible Assets (including Leasehold Improvements)	6	4,802,974	4,767,350
8- Leased Assets		-	-
9- Accumulated Depreciation	6	(11,288,789)	(9,118,465)
10- Advances Given for Tangible Assets (including Construction in Progress)		-	-
F- Intangible Assets	8	10,507,926	9,002,886
1- Rights	8	20,232,938	14,949,306
2- Goodwill		-	-
3- Start-up Costs		-	-
4- Research and Development Costs		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortization (-)	8	(9,725,012)	(6,860,920)
7- Advances Given for Intangible Assets	8	-	914,500
G-Deferred expenses and income accruals		-	-
1- Deferred Production Expenses		-	-
2- Accrued Interest and Rent Income		-	-
3- Other Deferred Income and Expense Accruals		-	-
H-Other Non-Current Assets	21	4,599,765	2,856,804
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Deposits		-	-
3- Inventory		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	4,599,765	2,856,804
6- Other Miscellaneous Non-Current Assets		-	-
7- Other Non-Current Assets Depreciation (-)		-	-

Balance Sheet as of December 31, 2016

(Currency: Turkish Lira (TL))

8- Other Non-Current Assets Provision (-)		-	-
II-Total Non-Current Assets		2,363,787,783	1,963,108,220
Total Assets		2,614,441,848	2,194,442,446

LIABILITIES			
III- Short-Term Liabilities	Footnote	Audited Current Period December 31, 2016	Audited Prior Period December 31, 2015
A- Financial Liabilities	20	5,658	-
1- Due to Credit Institutions		-	-
2- Financial Lease Payables		-	-
3- Deferred Financial Lease Costs (-)		-	-
4- Installments of Long Term Borrowings' Capital and Interests		-	-
5- Issued Bonds' Capital and Interest Installments		-	-
6- Other Issued Debt Securities		-	-
7- Value Differences of Other Issued Debt Securities (-)		-	-
8- Other Financial Liabilities	20	5,658	-
B- Payables From Main Operations	19	54,583,561	46,350,929
1- Payables From Insurance Operations	19	2,570,430	1,885,856
2- Payables From Reinsurance Operations		-	-
3- Deposits Obtained From Insurance and Reinsurance Companies		-	-
4- Payables From Pension Operations	18,19	52,013,131	44,465,073
5- Payables From Other Main Operations		-	-
6- Rediscount on Other Liabilities From Main Operations (-)		-	-
C-Due to Related Parties	19,45	924,112	4,217,162
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint-Ventures	19,45	248,647	-
5- Due to Personnel	19,45	463,077	492,760
6- Due to Other Related Parties	19,45	212,388	3,724,402
D- Other Liabilities	19	3,935,000	5,189,699
1- Deposits and Guarantees Received		-	-
2- SGK Payables for Treatments		-	-
3- Other Liabilities		3,935,000	5,189,699
4- Rediscount on Other Liabilities (-)		-	-
E- Insurance Technical Provisions	17	31,045,329	31,548,785
1- Unearned Premiums Provision - Net	17	16,861,731	15,056,503
2- Outstanding Risks Provision - Net		-	-
3- Mathematical Provision - Net		-	-
4- Outstanding Claim Provision - Net	17	14,183,598	16,492,282

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

Balance Sheet as of December 31, 2016

(Currency: Turkish Lira (TL))

5- Bonus and Allowances Provision - Net		-	-
6- Policy with Life Policyholder's Investment Risk Provision - Net		-	-
7- Other Technical Provisions - Net		-	-
F- Taxes and Other Fiscal Liabilities and Provisions	19	2,276,932	2,085,576
1- Taxes and Funds Payable		1,568,229	1,522,722
2- Social Security Withholdings Payable		708,703	562,854
3- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
4- Other Taxes and Fiscal Liabilities		-	-
5- Corporate Tax Provision and Other Fiscal Liabilities		-	-
6- Prepaid Corporate Tax and Other Fiscal Liabilities (-)		-	-
7- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks	23	30,254,881	20,481,785
1- Seniority Indemnity Provision		-	-
2- Social Aid Fund Deficiency Provision		-	-
3- Cost Accruals Provision	23	30,254,881	20,481,785
H- Deferred Income and Expense Accruals	19	134,271	124,903
1- Deferred Production Commissions	19	134,271	124,903
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Current Liabilities	19	1,474,292	25,999
1- Deferred Tax Liabilities		-	-
2- Count Surplus		-	-
3- Other Miscellaneous Current Liabilities	19	1,474,292	25,999
III - Total Current Liabilities		124,634,036	110,024,838

Balance Sheet as of December 31, 2016

(Currency: Turkish Lira (TL))

LIABILITIES			
IV- Long-Term Liabilities	Footnote	Audited Current Period December 31, 2016	Audited Prior Period December 31, 2015
A- Financial Liabilities		-	-
1- Due to Credit Institutions		-	-
2- Financial Lease Payables		-	-
3- Deferred Financial Lease Costs (-)		-	-
4- Issued Bonds' Capital and Interest Installments		-	-
5- Other Issued Debt Securities		-	-
6- Value Differences of Other Issued Debt Securities (-)		-	-
7- Other Financial Liabilities		-	-
B- Payables From Main Operations	18,19	2,342,106,532	1,943,390,271
1- Payables From Insurance Operations		-	-
2- Payables From Reinsurance Operations		-	-
3- Deposits Obtained From Insurance and Reinsurance Companies		-	-
4- Payables From Pension Operations	18,19	2,342,106,532	1,943,390,271
5- Payables From Other Main Operations		-	-
6- Rediscount on Other Liabilities From Main Operations (-)		-	-
C- Payables From Main Operations		-	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Liabilities	19	680,784	403,435
1- Deposits and Guarantees Received		680,784	403,435
2- SGK Payables for Treatments		-	-
3- Other Liabilities		-	-
4- Rediscount on Other Liabilities (-)		-	-
E- Insurance Technical Provisions	17	40,826,262	34,656,805
1- Unearned Premiums Provision - Net		-	-
2- Outstanding Risks Provision - Net		-	-
3- Mathematical Provision - Net	17	34,898,873	30,296,893
4- Outstanding Claim Provision - Net		-	-
5- Bonus and Allowances Provision - Net		-	-
6- Policy with Life Policyholder's Investment Risk Provision - Net		-	-
7- Other Technical Provisions - Net	17	5,927,389	4,359,912
F- Other Fiscal Liabilities and Provisions		-	-
1- Other Fiscal Liabilities		-	-
2- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
3- Other Taxes and Fiscal Liabilities Provision		-	-
G- Provisions for Other Risks	23	1,079,654	776,347
1- Seniority Indemnity Provision	23	1,079,654	776,347
2- Social Aid Fund Deficiency Provision		-	-

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

Balance Sheet as of December 31, 2016*(Currency: Turkish Lira (TL))*

H-Deferred Income and Expense Accruals		-	-
1- Deferred Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income and Expense Accruals		-	-
I- Other Long-Term Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Other Long-Term Liabilities		-	-
IV- Total Long-Term Liabilities		2,384,693,232	1,979,226,858

Balance Sheet as of December 31, 2016

(Currency: Turkish Lira (TL))

SHAREHOLDERS' EQUITY			
V- Shareholders' equity	Footnote	Audited Current Period December 31, 2016	Audited Prior Period December 31, 2015
A- Paid-in Share Capital		40,601,190	89,401,190
1- Nominal) Capital	2,12,15	39,441,418	39,241,418
2- Unpaid Capital (-)		-	-
3- Adjustments to Share Capital		1,159,772	1,159,772
4- Adjustments to Share Capital (-)		-	-
5- Capital Waiting on Registration	15	-	49,000,000
B- Capital Reserves	15	259,950,000	195,650,000
1- Share Premium		-	-
2- Profit From Stock Abrogations		-	-
3- Sales Profit Addition to the Capital		-	-
4- Foreign Currency Translation Differences		-	-
5- Other Capital Reserves	15	259,950,000	195,650,000
C- Profit Reserves	11	-	(576,556)
1- Legal Reserves		-	-
2- Statutory Reserves		-	-
3- Extraordinary Reserves		-	-
4- Special Reserves		-	-
5- Valuation of Financial Assets	11	-	(576,556)
6- Other Profit Reserves		-	-
D- Retained Earnings		-	-
1- Retained Earnings		-	-
E-Retained Losses (-)		(179,283,884)	(137,546,383)
1- Retained Losses		(179,283,884)	(137,546,383)
F-Net Profit/(Loss)		(16,152,726)	(41,737,501)
1- Net Period Profit		-	-
2- Net Period Loss (-)		(16,152,726)	(41,737,501)
3- Retained Earning		-	-
Total Shareholders' Equity		105,114,580	105,190,750
Total Liabilities and Shareholders' Equity		2,614,441,848	2,194,442,446

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

Income Statement for the Year Ended on December 31, 2016

(Currency: Turkish Lira (TL))

I-TECHNICAL PART	Footnote	Audited Current Period January 1 - December 31, 2016	Audited Prior Period January 1 - December 31, 2015
A- Non-life technical income		11,520,055	8,985,269
1- Earned premiums - net of reinsurer's share		10,576,761	8,419,766
1.1- Written premiums -net of reinsurer's share	24	11,523,331	11,042,327
1.1.1- Gross written premiums		11,817,527	11,518,824
1.1.2- Premiums ceded to reinsurers	10	(294,196)	(476,497)
1.1.3- Transferred premiums to social security institution		-	-
1.2- Change in unearned premiums provision - net of reinsurer's share and transferred part	17	(946,570)	(2,622,561)
1.2.1- Unearned premiums provision	17	(877,781)	(2,685,663)
1.2.2- Reinsurer's share of unearned premiums provision	17	(68,789)	63,102
1.2.3 - Social security institution share of unearned premiums provision		-	-
1.3- Change in outstanding risks - net of reinsurer's share and transferred part		-	-
1.3.1- Outstanding risks provision		-	-
1.3.2- Reinsurer's share of outstanding risks provision		-	-
2- Investment income transferred from non-technical section		943,294	565,503
3- Other technical income - net of reinsurer's share		-	-
3.1- Gross other technical income		-	-
3.2- Other technical income-reinsurance share		-	-
4- Accrued Subrogation and Salvage Income		-	-
B- Non-life technical expense		(11,274,644)	(10,787,411)
1- Incurred losses - net of reinsurer's share	17	(1,170,704)	(1,270,074)
1.1- Paid claims - net of reinsurer's share	17	(776,353)	(744,242)
1.1.1- Gross claims paid		(827,664)	(2,230,849)
1.1.2- Reinsurer's share in claims paid	17	51,311	1,486,607
1.2- Change in outstanding claims - net of reinsurer's share and transferred part	17	(394,351)	(525,832)
1.2.1- Outstanding claims provision	17	(386,257)	(568,116)
1.2.2- Reinsurer's share in outstanding claims provision	17	(8,094)	42,284
2- Change in bonus and allowance provision-net of reinsurer's share and transferred part		-	-
2.1- Bonus and allowance provision		-	-
2.2- Reinsurer's share in bonus and allowance provision		-	-
3- Change in other technical provisions - net of reinsurer's share and transferred part	17	(259,131)	(253,659)
4- Underwriting expenses	32	(9,844,809)	(9,263,678)
5- Change in Mathematics Provision - Net of Reinsurer's Share and Transferred Part		-	-
5.1- Mathematics Provision		-	-
5.2- Mathematics Provision Reinsurer's Share		-	-
6- Other Technical Expenses		-	-
6.1- Other Gross Technical Expenses		-	-
6.2- Other Gross Technical Expenses Reinsurer's Share		-	-

Income Statement for the Year Ended on December 31, 2016*(Currency: Turkish Lira (TL))*

C- Net technical balance - Non-life (A - B)		245,411	(1,802,142)
D- Life technical income		126,754,800	81,204,553
1- Earned premiums - net of reinsurer's share		126,754,800	81,204,553
1.1- Written premiums - net of reinsurer's share	24	127,613,458	83,373,230
1.1.1- Gross written premiums		131,772,477	85,995,417
1.1.2- Premiums ceded to reinsurers	10	(4,159,019)	(2,622,187)
1.2- Change in unearned premiums provision - net of reinsurer's share and transferred part	17	(858,658)	(2,168,677)
1.2.1- Unearned premiums provision	17	(842,145)	(3,132,940)
1.2.2- Reinsurer's share of unearned premiums provision	17	(16,513)	964,263
1.3- Change in outstanding risks - net of reinsurer's share and transferred part		-	-
1.3.1- Outstanding risks provision		-	-
1.3.2- Reinsurer's share of outstanding risks provision		-	-
2- Earned premiums - net of reinsurer's share		-	-
3- Unrealized profits from investments		-	-
4- Other technical income - net of reinsurance share		-	-
4.1- Gross other technical income		-	-
4.2- Other technical income-reinsurance share		-	-
5- Accrued recourse income		-	-

Income Statement for the Year Ended on December 31, 2016

(Currency: Turkish Lira (TL))

I- TECHNICAL PART	Footnote	Audited Current Period January 1 - December 31, 2016	Audited Prior Period January 1 - December 31, 2015
E- Life technical expense		(130,553,372)	(99,233,133)
1- Incurred losses - net of reinsurer's share	17	(25,835,253)	(19,080,467)
1.1- Paid claims - net of reinsurer's share	17	(28,538,288)	(13,524,771)
1.1.1- Gross claims paid		(28,782,700)	(14,041,112)
1.1.2- Paid claims - net of reinsurer's share	17	244,412	516,341
1.2- Change in outstanding claims provision - net of reinsurer's share and transferred part	17	2,703,035	(5,555,696)
1.2.1- Outstanding claims provision	17	2,715,403	(5,585,696)
1.2.2- Reinsurer's share in outstanding claims provision	17	(12,368)	30,000
2- Change in bonus and allowance provision - net of reinsurer's share and transferred part		-	-
2.1- Bonus and allowance provision		-	-
2.2- Reinsurer's share in bonus and allowance provision		-	-
3-Change in life mathematical provision - net of reinsurer's share and transferred part	17	(4,601,980)	3,717,789
3.1- Life mathematical provision	17	(5,434,826)	3,205,622
3.2- Reinsurer's share in life mathematical provision	17	832,846	512,167
4- Change in other technical provisions - net of reinsurer's share and transferred part	17	(1,308,346)	(898,641)
5- Underwriting expenses	32	(98,807,793)	(82,971,814)
6- Investment expenses		-	-
7- Unrealized losses in investments		-	-
8- Investment income transferred to non technical part		-	-
F- Net technical balance – Life (D - E)		(3,798,572)	(18,028,580)
G- Pension technical income		48,653,115	47,187,901
1- Fund management fees		36,852,765	32,106,957
2- Administrative expenses fee		5,033,911	5,732,283
3- Entrance fees	25	5,651,472	7,004,691
4- Administrative expenses fee in the case of contribution holiday		1,114,967	2,343,970
5- Special service expenses fee		-	-
6- Capital advance value increase income		-	-
7- Other technical income		-	-
H- Pension technical expense		(70,139,599)	(76,990,632)
1- Total fund expenses		(6,787,668)	(6,196,238)
2- Capital advance value decrease expense		-	-
3- Underwriting expenses		(61,482,284)	(68,559,911)
4- Other Technical Expenses		(1,717,592)	(1,525,506)
5- Penalty payments		(152,055)	(708,977)
I- Net technical balance – Pension (G - H)		(21,486,484)	(29,802,731)

Income Statement for the Year Ended on December 31, 2016

(Currency: Turkish Lira (TL))

II- NON-TECHNICAL PART	Footnote	Audited Current Period January 1 - December 31, 2016	Audited Prior Period January 1 - December 31, 2015
C- Net technical balance - Non-life (A-B)		245,411	(1,802,142)
F- Net technical balance - Life (D-E)		(3,798,572)	(18,028,580)
I- Net technical balance – Pension (G-H)		(21,486,484)	(29,802,731)
J- Total technical balance (C+F+I)		(25,039,645)	(49,633,453)
K- Investment income		17,707,469	11,575,032
1- Income from financial investments	4.2	12,485,632	10,002,777
2- Income from liquidation of financial investments		-	-
3- Valuation of financial investments	4.2	473,250	(156,554)
4- Foreign exchange gains	4.2	4,748,587	1,728,809
5- Income from affiliates		-	-
6- Income from subsidiaries and joint-ventures		-	-
7- Income from property, land and buildings		-	-
8- Income from derivatives		-	-
9- Other investments		-	-
10- Investment income transferred from life technical section		-	-
L- Investment expense		(7,662,213)	(4,835,025)
1- Investment management expenses (interest included)		-	-
2- Diminution in value of investments		-	-
3- Loss from liquidation of investments	4.2	(999,935)	(99,999)
4- Investment income transferred to non-life technical section		(943,295)	(565,503)
5- Loss from derivatives		-	-
6- Foreign exchange losses	4.2	(684,567)	(44,741)
7- Depreciation expenses	6.8	(5,034,416)	(4,124,782)
8- Other investment expenses		-	-
M- Income and expenses from other and extraordinary operations		(1,158,337)	1,155,945
1- Provisions	47	(2,459,658)	5,012,749
2- Rediscunts		-	-
3- Special insurance account		-	-
4- Inflation adjustment		-	-
5- Deferred tax assets	21,35	1,731,319	1,498,587
6- Deferred tax liability expenses		-	-
7- Other income and gains		-	(7,244)
8- Other expenses and losses		(429,998)	(5,348,147)
9- Prior year's income and gains		-	-
10- Prior year's expenses and losses		-	-
N- Net profit/(loss) for the period		(16,152,726)	(41,737,501)
1- Profit/(loss) for the period		(16,152,726)	(41,737,501)
2- Corporate tax provision and other fiscal liabilities		-	-
3- Net profit/(loss) for the period		(16,152,726)	(41,737,501)
4- Inflation adjustment		-	-

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

Cash flow statement for the year ended December 31, 2016

(Currency: Turkish Lira (TL))

	Footnote	Audited Current Period January 1 - December 31, 2016	Audited Prior Period January 1 - December 31, 2015
A. CASH FLOWS FROM			
OPERATING ACTIVITIES			
1. Cash flows from insurance activities		134,478,780	62,997,302
2. Cash flows from reinsurance activities		-	-
3. Cash flows from pension activities		64,788,496	64,160,204
4. Cash used in insurance activities		(144,177,034)	(118,352,306)
5. Cash used in reinsurance activities		-	-
6. Cash used in pension activities		(96,945,812)	(96,709,046)
7. Cash flows from operating activities		(41,855,570)	(87,903,846)
8. Interest payments		-	-
9. Income tax payments		(2,140)	(1,271,857)
10. Other cash inflows		15,913,110	4,579,278
11. Other cash outflows		(6,290,684)	(2,600,925)
12. Net cash flows from operating activities		(32,235,284)	(87,197,350)
B. CASH FLOWS FROM			
INVESTING ACTIVITIES			
1. Proceeds from sale of tangible assets		-	-
2. Purchases of tangible assets	6	(4,817,257)	(1,209,535)
3. Purchases of financial assets		-	(4,326,543)
4. Proceeds from sale of financial assets	8	11,951,488	451,425
5. Proceeds from interest received		17,167,820	9,831,989
6. Dividends received		-	-
7. Other cash inflows		-	-
8. Other cash outflows		-	-
9. Net cash flows from investing activities		24,302,051	4,747,336
C. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from shares issued		-	-
2. Repayment of loans	4	-	(544,622)
3. Financial leasing payments		-	-
4. Dividends paid		-	-
5. Other cash inflows	2.13	15,500,000	134,000,000
6. Other cash outflows		-	-
7. Net cash flows from financing activities		15,500,000	133,455,378
D. Impact of foreign exchange differences on cash and cash equivalents		4,064,020	1,684,068
E. Increase in cash and cash equivalents		11,630,787	52,689,432
F. Cash and cash equivalents at the beginning of the period	14	133,859,743	81,170,311
G. Cash and cash equivalents at the end of the period	14	145,490,530	133,859,743

Statement of changes in equity for the period ending at December 31, 2016

(Currency: Turkish Lira (TL))

Audited Statement of Changes in Equity - December 31, 2015												
	Footnote	Capital	Own shares	Value increase in assets	Equity Inflation Adjustment Differences	Foreign currency translation differences	Legal reserves	Statutory reserves	Other reserves and undistributed profit	Net loss for the period	Retained losses	Total
I - Balance as of January 1, 2015	15	39,041,418	-	(340,659)	1,159,772	-	-	-	110,850,000	(80,959,576)	(56,586,807)	13,164,148
A - Capital increase		49,200,000	-	-	-	-	-	-	84,800,000	-	-	134,000,000
1- Cash		49,200,000	-	-	-	-	-	-	84,800,000	-	-	134,000,000
2- Internal resources		-	-	-	-	-	-	-	-	-	-	-
B - Company's purchase of own shares		-	-	-	-	-	-	-	-	-	-	-
C - Income and loss not included in income statement		-	-	-	-	-	-	-	-	-	-	-
D - Increase in value of financial assets		-	-	(235,897)	-	-	-	-	-	-	-	(235,897)
E - Foreign currency translation differences		-	-	-	-	-	-	-	-	-	-	-
F - Other income and loss		-	-	-	-	-	-	-	-	-	-	-
G - Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H - Net profit / (loss) for the period		-	-	-	-	-	-	-	-	(41,737,501)	-	(41,737,501)
- Transfer to prior year profits		-	-	-	-	-	-	-	-	80,959,576	(80,959,576)	-
J - Dividends paid		-	-	-	-	-	-	-	-	-	-	-
II - Balance as of December 31, 2015	15	88,241,418	-	(576,556)	1,159,772	-	-	-	195,650,000	(41,737,501)	(137,546,383)	105,190,750

Audited Statement of Changes in Equity - December 31, 2016												
	Footnote	Capital	Own shares	Value increase in assets	Equity Inflation Adjustment Differences	Foreign currency translation differences	Legal reserves	Statutory reserves	Other reserves and undistributed profit	Net loss for the period	Retained losses	Total
I - Balance as of January -1, 2016	15	88,241,418	-	(576,556)	1,159,772	-	-	-	195,650,000	(41,737,501)	(137,546,383)	105,190,750
A - Capital increase		100,000	-	-	-	-	-	-	15,400,000	-	-	15,500,000
1- Cash		100,000	-	-	-	-	-	-	15,400,000	-	-	15,500,000
2- Internal resources		-	-	-	-	-	-	-	-	-	-	-
B - Company's purchase of own shares		-	-	-	-	-	-	-	-	-	-	-
C - Income and loss not included in income statement		-	-	-	-	-	-	-	-	-	-	-
D - Increase in value of financial assets		-	-	576,556	-	-	-	-	-	-	-	576,556
E - Foreign currency translation differences		-	-	-	-	-	-	-	-	-	-	-
F - Other income and loss		-	-	-	-	-	-	-	-	-	-	-
G - Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H - Net profit / (loss) for the period		-	-	-	-	-	-	-	-	(16,152,726)	-	(16,152,726)
- Transfer to prior year profits		-	-	-	-	-	-	-	48,900,000	41,737,501	(41,737,501)	-
J - Dividends paid		-	-	-	-	-	-	-	-	-	-	-
II - Balance as of December 31, 2016	15	39,441,418	-	-	1,159,772	-	-	-	259,950,000	(16,152,726)	(179,283,884)	105,114,580

İlişikteki dipnotlar, bu finansal tabloların tamamlayıcı parçalarıdır.

Profit Distribution Statement for the Year Ended on December 31, 2016

(Currency: Turkish Lira (TL))

	Footnote	Current Period December 31, 2016	Previous Period December 31, 2015
I. DISTRIBUTION OF PROFIT FOR THE PERIOD			
1.1. PROFIT / (LOSS) FOR THE PERIOD		(17,884,045)	(43,238,088)
1.2. TAXES PAYABLE AND LEGAL LIABILITIES		1,731,319	1,498,587
1.2.1. Corporate Tax (Income Tax)		-	-
1.2.2. Income Tax Deduction		-	-
1.2.3. Other Taxes and Legal Liabilities		1,731,319	1,498,587
A - NET PROFIT / (LOSS) FOR THE PERIOD (1.1 -1.2)		(16,152,726)	(41,737,501)
1.3. RETAINED LOSSES (-)		(179,283,884)	(137,546,383)
1.4. PRIMARY LEGAL RESERVE		-	-
1.5. LEGAL FUNDS OBLIGATORY TO REMAIN WITH THE COMPANY AND TO SAVE IN (-)		-	-
B - DISTRIBUTABLE NET PROFIT FOR THE PERIOD [(A - (1.3 +1.4 +1.5)]		-	-
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	-
1.6.1. To Shareholders		-	-
1.6.2. To Privileged Shareholders		-	-
1.1.3 To Redeemed Shareholders		-	-
1.1.4 To Participation Bond Holders		-	-
1.1.5 To Profit and Loss Sharing Certificate Holders		-	-
1.7. DIVIDEND TO PERSONNEL (-)		-	-
1.8. DIVIDEND TO FOUNDERS (-)		-	-
1.9. DIVIDEND TO BOARD OF DIRECTORS (-)		-	-
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.10.1. To Shareholders		-	-
1.10.2. To Privileged Shareholders		-	-
1.10.3. To Redeemed Shareholders		-	-
1.10.4. To Participation Bond Holders		-	-
1.10.5. To Profit and Loss Sharing Certificate Holders		-	-
1.11. SECONDARY LEGAL RESERVE (-)		-	-
1.12. STATUTORY RESERVES (-)		-	-
1.13. EXTRAORDINARY RESERVES		-	-
1.14 OTHER RESERVES		-	-
1.15 SPECIAL FUNDS		-	-
II. DISTRIBUTION FROM RESERVES			
2.1. RESERVES DISTRIBUTED		-	-
2.2. SECONDARY LEGAL RESERVES (-)		-	-
2.3. SHARES TO SHAREHOLDERS (-)		-	-
2.3.1. To Shareholders		-	-
2.3.2 To Privileged Shareholders		-	-
2.3.3. To Redeemed Shareholders		-	-
2.3.4 To Participation Bond Holders		-	-
2.3.5 To Profit and Loss Sharing Certificate Holders		-	-
2.4. SHARE TO PERSONNEL (-)		-	-
2.5. SHARE TO BOARD OF DIRECTORS (-)		-	-

Profit Distribution Statement for the Year Ended on December 31, 2016*(Currency: Turkish Lira (TL))*

III. EARNINGS PER SHARE			-	-
3.1. TO SHAREHOLDERS			-	-
3.2. TO SHAREHOLDERS (%)			-	-
3.3. TO PRIVILEGED SHAREHOLDERS			-	-
3.4. TO PRIVILEGED SHAREHOLDERS (%)			-	-
IV. DIVIDEND PER SHARE			-	-
4.1. TO SHAREHOLDERS			-	-
4.2. TO SHAREHOLDERS (%)			-	-
4.3. TO PRIVILEGED SHAREHOLDERS			-	-
4.4 TO PRIVILEGED SHAREHOLDERS (%)			-	-

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

1 General information

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

On November 4, 2008, Oyak Emeklilik A.Ş. was transferred to ING Continental Europe Holdings B.V. (new title is NN Continental Europe Holdings B.V.) by diverging from Ordu Yardımlaşma Kurumu with approval of Undersecretariat of Turkish Treasury – Directorate of Insurance “(Treasury)” on November 25, 2008. The commercial title of the Company was decided to be changed as ING Emeklilik A.Ş. with an amendment on the main agreement at the Ordinary General Meeting dated January 26, 2009. The related decision and the amendment were registered on January 27, 2009 in conformity with Turkish Commercial Code (“TCC”) numbered 6762. The corporate name of the Company has been amended as NN Hayat ve Emeklilik Anonim Şirketi (“The Company”) with Extraordinary General Meeting dated January 29, 2015. The Board of Decision and text of amendment to the main contract are registered officially on January 30, 2015 in accordance with the TCC.

As at 31 December 2016, the Company is owned by NN Continental Europe Holdings B.V., which has a single shareholding and is directly dominated by its capital. The distribution of the Company’s nominal capital at 31 December 2016 is shown in the note 2.13.

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

The Company operates in Maslak Mh. Ahi Evran Cd. Olive Plaza No:11 Kat 1-2-3-4, Sarıyer, İstanbul and is a joint stock company in accordance with the regulations of TCC.

1.3 Business of the Company

The Company’s main operations are insurance and reinsurance activities on private pension, personal accident and life insurance and other related activities. The Company is regulated under Private Pension, Saving and Investment System Law No. 4632 for its private pension operations, and under Insurance Law No. 5684 for life and personal accident insurance operations.

11 pension funds were established by the Company as at December 31, 2016 (31 December 2015: 9 pensions).

The Company operated in private pension activities since February 24, 2010, on that date, the Company had obtained license to operate in the insurance activities from the Treasury. The operations have started on March 10, 2010 through ING Bank A.Ş. by providing credit policies for loan customers. As of August 16, 2010, the Company has also started personal accident insurance.

1.4 Description of the main operations of the Company

Principles of the activities for private pension plans are regulated according to Private Pension, Saving and Investment System Law No. 4632, and those for life and personal accident insurance operations are regulated according to Insurance Law No.5684 and the related pronouncements in support of this Law.

1.5 Average number of employees by categories

Average number of employees by category during the period is as follows:

	December 31, 2016	December 31, 2015
Executive management	6	9
Management	30	35
Specialist	279	272
Other	3	4
Total	318	320

1.6 Wages and other benefits given to executive management

For the year then ended 31 December 2016, salaries and similar benefits provided to the top management amounted to TL 5,060,199 (31 December 2015: TL 6,380,295).

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

1.7 Criteria used in the distribution of investment income and underwriting expenses (personnel, administration, research and development, marketing, selling, and other underwriting expenses) in the financial statements

As at December 31,2016 the Company distributes its administrative expenses, research and development expenses, marketing and sales expenses, outsourced benefits and services and other operating expenses between the non life, life and private pension branches according to the distribution key published on August 9,2010 by the Treasury. The expenses allocated directly are recorded as an expense for the related branch. The expenses that are not allocated are distributed to branches with calculation of expense rate according to (a) and (d) subclause of the third article of the circular numbered 2010/9 published by the Treasury.

1.8 Stand-alone or consolidated financial statements

The attached financial statements include only financial information about NN Hayat ve Emeklilik A.Ş.

1.9 Name of the reporting company or other information and the changes occurred since previous balance sheet date

Trade name of the company	: NN Hayat ve Emeklilik Anonim Şirketi
Registered address of the head office	: Maslak Mahallesi Ahi Evran Caddesi Olive Plaza No: 11 Sarıyer, İstanbul
Web page address	: www.nnhayatemeklilik.com.tr

The information presented above has not changed since the end of the reporting period.

1.10 Events after the reporting period

Events after the reporting period includes all events between the end of the reporting period and the date of authorization for the issuance of financial statements, even if any announcement of profit or other selected financial information has arisen after disclosure to the public.

The Company adjusts the amounts recognized in the financial statements in accordance with this new situation in the case of events that need to be adjusted subsequent to the reporting period.

Explanations related to subsequent events are disclosed in Note 46 – Events after the reporting period.

2 Summary of significant accounting policies

2.1 Basis of preparation

2.1.1 Information about the basis and special accounting policies used in the preparation of the financial statements

The Company maintains its books of account and prepares its financial statements in accordance with the Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") for the matters not regulated by the insurance legislation, and within the framework of "Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies", the Article 18 of Insurance Law, and other accounting and financial reporting principles, statements and guidance (collectively "the Reporting Standards") as promulgated by the Undersecretariat of Treasury in accordance with the current regulations.

Treasury stated that TFRS 4 "Insurance contracts" standard has been enacted as of March 25, 2006 and that the second part of the project on insurance contracts of the International Accounting Standards Board has not yet been completed and therefore it will not be applied at this stage. In accordance with the "Regulation on Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to be Invested These Provisions" ("Technical Reserves Regulation") published after the Official Gazette dated July 2010 and entered into force as of September 30, 2010 A number of circulars and sectoral announcements with statements and regulations were published. The accounting policies applied in this regulation, circular and sectoral announcements and regulations are summarized in their own chapters in the following sections.

"Communiqué Related to the Presentation of Financial Statements" issued by the Turkish Treasury in the 18 April 2008 dated and 26851 numbered Official Gazette and "Sector Announcement Related to New Account Numbers and Presentation of Financial Statements" dated 31 May 2012, regulates the formation and content of financial statements to ensure the comparability of

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

financial statements with previous periods' financial statements and other companies' financial statements.

The Company's statement of financial position as of December 31, 2016 and the statement of profit or loss for the year ended on the same date have been approved by the Board of Directors on March 10, 2017. Company's General Assembly and/or legal authorities are entitled to change the accompanying financial statements.

The financial statements of the Company as at December 31, 2016 were approved by the Board of Directors on March 10, 2017. The General Assembly and related legal institutions are authorized to make amendments to the financial statements after their publication.

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

2.1.2 Other related accounting policies relevant for the financial statements

Accounting in hyperinflationary countries

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

In accordance with the declaration of the Undersecretariat of Treasury with the article dated 4 April 2005 and numbered 19387, inflation accounting is no longer applied starting from 1 January 2005, in accordance with the same declaration of the Undersecretariat of Treasury. Therefore, the non-monetary assets and liabilities and capital items included in shareholders' equity are demonstrated restating the entries until 31 December 2004 in the accompanying financial statements as of 31 December 2004 and the subsequent entries are presented with their nominal values.

Other accounting policies

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

2.1.3 Functional and reporting currency

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

2.1.4 Rounding level of the amounts presented in the financial statements

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

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

The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2004, except for available-for-sale financial assets.

2.1.6 Changes in accounting policies

There is no change or mistake in accounting policies in the current period. The clarification of accounting policies has been given in 3 - Significant accounting estimates and decisions note.

2.1.7 Changes in accounting estimates

There is no change or mistake in accounting policies in the current period. The clarification of accounting policies has been given in 3 - Significant accounting estimates and decisions note .

2.2 Consolidation

"Communiqué on Preparation of Consolidated Financial Statements by Insurance and Reinsurance Companies and Pension Co" Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Individual Pension Companies" issued by the Undersecretariat of Treasury in the Official Gazette dated 31 December 2008 and numbered 27097 ("the Circular for Consolidation") requires that insurance, reinsurance and individual pension companies issue consolidated financial statements starting from 31 March 2009.

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

Under Turkish Treasury's Sector Announcement dated 12 August 2008 and no 2008/36 regarding Charging of Insurance and Reinsurance, and Pension Companies' Investments in Subsidiaries, Jointly Controlled Partnerships and Participations to Individual Financial Statements and Consolidated Financial Statements Communiqué dated 31 December 2008; it is ruled that mentioned partnership can be excluded from the scope of consolidation by considering the principle of materiality in case total assets of subsidiary, jointly controlled partnership or participation is less than 1% of the total assets of the parent company and in case the total partnership shares of subsidiaries, participations and jointly controlled partnerships which are under this limit do not exceed 5% of the total assets of parent company.

In the 12 August 2008 dated and 2008/37 numbered "Sector Announcement Related to the Accounting of Subsidiaries, Associates and Joint Ventures in the Stand Alone Financial Statements of Insurance, Reinsurance and Individual Pension Companies" of the Turkish Treasury, it is stated that while individual financial statements are being prepared, investments in subsidiaries and affiliates could be accounted in accordance with 10 th paragraph of TAS 27 – Individual Financial Statements cost method, equity method or TAS 39 – Financial Instruments: Recognition and Measurement

The Company established six joint ventures by the name of EMK Sigorta Hizmetleri A.Ş.(EMK) in 2011 and by the name of DSM-Extra Sigorta Aracılık Hizmetleri A.Ş.(Extra), Ünlem Sigorta Aracılık Hizmetleri A.Ş.(Ünlem), PNG Sigorta Aracılık Hizmetleri A.Ş.(PNG), Leo Sigorta Aracılık Hizmetleri A.Ş.(Leo) ve Trias Sigorta Aracılık Hizmetleri A.Ş.(Trias) in 2012. The Company has become %100 shareholder of EMK Sigorta Aracılık Hizmetleri A.Ş.(EMK) in 2014. In May 2015, the Company had transferred its %50 shares of Trias Sigorta and %50 shares of Leo Sigorta. In August 2015, the Company had transferred its %50 shares of EMK Sigorta Aracılık Hizmetleri to Sigorta Ofisi Aracılık Hizmetleri A.Ş.

In accordance of the Circular of Consolidation, due to total assets of the Company's joint ventures are less than one percent from the Company's total assets, they have not been consolidated in financial statements of the Company's as at 31 December 2016 and 31 December 2015, they are recognized with their cost values.

2.3 Segment reporting

There is no business division or geographical division that is brought about by the Company's operations.

2.4 Transactions in foreign currencies

The results and financial position of the Company are expressed in TL, which is the functional currency of the Company. In preparing the financial statements of the Company, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies or foreign currency indexed monetary assets and liabilities are retranslated into Turkish Lira at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated to Turkish Lira at the rates prevailing on the date when the fair value was determined.

2.5 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

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

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Property and equipment are depreciated with useful lives stated below:

Tangible assets	Estimated useful life (Year)	Depreciation rate (%)
Machinery and equipment	5-10	10-20
Motor vehicles	10	10
Fixtures	5-10	10-20
Special costs	5-10	10-20

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

2.6 Investment properties

The buildings of the Company held for the purpose of receiving rent or an increase in value or both instead of being used in the operations of the Company or being sold within the normal business course are classified as investment properties. The investment properties are carried at initial acquisition cost by adding transaction costs. As at 31 December 2016 the Company has no investment properties. (31 December 2015: None)..

2.7 Intangible assets

Intangible assets are carried at cost in accordance with TAS 38 - Intangible Assets Standard.

Purchased intangible assets

Purchased intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. These assets are amortized using the straight-line method based on their estimated useful lives (5 years). Estimated useful life and depreciation method are reviewed annually and the changes in estimates are accounted for on a prospective basis to determine the possible effects of the changes in estimates.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred from the date of acquisition to the date to bring the specific software in use. These costs are amortized over their estimated useful lives (5 years).

Costs associated with developing or maintaining computer software programmes are recognized as expense as incurred. Costs that are directly associated with the development of identifiable and unique software products that are controlled by the Company and will probably provide more economic benefits than costs for more than one year are recognized as intangible assets. Costs include software development employee costs and an appropriate portion of relevant overheads. Development costs for the computer software, which is considered to be fixed assets, are amortized over their useful lives (not exceeding 3 years).

2.8 Financial assets

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.

Financial assets are classified in four categories; financial assets held for trading, available-for-sale financial assets, held to maturity investments, and loans and receivables.

Financial assets held for trading purpose are measured at their fair values and gain or loss arising due to changes in the fair values of related financial assets are recorded in profit or loss. Interest income earned on held for trading purpose financial assets and the difference between their fair values and acquisition costs are recorded as interest income in the statement of income. In case of disposal of such financial assets before their maturities, the gains/losses on such disposal are recorded under trading income/losses.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables those are not interest earning are measured by discounting of future cash flows less impairment losses, and interest earning loans and receivables are measured at amortized cost less impairment losses.

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. Assets that are not traded in an active market are measured by using valuation techniques, including recent market transactions in similar financial instruments, adjusted for factors unique to the instrument being valued; or discounted cash flow techniques for the assets which do not have a fixed maturity. Unrecognized gains or losses derived from the difference between their fair values and the discounted values calculated per effective interest rate method are recorded in "Revaluation of financial assets" under shareholders' equity. Upon disposal, the realized gain or losses are recognized directly in profit or loss.

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

Purchase and sale transactions of marketable securities are accounted on delivery date.

Associates, classified as available-for-sale financial assets in the financial statements, which are traded in an active market or whose fair value can be reliably measured, are recorded at fair value. Associates which are not traded in an active market and whose fair value can not be reliably set are reflected in the financial statements at their costs after deducting impairment losses, if any.

Special instruments

Receivables from pension activities consist of capital advances to pension mutual funds, fund management fees receivables from funds, entrance fees to the pension system and receivables from the custodian company.

Company monitors the receivables from the fund under the receivables of from fund management fees, which are due to the management of funds and which are not collected within the same day.

The advances allocated to the pension mutual funds established by the Company are followed in the account of capital advances made to the pension mutual funds.

Receivables from the custodian company on fund basis on behalf of the participants are classified under the receivables from the custodian company. This amount is also shown as payables to the participants for funds that are sold under the private pension system debts.

Derecognition

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

2.9 Impairment of assets

Impairment of financial assets

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

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

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

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

Impairment on tangible and intangible assets

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

Rediscount and provision expenses of the period are disclosed in Note 47 – Other.

Notes to Financial Statements as of December 31, 2016*(Currency: Turkish Lira (TL))***2.10 Derivative financial instruments**

Derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 – Financial Instruments: Recognition and measurement. Derivative financial instruments are subsequently re-measured at fair value and positive fair value differences are presented either as “financial assets held for trading” and negative fair value differences are presented as “other financial liabilities” in the accompanying financial statements. All unrealised gains and losses on these instruments are included in the statement of income.

As of 31 December 2016, the Company has no derivative financial instruments (31 December 2015: None).

2.11 Offsetting of financial assets

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

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

2.12 Cash and cash equivalents

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

2.13 Share capital

As of December 31, 2016, the Company’s nominal capital is TL 39,441,418 and is formed by 39,441,418 shares with a par value of TL 1 (one) per share (As of December 31, 2015, the Company’s nominal capital is TL 39,241,418 and is formed by 39,241,418 shares with a par value of TL 1 (one) per share).

Name	December 31, 2016		December 31, 2015	
	Share Amount (TL)	Share Rate (%)	Share Amount (TL)	Share Rate (%)
NN Continental Europe Holdings B.V.	39,441,418	100.00	39,241,414	99.00
Share capital pending for registration	-	-	49,000,000	-
Other	-	-	4	1.00
Paid-in Capital	39,441,418	100.00	88,241,418	100.00

Sources of the capital increases during the period

In accordance with the Extraordinary General Assembly dated 29 January 2015, NN Continental Europe Holdings BV, the main shareholder of the Company, has raised capital amounting to TL 18,000,000 in total, including TL 100,000 in capital and TL 17,900,000 in share premium. The capital increase decision has been published in the Trade Registry Gazette dated 30 January 2015. In accordance with the Board of Directors' decision dated 23 February 2015 and numbered 7, NN Continental Europe Holdings BV has raised share capital amounting to TL 67,000,000 in total, including TL 100,000 in capital and TL 66,900,000 share premium. The capital increase decision has been published in the Trade Registry Gazette dated 20 March 2015. In accordance with the decision of the Board of Directors dated 10 December 2015 and numbered 55, it has been decided to increase the capital of the Company by TL 49,000,000, including a share premium of TL 48,900,000 and cash of TL 100,000. In the Company's financial statements as at 31 December 2015, the amount of TL 49,000,000 has been registered as capital waiting to be registered. The capital increase decision has been registered on 9 February 2016. In accordance with the Ordinary General Assembly Meeting held on 29 February 2016, the Company's main shareholder NN Continental Europe Holdings BV has raised cash premium of TL 100,000 in cash and TL 48,900,000 as an emission premium. The capital increase decision was published in the Trade Registry Gazette dated 9 February 2016. In accordance with the Extraordinary General Assembly Meeting of Shareholders dated 29 December 2016, the Company's main shareholder NN Continental Europe Holdings BV has paid cash of TL 100,000 and TL 15,400,000 as a share premium. The capital increase decision has been registered on 30 December 2016.

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

Privileges on common shares representing share capital

None.

Registered capital system in the Company

None.

Repurchased own shares by the Company

None.

2.14 Insurance and investment contracts - classification

An insurance contract is a contract under which the Company accepts significant insurance risk from another party (the policyholder) by accepting 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 recognized as revenue under the account of written premiums.

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 Company mainly issues policies under personal accident, risk and saving life insurance branches and individual pension contracts.

Risk policies

Fixed-term Life Insurance

Fixed-term life insurance provides guarantee against the risks that the policyholder may encounter within the pre-defined time limits. This insurance covers all risks that the policyholder can be exposed to by providing natural death coverage along with the additional coverage such as accidental death, disability, critical disease, accidental death in public transportation during the policy term. Fixed-term life insurance contracts do not provide surrender and policy loan rights, does not have any paid up value, and can be issued for groups and individuals. The age limit is generally between 18 and 65 years of age and premium amount varies according to the risk assessment based on age, sex and health risk assessment. Premium payment terms may vary according to the product types.

Credit Protection Insurances

Credit Protection Insurance is an insurance that provides guarantee against the risks that the policyholder may encounter (the risks related with the death, disability, involuntary unemployment, temporary disability for service and daily hospital coverage) throughout the period the credit is used. These products are marketed in order to service the credit debt in case of the realization of the risk in the period of the credit. Therefore, the debtor and the family of the credit holder are financially protected. Credit Protection Insurance products are risk products that do not have any paid up value and are sold only death coverage (credit life) or death coverage along with additional coverage of disability, involuntary unemployment, temporary disability for service and daily hospital coverage (payment protection). The age limit is between 18 and 69 (the period and age cannot exceed 75) premium amount changes according to the risk assessment based on age, sex and health risk assessment. Insurance guarantees can be arranged as fixed or diminishing and premium payments are made in the first year of the insurance.

Personal accident insurances

Personal accident insurance provides guarantee against the risks that the policyholder may encounter within the pre-defined time limits. This insurance covers all risks that the policyholder can be exposed to by providing accidental death coverage along with the additional coverage such as accidental death by traffic, accidental death in during occupation and accidental death in public transportation during the policy term. Personal accident insurance can be issued for individuals. The age limit is generally between 18 and 65 years of age and premium amount does not vary according to the risk assessment based on age, sex and health risk assessment. Premium payment terms may vary according to the product types.

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

Individual pension contracts

The total amount of pension investment funds established by the Company within the private pension system including the participants' investments are accounted for as gross amounts within the financial statements under due from private pension fund operations and payables from private pension operations.

As of 31 December 2016, the Company has 11 pension funds (31 December 2015: 9).

Private pension system receivables consist of capital advances made to pension investment funds, receivables from funds for fund operating deductions and receivables from Takasbank, the custodian. Fund operating deductions account comprises of daily deductions made by the Company for the expenses arising from fund management services that have not been collected on the same day. Advances allocated to pension investment funds established by the Company are recorded as capital advances made to pension investment funds.

In addition to payables to participants' account mentioned in the paragraph above, private pension system payables also include payables to private pension intermediaries and temporary participants' accounts. Temporary participants account includes the contributions from pension investment fund participants that have not been invested yet by the Company. This account also includes the proceeds from the sale of participation shares less entrance fee deduction and similar charges, if any, in case the participant leaves the system or transfers his/her saving to other private pension companies.

Fund management charge, which is charged in return for the fund management services, representation and other services provided to pension funds, is recorded as income in the Company's accounts and is shared between the Company and the funds' portfolio manager according to the ratios specified in the agreement signed between the parties. The total charge is recorded to the Company's technical income as fund management revenue and the part of charge which belongs to the funds' portfolio manager thereof, is recorded in the Company's technical expense accounts.

Decision taken relatively with government contribution to individual retirement system has been published in Official Gazette dated 29 December 2012 and will be effective in 1st January 2013. In accordance with this law, 25% of contributions paid to individual pension account on behalf of participant excluding payments (providing limited with 25% of annual minimum wage) by employer is transferred to participants as state subsidy. In this concept, the Company went public offering on NN Hayat ve Emeklilik Supplementary pension funds dated 30 April 2014 in order to evaluate state subsidies in 2013.

Reinsurance contracts

Reinsurance agreements are the agreements that agreed by the Company and Reinsurance Company for the loss which may occur in one or more insurance agreement signed by the Company, and those meet all conditions to be classified as insurance contract and those whose costs are paid. The Company transfers partly the risks taken such as death, disability, involuntary unemployment, temporary capacity, insurance of daily hospital benefits, accidental death/ disability, critical illness, accidental death in public transportation to reinsurance companies. The Company has reinsurance agreements for the life policies differentiated on product basis which are generally surplus, quota share/surplus and excess of loss structured. As for the catastrophic claims, the Company adopted a structure with TL 60,000,000 capacity. (31 December 2015: 80,000,000)

2.15 Insurance contracts and investment contracts with discretionary participation feature

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

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

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

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

2.16 Investment contracts without DPF

None (31 December 2015: None).

2.17 Liabilities

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

Payables from individual pension business consist of payables to participants, participants' temporary accounts and payables to individual pension agencies.

The temporary account of participants includes the contributions of participants that have not yet been transferred to investment. This account also includes the entrance fee deducted portion of the participants' fund amounts, resulting from fund share sales upon the participant's leaving the system or transferring funds to other individual pension companies.

2.18 Taxes

Corporate tax

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

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

Advance taxes are calculated and paid at valid corporate tax rate 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 Turkish Tax Legislation, tax losses can be carried forward to offset against future taxable income for up to five years. As at 31 December 2016, Company has an amount of TL 102,480,104 deductible tax losses (31 December 2015: TL 196,971,674)

The company aims to increase profitability in terms of premium production, market share and targets, and aims to use the current financial loss in a taxable manner.

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

Deferred tax

Deferred tax assets and liabilities are recognized according to TAS 12 – Income Taxes standard, using the balance sheet method, on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

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

If transactions and events are recorded in the statement of operations, then the related tax effects are also recognized in the statement of operations. However, if transactions and events are recorded directly in the shareholders' equity, the related tax effects are also recognized directly in the shareholders' equity.

Notes to Financial Statements as of December 31, 2016*(Currency: Turkish Lira (TL))***Transfer pricing**

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation. If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

2.19 Employee termination benefits

In accordance with existing Turkish Labour Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 31 December 2016 is TL 4,297 (31 December 2015: TL 3,828).

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

	December 31, 2016	December 31, 2015
Net Discount Rate	%4.13	%2.55
Expected Salary/Ceiling Increase Rate	%9.25 / %7.75	%9.25 / %7.75
Estimated rate of entitlement to seniority indemnity	%1.25 – %20	%1.25 – %15

The above-mentioned expected salary / ceiling increase rate is determined according to the annual inflation forecasts of CBRT.

Other benefits

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

2.20 Provisions

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

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

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

2.21 Revenue recognition

Written premiums

Written premiums represent premiums on policies written during the year, net of cancellations. Premium income is recognized in the financial statements on accrual basis by providing unearned premium reserve.

Received and paid commissions

Received and paid commissions are comprised of commissions paid related to the written premiums and commission received related to the ceded premiums to reinsurance companies and are accounted under technical income/expense accounts of life and non-life underwriting expenses in the income statement. Paid and received commissions are accounted under underwriting expenses as net in the income statement and deferred expenses and deferred income in the balance sheet on accrual basis.

Interest income and expense

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

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

Trading income/expense

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

Dividend is recognized as income when the right of collection is obtained.

Income from pension operations

Fund management fee is recognized as income, charged to the pension investment funds against the hardware, software, personnel and accounting services provided, and fee is shared between the Company and the portfolio manager in accordance with the agreement signed between parties. Total of fund management fee charged to the pension investment funds is recognized as "Fund management income" under technical income and portion of the portfolio manager is recognized as "Fund management expense" under technical expenses.

Management fee is levied on contributions of the participants not exceed maximum 5% and recognized as income under "Fund management income".

Entrance fees are received by the Company from participants during entry into the system and for the opening of a new individual pension account. Entrance fees charged to the participants could not be higher than minimum wage that is valid on the date of the contract. In the outstanding individual pension contracts of the Company, significant portion of the entrance fees is deferred to the end of the contract. The deferred and contingent entrance fees are not recognized as income. The difference in value of the pension investment fund shares, obtained due to capital advance on the date of establishment, to the date of selling of those shares to the participants is recorded in the statement of income as "increase in value of capital allowances given as advances".

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

2.22 Leasing transactions

As of 31 December 2016, the Company has no leasing transactions (31 December 2015: None).

2.23 Dividend distribution

As of 31 December 2016, the Company has no dividend distribution (31 December 2015: None).

2.24 Reserve for unearned premiums

According to the "Communiqué on Amendments to Communiqué on Technical Reserves for Insurance, unearned premium reserve that is accrued premiums without any commission or other discount as gross daily basis consists of overhanging part of the next fiscal year or fiscal period.

In the case of personal accident insurance, annual life insurance and life insurance which of the renewal date exceeds one year, reserve for unearned premiums is calculated for the portion of the remaining part which is left after deducting savings from gross premium written for the period. Insurance policies covering possibilities of life and death or both and personal accident, disability by illness and serious illness insurance policies are considered as life insurance policies and their premiums are classified as life insurance premiums. According to Communiqué on Technical Reserves, during the calculation of reserve for unearned premiums, starting date and end date of insurance policy is taken into consideration as half day. According to the Communiqué on Technical Reserves, for the calculation of unearned premium reserves of foreign currency indexed insurance agreements, foreign currency selling exchange rates announced by Central Bank of the Republic of Turkey will be considered, unless there is a specified exchange rate in the agreement.

2.25 Deferred commission expense and income

In accordance with the 5. Article of "Communiqué on Amendments to the Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves", the commissions paid to intermediaries provided that productions incurred, commissions received from the premium ceded, the prepaid amounts of non-proportional reinsurance agreements and the corresponding future term(s) of variable costs and supporting services related to preparation of tariffs and insurance contracts for the production and sale recognized under deferred income and expenses and other related accounts. Gains and losses from aforementioned items recognized as net at deferred income and losses account on the balance sheet and at operation expenses on the statement of income, respectively (Note 17). Income and expenses from private pension agreements (including commissions) are disclosed in Notes 2.21.

2.26 Reserve for unexpired risks

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

The test is performed on branch basis and in case where the expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that specific main branch is added to the reserves of that branch. As at 31 December 2016 and 2015, related tests have not resulted in any inadequacy regarding reserve for unexpired risks.

An accordance with the Treasury's circular dated 20 September 2010 and numbered 2010/12, the provision for outstanding claims of the previous period is also provided as provision for outstanding claims calculated by the new method and used as provision for outstanding claims, in order to prevent misleading effects of the calculation of outstanding claims provision, The amount calculated according to the new method is taken into consideration.

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(Currency: Turkish Lira (TL))

2.27 Provision for outstanding claims

Claims are recorded in the year in which they occur, based on reported claims or on the basis of estimates when not reported. Provision for outstanding claims represents the estimate of the total reported costs of notified claims on an individual case basis at the reporting date as well as the corresponding handling costs. Incurred but not reported claims ("IBNR") are also provided.

Change in measurement of technical reserves became effective as at 30 September 2010 according to the Turkish Treasury Circular which were published as "Communiqué on Amendments to Communiqué on Technical Reserves" in Official Gazette dated 28 July 2010 and numbered 27655.

Communiqué on technical reserves and circulars issued by Turkish Treasury brings essential changes into effect on measurement of technical reserves and accounting of income from salvage and subrogation. In summary, it is aimed to align Communiqué on Technical Reserves with methodological changes on Actuarial Chain ladder method, to include matters which were declared before through circulars and sector announcements to the communiqué. The Turkish Treasury issued the Circulars numbered 2010/12, 2010/13, 2010/14 and the sector announcement numbered 2010/29 which became effective as at 31 December 2010 in order to clarify uncertainties on measurement of technical reserves and accounting of income from salvage and subrogation.

Additional amendments effective from 30 June 2012 are issued in the "Communiqué on Amendments to the Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" in 28356 numbered and 17 July 2012 dated Official Gazette. Test IBNR method ceased in the calculation of provision for outstanding claims. In accordance with the previous communiqués and sector announcements companies should perform actuarial chain ladder method for the non-life insurance branches engaged more than five years and had sufficient data.

Upon issuance the Circular on Outstanding Claims Reserve numbered 2014/16 issued by the Turkish Treasury, the Circulars numbered 2010/12, 2010/14 and 2010/16 are repealed. In accordance with the aforementioned Circular numbered 2014/16, IBNR calculation can be made with the other methods by the companies if the calculation method rests upon actuarial basis and amount obtained from this method is greater than the amount calculated by the Actuarial Chain Ladder Method. In this context, Company maintains to calculate IBNR amount according to the repealed Circulars numbered 2010/12 and 2010/14.

2.28 Life mathematical and profit share reserves

Mathematical reserves consist of actuarial mathematical reserves and profit share reserves, share of policyholders, determined from the income generated from mathematical reserves directed towards investment, that are calculated separately for each effective policy, in accordance with the technical principles in the tariffs and which are explained in clauses (i) and (ii) below.

i) Actuarial mathematical reserve is the difference between the premiums received for the risks assumed and cash value of liabilities to policyholders and beneficiaries. Actuarial mathematical reserves are provided for life insurance having more than one year of maturity, based on the formulas and elements of technical principles. Actuarial mathematical reserves are calculated on a prospective method by determining the difference between the cash value of the insurer's future liabilities and the present value of future premiums to be paid by the policyholder. However, the sum of actuarial mathematical reserves calculated either based on the retrospective method (calculation of difference between the final value of premiums paid and the final value of the risks assumed) or based on the generally accepted methods by the Undersecretariat cannot be less than this amount. When the actuarial mathematical reserves are presented as negative, this value is deemed to be nil. In life insurance policies where accumulated premiums are collected, actuarial mathematical reserve includes the sum of accumulated portion of premiums. Actuarial mathematical reserves can be measured on an accrual or collection basis depending on the technical characteristics of the tariffs.

ii) Profit share reserves consist of the income obtained from assets in relation to reserves provided for the obligations for the policyholders and beneficiaries in contracts for which the Company has committed to distribute profit shares; the guaranteed portion, not to exceed the technical interest income calculated based on the profit share distribution system prescribed in the approved technical principles of profit share and prior years' accumulated profit share reserves. The Company has no policy which includes profit share.

2.2 Equalization reserve

According to the Decree of Technical Provisions of Insurance and Reinsurance Companies and Pension Funds and Assets Held For Such Provisions, insurance companies are required to provide equalization reserve in their financial statements for earthquake and credit coverage in order to balance the fluctuations in the claim ratios and to meet the catastrophic risks in the subsequent periods.

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Based on the explanation numbered 2009/9 regarding “Application of Regulation on the Technical Reserves”, starting from January 1, 2009, the life and pension companies are required to record an equalization reserve for the insurance contracts including earthquake and credit coverage in life and accident branches. In addition, the calculation technique of the equalization reserves restated by the Undersecretariat of Treasury by Regulation numbered “Regulation for the Amendment on Regulations about Technical Reserves and Assets for Investing Reserves of Insurance, Reinsurance and Pension Funds Companies” 27655 and dated July 28, 2010.

According to the related Regulation’s Article No.9 and fifth paragraph entitled as “Equalization Reserves”, Insurance companies can use their own statistical data for calculation of the equalization reserves amount for the life policies that have guaranty of death, but if the entity that has not own statistical data, has to made provisions as equalization reserve via considering 11% of the amount of life indemnity (also include costs share) as earthquake premium and 12% of the same amount as equalization reserve.

As of 31 December 2016, the Company made provision for life branch amounting TL 5,060,409 (31 December 2015: TL 3,798,311) (Note 17). In Personal Accident Insurance branch, for the polices started a new sale and for the policies covering the earthquake risk stated in the section 6, article f of the Personal Accident Insurance General Terms, equalization reserve is calculated by taking into consideration 12% of earthquake premiums stated in the technical tariff. The Company has made an equalization reserve provision TL 866,980 as at 31 December 2016 (31 December 2015: TL 561,601). (Note 17).

2.30 Related parties

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

2.31 Earnings per share

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

2.32 Events after the reporting period

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

2.33 Events after the reporting period

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

TFRS 9 Financial Instruments - Recognition and Measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

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

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(Currency: Turkish Lira (TL))

The following standards, interpretations and amendments to existing International Financial Reporting Standards (“IFRS”) standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Company will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 16 Leases

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently change IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15-Revenue from Contracts with Customers. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

3 Critical Accounting estimates and judgements in applying accounting policies

The Notes given in this section are provided to addition/supplement the commentary on the management of insurance risk (Note 4.1) and management of financial risk (Note 4.2).

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

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

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

Note 4.1 - Management of insurance risk

Note 4.2- Management of financial risk

Note 10 - Reinsurance assets/liabilities

Note 12 - Loans and receivables

Note 17 - Insurance liabilities and reinsurance assets

Note 18 - Investment contract liabilities

Note 19 - Trade and other liabilities, deferred incomes

Note 21 - Deferred income taxes

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(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk**4.1 Management of insurance risk****Insurance risk**

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of the insurance contracts, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and reserving, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The Company determines its insurance underwriting strategy based on the type of insurance risk accepted and the claims incurred.

The Company's pricing mainly depends on statistical analysis and outputs from historical data and/or on some mortality tables assumed to be best fit for the related product. The Company manages the aforementioned risks by its overall underwriting strategy and via reinsurance agreements. In risk acceptance policies of life and personal accident branches, the following components are considered:

- In individual insurance, health declarations and reports under consideration of policyholder's age and insurance coverage,
 - In group insurance, the number of person in group and health declarations and reports depending policyholder's compulsory or facultative,
 - In pricing, the information about charging sur-premium based on the health condition of the policyholder's, addition of condition to be added to the contract or the deduction or the rejection of the coverage,
 - In high coverage, in additions to the health documents, the documents about the financial position of the insured.
- Numbers and amounts of collateral types given by the company are presented table below. The Company management believes that there is a sufficient distribution in numbers and amounts.

	December 31, 2016		December 31, 2015	
	Coverage Amount (TL)	Qty	Coverage Amount (TL)	Qty
Death	10,790,532,035	541,757	11,169,286,821	681,782
Death due to accident	9,940,379,934	409,757	7,535,344,221	269,436
Disability due to accident	5,773,149,637	136,397	6,580,712,198	187,061
Critical illness	993,890,586	16,520	915,520,000	16,665
Illness resulting disability	492,213,388	7,039	651,707,523	11,349
Accident (public transit)	51,376,966	42,795	16,620,896	3,803
Unemployment	26,476,422	84,626	9,902,527	32,325
Emergency Health and Daily Hospital	5,092,500	542	152,500	36
Life Events	570,000	3	-	-

The Company is subject to the following risks in relation to the pricing of policies:

Mortality risk

The Company is subject to mortality risk if the actual death claims are higher than expected death rates in the mortality tables used for pricing of the policies. The Company uses the appropriate mortality table for each product. The Company uses the CSO 80 or CSO 2001 mortality tables while pricing the life insurance agreements.

Notes to Financial Statements as of December 31, 2016*(Currency: Turkish Lira (TL))***Technical interest rate risk**

In saving life products, the policyholders shall be guaranteed an income that is equal to “technical interest rate” at a minimum. The Company is subject to the technical interest rate risk if the market interest rate is lower than the guaranteed interest rate. With the tariff change in 2000, technical interest rate which guaranteed in order to reduce the risk has been restricted with the inflation rate.

Reinsurance companies

Reinsurance companies, providing reinsurance protection against life insurance and other additional risks are the most important service providers for the Company. Financial strength, long-term relationship approach, competitive prices, capacity provided for facultative and un-proportional (catastrophic) reinsurance contracts, opportunities and information provided in risk assessment process, product development, trainings, information about new developments in the sector and etc. are decisive criteria for the relationship with reinsurers.

Recent ratings of these reinsurance companies given by international institutions are as follows:

Reinsurer	Rating	Rating Company	Main Shareholder	Center of Operations	Direct/Indirect Ownership
Inter Partner Assistance	AA-	S&P	AXA	Belgium	None
BNPP Cardif Hayat Sigorta A.Ş.	***	S&P	BNPP CARDIF	France	None
Munich Re	AA-	S&P	Münchener Rückvers.	Germany	None
NN Re	A-	S&P	NN Group	Holland	Depends on the same group
RGA	AA-	S&P	Reinsurance Group of America	U.S.A.	None

*** There is no credit rating.

4.2 Management of financial risk**Introduction and overview**

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

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Board of Directors monitors the effectiveness of the risk management system through the internal audit department.

The Company’s risk management policies are established to identify and analyze the risks faced by the Company, 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 Company, 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.

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Operational risk management

Definition and measurement of operational risks, identification and application of risk policies and application procedures, establishing, application, follow up and reporting of adequate controls to decrease the risk level are maintained via Risk Management Process set up by the Company.

It is aimed that the Company adds value to participants, shareholders and employees through the control of the risks faced, decreasing the losses and maintaining risk sensitive profitability analysis by establishing a strong risk management system.

Goals of the Operational Risk Function:

- Increasing the awareness for operational risk,
- Working with the management and maintaining their operations in line with the risk appetite of the executive management,
- Development of early warning system,
- Following the actions decreasing the risks and ensuring that the additional precautions to be taken,
- Thus, ultimately operational risk cost to be reduced.

Risk Management Process consists of the following stages:

- Defining of risks,
- Measurement and rating of the risks,
- Identification of risk appetite,
- Follow up and control of the risks,
- Reporting
- Operational risk categories are as follows:
- Control Risk,
- Unauthorised Activity Risk,
- Processing Risk,
- Employment Practice & Workplace Security Risk,
- Personal & Physical Security Risk,
- Information (Technology) Risk,
- Business Continuity Risk,
- Compliance Risk,
- Fraud Risk,
- Operational Risk Management Process is still in progress covering all of the Company operations and departments related to this defined risks.

Internal Control

Undersecretariat of Treasury was published a regulation in the Official Gazette dated June 21, 2008, numbered 26913 for internal system of Insurance and Reinsurance and Pension Companies. The related regulation covers insurance and reinsurance companies established in Turkey, the organization of foreign insurance and reinsurance companies in Turkey and pension companies. The purpose of the regulation is to regulate the procedures and principles regarding the internal control, internal audit and risk management systems of the insurance and reinsurance companies and pension companies and their operation. On July 2014, the Company has started to work on the establishment of Internal Control Department in order to protect company assets, carry out operations effectively and efficiently in accordance with Law and related other regulations, intercorporate policies, rules and insurance usages, and to provide accessibleness of the information on time. On November 2014, studies have finalized and Internal Control Department has started its controls actively. The regulation on the functioning of the department has been published in the Company on 19 December 2014. On 10 August 2015, Operational and Information Risk Management & Internal Control functions are merged under a single department and continues its activities.

Notes to Financial Statements as of December 31, 2016*(Currency: Turkish Lira (TL))***Credit risk**

Credit risk is basically defined as the possibility that counterparty will fail to meet its obligations in accordance under agreed terms of a contract. The balance sheet items that the Company is exposed to credit risk are as follows:

- cash at banks
- other cash and cash equivalents (except for cash on hand)
- available-for-sale financial assets
- premium receivables from policyholders
- receivables from intermediaries (agencies)
- receivables from reinsurance companies related to claims paid and commissions accrued
- reinsurance shares of insurance liabilities
- due from related parties
- other receivables

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

The carrying values of assets subject to credit risk are presented in the following table.

	December 31, 2016	December 31, 2015
Cash and cash equivalents (Note 14)	199,206,462	182,138,084
Financial assets (Note 11) (**)	-	11,951,488
Receivables from main operations (Note 12) ^(*)	18,076,374	18,551,495
Receivables from related parties (Note 12)	22,039,276	7,676,983
Other receivables (Note 12)	564,617	1,232,462
Prepaid taxes and funds (Note 12)	1,758,764	1,756,624
Reinsurer's share in outstanding claims provision (Note 10), (Note 17)	467,632	488,095
Total	242,113,125	223,795,231

(*) Receivables from individual pension activities are not included in the credit risk table since those receivables are followed both side of the balance sheet as asset and liability and they are held on behalf of participants by İstanbul Takas ve Saklama Bankası A.Ş.

(**) 263,222 TL share of Emeklilik Gözetim Merkezi A.Ş. is not included. (31 December 2015: 263,222 TL).

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

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

	December 31, 2016		December 31, 2015	
	Gross amount	Provision set aside	Gross amount	Provision set aside
Not past due	18,076,374	-	18,551,495	-
Past due 0-30 days	216,319	(216,319)	186,007	(186,007)
Past due 31-60 days	18,035	(18,035)	121,148	(121,148)
Past due 61-180 days	7,151,869	(7,151,869)	6,209,062	(6,209,062)
Total	25,462,597	(7,386,223)	25,067,712	(6,516,217)

The movement of the provision for receivables from insurance operations during the period is as follows:

	December 31, 2016	December 31, 2015
Receivables from insurance operations at the beginning of the period	6,516,217	13,822,528
Collections during the period	(507,391)	(700,607)
Impairment provisions set aside during the period	1,377,397	(6,605,704)
Receivables from insurance operations at the end of the period	7,386,223	6,516,217

The company cancels insurance premiums that have not been collected for a certain period of time, and deducts the relevant amount from premiums written and premiums receivable.

Liquidity risk

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

Management of the Liquidity Risk

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

The following table provides an analysis of monetary assets and monetary liabilities of the Company into relevant maturity groupings based on the remaining periods to maturity:

December 31, 2016	Book value	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Cash and cash equivalents	199,206,462	199,206,462	-	-	-
Financial investments	263,222	-	-	-	263,222
Receivables from main operations	2,360,182,907	14,247,594	1,592,010	2,236,771	2,342,106,532
Receivables from related parties	22,039,276	491,588	16,130,834	5,416,854	-
Other receivables	280,705	280,705	-	-	-
Total monetary assets	2,581,972,572	214,226,349	17,722,844	7,653,625	2,342,369,754
Payables from main operations	2,396,690,093	54,583,561	-	-	2,342,106,532
Other liabilities	4,615,784	3,935,000	-	680,784	-
Due to related parties	924,112	924,112	-	-	-
Insurance technical provisions ^o	14,183,598	14,183,598	-	-	-
Life mathematical provisions	34,898,873	225,589	2,570,098	27,981,818	4,121,368
Taxes and other fiscal liabilities payable	2,276,932	2,276,932	-	-	-
Provisions for other risks	30,254,881	3,570,891	17,833,544	8,850,446	-
Total monetary liabilities	2,483,844,273	79,699,683	20,403,642	37,513,048	2,346,227,900

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

December 31, 2015	Book value	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Cash and cash equivalents	182,138,084	145,428,154	36,709,930	-	-
Financial investments	12,214,710		11,951,488	-	263,222
Receivables from main operations	1,961,941,766	15,448,049	1,206,729	1,896,717	1,943,390,271
Receivables from related parties	7,676,983	42,645	3,679,327	3,955,011	-
Other receivables	908,634	908,634	-	-	-
Total monetary assets	2,164,880,177	161,827,482	53,547,474	5,851,728	1,943,653,493
Payables from main operations	1,989,741,201	46,350,930	-	-	1,943,390,271
Other liabilities	5,593,134	5,189,699	-	-	403,435
Due to related parties	4,217,162	4,217,162	-	-	-
Insurance technical provisions**	16,492,282	16,492,282	-	-	-
Life mathematical provisions	30,296,891	193,162	2,013,348	24,922,106	3,168,275
Taxes and other fiscal liabilities payable	2,085,576	2,085,576	-	-	-
Provisions for other risks	20,481,785	4,981,376	8,094,805	7,405,604	-
Total monetary liabilities	2,068,908,031	79,510,187	10,108,153	32,327,710	1,946,961,981

(*) Outstanding claims provisions have been subjected to due date distribution by taking the estimated payment dates into account, and all of the outstanding claims provisions are shown in short-term liabilities in the accompanying financial statements.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, credit spreads, real estate fair values and general commodity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to identify potential risks and to measure, monitoring and reporting market risk exposures within acceptable parameters, while optimizing the risk appetite of the Company's return on risk.

Currency risk

Foreign exchange gains and losses due to foreign currency denominated transactions are recognized in the statement of income. Monetary assets and liabilities denominated in foreign currencies are measured at the exchange rates ("TL") ruling at the reporting date with the resulting exchange differences recognized in the statement of income as foreign exchange gains or losses.

The company carries closed position in US Dollar and EURO currencies parallel to the general characteristics of the Turkish insurance sector.

Details of the Company's currency risk exposure are given in the following table:

December 31, 2016	US Dollar	Euro	Other currencies	Total
Cash and cash equivalents	5,900,486	3,114,716	-	9,015,202
Total foreign currency assets	5,900,486	3,114,716	-	9,015,202
Payables from main operations	75,047	-	-	75,047
Payables to the related parties	-	208,575	-	208,575
Total foreign currency liabilities	75,047	208,575	-	283,622
Balance sheet position	5,825,439	2,906,141	-	8,731,580

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

December 31, 2015	US Dollar	Euro	Other currencies	Total
Cash and cash equivalents	7,965,268	8,284,308	-	16,249,576
Total foreign currency assets	7,965,268	8,284,308	-	16,249,576
Deposits and guarantees received	86,356	29,234	-	115,590
Debt provisions	313,884	883,913	-	1,197,797
Total foreign currency liabilities	400,240	913,147	-	1,313,387
Balance sheet position	7,565,028	7,371,161	-	14,936,189

Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the buying exchange rates announced by Central Bank of the Republic of the Turkey ("CBRT") ruling at 31 December 2016.

Foreign currency rates used for the translation of foreign currency denominated monetary assets and liabilities as at 31 December 2016 and 31 December 2015 are as follows:

	US Dollar	Euro
December 31, 2016	3,5192	3,7099
December 31, 2015	2.9076	3.1776

Exposed currency risk

A 10 percent devaluation of the TL against the following currencies as at 31 December 2016 and 2015 would have increased equity and profit or loss (excluding tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. A 10 percent appreciation of the TL against the following currencies, the effect will be in opposite direction.

	December 31, 2016		December 31, 2015	
	Income statement	Equity ^(*)	Income statement	Equity ^(*)
US Dollar	582,544	582,544	756,503	756,503
Euro	290,614	290,614	737,116	737,116
Total, net	873,158	873,158	1,493,619	1,493,619

(*) Equity effect also includes the effect of the income statement due to the 10% depreciation of TL against the related foreign currencies.

Exposure to interest rate risk

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

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

Financial assets:	December 31, 2016	December 31, 2015
Fixed rate financial assets:		
Banks (Note 14)	145,962,080	138,835,613
Available-for-sale financial assets - Government bonds (Note 11)	-	11,951,488

Interest rate sensitivity of the financial instruments

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

Interest rate sensitivity of equity is calculated by considering the change in the fair values of the available-for-sale financial assets as at 31 December 2016 as a result of the assumed changes in interest rates below. The analysis has been made on the same basis as at 31 December 2015. This analysis assumes that all other variables, remain constant

December 31, 2015	Income statement		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Available-for-sale financial assets	173,540	(173,540)	24,677	(24,677)
Total, net	173,540	(173,540)	24,677	(24,677)

Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where they exist, appropriate valuation methodologies. The Company has classified its marketable securities as available-for-sale, and financial investments with risks on life insurance policyholders as available-for-sale. Available-for-sale financial assets are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying financial statements.

Company management estimates that the fair value and carrying value of the other financial asset and liabilities are not significantly different.

Classification relevant to fair value information

TFRS 7 – Financial Instruments: Disclosures requires the measurements of fair value of financial instruments to be classified in a hierarchy that reflects the significance of the valuation inputs used. This classification prioritises observable data, using market data obtained from independent sources, in preference to unobservable data that relies, for example on the use of predictions and assumptions about market prices by the Company. This sort of categorization generally results in the classifications below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Classification requires the utilization of observable market data, if available. In this context, fair value classification of assets and liabilities which are measured at their fair values is as follows:

	December 31, 2015			
	1. Level	2. Level	3. Level	Total
Assets:				
Available-for-sale financial assets (Note 11)	11,951,488	-	-	11,951,488
Total Assets	11,951,488	-	-	11,951,488

Notes to Financial Statements as of December 31, 2016*(Currency: Turkish Lira (TL))***Capital management**

The Company's capital management policies include the following:

- To comply with the insurance capital requirements required by the Undersecretariat of Treasury;
- To safeguard the Company's ability to continue as a going concern so that it can continue

With respect to the 23 August 2015 dated and 29454 numbered "Communiqué Related to Capital Adequacy Measurement and Evaluation of Insurance, Reinsurance and Individual Pension Companies" issued by the Undersecretariat of Treasury, the equity amount of the Company for December 31, 2016 is TL 105,114,580. The Company's shareholders equity is greater than required capital at a minimum TL 65,573,489 (December 31, 2015: greater TL 78,809,763).

Gains and losses from financial assets

Financial gains and losses recognized in the income statement:	December 31, 2016	December 31, 2015
Interest incomes from the debt securities classified as available-for-sale financial asset	473,250	(156,554)
Interest incomes from bank deposit accounts	12,485,632	10,002,777
Foreign exchange gains	4,748,587	1,728,809
Investment incomes	17,707,469	11,575,032
Foreign exchange losses	684,567	44,741
Debt security sale losses	999,935	99,999
Investment expenses	1,684,502	144,740
Financial gains and losses recognized in the income statement, net	16,022,967	11,430,292

5 Segment reporting

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

Business segment

As of the reporting date the Company operates in credit insurance segment, so the Company does not disclose business segment reporting.

Geographical segment reporting

The main geographical segment the Company operates in is Turkey, so the Company does not disclose geographical segment reporting.

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

6 Tangible assets

Movements in tangible assets in the period from 1 January to 31 December 2016 are presented below:

	January 1, 2016	Entries	Exit	Transfer	December 31, 2016
Cost:					
Vehicles	60,470	-	-	-	60,470
Machinery and equipment	6,621,424	220,451	-	-	6,841,875
Furniture and fixtures	4,627,479	192,050	-	-	4,819,529
Special costs	4,767,350	35,624	-	-	4,802,974
	16,076,723	448,125			16,524,848
Accumulated depreciation:					
Vehicles	(24,188)	(6,047)	-	-	(30,235)
Machinery and equipment	(4,485,537)	(829,242)	-	-	(5,314,779)
Furniture and fixtures	(2,532,505)	(665,221)	-	-	(3,197,726)
Special costs	(2,076,235)	(669,814)	-	-	(2,746,049)
	(9,118,465)	(2,170,324)			(11,288,789)
Net book value	6,958,258	(1,722,199)			5,236,059

Tangible asset movements between January 1, 2015 and December 31, 2015 are as follows:

	January 1, 2015	Entries	Exit	Transfer	December 31, 2015
Cost:					
Vehicles	60,470	-	-	-	60,470
Machinery and equipment	7,600,681	590,237	-	(1,569,494)	6,621,424
Furniture and fixtures	3,234,334	231,578	-	1,161,567	4,627,479
Special costs	4,231,346	387,720	-	148,284	4,767,350
	15,126,831	1,209,535		(259,643)	16,076,723
Accumulated depreciation:					
Vehicles	(18,159)	(6,047)	-	18	(24,188)
Machinery and equipment	(4,337,856)	(834,633)	-	686,952	(4,485,537)
Furniture and fixtures	(1,225,986)	(621,096)	-	(685,423)	(2,532,505)
Special costs	(1,444,977)	(599,574)	-	(31,684)	(2,076,235)
	(7,026,978)	(2,061,350)		(30,137)	(9,118,465)
Net book value	8,099,853	(851,815)		(289,780)	6,958,258

There is no change in depreciation calculation methods in the current period.

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

7 Investment property

There is no investment property as of 31 December 2016 and 31 December 2015.

8 Intangible assets

Movements in intangible assets in the period between 1 January and 31 December 2016 are presented below:

	January 1, 2016	Entries	Exit	Transfer	December 31, 2016
Cost:					
Rights	14,949,306	4,369,132	-	914,500	20,232,938
Advances related to intangible fixed assets	914,500	-	-	(914,500)	-
	15,863,806	4,369,132	-	-	20,232,938
Accumulated depreciation:					
Rights	(6,860,920)	(2,864,092)	-	-	(9,725,012)
	(6,860,920)	(2,864,092)			(9,725,012)
Net book value	9,002,886	1,505,040	-	-	10,507,926

Intangible asset movements between January 1, 2015 and December 31, 2015 are as follows:

	January 1, 2015	Entries	Exit	Transfer	December 31, 2015
Cost:					
Rights	11,928,576	2,761,087	-	259,643	14,949,306
Advances related to intangible fixed assets	-	914,500	-	-	914,500
	11,928,576	3,675,587	-	259,643	15,863,806
Accumulated depreciation:					
Rights	(4,827,626)	(2,063,432)	-	30,138	(6,860,920)
	(4,827,626)	(2,063,432)	-	30,138	(6,860,920)
Net book value	7,100,950	697,656	-	1,204,280	9,002,886

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

9 Investments in associates

Breakdown of associates and subsidiaries having indirect capital and management relations with the Company, names of associates and participation in associates and subsidiaries and their rates and amounts, the profit or loss for the period in the latest financial statements of such associates and subsidiaries, net period profit or loss and the period of these financial statements, whether it has been subject to independent audit and independent audit report as positive, including negative and that are regulated are related in any type of conditional in the table below:

December 31, 2016									
	(%)	Cost	Book value	Financial statement period	Total Assets (Not Audited)	Total Liabilities (Not Audited)	Net Sales (Not Audited)	Independent Audit	
Sigortaofisi Plus Aracılık Hizmetleri A.Ş.	50	362,501	362,501	31.12.2016	1,199,898	2,641,698	2,312,747	None	
Makinist VIP Sigorta Aracılık Hizmetleri A.Ş.	50	300,000	300,000	31.12.2016	1,185,967	2,236,810	1,051,703	None	
DSM-Extra Sigorta Aracılık Hizmetleri A.Ş.	50	412,500	412,500	31.12.2016	2,379,486	9,662,937	2,102,614	None	
Ünlem Sigorta Aracılık Hizmetleri A.Ş.	50	262,500	262,500	31.12.2016	1,609,564	3,104,497	4,156,263	None	
		1,337,501	1,337,501						
December 31, 2015									
	(%)	Cost	Book value	Financial statement period	Total Assets (Not Audited)	Total Liabilities (Not Audited)	Net Sales (Not Audited)	Independent Audit	
EMK Sigorta Aracılık Hizmetleri A.Ş.	50	362,501	362,501	31.12.2015	429,2285	1,152,252	2,632,442	None	
PNG Sigorta Aracılık Hizmetleri A.Ş.	50	100,000	100,000	31.12.2015	27,237	(263,992)	676,581	None	
DSM-Extra Sigorta Aracılık Hizmetleri A.Ş.	50	212,500	212,500	31.12.2015	3,364,078	3,247,118	7,471,851	None	
Ünlem Sigorta Aracılık Hizmetleri A.Ş.	50	225,000	225,000	31.12.2015	2,104,804	703,745	5,805,002	None	
		900,001	900,001						

10 Reinsurance assets and liabilities

As at 31 December 2016 and 31 December 2015, outstanding reinsurance assets and liabilities of the Company, as a ceding company, in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	December 31, 2016	December 31, 2015
Receivables from reinsurers (Note 12)	42,373	23,427
Reinsurer's share in unearned premiums provision (Note 17)	1,426,806	1,512,109
Reinsurer's share in outstanding claims provision (Note 4.2), (Note 17)	467,632	488,095
Reinsurer's share in equalization provision change (Note 17)	252,994	199,370
Reinsurer's share in life mathematical provision (Note 17)	1,389,795	556,949
Total	3,579,600	2,779,950

As of December 31, 2016 and December 31, 2015, the Company does not have any impairment loss recognized for reinsurance assets.

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

The gains and losses recognized in the income statement for the Company's reinsurance contracts are presented in the following table:

	December 31, 2016	December 31, 2015
Premiums ceded to reinsurer during the period (Note 17)	(4,453,215)	(3,098,685)
Reinsurer's share in unearned premiums provision at the beginning of the period (Note 17)	(1,512,109)	(484,743)
Reinsurer's share in unearned premiums provision at the end of the period (Note 17)	1,426,806	1,512,109
Reinsurer's share in earned premiums (Note 17)	(4,538,518)	(2,071,319)
Reinsurer's share in claims paid during the period (Note 17)	295,723	2,002,947
Reinsurer's share in outstanding claims provision at the beginning of the period (Note 17)	488,095	415,811
Reinsurer's share in outstanding claims provision at the end of the period (Note 17)	(467,632)	(488,095)
Reinsurer's share in damages (Note 17)	316,186	1,930,663
Total, net	(4,222,332)	(140,656)

11 Financial assets

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

	December 31, 2016	December 31, 2015
Available-for-sale financial assets	263,222	12,214,710
Total	263,222	12,214,710

As of December 31, 2016 and December 31, 2015, details of the Company's available-for-sale financial assets are as follows:

	December 31, 2016			
	Nominal value	Cost value	Fair value	Book value
Emeklilik Gözetim Merkezi A.Ş. ⁽¹⁾	223,000	223,000	263,222	263,222
Total available-for-sale financial assets	223,000	223,000	263,222	263,222

	December 31, 2015			
	Nominal value	Cost value	Fair value	Book value
Government Bond - TL	-	12,989,650	11,951,488	11,951,488
Emeklilik Gözetim Merkezi A.Ş. ⁽¹⁾	-	263,222	263,222	263,222
Total available-for-sale financial assets	-	13,252,872	12,214,710	12,214,710

As at 31 December 2016 and 31 December 2015, the Company has no marketable securities to be held until maturity.

There is no financial asset held by the Company issued by the related parties.

There are no securities that are issued by the Company during the period or which are previously issued and which are amortized during the period.

Value increases in financial assets for the last 3 years (including tax effects):

Value increases in financial assets over the last three periods (including related tax effects):

Notes to Financial Statements as of December 31, 2016*(Currency: Turkish Lira (TL))*

Year	Change in value increase / (decrease)	Total value increase / (decrease)
December 31, 2016	576,556	-
December 31, 2015	(235,897)	(576,556)
December 31, 2017	3,341,544	(340,659)

The movements of financial assets within the period, except for bank deposits, are as follows:

	December 31, 2016
Value at the beginning of the period	12,214,710
Purchases during the period	-
Disposals (amortization or sales)	(11,951,488)
Change in fair values of financial assets (Note 4.2, 15)	-
Value at the end of the period	263,222
	December 31, 2015
Value at the beginning of the period	12,666,135
Exchange differences not realized in monetary assets	-
Change in fair values of financial assets (Note 4.2, 15)	(156,554)
Change in amortized cost incomes of financial assets	(294,871)
Value at the end of the period	12,214,710

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

12 Loans and receivables

	December 31, 2016	December 31, 2015
Receivables from main operations (Note 4.2)	2,360,182,906	1,961,941,766
Receivables from related parties (Note 4.2), (Note 45)	22,039,276	7,676,983
Prepaid taxes and funds (Note 4.2)	1,758,764	1,756,624
Other receivables (Note 4.2)	564,617	1,232,462
Total	2,384,545,563	1,972,607,835
Short-term receivables	42,439,031	29,217,564
Mid- and long-term receivables	2,342,106,532	1,943,390,271
Total	2,384,545,563	1,972,607,835

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

	December 31, 2016	December 31, 2015
Receivables from insured persons and agencies	3,527,018	4,197,426
Receivables from reinsurers (Note 10)	42,373	23,427
Total receivables from insurance operations	3,569,391	4,220,853
Receivables from pension operations (Note 18)	2,357,545,256	1,958,692,988
Doubtful receivables from main operations (Note 4.2)	7,386,223	6,516,217
Provision for receivables from insurance and pension operations (Note 4.2)	(7,386,223)	(6,516,217)
Receivables from main operations	2,357,545,256	1,958,692,988

As of December 31, 2016 and December 31, 2015, details of mortgages and other guarantees received for the receivables are as follows:

	December 31, 2016	December 31, 2015
Mortgage Bonds	827,000	827,000
Letters of Guarantee	464,500	709,000
Cash Guarantees	501,156	974,042
Other	1,428,517	465,619
Total	3,221,173	2,975,661

Doubtful provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 6,454,482 (31 December 2015: 5,544,142).

b) Provision for premium receivables (due): 931,741 (31 December 2015: 972,075).

The related party transactions of the Company are presented in Note 45 – Related party transactions in detail.

The receivables and payables denominated in foreign currencies and detailed analyses of foreign currency balances are presented in Note 4.2 – Financial risk management.

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

13 Derivative financial instruments

As at 31 December 2016 and 31 December 2015, there is no derivative financial instruments.

14 Cash and cash equivalents

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

	December 31, 2016		December 31, 2015	
	End of the period	Beginning of the period	End of the period	Beginning of the period
Banks	154,713,424	145,428,154	145,428,154	52,661,576
Bank guaranteed and short-term credit card receivables	44,493,038	36,709,930	36,709,930	28,600,419
Cash and cash equivalents shown in the balance sheet	199,206,462	182,138,084	182,138,084	81,261,995
Blocked amounts	(52,881,994)	(47,738,692)	(47,738,692)	(44,467,615)
Bank deposit rediscount	(833,938)	(539,649)	(539,649)	(91,684)
Cash and cash equivalents in the cash flow statement	145,490,530	133,859,743	133,859,743	36,702,696

As at 31 December 2016 and 31 December 2015, bank deposits are further analyzed as follows:

	December 31, 2016	December 31, 2015
Foreign currency bank deposit		
- time deposit	8,735,826	15,945,224
- demand deposit	279,376	304,352
TL bank deposit		
- time deposit	137,226,254	122,890,389
- demand deposit	8,471,968	6,288,189
Banks	154,713,424	145,428,154

As at 31 December 2016, the Company has a blocked bank deposit amount of TL 52,881,994 on behalf of Undersecretariat of Treasury (31 December 2015: 49,402,017 TL) (Note 17).

Interest rate for TL time deposits is between 8.50 - 11.65% (31 December 2015: 4.75- 14.00%), for foreign currency time deposits 0.06 - 3.30%. (31 December 2015: 0.01-0.15%).

Notes to Financial Statements as of December 31, 2016*(Currency: Turkish Lira (TL))***15 Equity****Paid-in capital**

As of December 31, 2016, the Company's nominal capital is TL 39,441,418 and is formed by 39,441,418 shares with a par value of TL 0.1 (one) per share. There are no any privileged shares of the Company (31 December 2015: 88,241,418 TL (49,000,000 is waiting for registration in equity)).

As of December 31, 2016, NN Continental Europe Holdings B.V., which controls directly or indirectly on NN Hayat ve Emeklilik Şirketi ("the Company") share capital, has %100 share.

There are no any treasury shares held by the Company itself or by its subsidiaries or associates.

There are no any treasury shares issued which will be subject to sale in accordance with forward transactions and contracts.

Other legal reserves

As at 31 December 2016 and 31 December 2015, details of other equity reserves are presented below:

	December 31, 2016	December 31, 2015
Premiums on issued shares	259,950,000	195,650,000
Other capital reserves	259,950,000	195,650,000

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

As at 31 December 2016 and 31 December 2015, as the Company has no net profit for the period, there are no related capital reserves.

Extraordinary reserves

As at 31 December 2016 and 31 December 2015, the Company has no extraordinary reserves.

Retained earnings

As of 31 December 2016, there are Retained Earnings amounting to TL 179,283,884 in the financial statements. (31 December 2015: TL 137,546,383)

As at 31 December 2016 and 31 December 2015, since the effect of actuarial difference is immaterial in the calculation of provision for employment termination benefits, actuarial gain or loss is not recognized in equity accounts.

16 Other provisions and capital component of discretionary participation

As at 31 December 2016, there are no other reserves presented under equity except for the fair value reserves of available-for-sale financial assets which is presented as "revaluation of financial assets" in the accompanying financial statements. Movement of fair value reserves of available-for-sale financial assets and their related tax effects are presented in Note 15 – Equity.

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

17 Insurance liabilities and reinsurance assets

The basic assumption used in estimation of the outstanding claims provision is the Company's past experience of claims development. Sensitivity of estimations caused by legal changes and other ambiguities in the process of estimation is not measurable. The Company makes calculation of the related insurance technical provisions accordance with the Insurance Legislation and reflects them into financial statements as mentioned in 2 – Summary of significant accounting policies.

As at 31 December 2016 and 31 December 2015, provisions for technical reserves of the Company are disclosed as follows:

	December 31, 2016	December 31, 2015
Gross unearned premium provision	18,288,537	16,568,612
Reinsurer's share in unearned premiums provision (Note 10)	(1,426,806)	(1,512,109)
Unearned premiums provision, net	16,861,731	15,056,503
Gross outstanding claims provision	14,651,230	16,980,377
Reinsurer's share in outstanding claims provision (Note 10)	(467,632)	(488,095)
Outstanding claims provision, net	14,183,598	16,492,282
Gross life mathematical provisions	36,288,668	30,853,842
Reinsurer's share in life mathematical provision	(1,389,795)	(556,949)
Life mathematical provision, net	34,898,873	30,296,893
Equalization provision, net	5,927,389	4,359,912
Total technical provisions, net	71,871,591	66,205,590
Short-term	31,045,329	31,548,785
Mid- and long-term	40,826,262	34,656,805
Total insurance technical provisions, net	71,871,591	66,205,590

As of December 31, 2016 and December 31, 2015, movements of insurance liabilities and reinsurance assets are as follows:

Unearned premiums provision	December 31, 2016		
	Gross	Reinsurer's Share	Net
Unearned premium provisions at the beginning of the period	16,568,612	(1,512,109)	15,056,503
Premiums written during the period	143,590,004	(4,453,215)	139,136,789
Premiums earned during the period	(141,870,079)	4,538,518	(137,331,561)
Unearned premium provisions at the end of the period	18,288,537	(1,426,806)	16,861,731

Unearned premiums provision	December 31, 2015		
	Gross	Reinsurer's Share	Net
Unearned premium provisions at the beginning of the period	10,750,007	(484,743)	10,265,264
Premiums written during the period	97,514,241	(3,098,685)	94,415,556
Premiums earned during the period	(91,695,636)	2,071,319	(89,624,317)
Unearned premium provisions at the end of the period	16,568,612	(1,512,109)	15,056,503

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

Outstanding claims provision	December 31, 2016		
	Gross	Reinsurer's share	Net
Outstanding claims provision at the beginning of the period	16,980,377	(488,095)	16,492,282
Damages reported during the period and changes in estimations regarding outstanding claims provision at the beginning of the period	27,281,217	(275,260)	27,005,957
Damages paid during the period	(29,610,364)	295,723	(29,314,641)
Outstanding claims provision at the end of the period	14,651,230	(467,632)	14,183,598

Outstanding claims provision	December 31, 2015		
	Gross	Reinsurer's share	Net
Outstanding claims provision at the beginning of the period	8,524,882	(415,811)	8,109,071
Damages reported during the period and changes in estimations regarding outstanding claims provision at the beginning of the period	24,727,456	(2,075,231)	22,652,225
Damages paid during the period	(16,271,961)	2,002,947	(14,269,014)
Outstanding claims provision at the end of the period	16,980,377	(488,095)	16,492,282

Claim development table

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

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

Damage year	December 31, 2016						Total	
	Before 2011	2011	2012	2013	2014	2015		2016
Damage year	-	329,203	565,006	585,024	1,417,790	1,501,253	2,967,066	7,365,342
1 year later	-	-	182,052	142,295	491,637	546,047	969,040	2,331,071
2 years later	-	-	-	54,646	329,133	274,542	678,957	1,337,278
3 years later	-	-	-	-	46,673	228,964	351,868	627,505
4 years later	-	-	-	-	-	13,720	144,022	157,742
5 years later	-	-	-	-	-	-	54,276	54,276
Provisions from damage development table								11,873,214
Provision for outstanding claims (IBNR) realized, but not reported								2,778,016
Total gross outstanding claims provision shown in the financial statements at the end of the period								14,651,230

Damage year	December 31, 2015						Total	
	Before 2011	2011	2012	2013	2014	2015		2016
Damage year	4,058	312,358	885,700	1,184,214	2,339,773	4,539,543	-	9,265,646
1 year later	-	11,077	126,512	344,428	640,581	1,683,239	-	2,805,837
2 years later	-	-	193	181,568	582,562	1,212,047	-	1,976,370
3 years later	-	-	-	71,365	187,527	774,378	-	1,033,270
4 years later	-	-	-	-	-	151,143	-	151,143
5 years later	-	-	-	-	-	21,313	-	21,313
Provisions from damage development table								15,253,579
Provision for outstanding claims (IBNR) realized, but not reported								1,726,798
Total net outstanding claims provision shown in the financial statements at the end of the period								16,980,377

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

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

	December 31, 2016		December 31, 2015	
	Required (**)	Provided (*)	Required (**)	Provided (*)
Life:				
Bank deposits (Note 14)	45,624,001	51,351,300	44,805,504	46,449,869
Financial assets (*)	-	-	-	1,663,325
Total	45,624,001	51,351,300	44,805,504	48,113,194
Non-life:				
Bank deposits (Note 14)	1,210,667	1,530,694	1,174,98	1,288,823
Financial assets (*)	-	-	-	-
Total	1,210,667	1,530,694	1,174,981	1,288,823
Total	46,834,668	52,881,994	45,980,485	49,402,017

(*) According to the 6th article of the "Communiqué Relating to Financial Structure of Insurance, Reinsurance and Individual Pension Companies" which regulates financial assets, includes government bonds and treasury bills; valuation of financial assets is performed according to 31 December 2016 and 2015 promulgated daily prices of the Central Bank of the Republic of Turkey.

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

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

	December 31, 2016		December 31, 2015	
	Number of insured persons	Gross mathematical provisions	Number of insured persons	Gross mathematical provisions
Beginning of the period	865,658	30,853,842	790,887	34,059,464
Entered during the period	541,631	37,620,797	521,862	23,356,577
Quitted during the period	(517,128)	(32,185,971)	(447,091)	(26,562,199)
Existing	890,161	36,288,668	865,658	30,853,842

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

	December 31, 2016			December 31, 2015		
	Number of contracts	Gross premium	Net premium	Number of contracts	Gross premium	Net premium
Individual	174,057	31,989,813	29,619,055	197,401	31,524,032	29,234,689
Group	367,574	130,300,898	128,334,615	324,461	73,373,465	72,486,582
Total	541,631	162,290,711	157,953,670	521,862	104,897,497	101,721,271

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

	December 31, 2016			December 31, 2015		
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Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

	Number of contracts	Gross premium	Net premium	Gross mathematical provisions	Number of contracts	Gross premium	Net premium	Gross mathematical provisions
Individual	201,670	4,806,366	4,322,568	132,671	3,852,563	3,531,360	121,189	-
Group	315,458	20,292,297	19,949,256	32,053,300	8,693,538	8,583,437	325,902	26,562,199
Total	517,128	25,098,663	24,271,824	32,185,971	12,546,101	12,114,797	447,091	26,562,199

Deferred commission expenses

Unrecognized portion of commissions paid to the intermediaries in relation to the policies produced are capitalized under the account "deferred acquisition expenses" in the accompanying financial statements.

As at 31 December 2016 and 31 December 2015, deferred acquisition expenses are presented below:

	December 31, 2016	December 31, 2015
Deferred production commissions	7,066,745	6,354,323
Deferred other production expenses	-	-
Deferred production expenses	7,066,745	6,354,323

As at 31 December 2016 and 31 December 2015, the movements of deferred commission expenses are presented below:

	December 31, 2016	December 31, 2015
Deferred production commissions at the beginning of the period	6,354,323	4,118,925
Broker commissions accrued during the period	(81,430,162)	(70,375,535)
Commissions recognized during the period (Note 32)	82,142,584	72,610,933
Deferred production commissions at the end of the period	7,066,745	6,354,323

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

18 Investment contract liabilities**Individual pension business**

The details of receivables and payables from individual pension business as at 31 December 2016 and 31 December 2015 are presented below:

	December 31, 2016	December 31, 2015
Receivables from the custodian company	2,342,106,532	1,943,390,271
Receivables from the participants (entrance fees)	6,926,348	7,581,817
Sales orders	5,197,003	4,875,739
Fund management fees receivables from the fund	3,315,373	2,845,161
Receivables from pension operations, net (Note 12)	2,357,545,256	1,958,692,988

	December 31, 2016	December 31, 2015
Payables to the custodian company	2,342,106,532	1,943,390,271
Payables to the participants	40,983,767	34,462,131
Participants temporary account	5,552,130	8,050,725
Payables to brokers	4,559,580	1,554,561
Payables to Pension Monitoring Center	105,115	75,173
Payables to custodian institute	233,697	322,483
Payables to portfolio management company	578,842	-
Payables from pension operations, net (Note 19)	2,394,119,663	1,987,855,344

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

Fund name	December 31, 2016 Unit Prices_	December 31, 2015 Unit Prices_
Government Bonds and Bills Income PMF	0,046284	0.042356
Flexible Income PMF	0,031392	0.026656
Composite Growth PMF	0,074467	0.067713
Stock Growth PMF	0,077135	0.070730
Flexible Liquid PMF	0,041140	0.037770
Flexible PMF	0,045388	0.041019
Government Bonds And Bills Standard PMF	0,033045	0.030229
Flexible Growth PMF	0,025070	0.022866
Contribution PMF	0,012967	0.011765
Initial PMF	-	-
Initial Contribution PMF	-	-

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

As at 31 December 2016 and 31 December 2015, the number and amount of participation shares in the portfolio and in circulation are follow:the participation certificates in circulation are as follows:

	December 31, 2016			
	Participation certificates in circulation		Participation certificates in the portfolio	
	Qty	Amount	Qty	Amount
Government Bonds and Bills Income PMF	8,032,716,419	371,782,741	16,967,283,581	785,313,753
Flexible Income PMF	8,125,537,448	255,077,383	191,874,462,552	6,023,323,128
Composite Growth PMF	3,584,812,379	266,951,188	196,415,187,621	14,626,449,777
Stock Growth PMF	1,602,830,449	123,634,554	397,169,551	30,635,673
Flexible Liquid PMF	8,662,573,887	356,378,158	1,337,426,113	55,021,710
Flexible PMF	7,766,650,677	352,510,251	92,233,349,323	4,186,287,259
Government Bonds And Bills Standard PMF	7,763,513,842	256,544,813	192,236,486,158	6,352,454,685
Flexible Growth PMF	3,204,292,488	80,333,162	196,795,707,512	4,933,668,387
Contribution PMF	21,507,871,370	278,894,282	978,492,128,630	12,688,107,433
Initial PMF	-	-	1,000,000,000,000	-
Initial Contribution PMF	-	-	1,000,000,000,000	-
Total		2,342,106,532		49,681,261,805

	December 31, 2015			
	Participation certificates in circulation		Participation certificates in the portfolio	
	Qty	Amount	Qty	Amount
Government Bonds and Bills Income PMF	8,478,272,523	359,103,440	16,521,727,477	699,794,289
Flexible Income PMF	5,381,453,746	143,445,795	194,618,546,254	5,187,751,969
Composite Growth PMF	3,587,406,315	242,914,329	196,412,593,685	13,299,685,956
Stock Growth PMF	1,669,219,725	118,064,725	330,780,275	23,396,089
Flexible Liquid PMF	7,114,476,808	268,715,282	2,885,523,192	108,986,211
Flexible PMF	7,689,613,139	315,421,821	92,310,386,861	3,786,479,759
Government Bonds And Bills Standard PMF	7,463,885,674	225,628,849	192,536,114,326	5,820,174,200
Flexible Growth PMF	3,383,877,311	77,376,018	196,616,122,689	4,495,824,261
Contribution PMF	16,380,842,253	192,720,012	983,619,157,747	11,572,279,391
Total		1,943,390,271		44,994,372,125

Number of individual pension participants entered during the period and the breakdown of gross and net contributions as individual and corporate

	December 31, 2016			December 31, 2015		
	Number of contracts	Gross participation	Net contribution	Number of contracts	Gross participation	Net contribution
Individual	4,487	5,936,176	5,909,949	39,093	187,436,062	185,965,689
Group	30,653	149,780,592	148,542,685	5,239	14,859,120	14,816,441

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

Total	35,140	155,716,768	154,452,634	44,332	202,295,182	200,782,130
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Number of individual pension participants transferred from another company during the period and the breakdown of gross and net contributions as individual and corporate

	December 31, 2016			December 31, 2015		
	Number of contracts	Gross participation	Net contribution	Number of contracts	Gross participation	Net contribution
Individual	3,964	85,716,229	85,688,655	3,804	88,951,114	88,860,014
Group	92	1,015,518	1,015,495	152	2,167,135	2,166,513
Total	4,056	86,731,747	86,704,150	3,956	91,118,249	91,026,527

Number of individual pension participants transferred from Company's life portfolio to the individual pension and the breakdown of gross and net contributions as individual and corporate None (December 31, 2015: None)

Number of individual pension participants quitted from the Company's portfolio and transferred to another company or not transferred to another company and the breakdown of gross and net contributions as individual and corporate

	December 31, 2016			December 31, 2015		
	Number of contracts	Gross participation	Net contribution	Number of contracts	Gross participation	Net contribution
Individual	24,618	290,851,432	281,944,765	27,836	338,962,567	330,124,435
Group	6,292	42,311,933	41,395,282	13,144	125,281,985	124,221,548
Total	30,910	333,163,365	323,340,047	40,980	464,244,552	454,345,983

19 Trade and other payables, deferred incomes

	December 31, 2016	December 31, 2015
Deferred incomes and expense accruals	134,271	124,903
Payables from insurance operations	2,570,430	1,885,856
Payables from pension operations	2,394,119,663	1,987,855,344
Payables to related parties (Note 45)	924,112	4,217,162
Taxes and other similar fiscal liabilities payable	2,276,932	2,085,576
Other miscellaneous debts and short-term liabilities	37,424,611	26,877,265
Total	2,437,450,019	2,023,046,106
Short-term	93,448,778	78,351,150
Mid- and long-term	2,344,001,241	1,944,694,956
Total	2,437,450,019	2,023,046,106

As at 31 December 2016 and 31 December 2015, other various payables consist of payables to vendors.

Short/long term deferred income and expense accruals consist of deferred commission income.

Payables arising from insurance operations of the Company as at 31 December 2016 and 31 December 2015 are detailed below:

	December 31, 2016	December 31, 2015
Payables to reinsurance companies	923,651	917,108
Payables to brokers	1,106,191	968,748
Payables to insured	540,588	-
Total payables from insurance operations	2,570,430	1,885,856

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

Corporate tax provision and prepaid taxes are disclosed below:

	December 31, 2016	December 31, 2015
Corporate tax payable	-	-
Prepaid taxes during the period	(1,758,764)	(1,756,624)
Corporate tax payable / (prepaid corporate tax), net	(1,758,764)	(1,756,624)

Total amount of investment discount to be used in the current period and future periods

None.

20 Financial liabilities

As of 31 December 2016, the Company's financial liabilities consist of TL 5,658 credit card loans. (31 December 2015: None).

21 Deferred taxes

As of 31 December 2016, the Company has total TL 102,480,104 (31 December 2015: TL 196,971,674) carry forward losses and the Company has not accounted deferred tax asset for these losses in the financial statements as of December 31, 2016 with taking into account of future taxable profit expectations.

In accordance with Article 5 of "Law no 6736 Restructuring of Certain Receivables" published in Official Gazette dated 19 August 2016 and numbered 29806, the Company applied tax base increase, and 50% of the carry forward losses in the years of increase and subsequent are offsetted in 2016.

As at 31 December 2016 and 31 December 2015, the details of unused carry forward losses and expiry dates are as follows:

Last use date	December 31, 2016	December 31, 2015
2016	-	6,319,865
2017	12,314,825	24,629,649
2018	31,943,333	63,886,665
2019	33,287,360	66,574,720
2020	20,189,442	35,560,775
2021	4,745,144	-
	102,480,104	196,971,674

As at 31 December 2016 and 2015, the detailed analysis of the items for deferred tax assets and liabilities are as follow:

	December 31, 2016	December 31, 2015
	Deferred tax asset / (liability)	Deferred tax asset / (liability)
Deductible financial losses	20,496,021	39,394,335
Seniority indemnity provision	215,931	155,269
Unused leave provision	270,348	197,603
Expense accruals	4,294,572	2,834,765
Tangible and intangible assets	(1,417,162)	(1,038,807)
Other temporary differences	-	(203,883)
Equalization provision	1,236,076	911,857
Deferred tax asset, net	25,095,786	42,251,139
Unregistered deferred tax asset	(20,496,021)	(39,394,335)
Unregistered deferred tax asset, net	4,599,765	2,856,804

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

For the years ended 31 December 2016 and 31 December 2015, the movement of deferred tax assets/(liabilities) are as follows:

	December 31, 2016	December 31, 2015
Opening balance	2,856,804	1,299,343
Recognized in income statement	1,731,319	1,498,587
Recognized in shareholders' equity	11,642	58,874
	4,599,765	2,856,804

22 Retirement benefit obligations

None. (December 31, 2015: None).

23 Provision for other liabilities and charges

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

	December 31, 2016	December 31, 2015
Commission expenses provision	17,520,153	8,094,805
Premium expenses provision	5,010,668	4,212,828
Invoice expense provision	3,494,032	4,895,018
Litigation provision	2,488,038	2,204,761
Leave expenses provision	1,351,740	988,015
Other expenses provision	390,250	86,358
Total	30,254,881	20,481,785

The movement of the seniority indemnity provision during the period is as follows:

	December 31, 2016	December 31, 2015
Seniority indemnity provision at the beginning of the period	776,347	682,479
Interest cost	285,320	353,223
Service cost	329,692	360,469
Payments during the period	(311,705)	(619,824)
Seniority indemnity provision at the end of the period	1,079,654	776,347

The movement of the leave liability provision during the period is as follows:

	December 31, 2016	December 31, 2015
Leave liability provision at the beginning of the period	988,015	1,066,571
Payments during the period	(101,469)	-
Provisions set aside during the period	465,194	(78,556)
Leave liability provision at the end of the period	1,351,740	988,015

Notes to Financial Statements as of December 31, 2016*(Currency: Turkish Lira (TL))***24 Net insurance premium income**

Net insurance premium revenue is presented in detail in the accompanying statement of income as life and non-life branches.

25 Fee revenues

Fee revenues consist of fees received from individual pension investment funds and individual pension participants and expenses charged to the life insurance policyholders.

The details of fees from individual pension investment funds and individual pension participants are presented in the accompanying statement of income. For the year ended 31 December 2016, fees charged to life insurance policyholders amounts to 5,651,472 TL (31 December 2015: 7,004,691 TL).

26 Investment income

Presented in Note 4.2 -- Financial Risk Management.

27 Net realized gains and financial assets

Presented in Note 4.2 -- Financial Risk Management.

28 Net fair value gains on assets at fair value through profit or loss

Presented in Note 4.2 – Financial Risk Management.

29 Insurance rights and claims

	December 31, 2016	December 31, 2015
Paid claims, net of reinsurer's share	29,314,641	14,269,013
Change in outstanding claims provision, net of reinsurer's share	(2,308,684)	6,081,527
Change in unearned premiums provision, net of reinsurer's share	1,805,228	4,791,238
Change in equalization provision	1,567,477	1,152,300
Change in life mathematical provision	4,601,980	(3,717,789)
total recognized in income statement	34,980,642	22,576,289

30 Investment contract right

None.

31 Other expenses

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

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

32 Expense by nature

For the years ended 31 December 2016 and 2015, expenses by nature are disclosed as follow:

	December 31, 2016			
	Life	Personal Accident	Pension	Total
Production commission expenses	57,944,952	4,958,077	19,239,555	82,142,584
Expenses regarding the benefits vested to the employees (Note 33)	21,830,212	2,552,474	24,841,783	49,224,469
Commission incomes from reinsurers (Note 10)	(580,064)	(99,624)	-	(679,688)
Administrative expenses	6,459,260	1,084,383	6,187,670	13,731,313
Marketing & sales expenses	8,247,334	1,221,681	7,521,387	16,990,402
Other outsourced benefits and service expenses	5,416,341	578,263	3,691,889	9,686,493
Deferred production expenses	(510,242)	(450,445)	-	(960,687)
Total	98,807,793	9,844,809	61,482,284	170,134,886

	December 31, 2015			
	Life	Personal Accident	Pension	Total
Production commission expenses (Note 17)	42,711,073	4,576,259	25,323,601	72,610,933
Expenses regarding the benefits vested to the employees (Note 33)	21,844,507	2,784,289	22,620,402	47,249,198
Commission incomes from reinsurers (Note 10)	(271,192)	(89,749)	-	(360,941)
Administrative expenses	6,245,716	801,411	7,114,851	14,161,978
Marketing & sales expenses	8,293,466	1,157,093	8,232,324	17,682,882
Other outsourced benefits and service expenses	5,240,417	1,131,875	5,268,733	11,641,025
Deferred production expenses	(1,092,173)	(1,097,499)	-	(2,189,672)
Total	82,971,814	9,263,678	68,559,911	160,795,402

33 Employees benefits expenses

For the years ended 31 December 2016 and 2015, the details of employee benefit expenses are as follows:

	December 31, 2016			
	Life	Personal Accident	Pension	Total
Salaries and wages	11,304,109	1,464,925	11,767,772	24,536,806
Employer's share for social security premiums	1,796,370	232,797	1,870,402	3,899,569
Bonuses, premiums and commissions	2,007,879	260,206	2,090,627	4,358,712
Seniority indemnity, payment in lieu of notice and unused leave provisions	225,533	29,227	234,828	489,588
Other vested benefits	6,496,321	565,319	8,878,154	15,939,794
Total (Note 32)	21,830,212	2,552,474	24,841,783	49,224,469

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

	December 31, 2015			
	Life	Personal Accident	Pension	Total
Salaries and wages	10,211,340	1,154,139	11,765,523	23,131,002
Employer's share for social security premiums	982,219	137,638	916,507	2,036,364
Bonuses, premiums and commissions	1,815,372	254,387	1,693,919	3,763,678
Seniority indemnity, payment in lieu of notice and unused leave provisions	566,784	79,423	528,865	1,175,072
Other vested benefits	8,268,792	1,158,702	7,715,588	17,143,082
Total (Note 32)	21,844,507	2,784,289	22,620,402	47,249,198

34 Financial costs

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

35 Income taxes

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

	December 31, 2016	December 31, 2015
Corporate tax provision expense:		
Corporate tax provision	-	-
		Deferred tax:
Tax income caused by arising and closing of deductible/taxable temporary differences	1,731,319	1,498,587
Total income tax	1,731,319	1,498,587

For the accounting periods ended on December 31, 2016 and December 31, 2015, the reconciliation between income tax provision calculated with the legal tax rate over the operating profit before tax in the financial statements of the Company and actual income tax calculated with Company's effective tax rate is detailed in the following table:

	December 31, 2016		December 31, 2015	
		Tax rate (%)		Tax rate (%)
Ordinary loss before tax	(17,884,045)		(43,236,088)	
Income tax provision according to legal tax rates	3,576,809	(20.00)	8,647,218	(20.00)
Financial losses from the current period not subject to deferred tax	(949,029)	5.31	(7,112,155)	16.45
Previous years tax base change effect	(963,622)	5.39	-	-
Other	67,161	(0.38)	(36,476)	(0.08)
Total tax income reflected in the income statement	1,731,319	(9.68)	1,498,587	(3.47)

36 Net foreign exchange gains

Presented in Note 4.2 – Financial Risk Management above.

37 Earnings per share

The Companies whose equity shares are not traded on the stock exchange are not obliged to present earnings per share according to TAS 33 "Earnings Per Share". Because the Company's shares are not publicly traded, earnings per share is not disclosed in the accompanying financial statements (31 December 2015: None).

Notes to Financial Statements as of December 31, 2016*(Currency: Turkish Lira (TL))***38 Dividends per share**

The company has net loss amounting to TL 16,152,726 in accordance with applicable accounting standards (31 December 2015: 41,737,501). There is no profit distribution due to loss in current period.

39 Cash generated from the operations

The cash flows from operating activities are presented in the accompanying statement of cash flows.

40 Convertible bonds

None (December 31, 2015: None).

41 Redeemable preference shares

None (December 31, 2015: None).

42 Contingencies

In the normal course of its operations, the Company is exposed to legal disputes, claims and challenges, which mainly stem from its insurance operations. The necessary income/expense accruals for the revocable cases against/on behalf of the Company are provided either under provision for outstanding claims or provisions for other risks in the accompanying financial statements.

	December 31, 2016	December 31, 2015
Claims lawsuits filed against the company	4,807,674	3,514,903
Labor lawsuits filed against the company	2,488,038	2,204,761
Total	7,295,712	5,719,664

43 Commitments

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

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

TL commitments	December 31, 2016	December 31, 2015
Less than 1 year	-	-
More than one year and less than five years	500,724	400,270
More than five years	-	-
Total payable minimum rent payments	500,724	400,270

US Dollar commitments	December 31, 2016	December 31, 2015
		Less than 1 year
More than one year and less than five years	261,950	261,950
More than five years		
Total payable minimum rent payments	261,950	261,950

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

44 Business combinations

None (December 31, 2015: None).

45 Related party transactions

The main shareholder of NN Hayat ve Emeklilik A.Ş. ("the Company") is NN Continental Europe Holdings BV, which holds 100% of the issued capital of the Company. And the groups to which they are affiliated and the associates and subsidiaries of these groups are defined as related parties for these financial statements.

As at 31 December 2016 and 31 December 2015, the related parties and their related transactions are as follows:

	December 31, 2016	December 31, 2015
Extra Sigorta Aracılık Hizmetleri A.Ş.	10,252,078	4,685,610
Sigortaofisi Plus Sigorta Aracılık Hizmetleri A.Ş.	4,473,543	687,207
Ünlem Sigorta Aracılık Hizmetleri A.Ş.	4,875,329	2,304,166
Makinist Vip Sigorta Aracılık Hizmetleri A.Ş.	2,438,326	-
Receivables from related parties	22,039,276	7,676,983
NN Management	190,933	71,352
NN Continental Europe Holdings B.V.	-	735,617
NN Ras.	21,455	-
Due to personnel	463,077	492,760
Sigortaofisi Plus Sigorta Aracılık Hizmetleri A.Ş.	10,892	-
Ünlem Sigorta Aracılık Hizmetleri A.Ş.	109,135	-
Makinist Vip Sigorta Aracılık Hizmetleri A.Ş.	88,380	-
Extra Sigorta Aracılık Hizmetleri A.Ş.	40,240	-
ING Bank A.Ş.	-	2,399,930
ING Portföy Yönetimi A.Ş.	-	517,503
Due to related parties	924,112	4,217,162
NN Continental Europe Holdings B.V.	9,788,306	6,029,450
NN Management	2,899,657	-
NN RAS	143,886	-
NN Zivotni Pojtitstovna N.V	9,153	-
Service procurement expenses	12,841,002	6,029,450

No guarantee is obtained for the receivables from the related parties.

There is no provision for doubtful receivables provision set aside for the receivables from shareholders and affiliates, and there is no outstanding debt from them.

There are no guarantees, undertakings, bails, advances or endorsements given in favor of shareholders and affiliates.

46 Events after the reporting period

In accordance with the declaration of the Official Gazette dated 25 August 2016 and numbered 29812 "Amending the Law on Individual Pension Savings and Investment System", the Company involved in the Auto enrollment pension system and completed its moving into the system as of 1 January 2017. As of the reporting date, the Company completed the establishment

Notes to Financial Statements as of December 31, 2016

(Currency: Turkish Lira (TL))

of two individual pension funds in accordance with related legal regulations.

47 Other

Description and amounts of the items which are higher than 5% of the total assets in the balance sheet or higher than 20% of the total amount of the group including the items phrased with “other” in the accompanying financial statements

Other receivables	December 31, 2016	December 31, 2015
Deposits and guarantees given	135,726	143,198
Other miscellaneous receivables	144,979	765,436
	280,705	908,634

Other liabilities	December 31, 2016	December 31, 2015
Payables to the sellers	3,935,000	5,189,699
	3,935,000	5,189,699

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

None.

Subrogation recorded in “Off-Balance Sheet Accounts”

None.

Real rights on immovable and their values

None.

Explanatory Note for the amounts and nature of previous years’ income and losses

None.

For the period ended 31 December 2016 and 31 December 2015, details of the resdicount and provision expenses are as follows:

	December 31, 2016	December 31, 2015
Agency commission expenses provision	644,974	(1,506,312)
Personnel leave provision	363,725	(78,556)
Seniority indemnity provision	303,307	93,868
Doubtful receivable provision	876,006	-
Other	277,646	(3,521,749)
Provisions account	2,459,658	(5,012,749)

CHAIRMAN	VICE CHAIRMAN	MEMBER
<p>Franciscus Henricus Maria Eijsink CEO</p>	<p>John Thomas McCARTHY</p>	<p>Emine Sebilçioğlu</p>
<p>MEMBER</p>	<p>MEMBER</p>	<p>MEMBER</p>
<p>Duncan James RUSSELL</p>	<p>Mustafa Ali SU</p>	<p>Edwin SMAAL</p>

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