



## Index

<b>CONTACT INFORMATION</b>	<b>2</b>
Summarized Financial Information about Results of Activities in the Account Period	2
Historical Development of the Company and Amendments of Articles of Association in the Account Period and Reasons for such Amendments	2
Information About Extraordinary General Assembly If One is Held Within the Year, Including Date of Meeting, Decisions Reached and Relevant Processes Carried Out	3
Shareholders Structure of the Company, Changes Made in Capital and Shareholder Structure of the Company Within the Account Period, Titles of Real and Legal Persons Holding Qualified Shares and Information About Their Shares	4
Shareholder Structure of the Company	4
Information About Changes Made in Capital and Shareholder Structure of the Company Within the Account Period, Titles of Real and Legal Persons Holding Qualified Shares and Information About Their Shares	4
Information About Direct and Indirect Shareholders of the Company and Their Share Rates	5
Information About Shares of the Company Acquired	5
Remarks on Shares that Chairman and Members of the Board of Directors of the Company and General Manager and Assistants Hold, If Any	5
Assessment of the 2016 Activity Period and Future Expectations	5
Analysis and Evaluation of Management Department About Financial Situation and Results of Activities, Level of Realization of Activities Planned, Company Status in Terms of Strategic Objectives Determined	5
Evaluations of Chairman of Board of Directors for the 2016 Activity Period and Their Future Expectations	6
Evaluations of General Manager for the 2016 Activity Period and Their Future Expectations	10
Turkey, World and Sector Outlook in 2016, and an Assessment of Our Company's Position in the Sector	14
Turkey, World and Sector Outlook in 2016	14
Evaluation of Activities in 2016 and Position of the Company in the Sector	17
Contact Numbers, Addresses, Regional Offices and Company's Organization Chart	18
Cigna Finans Emeklilik Regional Representatives	18
Cigna Finans Emeklilik Organization Chart as of 31.12.2016	19
Information About Research and Development Activities Regarding New Service and Activities	20
Activities of Alternative Distribution Channels	20
Branch Sale Channel Activities	20
Marketing Activities	20
Within the Scope of Life and Personal Accident Insurance	21
Within the Scope of Individual Pension	21
Call Center Activities	23
Insurance and Individual Pension Operational Activities	24
Customer Service Activities	24
Information Technologies Activities	25
Project and Process Management Activities	26
Technical and Actuary Activities	27
Remarks on Special Audits Carried Out Within the Account Period and Public Administration	28
Independent Audit's Report on the Annual Report by the Board of Directors	29
Information About Management and Corporate Governance Practices	31
Senior Management	32
<b>INFORMATION ABOUT MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES</b>	<b>34</b>
Information About Allowances Paid, Travelling, Accommodation and Representation Expenses and Facilities In-kind and In-cash, Total Amount of Insurances and Similar Guarantees	35
Information About Activities of the Members of Board of Directors with the Company, on Its Behalf or on Behalf of Another Party and Which Fall Within the Scope of Prohibition of Competition	35
Information About Participation of Members of Board of Directors to Relevant Meetings Held Within the Account Period	35
Summarized Board Report Submitted to the General Assembly	35
Information About Human Resources Practices	36
Recruitment	36
Employee Profile and Training Activities	37
Other Human Resources Practices	39
Legal procedures carried out with Parent Company if it is a company working under Group of Companies, with a Company working under Parent Company, on behalf of parent company or on behalf of an affiliate as guided by the Parent Company and all other measures taken or avoided in respect of a parent company or its affiliates in the previous activity year:	40
Vision, Mission and Strategic Objectives of the Company	40
Our Vision	40
Our Mission	40
Corporate Objectives and Strategies	40
<b>REMARKS ON FINANCIAL INFORMATION AND RISK MANAGEMENT</b>	<b>41</b>
2016 Ordinary General Assembly Agenda	42
Cigna Finans Emeklilik Ve Hayat A.Ş. Profit Distribution Table	43
Information About Internal Control System of the Company and Internal Audit Activities and Opinion of the Management Organization About This	45
Cigna Finans Emeklilik Ve Hayat A.Ş. Financial Statements and Independent Audit Report for January 1 – December 31, 2016	47
<b>FINANCIAL TABLES AND FOOTNOTES ON FINANCIAL TABLES</b>	<b>52</b>
Evaluation of Financial Status, Profitability and Ability to Pay Compensation	122
Evaluation of Financial Status and Profitability	122
Evaluation of Ability to Pay Compensation	123
Information About Risk Management Policies Applied for Each Type of Risk	124
Financial Risks	124
Legal Risks	124
Strategy Risks	124
Profit Distribution Policy	125
Technical Risks	125
Summarized Financial Information for the Five Year Period including Report Period	128
Balance Sheet	128
Balance Sheet (5-Year)	129
Income Statement (5-Year) 2016	130

## INTRODUCTION

### Contact Information

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### Summarized Financial Information about Results of Activities in the Account Period

Cigna Finans Emeklilik ve Hayat A.Ş. ("Company") paid insurance indemnity of TL 61,9 million in consideration of premium payment of TL 301,8 million in 2016. In the same period, general expenses of the Company was TL 87,5 million and investment income was TL 24,7 million.

### Historical Development of the Company and Amendments to the Articles of Association in the Accounting Period and Reasons for Such Amendments

Corporate activities of Finans Emeklilik ve Hayat A.Ş. had been initiated at the start of 2007 and required preparation and feasibility works have been completed and an application was made to R.T. Prime Ministry Undersecretariat

Financial Indicators TL	2016	2015	Change (TL)	Change (%)
IPS Contribution Margin*	189,266,283	188,793,696	472,586	0.25%
IPS Total Fund Size**	666,759,928	570,541,860	96,218,068	16.86%
Premiums received	301,817,421	254,144,586	47,672,835	18.76%
Indemnifications paid	61,986,173	42,819,013	19,167,160	44.76%
General Costs***	87,513,313	82,501,226	5,012,087	6.08%
Technical Profit/Loss	19,279,799	10,578,235	8,701,564	82.26%
Investment Revenues	24,725,417	23,543,840	1,181,577	5.02%
Investment Expenses	(7,718,771)	(13,383,150)	5,664,379	(42.32%)
Net Profit/Loss	24,920,561	14,370,967	10,549,594	73.41%

(\*) IPS Contribution Margin includes amounts that are blocked on credit cards.

(\*\*) State subsidy is included.

(\*\*\*) General expenses are composed of total operating expenses excluding respectively deferred commission expenses and deferred commission revenues and net production commission expenses and reinsurance commission revenues and check-up expenses.

As a result, the Company closed the 10th year of activity with a net profit of TL 25 million.

of Treasury on 20 April 2007 for establishment license. Based on this, according to evaluations made by R.T. Prime Ministry Undersecretariat of Treasury within the frame of Insurance Law no. 5684, Individual Pension Savings and Investment System Law no. 4632 and relevant regulations, Company was granted an establishment license on 9 May 2007.

After establishment works have been completed, Finans Emeklilik ve Hayat A.Ş. was established on 4 July 2007 to operate in the field of life and accident insurance and individual pension categories.

Finans Emeklilik ve Hayat A.Ş. made an application on 20 August 2007 to get an operating license in life and accident insurance categories and as the result of evaluations carried out by R.T. Prime Ministry Undersecretariat of Treasury, Company was granted an operating license on 21 November 2007 in the life and accident insurance categories. Company started its operations in the life and accident insurance categories on 27 November 2007.

After completing necessary preparation works in individual pension category, Finans Emeklilik ve Hayat A.Ş. made an application to R.T. Prime Ministry Undersecretariat of Treasury on 17 December 2007 to get an operating license. Capital Market Board and Pension Monitoring Center completed inspections and evaluations required for granting an operating license and on 11 April 2008 Company was granted an operating license in individual pension category and on 30 November 2008, the Company signed its first individual pension contract.

With decree no. B.02.1.HZN.0.10.04.01 of R.T. Prime Ministry Undersecretariat of Treasury dated 26 October 2009, Company was granted a license to carry out "insurance activities in the field of capital redemption, marriage/maternity and insurances" with investment fund. Relevant decree was published in Turkish Trade Gazette no. 7438 on 13 November 2009.

Articles of association of the Company was amended in 2012 activity period. Former articles 2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25 of articles of association of the Company were amended and article 8, 9, 10, 15, 24, 31 were added to the articles of association of the Company with new numbers. Amended Articles of Association of the Company approved by R.T. Ministry of Customs and Trade no. 6935 dated 02.11.2012 and decisions reached in ordinary general assembly meeting dated 09.11.2012 were registered on 14.11.2012 at Istanbul Turkish Trade Registry Directorate in accordance with Turkish Trade Code and were announced on Turkish Trade Registry Gazette no. 8197 dated 20.11.2012.

Company shareholder, Finansbank A.Ş. transferred its shares in the company equivalent to 51% to Cigna Nederland Gamma B.V. Share transfer is approved with Board of Directors decision no. 172 dated 9 November 2012 and shares transferred are registered in the stock ledger of the company on behalf of the new possessor who has taken over the shares transferred.

Taking into consideration these changes, articles 2, 12 and 15 of articles of association of the Company were amended during year 2013. Amended texts approved by R.T. Ministry of Customs and Trade on 16.04.2013 and 17.05.2013 and decisions reached in extraordinary general assembly meeting dated 31.05.2013 are registered at Istanbul Trade Registry Directorate on 10.06.2013 in accordance with Turkish Trade Code and were announced on Turkish Trade Gazette no. 8341 dated 13.06.2013.

With the registration of the extraordinary general assembly decision in Trade Registry Gazette, the title of the Company was amended as Cigna Finans Emeklilik ve Hayat A.Ş., under which the Company continues to carry out its activities.

### Information About Extraordinary General Assembly If One is Held Within the Year, Including Date of Meeting, Decisions Reached and Relevant Processes Carried Out

Extraordinary General Assembly Meeting of Cigna Finans

Emeklilik ve Hayat A.Ş. was held on 31.05.2016 at Barbaros Mah. Kardelen Sok. Palladium Tower No:2 Kat:27-29 34746 Ataşehir/Istanbul.

The resolutions of the meeting are as follows:

- 1- Gail Bernadette Costa was unanimously elected as the Meeting Chairman. The Meeting Chairman assigned Hüseyin Arslan as the Record Keeper.
- 2- The Meeting Chairman was unanimously authorized to sign the General Assembly Records.
- 3- It was resolved at the Company's Ordinary General Assembly Meeting dated 28.03.2016 based on the unanimous Board Decision 374 dated 25.03.2016 and the relevant proposal that the net earnings of TL 14,370,967 after tax as per the Company's 2015 accounting year budget are to be distributed as follows: TL 718,548 of Grade I Legal Reserves will be held; TL 12,615,835 of Grade I and II gross dividends will be paid to Cigna Nederland Gamma B.V.; TL 1,036,584 of Grade II Legal Reserves will be held; the dividends will be paid to the shareholders on 01.06.2016; based on the Circular Letter 2016/2 issued by the Undersecretariat of

#### Shareholder Structure of the Company

Ledger Page No	Name/Title of Shareholder	Share Group	Number of Shares	Amount of Shares (TL)	Partnership Rate (%)
8	Cigna Nederland Gamma B.V.	A	22,949,999	22,949,999.0000	50.9999978%
8	Cigna Nederland Gamma B.V.	A1	1	1.0000	0.0000022%
2	Finansbank A.Ş.	B	22,049,998	22,049,998.9999	48.9999978%
2	Finansbank A.Ş.	B1	1	1.0000	0.0000022%
<b>TOTAL (*)</b>			<b>45,000,000</b>	<b>45,000,000.0000</b>	<b>100.0000000%</b>

(\*) In 2009 General Assembly of the Company, fraction document is issued for shares that could not be rounded up to TL 1 with capital increase provided by internal resources. For this reason, one share is divided and fraction document is issued for shareholders at the rate of their shares.

#### Information About Changes Made in Capital and Shareholder Structure of the Company Within the Account Period, Titles of Real and Legal Persons Holding Qualified Shares and Information About Their Shares

There was no change in the shareholders structure of the

Treasury and the letter of response 38681552-301.99-E.13499 dated 03.05.2016 issued by the Undersecretariat of Treasury Insurance General Directorate, the net earnings of TL 14,370,967 after tax as per the Company's 2015 accounting year budget are to be distributed as follows: TL 718,548 of Grade I Legal Reserves will be held; TL 10,221,810 of Grade I and II gross dividends will be paid to Cigna Nederland Gamma B.V.; TL 797,181 of Grade II Legal Reserves will be held and based on the letter of response 38681552-301.99-E.13499 dated May 3, 2016 issued by the Undersecretariat of Treasury Insurance General Directorate, TL 2;633;428 will be held as previous period profits and the dividends will be paid to Cigna Nederland Gamma B.V. on 01.06.2016.

4- No person requested the floor and the meeting was closed by unanimous decision.

#### Shareholders Structure of the Company, Changes Made in Capital and Shareholder Structure of the Company Within the Account Period, Titles of Real and Legal Persons Holding Qualified Shares and Information About Their Shares

company during the account period and capital of the company is composed of A, A1, B and B1 group shares as shown in the table under article 14.1.

#### Information about direct and indirect shareholders of the Company and their share rates

Company does not have any direct or indirect affiliate other than the Pension Monitoring Center, of which the company is a shareholder as required by regulation.

#### Information about shares of the company acquired

Company does not have any shares of its own that it has acquired.

#### Remarks on Shares that Chairman and Members of the Board of Directors of the Company and General Manager and Assistants Hold, If Any

Chairman and Member of Board of Directors of the Company, General Manager and assistants do not hold partnership interests in the Company.

#### Assessment of the 2016 Activity Period and Future Expectations

##### Analysis and Evaluation of Management Department About Financial Situation and Results of Activities, Level of Realization of Activities Planned, Company Status in Terms of Strategic Objectives Determined

In our country, insurance sector is growing every year thanks to its dynamic and strong financial structure. Turkey remains to be an attractive market due to its young population and low insurance rate despite such population. With the increasing interest in the sector and new actors entering the sector, the competition becomes severer year by year. Premium production in life branch of insurance sector in Turkey was TL 3,8 billion as of the end of 2015 and this figure reached TL 5,0 billion (5,038,808,257) as of the end of 2016. Cigna Finans Emeklilik ve Hayat A.Ş. climbed up to 8th rank in premium production with a market share of 5.43% in life insurance.

Summarized Financial Results	2016	2015	Change
Non-Life Technical Revenue	32,745,610	31,493,314	4%
Non-Life Technical Expenses (-)	(15,636,780)	(18,701,168)	(16%)
Life Technical Revenue	256,115,336	202,329,571	27%
Life Technical Expenses (-)	(254,408,821)	(197,393,865)	29%
Pension Technical Revenue	16,444,299	14,603,920	13%
Pension Technical Expenses (-)	(15,979,845)	(21,753,537)	(27%)
Investment Revenues	24,725,417	23,543,840	5%
Investment Expenses (-)	(7,718,771)	(13,383,150)	(42%)
From Other and Extraordinary Activities			
Income and Profit & Expenses and Losses (+ -)	(4,258,184)	(2,558,864)	66%
NET TERM PROFIT/LOSS	24,920,561	14,370,967	73%

<b>TECHNICAL CATEGORY BALANCE (NON-LIFE)</b>	<b>17,108,830</b>	<b>12,792,146</b>	<b>34%</b>
<b>TECHNICAL CATEGORY BALANCE (LIFE)</b>	<b>1,706,515</b>	<b>4,935,706</b>	<b>(65%)</b>
<b>TECHNICAL CATEGORY BALANCE (PENSION)</b>	<b>464,454</b>	<b>(7,149,617)</b>	<b>(106%)</b>
<b>GENERAL TECHNICAL CATEGORY BALANCE</b>	<b>19,279,799</b>	<b>10,578,235</b>	<b>82%</b>

When evaluated according to provisions of Turkish Trade Code no. 6102, it was determined that there is no capital loss of the Company and that company is not running into debt.

## EVALUATIONS OF CHAIRMAN OF BOARD OF DIRECTORS FOR THE 2016 ACTIVITY PERIOD AND THEIR FUTURE EXPECTATIONS

### Dear Shareholders,

It was a challenging year for the world and for our country. Britain's decision to exit from the European Union with the plebiscite in June and the election of Trump as the president of USA in November were significant developments in terms of global politics. Expansionary fiscal policies expected to be deployed by the Trump administration have significantly increased the interest rates on a global scale in recent months.

Despite this global outlook, the national growth and other financial indicators were negatively affected by the local political developments and geopolitical risks. The change in the Prime Minister's Office in May, the coup attempt on July 15 and the state of emergency which followed had a negative effect on predictability and growth. The decline in tourism revenues and the decreased credit rating have also suppressed economic activities. As a result of these developments, the GDP shrunk on an annual basis in Q3 for the first time since 2009. In the last quarter, the government's actions to support the domestic demand ensured a mild recovery in economic activity.

As announced by TUIK, the annual inflation in Turkey in 2016 was 8.53%. In the Global Economic Prospects Report issued by the World Bank in January 11, the expected economic growth of Turkey in 2016 was revised from 2.5% to 2.1%. Regarding the deficit, the current deficit/GDP ratio which was 4% in 2016 is expected to exceed 5% in 2017 due to the increase in energy prices.

Looking at 2016 in terms of pensions and insurance sector, we see that it was once again an effective production year. As of December 30, 2016, the number of individuals with a Private Pension Scheme reached 6.6 million and the total net asset value of funds exceeded TL 53 billion. The government's contribution reached TL 7.4 billion and the contribution of the individuals reached TL 44 billion. TL 43 billion of this amount is used for investment.

"Automatic Enrollment System" which requires all individuals under the age of 45 to enroll is in effect as of January 1, 2017. The industry has gained a momentum with the government contributions and Automatic Enrollment as well as the resulting advantages will increase the number of participants and the total net asset value of funds. This system which will encourage more people to make long-term savings, provide additional resources for the economy and additional income for retired individuals is considered by us as a huge advantage.

### Life insurance market

2016 has seen a strong growth in life insurance. As per the data provided by Insurance Association of Turkey (TSB), the share of life insurance in total premiums has increased to 12.4%. Evaluating the industry in terms of premium production, the amount increased from TL 3.76 billion in 2015 to TL 5.04 billion in 2016, marking a growth of 33.9%.



As of December 30, 2016, the number of individuals with a Private Pension Scheme reached **6.6 million** and the total net asset value of funds **exceeded TL 53 billion**.

#### A strong partnership structure

Finansbank has maintained a dynamic structure since the day of its incorporation and has been one of the top five banks of the Turkish banking industry in a short time. The bank has decided to continue in collaboration with QNB, Qatar's leading bank and the leading financial institution of Middle East and Africa. With the completion of the acquisition process on June 15, a fresh period started for the Bank. With this investment, our success story of positioning the Bank as Turkey's number five bank with more than 630 branches and 12 thousand financiers has reached a new level. We believe that this new partnership will also contribute to Cigna Finans, provide advantages for our customers in the future and strengthen our market position.

#### A successful year of activity for Cigna Finans

Despite the negative developments in our country, I am happy to inform you that 2016 was a good year for Cigna Finans.

The Company reached a premium production of TL 273 million in Life and Personal Accident Insurance with a growth of 18.8% and secured a market share of 5.43%. Similarly, premium production of TL 28 million in Personal Accident Insurance also marked a good year.

In retirement, the total asset value of funds reached TL 563 million with a growth of 15% as compared to the previous year. Strong cooperation and synergy between QNB Finansbank and Cigna constitutes the foundation of our success. With its customer oriented service approach, channel and product diversity, renewed technological infrastructure, operational efficiency, principle of investing in creative and competent human resources, Cigna Finans will continue to offer its customers more than just insurance.

We believe that Cigna Finans Emeklilik will continue to increase its growth rate in 2017 and provide added value to the Turkish economy.

I would like to thank all our employees and shareholders for their efforts, and all participants and insurance holders who preferred us and who trusted us with their future.

Best Regards,

**Ömer A. Aras**  
Chairman

Looking at 2016  
**in terms of pensions  
and insurance sector,**  
we see that it was once  
again an effective  
production year.



# GENERAL MANAGER'S EVALUATIONS ON 2016 ACTIVITY PERIOD AND FUTURE EXPECTATIONS

## Dear Customers, Shareholders and Colleagues,

2016 was a challenging year for Turkey with a host of economic and political developments slowing overall growth for the nation depressing consumer and business confidence. In addition, Turkey faced a growing inflation rate, a failed coup attempt, terrorist attacks and a decline in the Turkish Lira (TL), as well as rising unemployment.

Despite this challenging backdrop, Cigna Finans achieved a significant increase in Turkish life insurance premium revenues, up 25.8% over the previous year, and attained a market share of 5.4%. Total premium for life and Personal Accident (PA) insurance reached a total of 302 million TL. In the pension business, the size of the funds under management reached 563.6 million TL, an increase of 14.9%.

Overall, a 23% revenue growth was achieved and a 73% increase in profit to 25 million TL total profit. We are proud to see such impressive results in 2016 despite the external factors and are confident this positions us well for the future.

## Growing with QNB Finansbank

Another important development of 2016 was the acquisition of Finansbank, our joint venture (JV) partner, by Qatar National Bank (QNB), a leading financial institution in the Middle East and Africa. QNB Finansbank has improved its rating and has strengthened its position further in the Turkish market with this acquisition. We believe that this new

ownership structure will benefit further our customers and strengthen our market position going forward.

## Sales Team Expansion

Turkey successfully tested a new sales model in 2016 which will be a core part of our planned growth for the coming year. We have also revised our product strategy for our Bank-Assurance and Telemarketing channel considering to offer right products at the right time and in the right way to our customers.

## Customers are our priority

Doing the best requires in-depth knowledge of customers strong relationships with them. In this sense, improving results in customer research indicate that we are on the right path to achieve this.

## Digital transformation and infrastructural development

Cigna Finans has continued to invest in digital, in line with its three year digitalization road map.

We are also restructuring our digital capabilities in order to ensure efficient customer journeys. The corporate website was completely revamped and social media accounts restructured. There was an instant uptick in our online traffic.

A new content platform of Cigna Finans; iyihisset.com



**Our goal for 2017;** is to continue being a company that provides products and services that meet needs; that develop the sector; and that contribute to state's efforts in savings and protection policies.

(feelgood.com) was launched on January to engage with existing and potential customers. It was a new customer-centric approach to interact with the user via sponsored ads instead of push communication. The platform has already achieved a significant visitor number in a short time, created a sustainable engagement and started to generate leads through content.

#### A New Era in Auto Enrollment

New regulations in Turkey which require the auto enrollment of all employees under the age of 45 in a private pension system was announced and became effective 1 January, 2017. Cigna Finans was quick to build and incorporate this system into the company platform and in a short time, this was successfully deployed and is a big milestone in our plans to build a scaled and successful pension business.

#### Investment in people

As we have a very strong focus on employee satisfaction, we achieved an increasing trend in our employee engagement score. We have invested heavily in employee and run various employee development programs in 2016.

#### External recognition

The team's success have been recognized with numerous honors including:

- STEVIE Award for 'Best Blog' with iyihisset.com
- Midas Award for 'Use of Medium' with iyihisset.com
- Best Corporate Social Responsibility Award with 'Awareness keeps you Alive' Roadshow
- Best Marketing Award with the 'Understanding the SME/C'
- Silver Award with Transparent Career for 'Best Advance in Succession and Career Management' category
- PERYON Award for 'Development Management' for Human Resources projects
- Kariyer.net "Respect to Human" Award for responding to candidates individually and on time (2017)

In parallel to this principle, our 2017 goal is to continue our path as a company that offers customized products and services as well as improving the sector and contributing to the government's saving and protection initiatives.

I would like to take this opportunity to sincerely thank our shareholders, customers and colleagues who supported 2016 initiatives of Cigna Finans.

I hope our success will increase and continue on the upcoming period.

Regards,  
**Gail Costa**

Despite the challenges of 2016, Cigna Finans **has secured a strong growth of 25.8% in life insurance market to reach a share of 5.4%.**





## Turkey, World and Sector Outlook in 2016, and an Assessment of Our Company's Position in the Sector

### Turkey, World and Sector Outlook in 2016

#### World Economy

##### General

2016 was a challenging year for the global economy and especially the developing markets due to low oil and commodity prices. As was the case in 2015, the economies of many oil and commodity exporters shrank in 2016 and the global trade continued to decline. The global trade shrank by 13% to USD 16.5 trillion in 2015 and the same trend continued in the first three quarters of 2016.

Global Economic Outlook report issued by OECD in November 2016 estimates a global economic growth of 2.9% this year, 3.3% next year and 3.6% in 2018. US economy is expected to grow with fiscal incentives. The growth estimations are 1.5% this year, 2.3% next year and 3% in 2018.

The report estimates 1.7%, 1.6% and 1.7 growth for the Eurozone this year, next year and in 2018 respectively. The growth estimations for China are 6.7%, 6.4% and 6.1% in 2016, 2017 and 2018 respectively.

The global economy faced challenges due to the shrinking growth and trade and central bank policies also had a significant impact in 2016. The actions taken by the central banks last year were significantly effected by the issue of lack of growth in the global economy, Brexit, Donald Trump's election as the president of USA, geopolitical risks, and the increase in the value of USD and interest rates.

European Central Bank (ECB) and Bank of Japan (BoJ) which have a significant impact on global financial markets continued to support the economy with incentives in 2016. BoJ adopted a negative interest policy and ECB extended the duration of the bond purchase program.

Bank of England (BoE) also implemented an incentive program to decrease the post-Brexit risks. The People's Bank of China (PBoC), upon the significant impact of China on the financial market fluctuations in 2016, chose to support the markets by providing liquidity and devaluing Yuan.

At the last meeting in December, FED increased the interest rate by 0.25 points and closed 2016 with a single action of interest rate increase, as was the case in the previous year. The interest rate range was increase to 0.5-0.75%. At this meeting, FED increased the number of interest rate increases for the next year from 2 to 3.

##### Expectations in Future Period

International Monetary Fund (IMF) held the expectation for global economic growth for 2017 and 2018 at 3,4% and 3,6% respectively.

IMF states in its Global Economic Outlook (GEO) report that the 3.1% growth in the last year will increase in 2017 and 2018 thanks to the developing countries. However, the uncertainty surrounding the policies of the USA administration and their global reflections complicate the estimations and therefore IMF has not changed its

estimations which were 3.4% and 3.6% for this year and 2018 respectively.

In the report, the growth estimations for USA is increased to 2.3% and 2.5 for this year and 2018 respectively in line with the proposed expansionist policies.

The report increases the growth estimation for the Arab World from 1.5% to 1.6% for 2017 and keeps the growth estimation for 2018 at 1.6%. The growth estimations for the region were based on the increased growth in Germany and Spain and the decrease in Italy.

The report revises the growth expectation for China in 2017 up by 0.3 points to 6.5% and the expectation for 2018 is stable at 6%. The estimations for Russia were kept at 1.1% and 1.2% for this year and 2018 respectively.

The global markets estimate that the global economy will be better than 2016 in 2017. These expectations are based on the expected in oil prices and commodity prices and the recovery in oil exporters, and the expected increase in global trade. IMF, OECD and World Bank estimate the global growth in 2017 at 0.3-0.4 points higher than 2016. The basic risk factors regarding the global economy in 2017 are the protective trade policies promised by President Donald Trump, the deceleration in the Chinese economy, Britain's decision to exit from the European Union (Brexit), uncertainties regarding the future of EU, and the fluctuations in oil and commodity prices.

#### Turkish Economy

##### General

Turkish economy shrank by 1.8% in 2016 Q3 as compared to the previous year. Based on the data issued by Turkish Statistics Institution (TUIK) with the revised calculation methods, the shrinkage as compared to the previous quarter

is 2.7%. Turkish economy has shrunk for the first time after 27 consecutive quarters of growth. As per the data provided by TUIK, the last shrinkage in the economy was by 2.8% in 2009 Q3.

As per the GDP data created by the production method, the only real increase in the main industries in 2016 Q3 as compared to the previous year was in the construction industry. The construction industry was positive in the first two quarters of 2016 and grew by 1.4% in real terms in the third quarter.

The agriculture industry shrank by 7.7% as compared to the same period in this year. Industry and service sectors shrank by 1.4% and 8.4% respectively as compared to the same period of the last year.

The Consumer Price Index (CPI) has increased by 8.53 and Domestic Producer Price Index (DPPI) has increase by 9.94% in 2016. Based on the data issued by Turkish Statistics Institution (TUIK), the monthly increases were 1.64% for CPI and 2.98% for DPPI in December last year. As of December, the 12-month average increase was 7.78% for consumer prices and 4.3% for domestic producer prices.

The unemployment rate in Turkey increase by 1.6 points to 12.1% in 2016 as compared to the same period of the last year. The number of unemployed people in this period increased by 590 thousand to 3 million 715 thousand.

Despite the growth in the first half driven by domestic demand, the economy shrank as of the third quarter due to the coup attempt, losses in tourism and global and geopolitical developments. USD/TL exchange rate has steadily increased due to the coup attempt on July 15, geopolitical risks, expectations on interest rates by FED, and the political developments in Turkey. The annual loss of value of Turkish Lira against USD has reached 20%.

Monetary Markets Board has held three meetings chaired by Erdem Başçı, former president of the Turkish Central Bank. No changes were made in January and February and the interest rate was decreased at the meeting in March. Under the presidency of Çetinkaya, the interest rate was decreased six times throughout the year. But the decreases were stopped in October due to the negative effects of the exchange rates on inflation. Following the losses in the value of a number of currencies after the election of Donald Trump as the President of USA in November, the Central Bank increased the interest rate for the first and only time in November.

As a result of the political developments in Turkey and the global economy turning negative for the developing countries, the three leading international credit rating institutions (Standard&Poor's (S&P), Moody's and Fitch) downgraded Turkey's credit rating.

The decrease in the price of oil, Turkey's number one export item, helped the current deficit go below UD 30 billion in the first quarter of the year. With the Brent oil price increasing to USD 50 from USD 30 in early 2015, the current deficit increased back to USD 33 billion.

The tensions between Turkey and Russia and other political developments in 2016 caused significant losses in tourism. The number of tourists visiting Turkey in the first 11 months of 2016 decrease by 30.8% as compared to the same period of the previous year.

#### Expectations in Future Period

International Monetary Fund (IMF) revised the 2016 CPI estimation for Turkey from 9.8% to 8.4% and 2017 CPI estimation from 8.8% to 8.2%. On the other hand, the rate of current deficit is estimated as 4.4 as of the end of 2016 (previous estimation: 3.6%) and as 5.6% as of the end of 2017 (previous estimation: 4.1%).

In its final report, IMF estimates the unemployment rate for Turkey in 2016 and 2017 as 10.2%. The estimations for 2016 and 2017 unemployment rate in the previous report were 10.8% and 10.5% respectively.

IMF decreased Turkey's growth estimation from 3.8% to 3.3% and from 3.2% to 3% for this year and the next year respectively. On the other hand, IMF expects that the loosening of macroeconomic policies will support the economy and estimates in the Global Economic Outlook (GEO) report that the inflation will gradually decrease.

The World Bank estimated the economic growth for Turkey as 2.5% in 2016 and 3% in 2017 in its Global Economic Expectations (GEE) report dated January 11. However, 2017 economic growth estimation for Turkey was then decreased by 0.3 points to 2.7%. 2016 growth estimation was decreased to 2.1% and 2018 and 2019 estimations remained unchanged. The GEE states that the swift decrease in the value of TL and the impact of this on inflation will compel the Central Bank to increase the interest rates. The report also states that a significant increase in the interest rates will boost the confidence in TCMB, stop the loss of currency value and support the price and financial stability.

#### Insurance Sector in 2016

According to data of Turkish Insurance Association (TSB), premium generation in 2016 has increased by 30.5% when compared to the previous year and reached to 40 billion 487 million Turkish Liras. TL 35 billion 448 million of this generation total comes from non-life categories and TL 5 billion 39 million comes from life insurances category. The annual increase in elementary branches have been 19.64% whereas the increase in life insurances has been 33.96%. In 2016, the value of land vehicle insurances has increased. The increase in land vehicles has been 11.16% and the increase in land vehicles liability has been 72.73%.

#### Individual Pension System

As per the data provided by Pension Supervision Center (E.G.M) on 30.12.2016, 587,327 people are in the system as of the end of 2016. The total number of people in the system has increase to 6 million 626 thousand by 9.73% s compared to the same period last year. At the end of this period, total net asset value of the funds in the system has increased to TL 53 billion 409 million by 24.27% as compared to the previous year. The number of people retired from the system has reached 44 thousand 331.

Proposed Law on Amendment of the Individual Pension Savings and Investment System Law which requires all employees under the age of 45 to enroll automatically through their employees has been accepted by TBMM General Assembly and put into effect.

This law requires that all Turkish citizens who are under the age of 45 and wagers are to enroll to a pension scheme through a pension agreement drafted by the employer in accordance with the regulations. The law is in force as of January 1, 2017.

#### Evaluation of Activities in 2016 and Position of the Company in the Sector

Our Company that started its operations as of November 2007 renders services in Individual Pension, Life and Accident Insurance categories at international standards. Upon an ambitious entry into the market as a dynamic, innovative, competitive and effective actor in 2016, the Company created a synergy with its main shareholder and distribution channel Finansbank A.Ş. in Individual Pension and Life & Accident insurance segments and continued to grow in the industry.

26 years in banking sector, Finansbank A.Ş. has vast experience, competent human resources, strong financial structure and extensive branch structuring and from the first day of its

operations, they have been an important factor for us in terms of high quality and reliable services that we render to our customers.

Our Company, improving its successful development style every day, started to carry out its operations under the commercial title of "Cigna Finans Emeklilik ve Hayat A.Ş." as of year 2012 after the partnership contract signed between Finansbank and Cigna. As of November 2012, two leaders in their sector, Finansbank ve Cigna started to carry out their operations under our roof.

According to EGM data published on 30.12.2016, our company, that entered the individual pension sector in 2008, ranked in 13th position in Individual Pension category according to fund size with total number of participants of 123,269, contracts of 133,413, collected contribution share of TL 500.4 million and fund size of TL 563.6 million. According to data issued by the Association of Insurance of Turkey (TSB) as of the end of December 2016, our Company has a market share of 5.43% in life insurance category and is ranked 8th in life insurance premium production level with a total premium production of TL 301,817,421.

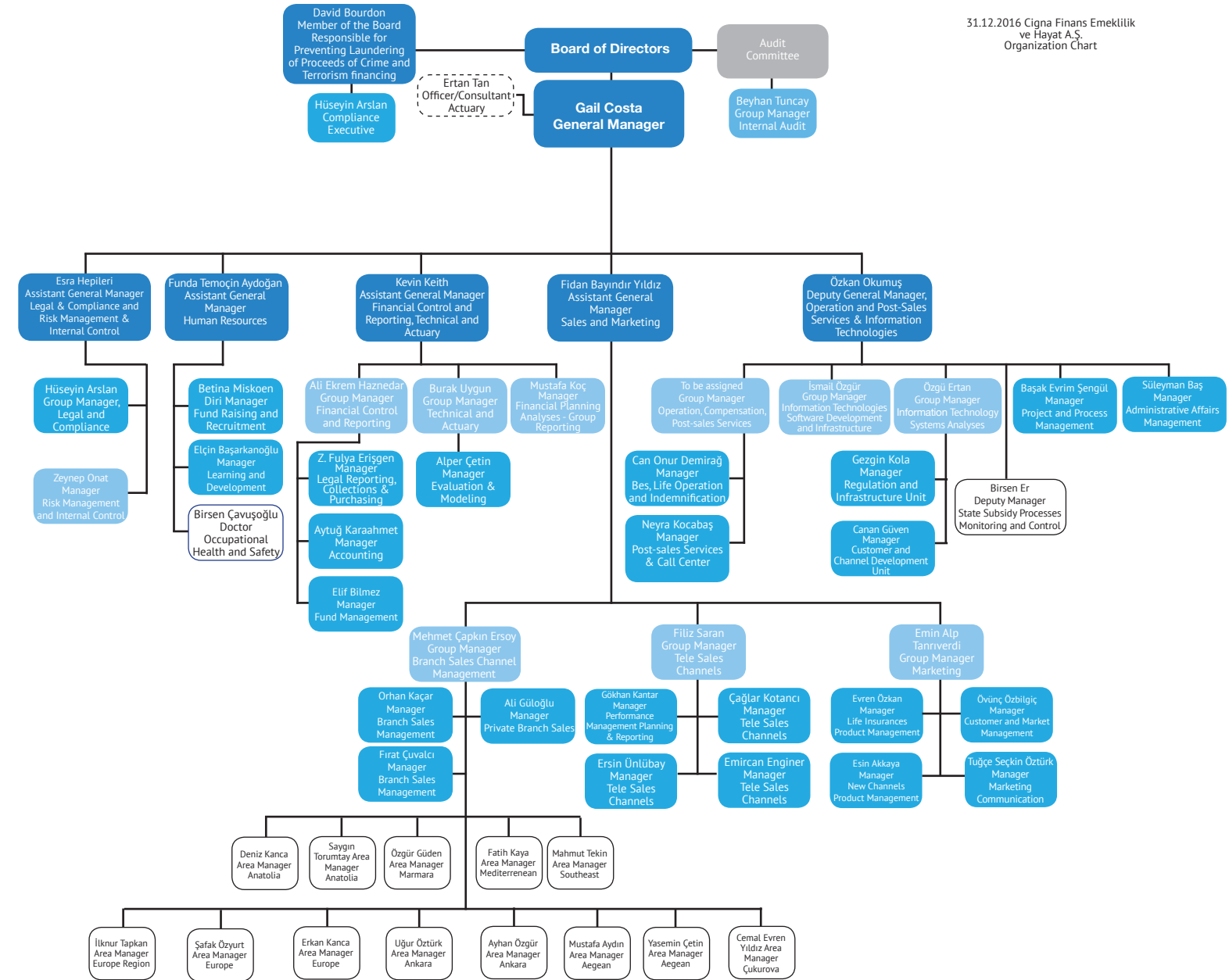
We concluded the first individual pension contract on 30 November 2008 and our objective is to render the best services to its customers as a pension and life insurance company that achieves a sustainable and rapid growth in the sector, that is customer oriented, innovative, dynamic and that creates a difference in the market.

## Contact Numbers, Addresses, Regional Offices and Company's Organization Chart

### Cigna Finans Emeklilik Regional Representatives

Regions	Regional Manager	Region Telephone No	Region Address
EUROPE 1	İLKNUR TAPKAN	212 319 62 74	D Plaza Yıldız Posta Cad. No: 52, Kat: 9, 34433 Beşiktaş / İstanbul
EUROPE 2	ŞAFAK ÖZYURT	212 466 60 80	Cevizlik Mah. İstanbul Cad. No: 12, Kat: 5, Osmaniye, 34146 Bakırköy / İstanbul
EUROPE 3	ERKAN KANCA	212 409 07 17	Çobançeşme Mah. Sanayi Cad. Nish İstanbul Blokları Kat: 12, 34142 Cevizlik Yenibosna / İstanbul
ANATOLIA 2	DENİZ KANCA KUŞKON	212 454 51 00	Yukarı Dudullu Mah. Tavukçuyolu Cad. No: 260, K:3, Ümraniye / İstanbul (Finansbank Keyap Branch)
ANATOLIA 3	SAYGIN TORUMTAY	216 571 36 00	Hacı Halil Mah. Zübeyde Hanım Cad. 1225 Sok. No: 12, 41400 Gebze / Kocaeli (Finansbank İsmet Paşa Gebze Branch)
ANKARA 1	UĞUR ÖZTÜRK	216 645 90 02	Atatürk Bulvarı No: 140, Kat: 1, 06680 Kavaklıdere / Ankara
ANKARA 2	AYHAN ÖZGÜR	262 781 03 61	Atatürk Bulvarı No: 140, Kat: 1, 06680 Kavaklıdere / Ankara
MARMARA	ÖZGÜR GÜDEN	224 275 23 00	Yeni Yalova Yolu No: 415, Kat 1, 016255 Osmangazi / Bursa
AEGEAN 1	MUSTAFA AYDIN	312 457 13 49	Şehit Nevres Bulvarı No: 8/3-5, 35210 Alsancak / İzmir
AEGEAN 2	YASEMİN ÇETİN	312 457 11 30	Adalet Mah. Anadolu Cad. No: 1, Kat: 13, 35530 Bayraklı / İzmir
MEDITERRENEAN	FATİH KAYA	312 457 11 89	Tarım Mahallesi Aspendos Bulvarı No: 92/1, Ata Plaza 07230 Muratpaşa / Antalya
ÇUKUROVA	CEMAL EVREN YILDIZ	242 315 20 14	Çınarlı Mah. Cumhuriyet Cad. No: 6/1, Renk Apartmanı 01060 Seyhan / Adana
SOUTHEASTERN ANATOLIA	MAHMUT TEKİN	232 488 11 60	Mücahitler Mah. Gazimuhtarpaşa Bulvarı Teymur Plaza No: 48, 27090 Şehitkamil / Gaziantep

## Cigna Finans Emeklilik Organization Chart as of 31.12.2016





## Information about Research and Development Practices Regarding New Services and Activities

### Activities of Alternative Distribution Channels

Total production in Alternative Distribution Channels has grown by 22% in 2016 when compared to previous year. Production in products that are not dependent upon credits and credit cards has increased by 49% as compared to the previous year and now counts for 62% of the total production. Also, the effectiveness-oriented approach has continued in 2016 and daily production per person by 148 active telesales agents has grown by 19% as compared to previous year.

### Branch Sale Channel Activities

In 2016, Branch Sale Channel Management achieved 18% increase premium production in Life and Personal Accident insurance category compared to 2015. Non-credit production has increased by 29%.

In 2016, the “efficiency increase” focus continued to be a priority and many new applications have been put into practice with this strategy. Branch Sale Channel Management continued all its activities and main objectives of works that are being monitored, in a way that all shall serve to increase sale efficiency.

In 2016, efforts were made regarding the New Sales Organization in line with the strategy focused on Direct Sales. Many projects were implemented in corporate and individual segments and more risks of the bank and the customers were secured. In cooperation with the segment

managements, the concept of insurance was better understood.

Our strong integration with the Bank, simple sales processes and rule sets have allowed us follow up penetration. KPIs were improved for the retail banking segment and integration with products including overdraft accounts and guarantee credits was provided.

### Marketing Activities

#### Product Development Activities

For Cigna Finans Emeklilik, 2016 has been a year in which the product portfolio was expanded with customer-oriented innovative products, made consistent with QNB Finansbank’s credit-oriented products and offered through various channels. Furthermore, existing products have been revised according to customer needs, Company requirements and changing regulations so that all stakeholders can benefit more from these.

Insurance policies issued for the personal loans granted by QNB Finansbank were integrated with QNB Finansbank’s “Hazır Kredi” products. On the corporate side, insurance integration was provided for loans granted through internet and the call center. Furthermore, the Limit Insurance developed for the corporate segment provides assurance on credit limits of companies.

In the Voluntary Insurance segment, two innovative products were added to the Personal Accident Insurance range to ensure a larger portfolio.

In the Individual Pension segment, a new group pension plan was designed to offer to the corporate clients of QNB Finansbank. In the last quarter of the year, product and documentation developments were completed within the frame of the new regulations on Automatic Enrollment System.

#### Within the Scope of Life and Personal Accident Insurance

In 2016 Q1, Cigna Finans Emeklilik followed up and implemented the life insurance project among the loans offered by QNB Finansbank to the corporate segment via Call Center. Corporate loans granted through this channel are now under assurance.

In 2016 Q2, we followed up and implemented the life insurance project among the loans offered by QNB Finansbank to the individual segment under Hazır Kredi via branches and Call Center. At the same time, the integration project was completed for commercial loans offered to the corporate segment via internet. At this period, “Hospital Support Personal Accident Insurance” was launched and the innovative product portfolio was expanded with a product which provides assurance for accidental death, disability and daily hospital cash.

In 2016 Q3, voluntary “Limit Insurance” was launched for the corporate loans. This helped ensure the assurance of QNB Finansbank with credit limits other than installment commercial loans.

In the final quarter, “Education Personal Accident Insurance” was launched for individual customers with children. In addition to accidental death and permanent

disability, eye examination, dental examination and dental fluoride implementation, an education package which offers discounts in stationery costs, profession consultancy services and hobby courses was offered with the product. The purpose is to provide assurance for individuals with children and support them in their needs.

#### Within the Scope of Individual Pension

Cigna Finans Emeklilik continued to respond to the needs of its customers in Individual Pension category, which it started operations as of February 2009, with Easy, Elite, Finans Payroll, Private Banking Customers Hanimeli and New Generation Private Pension Plans designed for customers that have different risk perception under each strategic group, and with Dynamic Individual Pension Plan suitable for distance sales.

Furthermore, the company continues to meet the demands of enterprise customers through special retirement plans for groups and employer group retirement plans.

The system changes and document revisions required to ensure compliance with the Personal Pension legislation amended in early 2016 were completed in the first quarter.

In 2016 Q2, “KOBİ Loca Group Pension Plan” was launched for the corporate customers of QNB Finansbank.

In the last quarter, product and document improvements required for the new regulation on Automatic Enrollment System were completed and new individual pension plans were launched.

### Customer and Market Management Activities

Customer and Market Management division carried out planning, coordination and supervision of customer-oriented strategic marketing activities under the umbrella of Marketing Group in 2016 in line with "Customer-Oriented" approach of Cigna Finans Emeklilik through the use of various analysis tool and methods.

#### Within the scope of activities carried out by Customer and Market Management Department in 2016 are;

Customer and Market Management Unit continued to work on the segmentation strategy designed in the previous years and focused on detecting and solving the improvement opportunities for processes which may possibly create issues for customers as well as the areas guiding the Company's general strategy.

In this sense, the Company's promotion activities were thoroughly reviewed, the complete process was redesigned to improve the activities and the system improvements were detected and integrated with the system. The project relevant to all units of the Company was fully implemented by the Customer and Market Management Unit. At the end of the project, the organization of the teams involved in promotion activities was changed, system developments were completed and the benefits to the Company were directly observed. The improvements within the scope of the project prevented a potential production loss of TL 7.8 million. The customers also better understood the benefits and made better use of the services. The unit used a similar approach on collections and reviewed the processes and areas of improvement. The required strategic improvements were approved. As another strategic issue, damage management process was analyzed, critical issues were detected and the required action was taken.

The results of the survey "Expectations of SMEs and Enterprises from Life Insurances and their Daily Lives"

issued in 2015 were implemented into a strategy and necessary action was taken to boost a growth of 75% in the segment. With this success, Cigna Finans was granted with awards by two international organizations. Cigna Finans was granted with the "Best Marketing Strategy" award by Best Business Awards and "Best Insurance Provider for SME and Commercial Businesses" award by International Finance Magazine.

The unit continued with its activities with the purposes of better understanding the market dynamics and its customers. Customer Trend Analysis have been developed and shared with the Company management with regards to various analyses like cross sale rates, number of customers and policies, demographic data, reasons for customer revenue-loss in order to understand the customer trends. Competitiveness of existing products are analyzed and weak and strong points of Cigna Finans Emeklilik in terms of market, product and strategy when compared with competitors are determined. Also to support reaching managerial decisions, analysis were made regarding many issues like cross sale opportunities, current portfolio opportunities, customer behaviors. Customer Experience Mapping studies were conducted again in order to improve the life cycle of a customer in the Company, the channels they interact while obtaining services and to measure the quality of service they receive. Feedback obtained from these studies were used to identify and work on the improvements needed in other products and processes in the communication map of the Company.

The activities for offering the best services to the customer through statistical modeling methods were expanded in 2016. With the increasing number of predictive and rule-based models aimed at grasping the purchasing and quitting inclinations of the customers, an additional revenue of approximately TL 2 million was generated to support the Alternative Distribution Channels reach its end-of-year targets.

### Marketing Communication Activities

Cigna Finans is a partnership of QNB Finansbank and Cigna, a leading bank in Turkey and a global leader in insurance. The Company continued its 2016 activities with the strategy of "offering more than insurance and focusing on customers".

#### 2016 activities of Marketing Communications included the following;

Committed to offer a better and higher quality life to its customers, Cigna Finans has been the first in the industry to launch iyihisset.com in January 2016, a platform sharing contents to increase the quality of life of its users.

iyihisset.com offers tips in many areas from a healthy diet and sports to career and managing your money. The platform offers a rich and up-to-date selection of contents with articles written by expert dietitians and finance consultants. The traffic on the web site is increasing day by day.

With the increasing need for digitalization, Cigna Finans adopted new strategies to increase the interaction with customers through actively used social media accounts. Interaction is ongoing through Cigna Finans and iyihisset.com Facebook, Twitter and Instagram accounts.

The corporate web site was revised to offer a better user experience based on user routines and new digital trends. Within the frame of these efforts, a user-friendly interface was designed and technical infrastructure improvements were made for fast and simple access and mobile compliance.

A sales service for online completion of all process steps from product selection to policy issue was established under the corporate web site to offer a simple and easy-to-

understand purchasing process for the customers.

As a social responsibility initiative, TL 5 was donated to Turkish Cancer Association in 2016 for each "Kansere İnat Yaşasın Hayat" product policy sold. Furthermore, Cigna Finans employees supported the Turkish Cancer Association and other projects with the running events they attended in 2016.

#### New Channels, Business Development Activities

Cigna Finans delivers its products and services to customers through Finansbank's extensive distribution network in Turkey and aims to be active in channels other than Finansbank as well. In this context, 2016 has been a year in which new bank and non-bank business partnership opportunities were assessed, strong contacts were established with the potential companies.

In 2016, efforts were continued to develop a platform for the sales of individual life and personal accident insurance products through digital channels in line with the Company's strategy of digitalization. This new digital platform will be launched in 2017 and the customers will have access to insurance products anytime, anywhere with a perfect customer experience.

#### Call Center Activities

Cigna Finans Pension Call Center operates via 444 0 984 between 8 AM and 6 PM in the weekdays.

Trainings are ongoing to provide the Call Center services with the best level of customer satisfaction. The Quality Unit monthly measures the service quality of all employees and monthly evaluation meetings are held.

The infrastructure works for Net Promoter Score measurement which will provide feedbacks on Call Center

activities was completed in 2016. This measuring process on the customers' perfection of services provided under various titles was implemented in 2017.

The Call Center continued to implement the Mystery Caller Program to measure the service quality of the incoming calls team in 2016. This program helped measure the quality and take action to increase it. In the activity year 2016, we continued to use scorecard method, one of the modern measurement methods for monitoring and evaluation of the performance of Call Center personnel in a systematic way.

In 2015, a special line was assigned to inform QNB Finansbank high-income segment customers on our current market and fund performance through VIP agents. This ensured that a line is available for the customers to leave messages for callback requests. This service was continued until 2016. The infrastructure is maintained to continue providing the service should it be needed and requested by the Bank.

In 2016, a special team was assigned at the Call Center for promotion activities aimed at customers who request cancellation of life insurance products related with customer risks (MRY). The team was trained on convincing customers who call the Call Center and request the cancellation of a MRY product and they carry out promotion activities.

Customer notification and calling activities which used to be carried out by only the outgoing calls team are now blended through the system and incoming and outgoing calls teams were combined to increase efficiency.

**Within the scope of year 2016 activities of our Call Center;** 549,993 calls arrived and were responded to. Regarding Life Insurance and Individual Pension products of Cigna Finans Emeklilik, all addendum demands of the insured and participants were met.

We made great efforts to create satisfaction by swiftly solving customer complaints regarding our products and services.

Within the scope of outgoing calls, we continued the quality control calls addressed to participants who completed individual pension forms.

Within the scope of collection-increasing activities, participants and insured customers were contacted via phone and informed about outstanding contribution and premium installments, and whenever required, information about new payment instruments are taken to ensure collection of necessary amounts.

We have continued our promotion activities for Individual Pension products with Life and Personal Accident insurances.

Complaints and callback requests were handled by the Call Center's Outgoing Calls team.

We have conducted outgoing call activities on various subjects in line with the needs of our divisions.

#### **Insurance and Individual Pension Operational Activities**

In 2016, we have met all addendum requests regarding Life Insurance and Individual Pension contracts within the scope of Operation & Indemnification Division's activities, and sent all policies, certificates, contracts, receipts and

account summaries to the participants within the scope of the applicable regulations.

In 2016, a total of 68,395 participation certificates and policies were issued for Life and Personal Accident insurance products, and a total of 109,043 addendums were issued within the scope of life and personal accident insurance operations regarding group life insurance and voluntary bank insurance products, and customer risks. 348,375 policies and certificates were sent to the customers.

General asset checks were made for 23,226 forms and 15,177 Individual Pension Contracts were mailed to participants within the scope of Individual Pension activities. Also, 70,519 change transactions were performed.

Within the year, 11,376 claim notices were assessed and a total compensation of TL 48,884,457 was paid to the insured and other beneficiaries through the bank within the scope of Life and Personal Accident Insurance damage transactions.

Indemnification Division as well as the sales teams and main distribution channel is in close contact with insurance related business units of Finansbank and has ensured the coordination to execute and develop the indemnification work flows in a healthy way.

In 2016, operational activities were reviewed, studies were conducted to increase effectiveness of workflows, and cost-reducing projects were successfully implemented, contributing to the Company's profitability.

#### **Customer Service Activities**

Within the field of activity of After Sales Service

Department, the processes are carried out to record complaints of customers, to forward them to relevant departments and to send responses that cover information about results of evaluations to relevant organization/to the person that sent the complaint. Information about such complaints are investigated thoroughly and reported to Senior Management of the Company and Prime Ministry Undersecretariat of Treasury regularly and within periods specified in regulation.

The Company's responds to verbal complaints in one business day and written complaints in 10 business days. If the research regarding a complaint is in progress, the customer is called and notified on the process and the estimated time of solution.

Post-sales Services Department functions as a bridge between the Call Center and other operational business units. The Company checks whether or not the resolution times for the requests and complaints made to the communication channels are within the limits set forth by our work flows as well as the regulations.

#### **Customer Services activities include;**

Within the year, 5,851 complaints were made to Finansbank A.Ş. and the Company regarding the products and services. 59% of verbal complaints and 87% of written complaints were responded to in the same day.

SMS notifications to the customers within the product life cycle are now being automated. We have also conducted and completed activities for e-mail notifications in addition to SMS.

We have continued the internal "Net Promoter Score"



measurement also for the services provided by our Customer Services personnel via e-mail. The assessments were checked monthly and the effectiveness of aftersales team members was improved through regular product and legal trainings.

Various system improvements were made and the policy and contract documentation is not sent automatically through the IT infrastructure to increase operational efficiency.

#### Information Technologies Activities

Cigna Finans Emeklilik continued its efforts for improving the system infrastructure, increasing operational process efficiency, investing in digital projects and implementing practices that meet customer needs and cover customer risks in addition to new products in 2016. Within the scope of compliance with regulation amendments, software development activities were completed and commissioned on time.

Various projects were implemented to change online collection and cancellation processes to improve customer promotion processes and increase collections. Furthermore, projects on Credit Card Data Encryption, Supplementary Insurance Process for Credit Life Products, Automatic Enrollment and Individual Pension Regulation Amendments were completed due to legal requirements in a timely manner.

With the approach of making more effective use of digital channels by Cigna Finans and QNB Finansbank, a number of projects were implemented in 2016 to allow sale of insurance products through digital channels.

Cigna Finans has focused on product projects. In this sense, preparation and development efforts for Return on Premium Life Insurance (ROP) product were completed. Limit Insurance, SME Bulut Insurance, Instant Loan and Overdraft Account Insurance product projects for Commercial Trade Center customers were completed with success to support the Company in reaching its sales targets.

Cigna Finans was also focused on Customer Services platforms and Call Center IVR improvements. In this sense, the projects on Dialing Credit Card Data on IVR, IVR Recognition with Turkish ID No, NPS Deployment, Send SMS/E-Mail Platform and HTML Developments were completed. Audit Items Follow-up and Contract Follow-up Module developments were also completed within the frame of the Corporate Process Automation to increase the efficiency of the Company's operational processes.

#### Project and Process Management Activities

2016 was an efficient year for Cigna Finans with 37 projects implemented. The number of projects completed has almost doubled as compared to the previous year. The main reason for this is the effective collaboration of IT and PMO thanks to the changes in the organization and processes of the IT department. With the establishment of PMO in 2014 and internalization of the software team in 2015, all IT processes including the System Analysis team were reviewed and revised in two years. In 2016, the revised processes were put into use and the processes were stabilized. With the new organization and the increased seniority of the teams, the IT team is now more efficient.

In 2016, a number of multidisciplinary projects were implemented in coordination with third party software developers to support the Company objectives, assist in the achievement of sales targets, increase efficiency and keep pace with technologic developments and digitalization.

In 2016; 19 sales and marketing projects, 10 legal compliance projects, five ASK and finance projects and three call center and operational efficiency projects were completed and efforts were made to start a number of projects. In 2016, 60% of the projects were related with the Company's main line of business, Credit-based Life Insurance products. Another area of activity of the Company is Individual Pension products and it is an area which requires regular investments due to its dynamic nature in terms of regulations.

#### Within the scope of Project and Process Management activities;

The projects launched include Supplementary Insurance Process for Credit Life Products, Automatic Enrollment, Credit Card Data Encryption, V-POS Online Collection,

Return on Premium Life Insurance (ROP), Limit Insurance, SME Bulut Insurance, Instant Loan and Overdraft Account Insurance, Corporate Internet Channel Insurance Integration, Dialing Credit Card Data on IVR, IVR Recognition with Turkish ID No, NPS Deployment, Send SMS/E-Mail Platform and HTML Developments, Audit Items Follow-up and Contract Follow-up Module.

#### Technical and Actuary Activities

Total number of Life Insurance policies/certificates in effect as of 31.12.2016 is 1,439,622 and total Life Insurance premium production is TL 273,820,543.

In the accident segment, total number of personal accident insurance policies/certificates as of 31.12.2016 is 104,749 and total premium production is TL 27,996,878.

Average death benefit of existing 1,439,622 life insurance policies/certificates is TL 14,350 as of 31.12.2016.

In the life segment, age-based distribution of policyholders is shown in the below table. As per this, indemnification is offered to policy holders in the age range of 28-47.

#### As of 31.12.2016, Death Benefit Amount Distribution of Life Insurance in force, according to age groups:

Age Range	Personal	Group	Total Death Benefit (TL)	Rate (%)
18-27	574,674,042	1,209,151,652	1,783,825,694	9%
28-37	2,102,678,429	5,046,256,061	7,148,934,490	35%
38-47	1,958,877,595	4,850,613,989	6,809,491,584	33%
48-57	802,644,654	2,804,065,526	3,606,710,180	17%
58-67	151,999,186	1,115,005,531	1,267,004,717	6%
68-77	4,596,329	36,407,801	41,004,130	0%
78-87		1,092,000	1,092,000	0%
88+		273,000	273,000	0%
<b>Total</b>	<b>5,595,470,235</b>	<b>15,062,865,560</b>	<b>20,658,335,795</b>	<b>100%</b>

Death benefit amount for life insurance in force is TL 20,658,335,795 as of 31.12.2016.

**As of 31.12.2016, Death Benefit Amount Distribution of Life Insurance in force, according to age groups:**

Insurance Period	Number of Policies/Certificates	Total Death Benefit (TL)
1 year	399,801	5,979,192,821
2-5 Years	991,280	11,908,896,720
6-10 Years	47,641	2,679,295,126
Longer than 10 years	900	90,951,128
<b>Total</b>	<b>1,439,622</b>	<b>20,658,335,795</b>

**Remarks on Special Audits carried out within the Account Period and Public Administration**

Information about private and public scrutinizes carried out at Cigna Finans Emeklilik ve Hayat A.Ş. during 2016 account period are listed below.

**Public Scrutiny:**

In 2016, we have also been audited by the Undersecretariat of Treasury with regards to state subsidies in Individual Pension System.

**Private scrutinies:**

1. Accounting standards and principles determined according to Insurance Law no. 5684 and Individual Pension Investment and Savings System Law no. 4632 in force, based on explanations and essentials stated by R.T. Prime Ministry Undersecretariat of Treasury, independent audit of financial statements prepared by the Company for the account period, as required by "Regulation on Independent Audits carried out Insurance and Reinsurance and Pension Companies" published in Official gazette no. 26934 dated 12 July 2008, were carried out by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

2. PwC Yeminli Mali Müşavirlik A.Ş. carried out certification of accuracy of audits and certifications of Annual Revenue and Corporate Tax Return and attached financial statements and tables and/or other works according to Law no. 3568 and regulation.

3. Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. evaluated efficiency, adequacy and compliance of control mechanism designed and implemented over processes and systems regarding financial data production and information systems of our company according to "Regulation on Audit of Bank Information Systems and Banking Processes to be carried out by Independent Audit Companies" published on Official Gazette no. 27461 dated 13 January 2010 by Banking Regulation and Supervision Agency.

**INDEPENDENT AUDIT'S REPORT ON THE ANNUAL REPORT BY THE BOARD OF DIRECTORS**

To Cigna Finans Emeklilik ve Hayat A.Ş. Board of Directors,

Report on Audit of Annual Activity Report of Board of Directors Within the Frame of Independent Audit Standards

1. We completed audit of annual activity report of Cigna Finans Emeklilik ve Hayat Anonim Şirketi related with account period that ends on 31 December 2016 ("Company").

Liability of the Board of Directors regarding Annual Report

2. Company Management is responsible for preparing the annual activity report in consistency with financial statements and reflecting the truth according to methods and essentials on preparation and publication of annual activity report pursuant to provisions of article 514 of Turkish Commercial Code ("TCC") 6102 and "Regulation on Financial Structures of Insurance, Reinsurance and Pension Companies" ("Regulation") as promulgated on the Official Gazette 26606 on 7/8/2007, and is responsible for the internal control it considers necessary for preparation of such an activity report.

Liability of the Independent Audit

3. Our responsibility regarding the Company's annual report is to deliver our opinion on whether or not financial information under this annual report is consistent with the Company's financial tables indicated in independent auditors' report dated 3/3/2017, and whether or not they reflect the truth on basis of the independent audit we have conducted pursuant to article 397 of TCC and the Regulation.

We carried out the independent audit according to arrangements under insurance regulation regarding independent audit principles and Independent Audit Standards that are part of the Turkish Audit Standards published by Accounting and Auditing Standards Authority. These standards requires that ethical provisions are followed and independent audit is planned and carried out to have reasonable assurance regarding whether financial information under annual report is consistent with financial statements and whether they reflect the truth or not.

Independent audit covers application of audit procedures in order to get evidence on auditing of historical financial information. Selection of these procedures is based on professional judgment of the independent audit.

We believe that evidences we obtained during independent audit is sufficient and proper basis in building our opinion.

Opinion

4. Our opinion is that financial information under annual report of the Board of Directors are consistent, in all respects, with financial tables inspected and reflect the truth.

Other Regulatory Liabilities

5. According to clause three of article 402 of TTC; within the frame of BDS 570 "Going Concern" of the organization, no important matter has been detected that needs to be reported which makes us believe that Cigna Finans Emeklilik ve Hayat Anonim Şirketi shall not be able to carry out its activities in predictable future.

Başaran Nas Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
a member of  
PricewaterhouseCoopers



Talar Gül, SMMM  
Sorumlu Denetçi  
Friday, March 3,  
2017

INFORMATION ABOUT MANAGEMENT AND  
CORPORATE GOVERNANCE PRACTICES



## Senior Management



**Gail Costa**  
General Manager



**Özkan Okumuş**  
Assistant General Manager



**Funda Temoçin Aydoğan**  
Assistant General Manager



**Kevin Keith**  
Assistant General Manager



**Esra Hepileri**  
Assistant General Manager



**Fidan Bayındır Yıldız**  
Assistant General Manager



**Alp Tanrıverdi**  
Group Manager



**Mehmet Çapkın Ersoy**  
Group Manager



**Burak Uygun**  
Group Manager



**Hüseyin Arslan**  
Group Manager



**Filiz Saran**  
Group Manager



**Beyhan Tuncay**  
Group Manager



**İsmail Özgür**  
Group Manager



**Özgü Ertan**  
Group Manager



**Ali Ekrem Haznedar**  
Group Manager

## INFORMATION ABOUT MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

**Names and Surnames of Chairman and Members of Board of Directors, General Managers and Assistants and Managers within the scope of Internal Systems, their Period of Duty, Areas they are responsible for, Educational Background, Professional Experiences**

Mehmet Ömer Arif ARAS	Chairman	Postgraduate	37	Address: Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli / İstanbul 0 (212) 318 50 00 Fax: 0 212 318 50 16 E-Mail: omer.aras@cignafinansbank.com.tr
Jason Dominic SADLER	Vice Chairman of BoD	Bachelor Degree	26	Address: 17/F, Sunning Plaza, 10 Hysan Avenue, Causeway Bay, Hong Kong Tel: +(852) 22975128 Fax: +(852) 3412 1929 E-Mail: jasond.sadler@cigna.com
Erkin AYDIN	Member of BoD	Post Graduate	19	Address: Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli / İstanbul 0 (212) 318 50 00 Fax: 0 212 318 56 90 E-Mail: erkin.aydin@finansbank.com.tr
Adnan Menderes YAYLA	Member of BoD	Post Graduate	31	Address: Esentepe Mahallesi Büyükdere Caddesi Kristal Kule Binası No:215 Şişli / İstanbul 0 (212) 318 50 00 Fax: 0 212 318 55 78 E-Mail: adnan.yayla@finansbank.com.tr
David Patrick BOURDON	Member of BoD	Post Graduate	26	Address: Cigna Corporation 1601 Chestnut ST Philadelphia PA 19192 Tel: +(852) 22975148 Fax: +(852) 3412 1929 Email:david.bourdon@cigna.com
Mark STAMPER	Member of BoD	Post Graduate	22	Address: Room 3401, 34/F Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong E-Mail: mark.stamper@cigna.com
Gail Bernadette COSTA	General Manager Senior Management	Bachelor Degree Member of BoD	39	Address: Barbaros Mah. Kardelen Sok Palladium Tower, No:2 Kat:28 34746 Ataşehir, İstanbul / Turkey Tel: 0 216 468 06 01 Fax: 216 411 28 48 E-Mail: gail.costa@cignafinans.com.tr
Kevin KEITH	Assistant General Manager Financial Control and Reporting, Technical and Actuary	Bachelor Degree	30	Address: Barbaros Mah. Kardelen Sok Palladium Tower, No:2 Kat:28 34746 Ataşehir, İstanbul / Turkey Kadıköy/İstanbul Tel: 0 216 468 03 42 Fax: 216 411 28 48 E-Mail: kevin.keith@cignafinans.com.tr
Fidan BAYINDIR YILDIZ	Assistant General Manager Sales and Marketing	Post Graduate	15	Address: Barbaros Mah. Kardelen Sok Palladium Tower, No:2 Kat:28 34746 Ataşehir, İstanbul Turkey / Kadıköy /İstanbul Tel: 0 216 468 06 05 Fax: 216 411 28 48 E-Mail: fidan.bayindirildiz@cignafinans.com.tr
Esra HEPLERİ	Assistant General Manager Legal & Compliance Risk Management & Internal Control	Post Graduate	21	Address: Barbaros Mah. Kardelen Sok Palladium Tower, No:2 Kat:28 34746 Ataşehir, İstanbul Turkey / Kadıköy /İstanbul Tel: 0 216 468 06 70 Fax: 216 411 28 48 E-Mail: esra.hepileri@cignafinans.com.tr
Funda TEMOÇİN AYDOĞAN	Assistant General Manager Human Resources	Bachelor Degree	16	Address: Barbaros Mah. Kardelen Sok Palladium Tower, No:2 Kat:28 34746 Ataşehir, İstanbul Turkey / Kadıköy /İstanbul Tel: 0216 468 04 87 Fax: 216 411 28 48 E-Mail: funda.temocin@cignafinans.com.tr
Özkan OKUMUŞ	Assistant General Manager IT, Administrative Affairs	Post Graduate	23	Address: Barbaros Mah. Kardelen Sok Palladium Tower, No:2 Kat:28 34746 Ataşehir, İstanbul Turkey / Kadıköy /İstanbul Tel: 0216 468 03 69 Fax: 216 411 28 48 E-Mail: ozkan.okumus@cignafinans.com.tr
Beyhan TUNCAY	Group Manager Internal Audit	Post Graduate	17	Address: Barbaros Mah. Kardelen Sok Palladium Tower, No:2 Kat:28 34746 Ataşehir, İstanbul Turkey / Kadıköy /İstanbul Tel: 0 216 468 03 46 Fax: 216 411 28 48 E-Mail: beyhan.tuncay@cignafinans.com.tr
Zeynep ONAT	Manager Risk Management and Internal Control	Post Graduate	18	Address: Barbaros Mah. Kardelen Sok Palladium Tower, No:2 Kat:28 34746 Ataşehir, İstanbul Turkey / Kadıköy /İstanbul Tel: 0 216 468 06 73 Fax: 216 411 28 48 E-Mail: zeynep.onat@cignafinans.com.tr

### Information About Allowances Paid, Travelling, Accommodation and Representation Expenses and Facilities In-kind and In-cash, Total Amount of Insurances and Similar Guarantees

	January 1- December 31 2016	January 1- December 31 2015
Salaries and similar interests paid to managers	(9,770,457)	(4,317,547)

Benefits offered to our senior managers in the years that end on December 2016 and 2015 (General Manager and Deputy General Managers) include salaries, bonus, SSI and unemployment employer's share.

### Information About Activities of the Members of Board of Directors with the Company, on Its Behalf or on Behalf of Another Party and Which Fall Within the Scope of Prohibition of Competition

General Assembly of the Company granted to the members of Board of Directors, in the 2015 Ordinary General Assembly meeting dated 28.03.2016, permission stated under article 395 and 396 of Turkish Trade Code no. 6102.

### Information about participation of members of Board of Directors to relevant meetings held within the Account Period

Other than situations where they explained their excuses, members of Board of Directors attended all Board of Directors meetings regularly.

### Summarized Board Report Submitted to the General Assembly

In 2016, 10th activity year of our Company, total premium production was TL 301,817,421 and individual pension contribution amount collected excluding state subsidy was TL 189,266,283 and the Company ended year 2016 with a net profit of TL 24,920,561.



## Information about Human Resources Practices

### Recruitment

Cigna Finans Emeklilik completed 2015 with a staff of 688 and the number of employees increased by 11% in 2016. 2016 was completed with a staff of 765 and 63 employees

were promoted. As of the date of its establishment Cigna Finans Emeklilik, number of employees of the Company at the end of each activity year is shown in the below table.

	31/12/2007	31/12/2008	31/12/2009	31/12/2010	31/12/2011	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/12/2016
General Manager	1	1	1	1	1	1	1		1	1
Deputy General Manager							1	1	0	
Assistant General Manager	2	2	2	3	3	2	4	6	5	5
Director							2			
Group Manager	4	4	4	5	5	8	10	10	9	9
Manager	4	6	7	8	9	8	14	18	21	22
Surveyor								1	2	2
Deputy Manager	8	14	14	20	23	27	31	28	32	34
Director								7	6	7
Senior Expert								4	13	12
Expert	5	17	23	26	30	34	33	33	36	30
Assistant Expert	4	9	15	24	25	28	37	11	10	15
Workplace Doctor				1	1	1	1	1	1	1
Actuary Doctor										1
Senior Team Member										20
Senior Representative										10
Representative										22
Team Member	3	7	8	13	18	20	18	51	80	38
(Officer /Technician /Driver /PA/ GM Assistant)										
<b>Number of Employees in General Directorate</b>	<b>31</b>	<b>60</b>	<b>74</b>	<b>101</b>	<b>115</b>	<b>129</b>	<b>152</b>	<b>171</b>	<b>216</b>	<b>229</b>
Area Manager			4	4	6	6	7	15	15	13
Corporate Sales Executive				4	8	9	1			
Area Executive				4						
Area Sales Manager	11	12	13	15	12	10	15	11	15	18
Senior Area Sales Manager										6
Pension and Insurance Consultant	45	91	91	105	116	125	161	185	219	267
Senior Pension and Insurance Consultant							24	51	55	46
Senior Expert Pension and Insurance Consultant										20
Area Customer Services Assistant	7	11	13	15	8	7	10	11		
<b>Number of Employees in Staff at Areas</b>	<b>63</b>	<b>114</b>	<b>121</b>	<b>147</b>	<b>150</b>	<b>157</b>	<b>218</b>	<b>273</b>	<b>304</b>	<b>370</b>
Tele-Sales Manager									2	3
Tele Sales Director							1	1		
Tele Sales Team Leader							2	11	13	15
Senior Tele Sales Consultant									7	19
Tele Sales Consultant							43	150	146	129
Tele Sales Personnel	0	0	0	0	0	0	46	162	168	166
<b>Total Personnel</b>	<b>94</b>	<b>174</b>	<b>195</b>	<b>248</b>	<b>265</b>	<b>286</b>	<b>416</b>	<b>606</b>	<b>688</b>	<b>765</b>
									14%	11%

## Employee Profile and Training Activities

### Employee Profile

Information about company personnel as of 31 December 2016 are given below.

Within the scope of Human Resources activities in 2016, a growth of 11% has been achieved in line with the recruitments made for the Headquarters, Field Sales Consultants and Tele-Sales Consultants. Cigna Finans Emeklilik closed the year 2015 with 688 employees and in 2016, by recruiting 77, the Company closed the year with 765 employees. Implementation of Measurement and Evaluation center activities and Talent Management programs started in 2016 for Field Sales and Tele-Sales teams continued and our Tele-Sales and Pension Insurance Consultants that completed specific years of seniority and that demonstrate high performance were subjected to six-month technical tests in terms of their career management and the ones who pass these tests were assigned as Senior Consultants.

### Training Activities

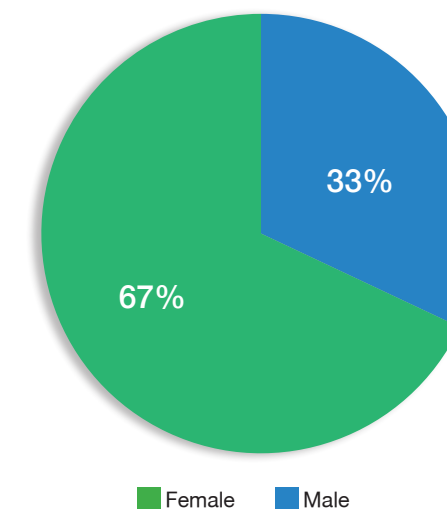
Being a company that values its employees, Cigna Finans continued its training and development efforts in 2016. The activities were reviewed regularly and comprehensively. Data provided by human resources were used to create the development plans and main sales roles which contribute to the Company strategy were reviewed in their efficiency cycles to continue feeding annual programs.

In this sense, "Bank Sales Channel Academies" designed for the development of the employees was reorganized in 2016 in line with the revised sales organization and introduced under the title "The Journey in Development".

"Tele-Sales Academy", the training cycle designed for sales activities, was also reorganized in 2016 and put into use in the last quarter. The programs make effective use of a number of training tools including games, reading materials, audio files, social platforms, in-class training, story boards to share experiences through remote education models and outdoor activities through long-term plans. In addition to Sales Academy programs granted with the

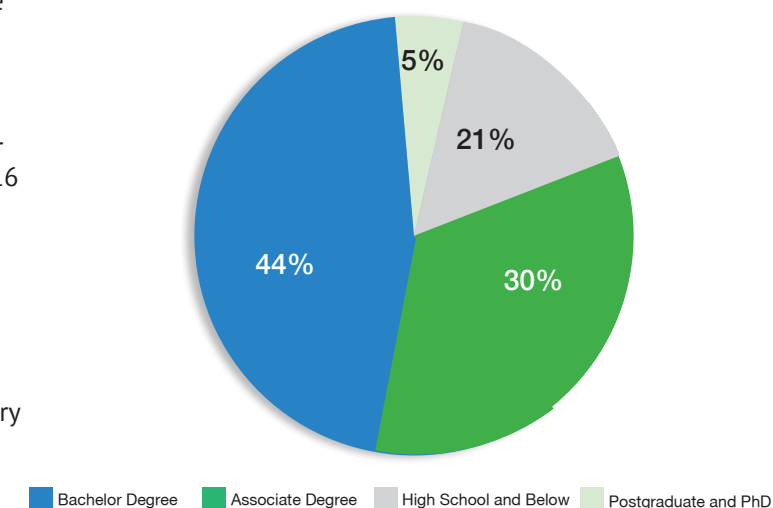
### Gender Distribution

Gender Analysis of all Employees



### Education

Education Levels of all Employees





Brandon Hall award, another accomplished training program of 2016 was the Expert Academy initiated in March 2016. The Development Academy designed to ensure a more comprehensive sharing and corporate information and encourage people to take a new career path is supported by in-house and external trainers. The program is ongoing and will continue for a year. Colleagues who successfully complete the program will be equipped with fresh knowledge on the insurance sector and take a new step in their career.

CignaFinans Academy, our e-learning platform launched in March 2014, has been the platform of sharing "internal communications, new product trainings and success stories" in the Company. The basic principle of CignaFinans Academy is to prevent monotony in the learning process and boost employee loyalty.

CIGNA FINANCE ACADEMY IN FIGURES	2014	2015	2016
Number of trainings in catalogue	44	69	455
Number of topics in social areas	26	22	19
Number of videos in portal	34	48	53
Total number of hours per person spent in trainings	18.87	17.84	14.19
Monthly average number of people that join Cigna Finans Academy	460	612	610
Rate of completion of trainings	71%	80%	83%

BES licensing trainings that were given since the date of establishment were organized in 2016 with e-learning and in-class training methods both for Finansbank employees and Pension and Insurance Consultants of the Company. 135 of 184 Finansbank and Cigna Finans employees who attended the test were granted with BES certificates.

Education Data	2010	2011	2012	2013	2014	2015	2016
Number of attendees	1,547.00	1,925.00	1,966.00	4,213.00	9,550.00	17,127.00	11,980.00
Training day per person	8.60	6.18	7.90	12.30	9.83	8.72	6.15
Time (man/hour)	14,818.00	12,113.00	16,239.00	31,709.00	33,863.00	39,588.00	30,829.9
Training expense per person	2,191	1,243	1,850	1,678	1,741	2,205	1,698

The Individual Development Program inclusive of technical and competence-based development programs designed for improvement of roles based on role-specific development roadmaps have met all expectations in 2016 and continued to help employees improve themselves. Starting from this requirement, "Actuary Academy" was organized in 2016 for the staff members of the Actuary Department. Leading trainers help our employees prepare for the actuary test certificate, an important certificate for the industry.

With the advantage of being a member of an international group, we also have conducted global trainings and "best practice" studies abroad for our employees. In this context, we have organized training programs abroad to prepare our employees to future roles and opportunities as part of their career development.

In 2016, four tests were organized within the scope of SEGEM certification for our sales personnel. 43 of 111 Pension and Insurance Consultants who took the test were qualified for certificate. For those who have failed, we have provided an opportunity to take the tests again.

#### Other Human Resources Practices

##### • Rotation:

The new period of rotation for the headquarters employees started in April and September. 19 employees applied for rotation. 10 of them were subject to rotation.

##### • I Learn at Noon:

To support the development of our employees, we started activities under the title "I Learn at Noon". Through this unique method of learning, the employees meet experts and learn from their experiences. The titles are Leadership Sessions, Breath Therapy and the Coffee Story. Three sessions were held in 2016.

##### • HR Supervisor Practice:

HR Supervisor Practice implemented for the Bank Sales Channel since 2014 was reorganized in January 2016 for the Headquarters divisions with the slogan "Stronger together". With this practice, Human Resources staff members are "business partners" of Headquarters units or sales teams in addition to their main functions in an effort to improve the communication between HR staff and other employees.

##### • Transparent Career:

"Transparent Career" Career Management System designed for the headquarters staff in 2014 and introduced in December in the same year was reorganized in 2015 and reintroduced to the employees for 2016 under the title "HR in Kitchen". With the "Transparent Career", the Company was granted with the "Silver" Award in "Best Advance in Succession and Career Management" category by Brandon Hall, a prestigious consultancy company providing consultancy services on education technologies for more than 10,000 companies around the world.

#### Activities to Improve the Efficiency of the Recruitment Process

We started an efficiency project to manage the processes with a focus on efficiency and quality in an effort to attract and keep talented employees. In this sense; the processes, resources and data management were improved quality of management with a lower cost. As a result of this approach, recruitment costs per person were reduced by 33% at bank sales channel and 12% at tele-sales channel as compared to 2015. The rate of purchase of consultancy services for

recruitment processes decreased to 56% from 70% at the tele-sales channel and to 27% from 60% at the bank channel. The rate of resources provided by the reference system increased from 10% to 35% at the tele-sales channel and from 30% to 34% at the bank channel.

The activities within the scope of the project are as follows:

- Candidate experience mapping to analyze the current recruitment process and detect the shortcomings
- Determining the ideal profile to spot the best candidates
- Introducing quality standards for the suppliers and performance measuring to ensure sustained quality
- Analyzes of the feedbacks by candidates (internal/external) and measuring the net recommendation score on a monthly basis through surveys
- Changing the texts for invitation to interview and telephone interview as well as the announcement visuals
- Using our own resources more, contacting the candidates directly, invitation and interview
- Announcing new campaigns to promote the internal reference program and planning an internal reference training

#### Employee Loyalty Survey and Employee Focus Group Activities

We have conducted the second Employee Loyalty Survey in cooperation with TNS Global Consultancy in October 2016 for the purpose of measuring employee loyalty and identifying their sensitivities and priorities. The rate of attendance to the survey reached 94% in 1 week. Results of the survey were shared with top management, group managers and employees hierarchically and a total of 300 people were contacted nationwide. This enabled us to listen to their demands so that we understand the challenging points of processes and create action plans for areas of improvement. Processes were subjected to improvement activities according to demands. These activities will continue in 2017 as well.

#### Diversity Efforts

Cigna Global has started country-wide "diversity" projects to support working of individuals with varying backgrounds in harmony. Within the frame of this project, each country focuses on its own needs and this project was also supported with the "I Am Not Handicapped" project. The purpose of this project is to better understand handicapped individuals,

overcome the challenges they face in business life and create awareness among the employees. In this sense, all procedures were revised with this in mind. The first step was taken for a short film where handicapped individuals will talk about themselves and their achievements to create awareness. Our efforts on creating awareness and handicapped individuals will continue in 2017.

#### **Growing Bank Channel Sales Staff**

Personnel from Branch Sales Channels, pension and insurance consultants now work with a new sales model since November 2015. In this sense, a Pension and Insurance Consultant will be responsible for each branch. The Pension and Insurance Consultant staff was increased from 269 to 345. The growth rate has been 21%.

#### **Legal procedures carried out with Parent Company if it is a company working under Group of Companies, with a Company working under Parent Company, on behalf of parent company or on behalf of an affiliate as guided by the Parent Company and all other measures taken or avoided in respect of a parent company or its affiliates in the previous activity year:**

In 2016, our Company did not carry out any transactions or made any decisions with a Parent Company, or with a Company operating under Parent Company, or on behalf of Parent Company, or on behalf of an Affiliate under guidance of the Parent Company, or did not take any measures in favor of the Parent Company or its affiliates, and the company did not suffer any losses because of this.

## **Vision, Mission and Strategic Objectives of the Company**

### **Our Vision**

To be a customer-oriented, insurance solution provider that has the competency to provide a secure and informed future to all.

### **Our Mission**

To inspire a commitment, customer, family in every moment and to improve people's lives.

### **Corporate Objectives and Strategies**

Cigna Finans Emeklilik's corporate objective is;

- To develop new and competitive products through our main distribution channel Finansbank and alternative distribution channels and to increase market share of our Company,
- To continue the thrust and satisfaction of our customers in us,
- To be a pension and life insurance company that sets a difference in the sector by regarding the image and profitability of the company.

# REMARKS ON FINANCIAL INFORMATION AND RISK MANAGEMENT

## REMARKS ON FINANCIAL INFORMATION AND RISK MANAGEMENT

### 2016 Ordinary General Assembly Agenda

#### Agenda

1. Agenda, opening and attendance check,
2. Forming the Chairman committee and authorizing Chairman Committee to sign the General Assembly minute,
3. Reading and discussing the Year 2016 Activity Report,
4. Reading and discussing the Board of Directors' Activity Report regarding activities in 2016,
5. Reading the report of Independent Audit Company,
6. Reading, discussing and certifying year 2016 balance sheet and profit/loss accounts,
7. Discussion of the acquittance of Board Members,
8. Discussion and approval of Board Membership of Mark Stamper,
9. Determining remuneration for members of Board of Directors,
10. Discussing and deciding whether profit will be distributed according to balance sheet of 2016,
11. Discussing the matter of appointing an Independent Audit Company for audit to be carried out in 2017,
12. Advising on donations made in 2016 and determining and discussing the amount of donations planned for 2017,
13. Giving permission to members of Board of Directors according to article 395 and 396 of TTC,
14. Requests and closing of the meeting.

## CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş. 2016 PROFIT DISTRIBUTION TABLE

	Footnote	Current Term (31/12/2016)
<b>I. DISTRIBUTION OF PROFIT OF THE PERIOD</b>		
1.1. PROFIT FOR THE PERIOD		32,028,261
1.2. TAXES AND GOVERNMENTAL LIABILITIES		(7,107,700)
1.2.1. Corporate Tax (Income Tax)		(7,107,700)
1.2.2. Income Tax deduction		-
1.2.3. Other Taxes and Governmental Liabilities		-
<b>A NET PROFIT FOR THE PERIOD (1.1 - 1.2)</b>		<b>24,920,561</b>
1.3. ACCUMULATED LOSS (-)		-
1.4. PRIMARY RESERVE		(1,246,028)
1.5. LEGAL FORCED-SAVING FUNDS THAT MUST BE LEFT IN THE COMPANY (-)		-
<b>B DISTRIBUTABLE NET PROFIT OF THE PERIOD [ (A - (1.3 + 1.4 + 1.5) ]</b>		<b>23,674,533</b>
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		(2,250,000)
1.6.1. To Share Owners		(2,250,000)
1.6.2. To Privileged Shareholders		-
1.6.3. To Dividend Share Owners		-
1.6.4. To Participation Bond Owners		-
1.6.5. 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. SECONDARY DIVIDEND TO SHAREHOLDERS (-)		(17,326,908)
1.10.1. To Share Owners		(17,326,908)
1.10.2. To Privileged Shareholders		-
1.10.3. To Dividend Share Owners		-
1.10.4. To Participation Bond Owners		-
1.10.5. To Profit and Loss Sharing Certificate Holders		-
1.11. SECONDARY RESERVE (-)		(1,732,691)
1.12. STATUTORY RESERVES (-)		-
1.13. EXTRAORDINARY RESERVES		-
1.14. OTHER RESERVES		-
1.15. SPECIAL FUNDS		-



<b>II. TRANSFERS FROM RESERVES</b>	-
2.1. RESERVES TRANSFERRED	-
2.2. SECONDARY RESERVES (-)	-
2.3. SHARES TO SHAREHOLDERS (-)	-
2.3.1. To Share Owners	-
2.3.2. To Privileged Shareholders	-
2.3.3. To Dividend Share Owners	-
2.3.4. To Participation Bond Owners	-
2.3.5. To Profit and Loss Sharing Certificate Holders	-
2.4. SHARES TO PERSONNEL (-)	-
2.5. SHARES TO BOARD OF DIRECTORS (-)	-
<b>III. PROFIT PER SHARE</b>	-
3.1. TO SHARE OWNERS	0.554
3.2. TO SHARE OWNERS ( % )	55.38%
3.3. TO PRIVILEGED SHARE OWNERS	-
3.4. TO PRIVILEGED SHARE OWNERS ( % )	-
<b>IV. DIVIDEND PER SHARE</b>	-
4.1. TO SHARE OWNERS	0.435
4.2. TO SHARE OWNERS ( % )	43.50%
4.3. TO PRIVILEGED SHARE OWNERS	-
4.4. TO PRIVILEGED SHARE OWNERS ( % )	-

### Information about Internal Control System of the Company and Internal Audit Activities and Opinion of the Management Organization about this

#### Information about Internal systems

#### Internal Audit Activities

The Company's internal audit activities are carried in line with the applicable legislation and the predefined company strategies and objectives. These activities give assurance to the Board of Directors about the efficiency and adequacy of internal control and risk management systems of the Company.

Internal Audit Unit directly reports to the Board of Directors in line with the provisions of «Regulation on Internal Systems of Insurance and Reinsurance and Pension Companies» published in the Official Gazette no. 26913 dated 21.06.2008. The activities are carried out within the scope of the annual audit plans drafted to cover all activities of the Company and include the opinions of senior management of the Company in light of periodic and risk based assessments.

Internal Audit Unit has fulfilled its responsibilities relevant to this issue in 2016 in an objective and independent manner. In 2016, Internal Audit Charter was revised and a resolution was made to establish an Audit Committee chaired by the Board Member Responsible for Internal Systems.

Decision on actions to be taken in line with the reports issued as a result of the audit activities were settled by approval of Board of Directors. Actions taken in line with the findings of the audit reports were regularly followed up

during the year.

Furthermore, special investigations and inquiries were conducted when deemed required. 2016 internal audit activities were carried out by a group manager and three internal auditors.

#### Risk Management and Internal Control Activities

Risk management and internal control activities are carried out by Risk Management and Internal Control Unit directly reporting to the General Manager, according to provisions of "Regulation on Insurance and Reinsurance and Pension Internal Systems of Companies" that is published on official Gazette no. 26913 dated 21.06.2008.

As of the end of 2016, Risk Management and Internal Control Unit responsible for executing risk management and internal control activities continues its works with one unit manager and one senior specialist.

#### Internal Control Activities

Internal control activities aims to protect the company assets, to ensure activities are carried out efficiently according to law and other relevant regulation, internal policies and rules and insurance practices, to ensure reliability, integrity of accounting and financial reporting system and accessibility of data on time.

Internal control activities are carried out by following up remote and on-site control activities and check points integrated to the system. Results of checks are shared with managers of relevant business units and senior management of the Company and it is ensured that necessary improvements are made.

As of 2016, the activities continued with the revised internal control structure. In order to ensure first level controls, monthly status reports were implemented through Self-Assessment Forms and check points developed based on the processes and responsibilities of business units. Results of data obtained from divisions were periodically shared with top management.

In addition, on-site control activities and division activities were assessed within the scope of Internal Systems Regulation in accordance with the annual plan and risks were determined. It was ensured to include action owners and action plans agreed upon with business units upon recommendations of Risk Management and Internal Control Unit in order to define root causes of problems and prevent reoccurrence thereof. Results of on-site control activities are reported to the managers of the relevant division and the General Manager.

On the other hand, control points integrated into the system helped us ensure follow up of rules to be observed with regards to the regulations. In addition to current controls, periodic activity reports started to come from units which directly affect cash flow as of 2016. The objective of the activity reports is to secure internal information flow.

#### **Risk Management Activities**

Risk management activities aims to define risks that may prevent accomplishing objectives of the Company, to evaluate, manage, report and control such risks. The Company's Risk Management System was improved in 2016. Risk management activities are carried out through quarterly Top Risk Assessment and monthly Reporting of Event that Caused the Operational Risk. In order to make sure the necessary improvements take place, Top Risk Assessment

Report is evaluated quarterly by the Risk Committee that consists of Risk Management and Internal Control Manager, Company Top Management and the Board Member in charge of Internal Systems.

Top Level Risk Assessment activities of the Company were conducted in a comprehensive manner, evaluated by the Risk Committees and events that caused operational risks were regularly reported.

Risk Management Policy of the Company, Risk Management Regulation and risk appetite analyses were completed and submitted to the approval of Board of Directors.

With the attendance of the Legislation Committee and Legislation Committee in addition to the Risk Committee, projects critical for the Company were evaluated, efforts on compliance with the legislation are followed up and risk evaluations are made to improve the control mechanism and develop proposals.

#### **Opinion of Board of Directors**

Activities of our company within the scope of internal systems are carried out according to Insurance Law no. 5684 dated 03.06.2007 and Individual Pension saving and Investment System Law no. 4632 dated 28.03.2001 and provisions of "Regulation on Internal systems of Insurance and Reinsurance and Pension Companies" published on Official gazette no. 26913 dated 21.06.2008.

# CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.

JANUARY 1 – DECEMBER 31, 2016  
ACCOUNTING PERIOD FINANCIAL TABLES AND  
INDEPENDENT AUDIT REPORT

**CONVENIENCE TRANSLATION OF THE INDEPENDENT  
AUDITOR'S REPORT OF CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.  
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016**

To the Board of Directors of  
Cigna Finans Emeklilik ve Hayat A.Ş.

**Convenience Translation of Statutory Financial Statements**

1. We have audited the accompanying balance sheet of Cigna Finans Emeklilik ve Hayat A.Ş. ("the Company") as of 31 December 2016 and the statement of income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulations related to the principles on auditing as set out in the insurance legislation. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal systems relevant to the Company'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 Company's internal systems. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

4. In our opinion, the accompanying financial statements give a true and fair view of the financial position of Cigna Finans Emeklilik ve Hayat A.Ş. as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the accounting principles and standards as set out in the insurance legislation.

*Other Responsibilities Arising From Regulatory Requirements*

5. In accordance with subparagraph 4 of Article 402 of the 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 for the period 1 January - 31 December 2016 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
6. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
  
Tutar Güç SMMM  
Sorumlu Denetçi  
İstanbul, 3 Mart 2017



**CONVENIENCE TRASLATION OF THE INDEPENDENT  
AUDTOR'S REPORT OF CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş  
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016**

We confirm that the accompanying financial statements and notes to these financial statements as of 31 December 2016 are prepared in accordance with the accounting principles and standards as set out in the insurance legislation and in conformity with the related regulations and the Company's accounting records.

Cigna Finans Emeklilik ve Hayat A.Ş.

İstanbul, 3 March 2017



**Gail Bernadette COSTA**

Member of the Board of  
Director, Deputy General  
Manager



**Kevin KEITH**

Financial Control and Reporting,  
Technical and Actuary  
Chief Financial Officer



**Ali Ekrem Haznedar**

Financial Control and  
Reporting  
Senior Vice President



**Ertan TAN**

Actuary  
License No: 21

**CONTENTS**

	<b>PAGE</b>
BALANCE SHEETS	52-60
STATEMENTS OF INCOME	61-64
STATEMENTS OF CASH FLOWS	65
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY	66
NOTES TO THE FINANCIAL STATEMENTS	68-120
APPENDIX I - STATEMENTS OF PROFIT DISTRIBUTION	121

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF**  
**THE BALANCE SHEETS AT 31 DECEMBER 2016 AND 2015**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

<b>ASSETS</b>			
<b>I- Current Assets</b>	<b>Note</b>	<b>Audited 31 December 2016</b>	<b>Audited 31 December 2015</b>
<b>A- Cash and Cash Equivalents</b>			
1- Cash		245,111,081	198,578,466
2- Cheques Received		-	-
3- Banks	2.12, 14	233,240,881	186,660,930
4- Cheques Given and Payment Orders (-)		-	-
5- Bank Guaranteed Credit Card Receivables with Maturities less than Three Months	2.12, 14	11,870,200	11,917,536
6- Other Cash and Cash Equivalents		-	-
<b>B- Financial Assets and Financial Investments at Insurees' Risk</b>			
1- Available-for-Sale Investments		-	-
2- Held to Maturity Investments		-	-
3- Trading Investments		-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Financial Assets at Insurees' Risk		-	-
7- Equity Shares		-	-
8- Provision for Impairment of Financial Assets (-)		-	-
<b>C- Receivables from Main Operations</b>			
1- Due from Insurance Operations	12.1	54,507,955	46,554,416
2- Provision for Due from Insurance Operations (-)		43,994,119	36,462,281
3- Due from Reinsurance Operations		-	-
4- Provision for Due from Reinsurance Operations (-)		-	-
5- Premium Deposits		-	-
6- Loans to Insurees		-	-
7- Provision for Loans to Insurees (-)		-	-
8- Due from Private Pension Operations	12.1	10,513,836	10,092,135
9- Doubtful Receivables from Main Operations	12.1	50,896	50,971
10- Provision for Doubtful Receivables from Main Operations (-)	12.1	(50,896)	(50,971)
<b>D- Due from Related Parties</b>			
1- Due from Shareholders		77,394	3,000
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint-Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		77,394	3,000
7- Rediscount on Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF**  
**THE BALANCE SHEETS AT 31 DECEMBER 2016 AND 2015**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

<b>ASSETS</b>			
<b>I- Current Assets</b>	<b>Note</b>	<b>Audited 31 December 2016</b>	<b>Audited 31 December 2015</b>
<b>E- Other Receivables</b>			
1- Leasing Receivables		-	535,935
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables	47.1	-	535,935
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
<b>F- Prepaid Expenses and Income Accruals</b>			
1- Deferred Acquisition Expenses		23,423,959	24,244,249
2- Accrued Interest and Rent Income		22,344,872	22,539,770
3- Income Accruals		-	-
4- Other Deferred Expenses	47.1	1,079,087	1,704,479
<b>G- Other Current Assets</b>			
1- Prepaid Office Supplies		-	-
2- Prepaid Taxes and Funds		-	-
3- Deferred Tax Assets		-	-
4- Job Advances		-	-
5- Advances Given to Personnel		-	-
6- Count Shortages		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
<b>I- Total Current Assets</b>		<b>323,120,389</b>	<b>269,916,066</b>

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF**  
**THE BALANCE SHEETS AT 31 DECEMBER 2016 AND 2015**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

<b>ASSETS</b>				
<b>II- Non-Current Assets</b>	<b>Note</b>	<b>Audited 31 December 2016</b>	<b>Audited 31 December 2015</b>	
<b>A- Receivables from Main Operations</b>		<b>667,067,636</b>	<b>570,704,866</b>	
1- Due from Insurance Operations		-	-	
2- Provision for Due from Insurance Operations (-)		-	-	
3- Due from Reinsurance Operations		-	-	
4- Provision for Due from Reinsurance Operations		-	-	
5- Premium Deposits		-	-	
6- Loans to Insurees		-	-	
7- Provision for Loans to Insurees (-)		-	-	
8- Due from Private Pension Operations	12.1, 17.5	667,067,636	570,704,866	
9- Doubtful Receivables from Main Operations		-	-	
10- Provision for Doubtful Receivables from Main Operations (-)		-	-	
<b>B- Due from Related Parties</b>		<b>-</b>	<b>-</b>	
1- Due from Shareholders		-	-	
2- Due from Associates		-	-	
3- Due from Subsidiaries		-	-	
4- Due from Joint-Ventures		-	-	
5- Due from Personnel		-	-	
6- Due from Other Related Parties		-	-	
7- Rediscount on Due from Related Parties (-)		-	-	
8- Doubtful Receivables from Related Parties		-	-	
9- Provision for Doubtful Receivables from Related Parties (-)		-	-	
<b>C- Other Receivables</b>		<b>15,347</b>	<b>18,626</b>	
1- Leasing Receivables		-	-	
2- Unearned Leasing Interest Income (-)		-	-	
3- Deposits and Guarantees Given		15,347	18,626	
4- Other Receivables		-	-	
5- Rediscount on Other Receivables (-)		-	-	
6- Other Doubtful Receivables		-	-	
7- Provision for Other Doubtful Receivables (-)		-	-	
<b>D- Financial Assets</b>		<b>362,019</b>	<b>362,019</b>	
1- Investment Securities	45.2	362,019	362,019	
2- Associates		-	-	
3- Capital Commitments to Associates (-)		-	-	
4- Subsidiaries		-	-	
5- Capital Commitments to Subsidiaries (-)		-	-	
6- Joint-Ventures		-	-	
7- Capital Commitments to Joint-Ventures (-)		-	-	
8- Financial Assets and Financial Investments at Insurees' Risk		-	-	
9- Other Financial Assets		-	-	
10- Provision for impairment of financial assets (-)		-	-	

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF**  
**THE BALANCE SHEETS AT 31 DECEMBER 2016 AND 2015**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

<b>ASSETS</b>				
<b>II- Non-Current Assets</b>	<b>Note</b>	<b>Audited 31 December 2016</b>	<b>Audited 31 December 2015</b>	
<b>E- Tangible Assets</b>	<b>6</b>	<b>6,104,715</b>	<b>7,663,430</b>	
1- Investment Properties		-	-	
2- Provision for Diminution in Value of Investment Property (-)		-	-	
3- Property for Operational Use		-	-	
4- Machinery and Equipment		-	-	
5- Furniture and Fixtures	6	6,341,006	5,888,286	
6- Motor Vehicles		-	-	
7- Other Tangible Assets (incl. Leasehold Improvements)	6	5,674,974	5,962,847	
8- Leased Assets		-	-	
9- Accumulated Depreciation (-)	6	(5,911,265)	(4,187,703)	
10- Advances Given for Tangible Assets (Including Ongoing Investments)		-	-	
<b>F- Intangible Assets</b>	<b>8</b>	<b>8,912,169</b>	<b>7,116,319</b>	
1- Rights	8	23,712,035	17,361,658	
2- Goodwill		-	-	
3- Establishment Costs		-	-	
4- Research and Development Expenses		-	-	
5- Other Intangible Assets		-	-	
6- Accumulated Amortization (-)	8	(14,799,866)	(10,245,339)	
7- Advances Given for Intangible Assets		-	-	
<b>G- Prepaid Expenses and Income Accruals</b>		<b>-</b>	<b>2,693</b>	
1- Deferred Acquisition Expenses		-	-	
2- Income Accruals		-	-	
3- Other Deferred Expenses		-	2,693	
<b>H- Other Non-Current Assets</b>		<b>3,508,699</b>	<b>2,715,783</b>	
1- Effective Foreign Currency Accounts		-	-	
2- Foreign Currency Accounts		-	-	
3- Prepaid Office Supplies		-	-	
4- Prepaid Taxes and Funds		-	-	
5- Deferred Tax Assets	21, 35	3,508,699	2,715,783	
6- Other Non-Current Assets		-	-	
7- Other Non-Current Assets Depreciation (-)		-	-	
8- Provision for Other Non-Current Assets		-	-	
<b>II- Total Non-Current Assets</b>		<b>685,970,585</b>	<b>588,583,736</b>	
<b>Total Assets (I+II)</b>		<b>1,009,090,974</b>	<b>858,499,802</b>	



**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF**  
**THE BALANCE SHEETS AT 31 DECEMBER 2016 AND 2015**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**LIABILITIES**

	Note	Audited 31 December 2016	Audited 31 December 2015
<b>III- Current Liabilities</b>			
<b>A- Financial Liabilities</b>		-	-
1- Due to Credit Institutions		-	-
2- Due to Financial Leasing Institutions		-	-
3- Deferred Leasing Costs (-)		-	-
4- Principal Instalments and interest of Long Term Borrowings		-	-
5- Other Issued Debt Securities		-	-
6- Other Issued Debt Securities		-	-
7- Value Differences of Other Issued Debt Securities (-)		-	-
8- Other Financial Payables (Liabilities)		-	-
<b>B- Payables from Main Operations</b>		<b>31,797,514</b>	<b>28,282,439</b>
1- Payables from Insurance Operations	19	14,665,886	12,895,615
2- Payables from Reinsurance Operations		-	-
3- Premium Deposits		-	-
4- Payables from Private Pension Operations	19	17,131,628	15,386,824
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
<b>C- Due to Related Parties</b>		<b>968,459</b>	<b>421,315</b>
1- Due to Shareholders	19	-	32,949
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel	19	153,486	103,850
6- Due to Other Related Parties	19	814,973	284,516
<b>D- Other Payables</b>		<b>2,024,469</b>	<b>2,250,010</b>
1- Deposits and Guarantees Received		-	-
2- Payables to SSI regarding Medical Expenses		-	-
3- Other Payables	19, 47.1	2,034,181	2,259,654
4- Rediscount on Other Payables (-)	19, 47.1	(9,712)	(9,644)

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF**  
**THE BALANCE SHEETS AT 31 DECEMBER 2016 AND 2015**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**LIABILITIES**

	Note	Audited 31 December 2016	Audited 31 December 2015
<b>III- Current Liabilities</b>			
<b>E-Insurance Technical Provisions</b>		<b>110,058,169</b>	<b>95,348,105</b>
1- Unearned Premium Reserve - Net	17.15	65,905,929	64,637,272
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserve - Net	17.15	6,617,783	3,520,687
4- Outstanding Claims Provision - Net	17.15	37,217,030	27,190,146
5- Bonus and Rebate Provision - Net	17.15	317,427	-
6- Other Technical Reserves - Net		-	-
<b>F- Taxes, and Other Liabilities and, Provision</b>		<b>3,420,694</b>	<b>2,848,519</b>
1- Taxes and Funds Payable		1,165,956	1,143,599
2- Social Security Withholdings Payable		968,964	889,294
3- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
4- Other Taxes and Fiscal Liabilities		-	-
5- Corporate Tax Provision and Other Fiscal Liabilities	35	7,107,700	3,809,094
6- Prepaid Corporate Tax and Other Fiscal Liabilities (-)	35	(5,821,926)	(2,993,468)
7- Other Taxes and Fiscal Liabilities Provision		-	-
<b>G- Provisions for Other Risks</b>		<b>-</b>	<b>-</b>
1- Provision for Employment Termination Benefits		-	-
2- Provision for Social Aid Fund Asset Shortage		-	-
3- Provision for Expense Accruals		-	-
<b>H- Deferred Income and Expense Accruals</b>		<b>1,788,541</b>	<b>1,081,464</b>
1- Deferred Commission Income	10, 19	964,782	583,872
2- Deferred Expenses	19	823,759	497,592
3- Other Deferred Income		-	-
<b>I- Other Current Liabilities</b>		<b>6,308,468</b>	<b>3,767,593</b>
1- Deferred Tax Liabilities		-	-
2- Count Overages		-	-
3- Other Current Liabilities	23	6,308,468	3,767,593
<b>III - Total Current Liabilities</b>		<b>156,366,314</b>	<b>133,999,445</b>

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF**  
**THE BALANCE SHEETS AT 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**LIABILITIES**

	Note	Audited 31 December 2016	Audited 31 December 2015
<b>IV- Non-Current Liabilities</b>			
<b>A- Financial Liabilities</b>		-	-
1- Due to Credit Institutions		-	-
2- Leasing Payables		-	-
3- Deferred Leasing Costs (-)		-	-
4- Issued Debt Securities		-	-
5- Other Issued Debt Securities		-	-
6- Value Differences of Other Issued Debt Securities (-)		-	-
7- Other Financial Payables (Liabilities)		-	-
<b>B- Payables from Main Operations</b>		<b>667,067,636</b>	<b>570,704,866</b>
1- Payables from Insurance Operations		-	-
2- Payables from Reinsurance Operations		-	-
3- Premium Deposits		-	-
4- Payables from Private Pension Operations	17.5, 19	667,067,636	570,704,866
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
<b>C- Due to Related Parties</b>		-	-
1- Due to Shareholders		-	-
2- Due to Subsidiaries		-	-
3- Due to Equity Investments		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
<b>D- Other Payables</b>		-	-
1- Deposits and Guarantees Received		-	-
2- Payables to SSI regarding Medical Expenses		-	-
3- Other Payables		-	-
4- Rediscount on Other Payables		-	-

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF**  
**THE BALANCE SHEETS AT 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**LIABILITIES**

	Note	Audited 31 December 2016	Audited 31 December 2015
<b>IV- Non-Current Liabilities</b>			
<b>E- Insurance Technical Provisions</b>		<b>98,517,631</b>	<b>81,906,309</b>
1- Unearned Premium Reserve - Net		-	-
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserve - Net	17.15	86,130,257	72,174,128
4- Outstanding Claims Provision - Net		-	-
5- Bonus and Rebate Provision - Net		-	-
6- Other Technical Reserves - Net	17.15, 47.1	12,387,374	9,732,181
<b>F- Other Liabilities and Provisions</b>		-	-
1- Other Payables		-	-
2- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
3- Other Taxes and Fiscal Liabilities Provision		-	-
<b>G- Provisions for Other Risks</b>		<b>2,283,844</b>	<b>1,951,992</b>
1- Provision for Employment Termination Benefits	22	2,283,844	1,951,992
2- Provision for Social Aid Fund Asset Shortage		-	-
<b>H- Deferred Income and Expense Accruals</b>		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
<b>I- Other Non-Current Liabilities</b>		-	-
1- Deferred Tax Liabilities		-	-
2- Other Various Non-Current Liabilities		-	-
<b>IV- Total Non-Current Liabilities</b>		<b>767,869,111</b>	<b>654,563,167</b>

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF**  
**THE BALANCE SHEETS AT 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

SHAREHOLDERS' EQUITY			
	Note	Audited 31 December 2016	Audited 31 December 2015
<b>V- Shareholders' Equity</b>			
<b>A- Share Capital</b>		<b>45,000,000</b>	<b>45,000,000</b>
1- (Nominal) Capital	2.13, 15	45,000,000	45,000,000
2- Unpaid Capital (-)		-	-
3- Adjustments to Share Capital		-	-
4- Adjustments to Share Capital (-)		-	-
5- Capital to be registered		-	-
<b>B- Capital Reserves</b>		<b>-</b>	<b>-</b>
1- Share Premiums		-	-
2- Profit of Cancelled Shares		-	-
3- Sales Profit Addition to the Capital		-	-
4- Foreign Currency Translation Differences		-	-
5- Other Capital Reserves		-	-
<b>C- Profit Reserves</b>		<b>12,301,560</b>	<b>10,566,223</b>
1- Legal Reserves	15	12,718,151	11,202,422
2- Statutory Reserves		-	-
3- Extraordinary Reserves	15	110,519	110,519
4- Special Funds (Reserves)		-	-
5- Valuation of Financial Assets		-	-
6- Other Profit Reserves	15	(527,110)	(746,718)
<b>D- Retained Earnings</b>		<b>2,633,428</b>	<b>-</b>
1- Retained Earnings	15	2,633,428	-
<b>E- Accumulated Deficit (-)</b>		<b>-</b>	<b>-</b>
1- Accumulated Deficit		-	-
<b>F- Net Profit for the Period</b>		<b>24,920,561</b>	<b>14,370,967</b>
1- Net Profit for the Period		24,920,561	14,370,967
2- Net Loss for the Period (-)		-	-
<b>Total Shareholders' Equity</b>		<b>84,855,549</b>	<b>69,937,190</b>
<b>Total Liabilities and Shareholders' Equity (III+IV+V)</b>		<b>1,009,090,974</b>	<b>858,499,802</b>

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME**  
**FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

I- TECHNICAL DIVISION			
	Note	Audited 01.01.2016-31.12.2016	Audited 01.01.2015-31.12.2015
<b>A- Non-Life Technical Income</b>			
		<b>32,745,610</b>	<b>31,493,314</b>
1- Earned Premiums - (Net of Reinsurers' Share)		32,347,997	31,340,187
1.1- Written Premiums - (Net of Reinsurers' Share)	2.21, 24	27,308,249	35,601,191
1.1.1- Gross Written Premium (+)	24	27,996,878	36,516,902
1.1.2- Reinsurers' Share of Gross Written Premium (-)	10, 24	(688,629)	(915,711)
1.1.3- Premiums Ceded to SSI		-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	17.15	5,039,748	(4,261,004)
1.2.1- Unearned Premiums Reserve (-)	17.15	5,314,948	(4,778,642)
1.2.2- Reinsurers' Share of Unearned Premiums Reserve (+)	10, 17.15	(275,200)	517,638
1.2.3- SSI's Share of Unearned Premiums Reserve (+/-)		-	-
1.3- Change in Unexpired Risks Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		-	-
1.3.1- Unexpired Risks Reserve (-)		-	-
1.3.2- Reinsurers' Share of Unexpired Risks Reserve (+)		-	-
2- Investment Income Transferred from Non-Technical Part		397,613	153,127
3- Other Technical Income - (Net of Reinsurers' Share)		-	-
3.1- Other Gross Technical Income (+)		-	-
3.2- Reinsurers' Share of Other Gross Technical Income (-)		-	-
4- Claim Recovery and Salvage Income Accruals (+)		-	-
<b>B- Non-Life Technical Expense (-)</b>		<b>(15,636,780)</b>	<b>(18,701,168)</b>
1- Incurred Claims - (Net of Reinsurers' Share)		828,345	(2,437,012)
1.1- Paid Claims - (Net of Reinsurers' Share)		(1,252,183)	(1,167,176)
1.1.1- Gross Paid Claims (-)		(1,252,183)	(1,171,470)
1.1.2- Reinsurers' Share of Gross Paid Claims (+)	10	-	4,294
1.2- Change in Outstanding Claims (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	17.15	2,080,528	(1,269,836)
1.2.1- Outstanding Claims Provision (-)	17.15	2,108,663	(1,339,575)
1.2.2- Reinsurers' Share of Outstanding Claims Provision (+)	10, 17.15	(28,135)	69,739
2- Change in Bonus and Rebate Provision (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		-	-
2.1- Bonus and Rebate Provision (-)		-	-
2.2- Reinsurers' Share of Bonus and Rebate Provision (+)		-	-
3- Change in Other Technical Reserves (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	17.15	(95,347)	(101,781)
4- Operating Expenses (-)	31, 32	(16,163,679)	(14,745,811)
5- Change in Mathematical Reserves (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	17.15	(206,099)	(1,416,564)
5.1- Mathematical Reserves (-)	17.15	(206,099)	(1,416,564)
5.2- Net of Reinsurer's Share and Reserves Carried Forward (+)		-	-



**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME**  
**FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

I- TECHNICAL DIVISION	Note	Audited 01.01.2016-31.12.2016	Audited 01.01.2015-31.12.2015
6- Other Technical Expenses (-)		-	-
6.1- Gross Other Technical Expenses (-)		-	-
6.2- Reinsurer's Share of Other Gross Technical Expenses (+)		-	-
<b>C- Net Technical Income- Non-Life (A - B)</b>		<b>17,108,830</b>	<b>12,792,146</b>
<b>D- Life Technical Income</b>		<b>256,115,336</b>	<b>202,329,571</b>
1- Earned Premiums - (Net of Reinsurers' Share)		256,115,336	202,329,571
1.1- Written Premiums - (Net of Reinsurers' Share)	2.21, 24	262,423,741	209,412,112
1.1.1- Gross Written Premiums (+)	24	273,820,543	217,627,684
1.1.2- Premiums Ceded to Reinsurers (-)	10, 24	(11,396,802)	(8,215,572)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers' Share and Returned Reserve) (+/-)	17.15	(6,308,405)	(7,082,541)
1.2.1- Unearned Premiums Reserve (-)	17.15	(8,226,655)	(7,912,543)
1.2.2- Reinsurers' Share of Unearned Premiums Reserve (+)	10, 17.15	1,918,250	830,002
1.3- Change in Unexpired Risks Reserve (Net of Reinsurers' Share and Returned Reserve) (+/-)		-	-
1.3.1- Unexpired Risks Reserve (-)		-	-
1.3.2- Reinsurers' Share of Unexpired Risks Reserve (+)		-	-
2- Life Investment Income		-	-
3- Unrealized Investment Income		-	-
4- Other Technical Income - (Net of Reinsurers' Share)		-	-
<b>E- Life Technical Expense</b>		<b>(254,408,821)</b>	<b>(197,393,865)</b>
1- Incurred Claims - (Net of Reinsurers' Share)		(66,741,315)	(45,013,551)
1.1- Paid Claims (Net of Reinsurers' Share)		(54,633,903)	(38,729,769)
1.1.1- Gross Paid Claims (-)		(60,733,990)	(41,647,543)
1.1.2- Reinsurers' Share of Gross Paid Claims (+)	10	6,100,087	2,917,774
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurers' Share and Returned Reserve) (+/-)	17.15	(12,107,412)	(6,283,782)
1.2.1- Outstanding Claims Provision (-)	17.15	(14,946,547)	(6,522,280)
1.2.2- Reinsurers' Share of Outstanding Claim Provisions (+)	10, 17.15	2,839,135	238,498
2- Change in Bonus and Rebate Provision (Net of Reinsurers' Share and Returned Reserve) (+/-)	17.15	(317,427)	-
2.1- Bonus and Rebate Provision (-)	17.15	(317,427)	-
2.2- Reinsurers' Share of Bonus and Rebate Provision (+)		-	-

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME**  
**FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

I- TECHNICAL DIVISION	Note	Audited 01.01.2016-31.12.2016	Audited 01.01.2015-31.12.2015
3- Change in Mathematical Reserves (Net of Reinsurers' Share and Returned Reserve) (+/-)	17.15	(16,847,126)	(10,573,197)
3.1- Mathematical Reserves (-)	17.15	(16,847,126)	(10,573,197)
3.1.1- Actuarial Mathematical Reserves (+/-)	17.15	(16,847,126)	(10,573,197)
3.1.2- Profit Share Reserve (For Permanent Life Insurance Policies)		-	-
3.2- Reinsurers' Share of Mathematical Reserves (+)		-	-
3.2.1- Reinsurer's Share of Actuarial Mathematical Reserves (+)		-	-
3.2.2- Reinsurer's Share of Profit Share Reserve (for Permanent Life Insurance Policies) (+)		-	-
4- Change in Other Technical Reserves (Net of Reinsurers' Share and Returned Reserve) (+/-)	17.15	(2,559,846)	(2,006,093)
5- Operating Expenses (-)	31, 32	(167,943,107)	(139,801,024)
6- Investment Expenses (-)		-	-
7- Unrealized Investment Expense (-)		-	-
8- Investment Income Transferred to Non-Life Technical Part (-)		-	-
<b>F- Net Technical Income - Life (D -E)</b>		<b>1,706,515</b>	<b>4,935,706</b>
<b>G- Pension Funds Technical Income</b>		<b>16,444,299</b>	<b>14,603,920</b>
1- Fund Management Income	25	7,863,152	6,698,421
2- Management Expense Charge	25	2,616,049	2,495,217
3- Entrance Fee Income	2.14, 25	5,965,098	5,410,282
4- Management Expense Charge in case of Suspension		-	-
5- Special Service Expense Charge		-	-
6- Capital Allowance Value Increase Income		-	-
7- Other Technical Income		-	-
<b>H- Pension Funds Technical Expense</b>		<b>(15,979,845)</b>	<b>(21,753,537)</b>
1- Fund Management Expense (-)		(1,572,630)	(1,339,684)
2- Capital Allowance Value Decrease Expense (-)		-	-
3- Operating Expenses (-)	31, 32	(14,216,128)	(20,180,111)
4- Other Technical Expenses (-)		(131,105)	(221,712)
5- Fine Payment		(59,982)	(12,030)
<b>I- Net Technical Income - Pension Funds (G - H)</b>		<b>464,454</b>	<b>(7,149,617)</b>

**ÇİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME**  
**FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

II- NON TECHNICAL DIVISION	Note	Audited 01.01.2016-31.12.2016	Audited 01.01.2015-31.12.2015
C- Net Technical Income-Non-Life (A-B)		17,108,830	12,792,146
F- Net Technical Income-Life (D-E)		1,706,515	4,935,706
I - Net Technical Income – Pension Funds (G-H)		464,454	(7,149,617)
J- Total Net Technical Income (C+F+I)		19,279,799	10,578,235
K- Investment Income		24,725,417	23,543,840
1- Income from Financial Investments	26	24,521,184	17,979,560
2- Income from Liquidation of Financial Investments	26	-	106,053
3- Valuation of Financial Investments	26	-	5,398,266
4- Foreign Exchange Gains	36	204,233	59,961
5- Income from Associates		-	-
6- Income from Subsidiaries and Joint-Ventures		-	-
7- Income from Land and Buildings		-	-
8- Income from Derivatives		-	-
9- Other Investments		-	-
10- Investment Income Transferred from Life Technical Part		-	-
L- Investment Expense (-)		(7,718,771)	(13,383,150)
1- Investment Management Expenses (Interest incl.) (-)		(275,356)	(242,501)
2- Diminution in Value of Investments (-)	26	-	(7,884,173)
3- Loss from Realization of Financial Investments (-)	26	-	(161,807)
4- Investment Income Transferred to Non-Life Technical Part (-)		(397,613)	(153,127)
5- Loss from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	36	(438,058)	(131,491)
7- Depreciation Expenses (-)	6,8.31.32	(6,607,744)	(4,810,051)
8- Other Investment Expenses (-)		-	-
M- Income and Expenses from Other Operations and Extraordinary Operations (+/-)		(4,258,184)	(2,558,864)
1- Provisions (+/-)	47.5	(5,453,546)	(2,844,680)
2- Rediscounts (+/-)	47.5	(63,585)	(67,572)
3- Special Insurance Account (+/-)		-	-
4- Inflation Adjustment (+/-)		-	-
5- Deferred Tax Assets (+/-)	21, 35	847,818	136,810
6- Deferred Tax Liabilities Expenses (-)		-	-
7- Other Income		479,489	421,382
8- Other Expenses		(68,360)	(204,804)
9- Prior Year's Income		-	-
10- Prior Year's Expenses (-)		-	-
N- Net Profit/ (Loss) for the Period	37	24,920,561	14,370,967
1- Profit/ (Loss) for the Period		32,028,261	18,180,061
2- Corporate Tax Provision and Other Fiscal Liabilities (-)	35	(7,107,700)	(3,809,094)
3- Net Profit/ (Loss) for the Period	37	24,920,561	14,370,967
4- Inflation Adjustment		-	-

**ÇİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE STATEMENTS OF CASH FLOWS**  
**FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Note	Audited 01.01.2016-31.12.2016	Audited 01.01.2015-31.12.2015
<b>A. CASH GENERATED FROM MAIN OPERATIONS</b>			
1. Cash inflows from insurance operations		291,199,815	235,148,138
2. Cash inflows from reinsurance operations		-	-
3. Cash inflows from pension funds operations		18,311,913	15,540,833
4. Cash outflows from insurance operations (-)		(245,857,205)	(192,265,384)
5. Cash outflows from reinsurance operations (-)		-	-
6. Cash outflows from pension funds operations (-)		(16,392,403)	(21,832,552)
<b>7. Net cash from main operations (A1+A2+A3-A4-A5-A6)</b>		<b>47,262,120</b>	<b>36,591,035</b>
8. Interest payments (-)		-	-
9. Income tax payments (-)		(4,576,091)	(2,569,552)
10. Other cash inflows		11,727,042	3,777,046
11. Other cash outflows (-)		(14,434,513)	(7,124,641)
<b>12. Net cash used in main operations</b>		<b>39,978,558</b>	<b>30,673,888</b>
<b>B. CASH FLOWS FROM INVESTING OPERATIONS</b>			
1. Sales of tangible assets		6,356	17,620
2. Acquisition of tangible assets acquisition (-)	6, 8	(6,913,239)	(14,458,456)
3. Acquisition of financial assets (-)		-	-
4. Sales of financial assets		-	37,815,279
5. Interest received		21,654,538	19,672,917
6. Dividends received		-	-
7. Other cash inflows		-	-
8. Other cash outflow (-)		(18,579,199)	(21,012,828)
<b>9. Net cash from investing activities</b>		<b>(3,831,544)</b>	<b>22,034,532</b>
<b>C. CASH FLOWS FROM FINANCING OPERATIONS</b>		<b>(10,221,810)</b>	<b>(23,692,009)</b>
1. Issue of shares		-	-
2. Cash flows from the borrowings		-	-
3. Leasing payments (-)		-	-
4. Dividends paid (-)	38	(10,221,810)	(23,692,009)
5. Other cash inflows		-	-
6. Other cash outflows (-)		-	-
<b>7. Net cash from financing activities</b>	<b>38</b>	<b>(10,221,810)</b>	<b>(23,692,009)</b>
<b>D. EFFECT OF EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>	<b>36</b>	<b>(233,825)</b>	<b>(71,530)</b>
<b>E. Net increase in cash and cash equivalents (A12+B9+C7+D)</b>		<b>25,691,379</b>	<b>28,944,881</b>
<b>F. Cash and cash equivalents at the beginning of the period</b>	<b>2.12</b>	<b>106,733,246</b>	<b>77,788,365</b>
<b>G. Cash and cash equivalents at the end of the period (E+F)</b>	<b>2.12</b>	<b>132,424,625</b>	<b>106,733,246</b>

**ÇİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2016 AND 2015**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

PRIOR PERIOD	Note	Capital	Company's Own Securities (-)	Valuation Increase/ (Decrease) in Assets	Inflation Adjustment to the Share Capital	Foreign Currency Translation Differences	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit / (Loss) for the Period	Accumulated Profit / (Loss)	Total
I - Balances at the prior Period end (31.12.2014)		45,000,000	-	-	-	-	7,698,421	-	(582,459)	27,196,010	-	79,311,972
II - Changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-
III - New Balance (I + II) (01.01.2015)		-	-	-	-	-	-	-	-	-	-	-
A- Capital increase (A1 + A2)		-	-	-	-	-	-	-	-	-	-	-
1- Cash		-	-	-	-	-	-	-	-	-	-	-
2- From internal resources		-	-	-	-	-	-	-	-	-	-	-
B- Own Shares of the Company		-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not included in the income statement		-	-	-	-	-	-	-	-	-	-	-
D- Value decrease in the assets		-	-	-	-	-	-	-	-	-	-	-
E- Foreign currency translation differences		-	-	-	-	-	-	-	-	-	-	-
F- Other income and losses		-	-	-	-	-	-	-	(53,740)	-	-	(53,740)
G- Inflation adjustments		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period (loss)	37	-	-	-	-	-	-	-	-	14,370,967	-	14,370,967
I- Dividends Paid	38	-	-	-	-	-	-	-	-	(23,692,009)	-	(23,692,009)
J- Transfers		-	-	-	-	-	3,504,001	-	-	(3,504,001)	-	-
IV- Balances at the Year End (31.12.2015)		45,000,000	-	-	-	-	11,202,422	-	(636,199)	14,370,967	-	69,937,190
(III+ A+B+C+D+E+F+G+H+I+J)		45,000,000	-	-	-	-	11,202,422	-	(636,199)	14,370,967	-	69,937,190
<b>CURRENT PERIOD</b>												
I - Balances at the prior Period end (31.12.2015)		45,000,000	-	-	-	-	11,202,422	-	(636,199)	14,370,967	-	69,937,190
II - Changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-
III - New Balance (I + II) (01.01.2016)		-	-	-	-	-	-	-	-	-	-	-
A- Capital increase (A1 + A2)		-	-	-	-	-	-	-	-	-	-	-
1- Cash		-	-	-	-	-	-	-	-	-	-	-
2- From internal resources		-	-	-	-	-	-	-	-	-	-	-
B- Own Shares of the Company		-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not included in the income statement		-	-	-	-	-	-	-	-	-	-	-
D- Value increase in the assets		-	-	-	-	-	-	-	-	-	-	-
E- Foreign currency translation differences		-	-	-	-	-	-	-	-	-	-	-
F- Other income and losses		-	-	-	-	-	-	-	219,608	-	-	219,608
G- Inflation adjustments		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period (loss)	37	-	-	-	-	-	-	-	-	24,920,561	-	24,920,561
I- Dividends Paid	38	-	-	-	-	-	-	-	-	(10,221,810)	-	(10,221,810)
J- Transfers		-	-	-	-	-	1,515,729	-	-	(4,149,157)	2,633,428	-
IV- Balances at the Year End (31.12.2016)		45,000,000	-	-	-	-	12,718,151	-	(416,591)	24,920,561	2,633,428	84,855,549
(III+ A+B+C+D+E+F+G+H+I+J)		45,000,000	-	-	-	-	12,718,151	-	(416,591)	24,920,561	2,633,428	84,855,549



**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**1. General Information**

- 1.1 Name of the parent Company:** The Company was established on 4 July 2007 named as Finans Emeklilik ve Hayat A.Ş. as 100% subsidiary of Finansbank A.Ş. On 12 July 2012 share purchase agreement was signed between Finansbank A.Ş. and Cigna Nederland Gamma B.V. In accordance with that agreement, Cigna Nederland Gamma B.V. purchased 22,950,000 share, which is 51% of the total 44,999,995 share of Finansbank A.Ş. and share rate of Finansbank A.Ş. is decreased to 49%. As a result of the change in partnership structure, amendment agreement was approved by Ministry of Customs and Trade on 2 November 2012, amendment agreement was discussed in extraordinary general meeting on 9 November 2012 and share transfer was registered in Commercial Trade Gazette on 20 November 2012. The legal name of the company was changed as "Cigna Finans Emeklilik ve Hayat Anonim Şirketi" in extraordinary general meeting on 31 May 2013 and registered in Commercial Trade Gazette on 10 June 2013. On 22 December 2015, according to the announcement of the Finansbank to the Public Disclosure Platform, share purchase agreement between National Bank of Greece ("NBG") and Qatar National Bank ("QNB") was declared. In accordance with this agreement NBG sell its 99.81% share in Finansbank A.Ş. to QNB for 2,750 Million Euro. In accordance with notification of Finansbank to Public Disclosure Platform ("PDP") as of May 4, 2016, permission of the Competition Council, regarding to transfer of companies that are directly controlled by Finansbank A.Ş. and directly controlled by subsidiaries under Finansbank A.Ş. to QNB, is reported. The share transfer transaction occurred on June 15, 2016. As a result of the share transfer, legal title of Finansbank A.Ş. is changed into QNB Finansbank A.Ş. ("Finansbank").
- 1.2 Legal residence of the Company, its legal structure, the country of incorporation and the address of its registered office:** Cigna Finans Emeklilik ve Hayat A.Ş. operates at the address of, Barbaros Mah. Kardelen Sok. Palladium Tower, No: 2 Kat: 27-29, 34746, Ataşehir- İstanbul. It is a corporation established in accordance with the Turkish Commercial Code ("TCC"). The Company carries out its operations in accordance with the principals set out on the Insurance Law No: 5684, Law No: 6327, which is valid as of 1 January 2013, and Individual Pension, Saving and Investment System Law No: 4632. Company changed location of its headquarter in accordance with the Board of directors meeting numbered 344 and dated 26 September 2015 and registered location change in Commercial Trade Gazette numbered 8858 and dated 8 July 2015. Operating address of the company before 29 June 2015 was Sahrayıcedit Mah. Halk Sok. No: 48 34734 Kozyatağı, Kadıköy, İstanbul.
- 1.3 The Company's main operations:** The company operates in individual pension, life insurance, marriage/maternity insurance, capital redemption insurance, accident insurance and in accordance with those activities company establishes private pension funds, forms internal regulations related to private pension funds and covenants pension contracts, annuity contracts, portfolio management contracts, safekeeping contract with custodian and operates reinsurance business about individual or group life insurances, accident insurances and all other type of these insurances.

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Company has 5 Individual Pension Fund in accordance with regulation of Capital Markets Board dated 3 July 2008, numbered B.02.1.SPK.0.15-598, which are registered and announced in Turkish Commercial Trade Gazette numbered 7103 dated 11 July 2008 and 2 group pension mutual fund in accordance with regulation of Capital Markets Board dated 18 July 2011, numbered B.02.1.SPK.0.15-310-01-01,697, which were registered and announced in Turkish Commercial Trade Gazette numbered 7872 dated 3 August 2011. 2 group pension mutual fund were offered to public on 26 March 2012. These funds are managed by Finans Portföy Yönetimi A.Ş. in accordance with the pension mutual fund portfolio management agreement that is signed between Company and Finans Portföy Yönetimi A.Ş.

Legal name of the private pension funds that are founded by the company are changed in consequence of Extraordinary General Meeting on 31 May 2013 and announced in Trade Registry Gazette dated 27 August 2013 and numbered 8392. Cigna Finans Emeklilik ve Hayat A.Ş. took permission to establish contribution pension mutual fund from Capital Markets Board with permission numbered 10/333 and dated 26 March 2013 and public offer of contribution pension mutual fund was occurred in 2 May 2013. Cigna Finans Emeklilik ve Hayat A.Ş. gain allowance to establish standard pension mutual fund from Capital Markets Board with decision numbered 12/373 and dated 4 April 2013 and publicly offered on 12 November 2013.

As of 31 December 2016, Company owns 9 private pension funds that are founded by the Company (31 December 2015: 9).

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**1. General Information (Continued)**

**1.4 Explanation of the activities and characteristics of main operations of the corporation:** Disclosed in Notes 1.2 and 1.3.

**1.5 Average number of employees during the period by category:**

	31 December 2016	31 December 2015
Top management	6	6
Managers	49	47
Officers	190	178
Marketing and sales personnel	520	457
<b>Total</b>	<b>765</b>	<b>688</b>

**1.6 Total salaries and benefits paid to the chairman and members of the board of directors, general manager, general coordinator, assistant general managers and other executive management during the current period:** TL 9,770,457 (1 January - 31 December 2015: TL 4,317,547).

**1.7 Criteria set for the allocation of investment income and operating expenses (personnel, administration, research and development, marketing and sales, outsourced benefits and services and other operating expenses) in the financial statements:** The Company allocates the investment income and personnel, administration, research and development, marketing and selling, outsourced benefits and services and other operational expenses related to the technical accounts in accordance with the "Circular on the Fundamentals of the Procedures and Principals of the Criteria used in Financial Statements in Accordance with Insurance Uniformed Chart of Accounts" numbered 2010/9 and dated 9 August 2010 and issued by the Republic of Turkey Prime Ministry Undersecretariat of Treasury ("Undersecretariat of Treasury").

**1.8 Whether financial statements include only one firm or group of firms:** Financial statements include one company (Cigna Finans Emeklilik ve Hayat A.Ş.).

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**1.9 Name and other identification information of the reporting firm and information changes since the previous balance sheet date:** Name and other identification information of the Company are disclosed in Notes 1.1, 1.2 and 1.3.

**1.10 Events occurred after the balance sheet date:** The financial statements that are prepared in accordance with the effective accounting standards, for the period 1 January - 31 December 2016 declared on 3 March 2017 by the Assistant General Manager and Financial Control and Reporting Group Manager. Subsequent events after the balance sheet are disclosed in Note 46.

**2. Summary of Significant Accounting Policies**

**2.1 Basis of preparation**

The Company prepares its financial statements in accordance with the Insurance Law numbered 5684 and the regulations issued for insurance and reinsurance companies by the Undersecretariat of Treasury.

The financial statements are prepared in accordance with the Insurance Chart of Accounts included in the communiqué issued by the Treasury regarding the Insurance Chart of Accounts and Prospects, published in the Official Gazette (No: 25686) dated 30 December 2004 (Insurance Accounting System Communiqué No.1). The content and the format of the financial statements and explanation and notes of this financial statements are determined in accordance with the Communiqué on Presentation of Financial Statements published in the Official Gazette numbered 26851 dated 18 April 2008 and notice regarding to the Presentation of the New Account Codes and Financial Statements.

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**2. Summary of Significant Accounting Policies (Continued)**

**2.1 Basis of preparation (Continued)**

According to the "Regulation on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies" issued on 14 July 2007 and effective from 1 January 2008, except for the communiqués which may be issued by the Treasury, operations of insurance companies should be accounted in accordance with the Turkish Accounting Standards ("TAS") and the Turkish Financial Reporting Standards ("TFRS") as issued by the Turkish Accounting Standards Board ("TASK") and other regulations, communiqués and explanations issued by the Treasury regarding accounting and financial reporting issues. With reference to the notice of the Treasury No. 9 dated 18 February 2008, "TAS 1- Financial Statements and Presentation", "TAS 27- Consolidated and Unconsolidated Financial Statements", "TFRS 1 - Transition to TFRS" and "TFRS 4 - Insurance Contracts" have been scoped out of this application. In addition, companies are obliged to comply with the Communiqué on the Preparation of the Consolidated Financial Statement of Insurance and Reinsurance Companies and Pension Companies dated 31 December 2008 and published in official gazette numbered 27097 and effective from 31 March 2009. Since the Company has no subsidiaries that needs to be consolidated, consolidated financial statements is not required to prepare.

As of 31 December 2016, the Company calculates and recognizes its insurance technical provisions in its financial statements in accordance with the "Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested" ("Regulation on Technical Reserves"), which is published in Official Gazette dated 28 July 2010 and numbered 27655 and changes on this regulation were published in Official Gazette dated 17 July 2012 and numbered 28356 and other regulations issued for insurance and reinsurance companies by the Treasury (Note 2.24).

As of 1 January 2015 company actuary calculates incurred but not reported outstanding claim amount, which is claimed in note 2.24, (within the frame of the "Outstanding Claim Circular" dated on 5 December 2014, numbered 2014/16 and issued by Treasury).

Additionally, according to the "Outstanding Claim Provision" circulars dated 17 March 2015, 27 July 2015, 29 February 2016 and numbered 2015/7, 2015/28, 2016/11 respectively issued by Treasury, effects of these changes may accounted gradually in 2015, 2016, 2017, 2018, and 2019.

Where necessary, comparative figures have been reclassified to conform to the presentation of the current year financial statements.

Accounting policies and measurement principles that are used in the preparation of the financial statements are disclosed in the notes from 2.4 to 2.24 below.

**Changes in Turkish Financial Reporting Standards:**

The accounting policies based on the preparation of financial statements belonging to accounting period ending from the date of 31 December 2016, which are valid as of 1 January 2016 are outlined below, except the new and amended standard and IFRIC, reviews are consistent with those used in previous periods.

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**2. Summary of Significant Accounting Policies (Continued)**

**a) New Standards effective as of 31 December 2016 and the alterations and comments made to the existing previous Standards.**

**Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets'**, on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. These changes do not have significant effect on financial condition and performance of the company.

- **Annual improvements 2014**; effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 2 standards:

- IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
- IAS 19, 'Employee benefits' regarding discount rates.

These changes do not have significant effect on financial condition and performance of the company.

**b) Published as of 31 December 2016, but which had not entered into force standards and changes yet:**

- **IAS 12 'Income Taxes'**, effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

- **IFRS 15 'Revenue from contracts with customers'**; Effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- **IFRS 15, 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

- **IFRS 9 'Financial instruments'**; Effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.



**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**2. Summary of Significant Accounting Policies (Continued)**

*b) Published as of 31 December 2016, but which had not entered into force standards and changes yet (Continued)*

- **IFRS 16 'Leases'**, effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- **IFRS 4, 'Insurance contracts'** regarding the implementation of IFRS 9, 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
  - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
  - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard - IAS 39.
- **IFRIC 22; Foreign currency transactions and advance consideration'**, effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

**2.2 Consolidation**

The Company does not have any subsidiaries that are required to be consolidated in accordance with the Circular related to Preparing Consolidated Financial Statements of Insurance, Reinsurance and Pension Companies, which was published on Official Gazette No 27097 and dated 31 December 2008 and became effective as of 31 March 2009.

**2.3 Segment reporting**

The company is not traded in public that is why they do not prepare any segment reporting related to IFRS 8 "Operating Segments".

**2.4 Foreign currency transactions**

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

Foreign exchange differences arising from the translation of non-monetary financial assets and liabilities are considered as part of the fair value changes and those differences are accounted for in the accounts in which the fair value changes are accounted for.

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**2. Summary of Significant Accounting Policies (Continued)**

**2.5 Property and equipment**

All property and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful life of the tangible assets. The depreciation periods estimated considering useful lives of tangible assets are as follows:

Furniture and fixtures	1-5 years
Leasehold improvements	1-5 years

If there are indicators of impairment on tangible assets, a review is made in order to determine possible impairment and as a result of this review, if an asset's carrying amount is greater than its estimated recoverable amount, the asset's carrying amount is written down immediately to its recoverable amount by accounting for an impairment provision. Gains and losses on disposals of property and equipment are included in other non-operational income and expenses accounts (Note 6).

**2.6 Investment properties**

The Company does not have investment properties as of 31 December 2016 (31 December 2015: None).

**2.7 Intangible fixed assets**

Intangible assets consist of the acquired information systems and software. Intangible assets are carried at acquisition cost and amortized by the straight-line method over their estimated useful lives after their acquisition date. If impairment exists, carrying amount is written down immediately to its recoverable amount. The amortization periods of intangible assets vary between 3 to 5 years (Note 8).

**2.8 Financial assets**

The Company classifies and accounts for its financial assets as "Available-for-sale financial assets", "Financial assets at fair value through profit or loss", and "Loans and receivables (Receivables from main operations)". Receivables from main operations are the receivables arising from insurance and pension operations and they are classified as financial assets in the financial statements.

Purchases and sales of the financial assets are recognized and derecognized based on "Settlement date". The classification of the financial assets is determined by the Company management at inception by considering the purpose for which the financial assets are acquired.

*Effective Interest Method*

Effective interest method is valuation of financial asset by amortized cost and distributing interest cost to the relevant period. Effective interest rate is the interest rate on an financial asset, which reduces expected cash that is going to be received of an financial asset by its expected life or if suitable cash received for shorter terms to net present value.

*Loans and receivables (Receivables from main operations):*

Loans and receivables are financial assets which are generated by providing money or service to the debtor. Loans and receivables are initially recognized at acquisition value and subsequently measured at cost. Fees and other charges paid in relation to assets obtained as guarantee for the above mentioned receivables are not deemed as transaction costs and charged as expenses to the income statement.

The Company accounts for a provision for its receivables based on evaluations and estimations of the management. The mentioned provision is classified under "Provision for due from insurance operations" on the balance sheet. The Company sets its estimations in accordance with the risk policies and the principle of prudence by considering the structure of current receivable portfolio, financial structure of policyholders and intermediaries, non-financial data and economic conditions.

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**2. Summary of Significant Accounting Policies (Continued)**

*Loans and receivables (Receivables from main operations) (Continued):*

In addition to the provision for due from insurance operations, in line with the Tax Procedure Law article No: 323, the Company accounts for a "Provision for doubtful receivables under legal follow-up" regarding its doubtful receivables which are not included in provision for due from insurance operations stated above, by considering the amount and nature of these receivables. This provision is classified as "Doubtful receivables from main operations" on the balance sheet under non-current asset group.

Provision for doubtful receivables is deducted from the related year's income. Recoveries from doubtful receivables previously provided for are treated as a reduction from related provision and accounted for in the "Other income and expense" account. Such receivables are written off after all necessary legal proceedings have been completed (Note 12).

*Financial assets, whose fair value differences reflected in income statement (Marketable securities in the tradebook):*

Financial assets, which are booked at fair value and effects income statement, consists of financial instruments that are obtained in order to gain profit from short term fluctuations in price and similar factors or independent from the reason of obtaining it, in order to gain short term profit, financial instruments that are part of a portfolio and booked at their fair values while purchasing it and considered its performance at fair value by Company.

Financial assets, whose fair value differences are reflected in income statement, are booked at fair value while they are accounted for the first time and in the subsequent periods they are valued according to their fair value. If price formation that constitute basis for fair value do not occur in active market conditions, determination of fair value is considered unreliable and "Discounted Value" that is calculated in accordance to effective interest method is considered as fair value. Gains and losses in consequence of valuation are included in income statement. Interests and dividends due to marketable securities in the tradebook are classified in interest income, dividend income respectively. (Note 11).

*Impairment of financial assets:*

Unbiased indicators that represents impairment of a financial asset or financial asset group are below:

- Financial difficulties of issuer or contractor
- Breach of contract
- Privileges that would not provide at different circumstances are provided to debtor by creditor, as a result of financial difficulties of debtor in economical or legal reasons.
- High probability of bankruptcy or financially reorganization of debtor
- Disappearance of active market as a result of financial difficulties

Company, evaluate indicators of impairment at balance sheet dates and book impairment to financials if necessary.

In this context, Company make provision for its receivables in accordance with the evaluation and prediction of management. While determining the predictions, in accordance with risk policies and prudence principle, Company controls general structure of the existing receivable portfolio, financial structure of insured and brokers, non-financial data and economical conjuncture.

In addition to provision for receivables from insurance operations, in accordance to 323<sup>th</sup> clause of Tax Procedure Law, Company make provision for managerial and legal proceedings, regarding to the value of doubtful receivable and these provisions are not included in "Receivables from Insurance Operations". Subjected provision is classified in "Doubtful receivables from main operations".

Provision for doubtful receivables are deducted from the revenue of the year. When doubtful receivables which already provisioned, are collected, it is deducted from the related provision account and booked to "Provision Expenses" account. Uncollectible receivables are written off after all legal actions are over (Note 12).

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**2. Summary of Significant Accounting Policies (Continued)**

**2.9 Impairment of assets**

The details about the impairment of assets are explained in the notes in which the accounting policies of the relevant assets are explained.

Mortgages or guarantees on assets are explained in Note 43, provision for overdue and not overdue doubtful receivables are explained in not 12.1 and provision and rediscount expenses for the period are explained in Note 47.5.

**2.10 Derivative financial instruments**

None (31 December 2015: None).

**2.11 Offsetting financial instruments**

Financial assets and liabilities are offset only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or when the acquisition of the asset and the settlement of the liability take place simultaneously.

**2.12 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, demand deposits held at banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Cash and cash equivalents included in the statements of cash flows are as follows:

	31 December 2016	31 December 2015
Banks	233,240,881	186,660,930
Bank guaranteed credit card receivables with maturities less than three months	11,870,200	11,917,536
Less - Interest Accrual	(5,636,417)	(2,769,772)
Less - Blocked time deposits (*)	(107,050,039)	(89,075,448)
<b>Cash and cash equivalents Total</b>	<b>132,424,625</b>	<b>106,733,246</b>

(\*) Change in blocked time deposits is included in other cash inflows or outflows from main operations in the statements of cash flows (Note: 43).

**2.13 Share capital**

The composition of the Company's share capital at 31 December 2016 and 2015 is as follows:

Name of shareholders	31 December 2016		31 December 2015	
	Share (%)	Share Amount	Share (%)	Share amount
Cigna Nederland Gamma B.V	51	22,950,000	51	22,950,000
Finansbank A.Ş.	49	22,050,000	49	22,050,000
<b>Total</b>	<b>100</b>	<b>45,000,000</b>	<b>100</b>	<b>45,000,000</b>

As of 31 December 2016 no privileges are granted to the preference shares representing the share capital. (31 December 2015: None).

The Company is not subject to the registered share capital system.

Other information about Company's share capital is explained in Note 15.

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**2. Summary of Significant Accounting Policies (Continued)**

**2.14 Insurance and investment contracts - classification**

The insurance contracts are those contracts that transfer insurance risk. The insurance contracts protect the insured against the adverse economic consequences of loss event under the terms and conditions stipulated in the insurance policy.

In accordance with IFRS 4, insurance agreement is defined as an agreement that one side(insurer) takes the other side(insured)'s risk over and the insurer accept paying insured's claim in case of a claim which is indefinite in the future (subject matter of insurance) affects the insured adversely.

As of balance sheet date, the Company does not have any investment contract (31 December 2015: None).

The main contracts produced by the Company are personal accident insurance, life insurance, reinsurance agreements and private pension agreements as explained below:

*i) Risk Policies:*

*Annual life insurance contract*

Annual life insurance provides one year guarantee for the risks that the policyholder can be faced with. 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, permanent or temporary disability and critical disease during the policy term. Annual life insurance policies cover risks, it does not include savings and does not include right of surrender and policy loans. It can be sold as a group or individual. The age limit is between 18 and 65, premium amount changes according to the risk assessment based on age, sex and health.

*Credit life insurance*

Credit life insurance provides guarantee throughout the credit term against such as death or disability. If any claim occurs within the credit term, the credit debt is covered by credit life insurance. Coverage generally includes only death risk. These products are risk based policies that do not include saving. The age limit is between 18 and 70 and premium amount changes according to the risk assessment based on age, sex and health.

*Personal accident insurance*

Personal accident insurance provides guarantee against risks arising as a result of accidents. It provides accidental death coverage along with the additional coverage such as accidental disability, unemployment or temporary disability and medical expenses.

*ii) Private Pension Operations:*

As of 31 December 2016 and 2015 there are 9 Pension Mutual Funds that the Company established.

Private pension system receivables mainly consist of capital advances made to pension funds, fund management fee receivables from pension funds, and receivables from participants and the custodian company. In the "fund operating deductions receivables from funds" account; the Company keeps funds operating expense deductions receivables deriving from funds management that could not be collected on the same day. Receivables based on funds from the custodian company on behalf of participants are kept in "receivables from Custodian Company" account. At the same time, this amount is disclosed in private pension system payables account as "payables to participants for sold funds".

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**2. Summary of Significant Accounting Policies (Continued)**

*ii) Private Pension Operations (Continued):*

Payables from individual business consist of payables to participants, participants temporary accounts, purchase order accounts and liabilities to intermediaries. Payables to participants account contains contribution amount that is directed to investment on behalf of private pension owners and total income generated from these investments. This account implies the total debt in the related balance sheet period to private pension owners. The temporary account of participants includes the contributions of participants that have not yet been transferred to the investment. This account also includes the entrance fee deducted portion of the participants' fund amounts, resulting from the fund share upon the participant's leaving the system or transferring funds to other individual pension companies. Payables to individual pension agencies comprise the Company's liabilities to individual pension agencies in return of their services. Liabilities to intermediaries of individual pension account represents the Company's liability consist against to services provided to agencies and organizations that intermediates the Company's production of individual pension contract.

29 December 2012 and valid since 1 January 2013. By this system, in order to encourage "Private Pension System" government contribute proportionately Turkish Citizens, who attended to private pension system (except citizens attended their employers pension plan). This payment is deposited to the private pension accounts of the attendees by government. Government Contribution is 25% of the monthly paid amount by the attendee and annual contribution amount is not going to exceed 25% of the gross annual subsistence wage. Turkish Citizens, who attended personal or group private pension system can benefit from government contribution without seeking of being a taxpayer. Government Contribution is paid within maximum limit. Additional payments, contributions and beginning contributions also benefit from government contributions. Private Pension System Attendee gain right to obtain Government Contribution after breakdown of the pension contract due to retirement, death, disability or discharge.

Fund management charge, which is taken in return for the management and representation of funds and hardware, personnel and accounting services devoted to funds, is recorded as income in the Company's accounts and is shared between the Company and the portfolio management company according to the ratios in the agreement or as a fixed expense. The total charge is recorded to the Company's technical income as fund management charge and the charge which belongs to the fund manager is recorded in the Company's technical expense as balance paid in return for fund management.

"The Law on Making Amendments on Private Pension Savings and Investment System Law" that is published in Official Gazette dated 29 June 2012 and numbered 28338 states that the amount corresponding to 25% of the contributions paid by the individuals will be transferred to the government contributions account in accordance with Additional Article 1.

Government contributions is regulated according to "Regulation on Government Contribution to Private Pension System" that is published in Official Gazette numbered of 28512 and dated 29 December 2012.

"Regulation on Amending the Regulation on Individual Pension System" which was published in the Official Gazette numbered 29366 dated 25 May 2015 is effective from 1 January 2016. The definition of mandatory expenditures and funds for irregular payments are determined by this regulation and the portfolio management fee can be expressed through the accumulation of the participants with contributions paid to pension accounts, the cuts also additional administrative expenses from the participants during the accumulation period breaks can be taken in case of interruption of payments is specified. The limitations on deductions based on active years of contract in the system was introduced.

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**2. Summary of Significant Accounting Policies (Continued)**

*ii) Private Pension Operations (Continued):*

The latest version of the deductions in the regulation is as follows:

The total amount of the entrance fee and management fee incurred during the first five years of the contract does not exceed 8.5% of the gross minimum wage applicable for the first 6 months of the year. After completion of the fifth year of the contract management fee including deduction for contribution holiday under the relevant contract and the entrance fee can not be collected. Regulation does not affect the Company's receivables that are accrued before the enforcement date; Company preserve its rights on receivables accrued before January 1, 2016. In order to calculate time spent in contract, all days spent starting from the first contract that is entered into the system in accordance with the contract transfer data are take into account. If a contract is established prior to January 1, 2016 by transfer, upper limit of deduction is calculated regardless of the amount deducted in other companies. It is subject to calculation, if it is established with transfer after this date.

Except dispersement situations without mandatory reasons like usage of pension right or death, disability or liquidation of the company, in the situation of leaving the company before 5 year contract expires, the part that isn't collected yet until date of leaving along the contract period can be reducible on personal pension account as deferred entrance fee. In this context, deferred entrance fee is the minimum amount between the amount calculated by deducting all the deductions made from the participant until the leaving date from the total deduction upper limit that can be made in 5 years and stated amount on the contract.

Regulations of entrance fee for contracts that are effective before January 1, 2016 and still in force are valid until the contract expires in accordance with the deferred entrance fee amount stated above. However, the deferred entrance fee that is applied under the relevant contracts can not exceed the above-mentioned time and amount limit. According to the regulation, entrance fees can not deducted after the completion of the fifth year of the contract. The same regulations are valid for the contracts where no deferred entrance fee charged and entered into force after January 1, 2016.

"Regulation on Amending the Regulation on Individual Pension System" which was published in the Official Gazette numbered 29366 dated 25 May 2015 is effective from 1 January 2016. The definition of mandatory expenditures and funds for irregular payments are determined by this regulation and the portfolio management fee can be expressed through the accumulation of the participants with contributions paid to pension accounts, the cuts also additional administrative expenses from the participants during the accumulation period breaks can be taken in case of interruption of payments is specified. The limitations on deductions based on active years of contract in the system was introduced.

The company has a right to collect the deduction that is in the contract until the contract expires and in accordance with the collection type stated in the contract, on condition that the deduction stated clearly in the contract and in the documents related to the contract. In this context, management fee deduction will get reduced from the saving amount when the cumulative amount of these each deductions is enough to deduct, and if the contract is valid after 5 years.

The total deduction made from the pension funds are determined by the type of funds in accordance with the regulation numbered 28462 on the Personal Pension System, and it has been effective since January 1, 2013.

The total amount of management fee, entrance fee and fund total fee deductions to be made by the Company from the end of sixth year of the contract to the expiration date of the contract shall not exceed the amount corresponding to a certain proportion of the amount found in the State Contribution account. By this control, funds available as of January 1, 2016 and the deductions made from returns of these funds are not taken into account. Upper limit control for the deduction associated with state contribution will be implemented starting from January 1, 2021.

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**2. Summary of Significant Accounting Policies (Continued)**

*ii) Private Pension Operations (Continued):*

The company established Cigna Finans Emeklilik ve Hayat A.Ş. Katılım Standart Emeklilik Yatırım Funds and Cigna Finans Emeklilik ve Hayat A.Ş. Katılım Katkı Emeklilik Yatırım Funds and these pension investment funds are registered as of January 2, 2017. The details about the funds are below:

According to decision numbered 35/1264 the establishment permit is obtained from Capital Markets Board, as of December 19, 2016 for "Cigna Finans Emeklilik ve Hayat A.Ş. Katılım Standart Emeklilik Yatırım Fonu", and public offering has not occurred as of report date.

According to decision numbered 36/1295 the establishment permit is taken from Capital Markets Board, as of December 27, 2016 for "Cigna Finans Emeklilik ve Hayat A.Ş. Katılım Katkı Emeklilik Yatırım Fonu", and public offering has not occurred as of report date.

The amendment about "The Individual Pension Savings and Investment System Law Amendment" numbered 29812 and dated August 25, 2016 and published in official gazette entered into force as of January 1, 2017. According to this new amendment, employees that are appropriate for the conditions stipulated in the law are automatically started to be included in the personal pension system.

Turkish citizens or individuals younger than 45 years that are within the scope article 28 of "Turkish Citizenship Law" dated May 29, 2009 and numbered 5901 and according to subarticle (a) and (c) of the first paragraph of article 4 of "Social Security and General Health Law" dated May 31, 2016 and numbered 5510 will be included in personal pension system by the pension contract that is prepared by employer in accordance with the related law. About the automatic participation in personal pension plan; employer can include its employees in personal pension plan that is prepared by companies that are permitted by undersecretariat for the Treasury.

Company established 2 funds for automatic participation in personal pension plan that are named Cigna Finans Emeklilik ve Hayat A.Ş. Başlangıç Emeklilik Yatırım Fonu and Cigna Finans Emeklilik ve Hayat A.Ş. Başlangıç Katılım Emeklilik Yatırım Fonu in accordance with the article 22/B in the amendment about "Personal Pension System" and these pension investment funds below have registration date of January 2, 2017.

Establishment permit was obtained from Capital Markets Board on December 27, 2016 according to decision numbered 36/1294 for the "Cigna Finans Emeklilik ve Hayat A.Ş. Başlangıç Emeklilik Yatırım Fonu and its IPO was performed on January 25, 2017.

Establishment permit was obtained from Capital Markets Board in December 27, 2016 according to decision numbered 36/1294 for the "Cigna Finans Emeklilik ve Hayat A.Ş. Başlangıç Katılım Emeklilik Yatırım Fonu and its IPO was performed on February 3, 2017.

In context of this regulation, pension investment funds that will be established in the future are going to have a total fund expense deduction of %1.09.

*iii) Reinsurance agreements:*

Reinsurance agreements are the agreements that agreed by the Company and Reinsurance Company for the loss which may occur in one or more insurance agreements signed by the Company, and those meet all conditions to be classified as insurance contract and those whose costs are paid.

As of 31 December 2016 and 2015 the Company makes Catastrophic Excess of Loss Reinsurance Treaty in order to preserve its conservation as a result of the events causing massive deaths such as terrorist attacks, public transportation vehicle accidents, and big natural disasters such as earthquake, flood and storm in the life and personal accident branches. When determining this reinsurance preservation, the Company is taking the likely catastrophic scenarios and the geographic distribution of the existing and prospective policyholders into consideration. There are excess insurance treaties which is a type of reinsurance denotes that the amount exceeding the conservation amount up to a determined portion is under the reinsurer's responsibility.



**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**2. Summary of Significant Accounting Policies (Continued)**

**iii) Reinsurance agreements (Continued):**

Company has Quota share, surplus, catastrophic excess of loss reinsurance agreements for life and accident branches. In addition to that company make facultative reinsurance agreements from international reinsurance market for treaty agreements, which exceed treaty limit.

In the risk factor life insurance tariffs, every year, as a result of the actuary calculations, an amount that does not exceed the maximum conservation amount determined for the death and supplementary coverage, is kept on the company and the amount exceeding this portion is transferred to the collaborating reinsurance companies via proportional reinsurance treaties (surplus and quota-share reinsurance treaties). In addition to this, the conservation amount of the Company on the coverages which has been recently put into effect such as hazardous diseases and has a relatively ambiguous results, is rather limited. By proportional reinsurance agreements, Münchener Rückversicherungs-AG (Munich Re), which has headquarter in Munich, is the key reinsurance company. Milli Reasürans T.A.Ş. (Milli Re) is the second largest reinsurance company in order to amount of reinsurance deals.

Cigna Finans Emeklilik ve Hayat A.Ş and Cigna Global Reinsurance Company, which is subsidiary of the Cigna Corporation, which is main partner of the Cigna Finans Emeklilik ve Hayat A.Ş., have catastrophic excess of loss reinsurance agreement. Cigna Global Reinsurance Company is contained within Cigna Global Holdings that is affiliated to Cigna Corporation. The company has an quota share agreement with Genworth Reinsurance company for the bankruptcy insurance in personal accident insurance products.

**2.15 Insurance contracts and investment contracts with discretionary participation feature**

Cash generated from insurance agreements are shown in financial tables in Note 17.

**2.16 Investment contracts without discretionary participation feature**

None (31 December 2015: None).

**2.17 Borrowings**

None (31 December 2015: None).

**2.18 Taxes on income**

**Corporate Tax**

Corporate tax is payable at a rate of 20% for the year 2016 (2015: 20%) on the total income of the Company and its Subsidiaries registered in Turkey after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution thus does not incur withholding tax and no stoppage is applied.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance Tax is declared by 14th day of the second month following and payable by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

The affiliate shares stocked for minimum 2 years and the 75% of the profit obtained from the property sales are considered as tax exemptions in such condition that the amount is added onto capital as prestated in corporate Tax Law or the amount is kept in equity for 5 years.

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**2. Summary of Significant Accounting Policies (Continued)**

**Corporate Tax (Continued)**

According to Turkish tax legislation, financial losses on the returns can be offset against period income for up to 5 years. However, financial losses cannot be offset against previous years' profits.

There is no such application for the reconciliation of payable taxes with the tax authority in Turkey. Corporate tax returns are submitted to the related tax office by the 25th day of the 4th month following the month when the accounting period ends.

In addition, in tax reviews authorized bodies can review the accounting records for the past five years and if errors are detected, tax amounts may change due to tax assessment.

In accordance with Tax Law No,5024 "Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law" published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004 income and corporate taxpayers are required to prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish lira. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (TÜİK TEFE increase rate). Since the conditions in question were not fulfilled in both in 2016 and 2015, no inflation adjustments were performed (Note 35).

**Deferred Tax**

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and liabilities are determined using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized (Note 21).

**2.19 Employee benefits**

The Company accounts for its liability related to employment termination and vacation benefits according to "Turkish Accounting Standards Regarding Employee Benefits" ("IAS 19") and classifies in balance sheet under the account "Provision of Employment Termination Benefits".

According to the Turkish Labour Law, the Company is required to pay termination benefits to each employee whose jobs are terminated except for the reasons such as resignation, retirement and attitudes determined in Labour Law. The provision for employment termination benefits is calculated over present value of the possible liability in scope with the Labour Law by considering determined actuarial estimates.

As a result of the revision in the IAS 19 which is effective for annual periods starting on or after 1 January 2013, actuarial gain and loss that occurs from calculation regarding the liability of employee benefits shall be directly accounted for under equity. In this context, the service and interest costs are recognized in the statement of income whereas the actuarial gains and losses are recognized in "Other Profit Reserves" under shareholders' equity (Note 15 and 22).

**2.20 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provision amounts are estimated over expenditures expected to be required to settle the obligation at the balance sheet date by considering the risks and uncertainties related to the obligation. When the provision is measured by using the estimated cash outflows that are required to settle the obligation, the carrying value of the provision is equal to the present value of the related cash outflows.

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**2. Summary of Significant Accounting Policies (Continued)**

**2.20 Provisions (Continued)**

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as an asset if and only if it is virtually certain that reimbursement will be received and the reimbursement can be reliably estimated.

Liabilities 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 entity are classified as contingent liabilities and not included in the financial statements (Note 23).

**2.21 Accounting for revenues**

*Written Premiums*

Written premiums represent premiums on policies written during the year, net of cancellations and tax. In life and personal accident branches accrual of the premium income occur after under-writing of the policy. In accordance with the customer demand, cash or installment payment is accepted by the company. Company does not have permanent life insurance policy for the related period.

*Interest Income*

Interest income is recognized by using the effective interest rate method on an accrual basis.

*Subscription Revenues, Total Fund Expenditure Deduction and Management Fee Deduction*

Disclosed under Notes 2.14.

**2.22 Leases**

The Company has no financial Assets acquired through finance lease as of 31 December 2016 (31 December 2015: None).

Leases, in which lessor has the possession of all risk and benefits of the leased assets are classified as operational leasing. The operating lease payments accounted as expenses during the lease term in the income statement.

**2.23 Dividend distribution**

Dividend payables are reflected to the financial statements as liability in the period in which they are declared as an element of profit distribution. As specified on the articles of association of the Company, the remaining amount after legal reserves, which is mandatory in accordance with TTC article 519, reserved from earnings after taxes which is calculated in accordance with Turkey Accounting Standards and the targeted capital level (except changes in accordance with Article 6) which is decided by the shareholders of Group A1 and Group B1 together on the annual business plan is distributable profit. The agreement between the shareholders of the company is updated and signed again on January 6, 2017. Accordingly, the company's dividend payment for 2016 accounting period will be occurred according to calculation of profit after tax which is in line with "Turkish Accounting Standards", however according to TTK's article 519, before distributing the profit, reserves must be reduced through profit after tax amount, then the remaining amount is distributable amount, and it can be distributed proportional to the shares owned by the shareholders in the Company.

Each year 100% of distributable profit is distributed. Opposite of this decision can be taken with the agreement of 100% of the shareholders. 100% of the distributable profit is distributed to shareholders of Group A1 and Group B1 in accordance with the decision of Board of Directors meeting. The Clause of article No 509 of Turkish Code of Commerce is reserved.

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**2. Summary of Significant Accounting Policies (Continued)**

**2.24 Technical provisions**

*Mathematical Reserves*

Companies that operate in life and non-life branches make sufficient provisions according to the actuarial basis for the benefit of beneficiary and policy owner, who have life, health or personal accident policy. In addition to life insurances that are longer than one year, in case of entitling disablement as a result of to the personal accident, health and giving assurance as a result of dangerous illnesses; value of the life insurance also contains additional assurances that calculated according to actuarial basis, mathematical reserves. In case of mathematical reserves that are committed, with actuarial mathematical reserve, for different policies and calculated according to technical elements on the tariff, these reserves consist of income that is generated from the profit share of the insured that contains cash that utilized in investments.

The mathematical reserves consists of actuarial mathematical reserves, which is convenient with the technical principles of the tariff, is calculated separately for each effective tariff. The company have actuarial mathematical reserve of TL 91,125,377 (31 December 2015: TL74,278,251) for life branch and have actuarial mathematical reserve of TL1,622,663 for long term personal accident insurance policies, which is effective from May 2015, as of 31 December 2016. These provision has classified as "Mathematical Provisions" in the balance sheet and as "Change in the Mathematical Provisions" in the income statement (Note 17.15).

*Unearned Premium Reserve*

The company must make unearned premium provision for any contracts except for mathematical reserves of insurance contracts. Unearned premium provision is also made for the annually renewed and corresponding to annual insurance coverage of long-term insurance contracts including one year insurance coverage premiums. Death, life, and both covered by both death given in addition to these guarantees and collateral depends on the possibilities of life as well as accident, disability due to illness, medical expenses due to accident, unemployment, daily hospital benefits due to accident or illness, temporary disability, death by accident, accidental death in public transportation and the contacts that is given assurance as dangerous diseases are considered as life insurance contract and their premiums are accepted as life insurance premiums. In case of annual additional assurances are given with life insurance contracts as a package, these assurances are assessed separately from the life insurances which are given together.

Unearned premium reserve is calculated on a daily basis for all policies in force as of balance sheet date for unearned portions of premium written. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12:00 noon and finish at 12:00 noon again. According to "Regulation on Technical Reserves", unearned premium reserves and the reinsurers' share of the unearned premium reserves of policies written are calculated and accounted as the unearned portion of the premiums and ceded premiums to reinsurers without deducting commissions or any other expenses, on an accrual and on a gross basis (Note17.15).

*Deferred Commission Expenses and Deferred Commission Incomes*

Within the framework of the Circular numbered 2007/25 and dated 28 December 2007 published by Treasury, the unearned portion of commissions paid to agencies for the written premiums and commissions received from reinsurers for the ceded premium, are recorded as in deferred expenses and deferred commission income, respectively on the balance sheet, and as operating expenses on a net basis in the income statement (Note 17.15).

According to paragraph 6 of Article 5 of the Regulation Regarding the Technical Reserves of Insurance and Reinsurance and Pension Companies and the Assets to be Invested in These Reserves, published by the Undersecretariat of Treasury on August 7, 2007 in the Official Gazette No. 26606, "Commissions paid on intermediary basis, subject to accrual ,commissions received for the transferred reinsurance premiums to reinsurer, amounts paid for non-proportional reinsurance agreements and the part of a payment that is corresponding future period or periods of variable production expenses made and payments made for support services of preparation and sale of the tariffs and insurance contracts are accounted under related accounts.

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**2. Summary of Significant Accounting Policies (Continued)**

*Deferred Commission Expenses and Deferred Commission Incomes (Continued)*

In line with the new commission structure that has been implemented since October 2016, the total commission rate paid for employees at different levels for each policy is calculated and the sales commission amount of the policy is calculated based on the premium amount of the relevant policy. According to the new structure, in the context of the regulation referred in the first paragraph, the Company realizes the deferral of variable production costs from the beginning of the application of the policy in the Company financial statements. An informative letter was sent to the Undersecretariat of Treasury on 5 January 2017 with reference number 2017/1/5-GM-70.

As of 31 December 2016, the Company has a deferred production loss of TL 299,480 (31 December 2015: None).

*Unexpired Risks Reserve*

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected loss ratios. Expected loss ratio is calculated by dividing the incurred losses to earned premiums. If the loss ratio calculated for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross amount and net amount is recognized as reinsurers' share. The Company has not recorded any amount for net unexpired risk reserve since none of the branches exceed the loss ratio of 95% as of 31 December 2016 and 2015 calculations.

*Outstanding Claims Provision*

The Company accounts for outstanding claim provision for ultimate cost of the claims incurred, but not paid in the current or previous periods or, for the estimated ultimate cost if the cost is not certain yet, and for the incurred but not reported claims. For the compensation amounts incurred but not reported, effective from 1 January 2015 and numbered 2014/16 "Regarding life branch incurred but not reported outstanding claims provision calculation Circular" and in the framework related regulation, Company should reserve additional outstanding claim provision for incurred but not reported claims as of 5 December 2014.

As of December 31, 2016 difference between accrued and calculated provision for outstanding claims and the amount calculated with the actuarial chain ladder method in accordance with the Technical Provisions Regulation and related regulations of the "Circular Regarding the Outstanding claims" dated 5 December 2014, numbered 2014/16 and effective from 1 January 2015, are accounted as incurred but not reported compensation amount. In accordance with the "Circular for discounting net cash flows arising from outstanding claims provision" dated June 10, 2016, numbered 2016/22 and published by the Undersecretariat of Treasury companies are allowed to discount net cash flows to be generated by the provision for outstanding claims. The Company did not choose to make such accounting policy changes and reflected the net outstanding claims provision for all branches as of December 31, 2016 in its financial statements without any discount.

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**2. Summary of Significant Accounting Policies (Continued)**

*Outstanding Claims Provision (Continued)*

In accordance with circular numbered 2014/16 and method applied in accordance with the prior circular, additional provision for outstanding claims for life branch is calculated by considering the weighted average that is determined by dividing the disability cover, which occurred before the accounting period but reported in subsequent periods, to the average assurance amounts for subjected years. Bornhuetter-Ferguson Calculation Method and standard chain calculation methods, which are approved by company's actuary and also approved in Circular numbered 2014/16 by Turkish Prime Ministry Undersecretariat Treasury is used for death and unemployment deposit. During this calculation irregular coefficients were corrected according to the statistics. In this context, the company calculated net TL10,336,743 of incurred but not reported outstanding claims provision for life branch as of December 31, 2016, but according to the principles in "Amendment of the circular regarding the provision for outstanding claims" numbered 2015/7, 2015/28, and 2016/11, regulation makes it possible to account effects gradually in, 2015, 2016, 2017, 2018, and 2019, as a result of this Company accounted TL5,536,099 net outstanding provision in life branch. (31 December 2015: Life Branch Net IBNR Amount: TL7,007,290, Reflected in the financial statements: TL4,373,862) (Note 17.15). Gradual transition on incurred but not reported outstanding claims provision of the Company has an net positive effect on income of TL4,998,361 as of December 31, 2016. (31 December 2015: TL2,633,427,428).

The company started its operations in the personal accident branch in January 2008. IBNR was calculated by using sector averages until 2016 for the personnel accident branch. As of December 31, 2016, the actuarial chain ladder method was used in order to calculate the IBNR account. However, due to the lack of sufficient damage data, IBNR was calculated by using the published sector averages for the development factors. As of 31 December 2016, TL 620,640 (December 31, 2015: TL 2,823,174) net incurred but not reported outstanding claims provision provisioned for the personnel accident branch (Note 17.15).

In accordance with Technical Provisions Regulations, Company should prepare outstanding provision sufficiency table, which have specified format determined by Undersecretariat, at the end of every accounting period according to the gross amount of the new started branches and for the branches, that Company actuary calculates outstanding claim provision in order to calculate the sufficiency for compensation provision as a result of the insufficient damage data. As of 31 December 2016, there are not any additional provision that is caused by outstanding claim sufficiency test (31 December 2015: None).

In accordance with "The Communiqué on the Calculation of Provision for Incurred But Not Reported Claims (IBNR)" dated 26 December 2011 and numbered 2011/23 (the "Communiqué numbered 2011/23"), insurance companies are allowed to calculate a winning ratio over the amounts of legal cases opened against the Company which are closed in the past 5 years on a sub-branch basis and to reduce a certain portion of the outstanding claim files under legal follow-up using the calculated winning ratio as of 31 December 2015. The company has made reductions for the first time in the amount of the provision for outstanding claims by using the 15% ratio according to Circular numbered 2011/23, as a result of lack of completed case with all stages and/or being won in last five-years as of 31 December 2016. These calculations were based on the gross amount and reinsurance share of discount is calculated in accordance with reinsurance share of outstanding claims in lawsuit as of 31 December 2016. Net discount from accrued provision for outstanding claims as calculated by the winning ratio in life branch is TL1,588,449 as of 31 December 2016 (31 December 2015: TL1,175,872) (Note 17.15).

While calculating the provision for indemnity for file claimants for unemployment supplementary coverage given to life insurances, the probability of file early closure and the provision for outstanding claims have been calculated depending on these possibilities.

*Provision for Discount and Premium*

According to "Regulation on Technical Reserves", insurance companies that put premium and discount into practice have to accounted provision for premiums and discounts for insured and beneficiary according to current year technical results. The Company have provision for discount and premium of TL317,427 as of 31 December 2016 (31 December 2015: None).

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## 2. Summary of Significant Accounting Policies (Continued)

### Equalisation Reserve

In accordance with the Regulation on Technical Reserves insurance companies are required to record an equalisation reserve for the insurance contracts including earthquake and credit coverage, in order to cover the catastrophic risks and in order to equalise the fluctuations within the claim ratios that may occur during the following accounting periods. Based on the explanation numbered 2009/9 regarding "Application of Regulation on the Technical Reserves" 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. Such reserve is calculated over 12% of net earthquake and credit premiums corresponding to each year. In the calculation of the net premium, the amounts paid for the non-proportional reinsurance agreements are regarded as ceded premiums. The Company accounted net equalization reserve for life and personal accident branch amounting to TL12,190,246 and TL197,128 as of 31 December 2016 (31 December 2015: for life branch TL9,630,400, for personal accident branch: TL101,781)(Note 17).

### 2.25 Currency

The Company uses functional currency as Turkish Lira ("TL"). Amounts on financial statements and notes has expressed in Turkish Lira ("TL") unless otherwise indicated.

### 2.26 Rounded Amounts on Financial Statements

TL Amounts on financial statements and notes has rounded to most approximate TL amount unless otherwise indicated.

### 2.27 Related Parties

a) An individual or a family member of this individual are approved to be related with the Company in cases of listed below:

- i. If the individual has management or common management right or controls over Company,
- ii. If the individual has significant influence on the Company,
- iii. If the individual is a member in board of directors.

b) An entity is approved to be related with the Company in cases of listed below:

- i. If the entity and the Company are in the same group,
- ii. If the Company are subsidiary or joint venture of this entity (or another entity which is in same group with the entity),
- iii. If the entity and the Company are join venture of same third part entity,
- iv. If the entity are joint venture of a third part entity and the Company are subsidiary of the same third part entity,
- v. If Company, or related party of this company have benefit plan for their employees( Sponsor employers are also related to Company),
- vi. If the entity is controlled or controlled in common by an individual identified in article (a),
- vii. If an individual identified in article (a) paragraph (i) has an effect on the entity or there is a member of the key management personnel of the relevant entity(or parent of this entity).

Transactions of sources, services or liabilities between related parties, regardless of its amount are called related party transactions.

### 2.28 Subsequent events

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.

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

## 3. Critical Accounting Estimates and Judgments (Continued)

Preparation of financial statements requires the use of estimations and assumptions which may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the balance sheet date and reported amounts of income and expenses during the financial period. Accounting estimates and assumptions are continuously evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Although the estimations and assumptions are based on the best knowledge of the management for existing events and operations, they may differ from the actual results.

The estimation of the ultimate liability for technical expenses that can be incurred for the existing insurance contracts is the one of the most critical accounting estimates for the Company. Estimation of the insurance liabilities, by nature, includes the evaluation of several uncertainties.

Estimations and underlying assumptions of the estimations is consistently overviewed. Updates of the accounting estimation are taken in to records in the current and following period that effected by updating.

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 - Insurance risk management
- Note 4.2 - Financial risk management
- Note 10 - Reinsurance assets and liabilities
- Note11 - Financial assets
- Note12 - Loans and receivables
- Note21 - Deferred taxes
- Note 42 - Risks

## 4. Management of Insurance and Financial Risk

### 4.1. Insurance risk management

Insurance risk, the risk under any contract is the possibility that insured event occurs and the uncertainty of the amount of resulting claim.

In terms risks of companies that carry out their operations on life insurance, the most important risks which for insurance agreements are mortality, investment and reinsurance risks. The Company is established additional various committees to related administrative segments and proceed internal control methods to minimize operational risks.

In concern with risks management arising from giving insurance guarantee, the Company determined risk assessment procedure, which is proper to agreed risk assessment conditions with contracted reinsurer and guarantee demands of the targeted insured segments. As part of reinsurance program bases that agreed with contracted reinsurer, the Company accepts or rejects insurance risks that substandard in accordance its risk assessment measurements, transferred risks that are above of a certain price as contracted or arbitrary to reinsurer companies.

Risk acceptance regulations is prepared to create effective risk assessment policy related to Company's insurance risks and risk assessment operations is performed in this context. Risk Assessment Committee is established to carry on effective insurance risk assessment study.

After realization of biotic risks that guaranteed by the Company, paying valid insurance reimbursement demands that assessment and paying appointed reimbursement to rights-holders within the shortest time is adopted by the Company.

The Company does not have any guaranteed dividend liabilities in the period, since there are not any life insurance agreement arising from saving life insurance branch.



**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**4. Management of Insurance and Financial Risk (Continued)**

**4.1. Insurance risk management (Continued)**

There are various reasons for the insurance risk sensitivity. The Company manage these risks with effective risk assessment policy and proper reinsurance agreements besides reimbursement payment process.

The main goal of the risk evaluation is creating profitable business volume and developing this business volume in accordance with actuarial principles. Giving careful decisions by risk selection process and avoiding to give wrong decisions and practices is needed to achieve this goal. The most important risk to person who apply to the Company to take out a policy could be defined as realization of the incurred reimbursement is higher than expected reimbursement. In addition, protecting life insurance companies against people that in a risky situation for life insurance and malicious injured is important. Risk assessment is a self-protection operation for the Company and against possible reimbursements payments to person, whose life is under risks. Although, probability of realization of this risky situation is low in total portfolio, amount of the reimbursement could be paid is essential for the Company's financial status and occasionally it is not possible to determine these risks.

Purpose of the insurance risk operation can be collected under three main topic:

- (a) For the person that exposed to normal risks, bringing the risk premium rate to a reasonable level,
- (b) Pricing an insurance product; benefiting from mortality value that constituted for normal and out of standard risk levels,
- (c) Avoiding price disparity between normal and out of standard risk levels,

The company's insurance risk assessment policy based on production strategy and distribution of risk in accordance with its type, size and geographical region. Risk assessment limits of the Risk Acceptance Regulation are reviewed in accordance with company needs and changing life insurance portfolio structure and also it has been paid attention to choose the right risk.

Insurance risk assessment tools that are accepted in the world and applied in the international area have been used in the company's risk assessment process. In the assessment of medical, personal and financial technical risks, controls are made according to the internet based insurance risk assessment tool called Munich Re's MIRA (Munich Re Internet Risk Assessor), the leading reinsurance company in the reinsurance program, and numerical risk rating results that are obtained from this program are used by the company.

**4.2 Financial risk management**

The concentration of insurance risk (maximum insured loss) under each branch is summarized below:

	31 December 2016	31 December 2015
Life	41,108,935,794	34,884,598,342
Personal accident	13,818,139,445	15,248,963,193
<b>Total</b>	<b>54,927,075,239</b>	<b>50,133,561,535</b>

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**4. Management of Insurance and Financial Risk (Continued)**

**4.2 Financial Risk Management (Continued)**

Risks that the Company exposed related to pricing policies is as follows:

**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 in pricing the policies. The Company uses the appropriate mortality table for each product. In addition, the tariffs are updated according to the loss ratio of each product.

The Company is exposed to financial risk through its financial assets, reinsurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of the financial risk are market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential negative effects on the Company's financial performance. The Company does not use derivative financial instruments. Risk management is carried out by management under policies approved by the Board of Directors.

**(a) Market risk**

**i. Cash flow, market interest rate and price risk**

The Company is exposed to interest rate risk arising from financial assets and liabilities that have variable interest rate.

As of 31 December 2016, the Company has no financial asset that have variable interest rate (31 December 2015: None).

**ii. Foreign currency risk**

The Company is exposed to foreign exchange risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated receivables and payables. This risks are followed by analyzing foreign exchange position and restricted.

As of 31 December 2016, if US Dollar was increased/decreased by %10 against TL and all other variables held constant, profit before tax as a results of exchange difference gain/loss arising from US Dollar currency denominated receivables and payables would be lower/higher by TL48,414 (31 December 2015: TL36,539 higher/lower).

Debts denominated in foreign currencies are as follows:

**31 December 2016**

	US Dollar	TL Amount
Cash & Cash Equivalents	304,357	1,071,093
Due from Related Parties	21,992	77,394
<b>Total Assets</b>	<b>326,349</b>	<b>1,148,487</b>
Payables from Insurance Operations	92,028	323,865
Due to Related Parties	40,302	141,831
Other Payables	56,447	198,648
<b>Total Liabilities</b>	<b>188,777</b>	<b>664,344</b>
<b>Foreign Currency Position, Net</b>	<b>137,572</b>	<b>484,143</b>

**ÇİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**4. Management of Insurance and Financial Risk (Continued)**

*ii. Foreign currency risk (Continued)*

31 December 2015

	US Dollar	TL Amount
Payables from Insurance Operations	49,735	144,610
Due to Related Parties	67,141	195,220
Other Payables	8,790	25,558
<b>Total Liabilities</b>	<b>125,666</b>	<b>365,388</b>
<b>Foreign Currency Position, net</b>	<b>(125,666)</b>	<b>(365,388)</b>

The company's foreign currency debt includes debt due to related companies and suppliers, including reinsurance, and support services.

*iii. Price risk*

The Company's financial assets expose the Company to price risk. The Company is not exposed to commodity price risk. Price risks of the government bond, investment fund and pension mutual fund that the Company is exposed in reporting date are determined.

The company does not have any government bonds as of 31 December, 2016 (31 December 2015: None). The company does not have mutual funds as of 31 December 2016. As of 31 December 2016, the company does not have any retirement fund.

*(b) Credit risk*

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. The Company's exposure to credit risk arises mainly from cash and cash equivalents and bank deposits, financial assets, reinsurers' share of insurance liabilities, due from reinsurers and premium receivables from policyholders and intermediaries. The Company management deems these risks as total credit risk to the counterparty.

The Company follows and monitors the credit risk of financial assets classified as loans and receivables and receivables from insurance operations (including reinsurance receivables) by guarantees received and procedures applied for the selection of the counterparties. Other explanations in relation to these receivables are disclosed in Note 12.

The Company's financial assets which are subject to credit risk, except for loans and receivables, generally consist of government bonds and time and demand deposits held in banks and other financial institutions in Turkey; and such receivables are not deemed to have a high credit risk.

*(c) Liquidity risk*

The Company uses its available cash resources to pay claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Management sets limits on the minimum portion of funds available to meet such liabilities.

The company proposes to over its liabilities indicated below, with its financial assets and with its cash and cash equivalents placed under its assets. The term analysis of the assets and liabilities of the Company as of 31 December 2016 and 2015 is as shown.

**ÇİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**4. Management of Insurance and Financial Risk (Continued)**

**4.2 Financial Risk Management (Continued)**

31 December 2016	No Maturity	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and over	Unallocated	Total
<b>Assets</b>								
Cash and Cash Equivalents	2,459,567	120,207,806	82,475,453	39,968,255	-	-	-	245,111,081
Financial Assets	-	-	-	-	-	-	-	-
Receivables from Main Operations	-	14,726,268	11,110,359	19,166,040	-	-	676,572,924	721,575,591
Due from Related Parties	-	77,394	-	-	-	-	-	77,394
Prepaid Expenses and Income Accruals	-	256,615	1,335,947	21,831,397	-	-	-	23,423,959
Other Current Assets	-	-	-	-	-	-	-	-
Other Receivables	-	-	-	-	15,347	-	-	15,347
Financial Assets	-	-	-	-	-	-	362,019	362,019
Tangible Assets	-	-	-	-	-	-	6,104,715	6,104,715
Intangible Assets	-	-	-	-	-	-	8,912,169	8,912,169
Prepaid Expenses and Income Accruals	-	-	-	-	-	-	-	-
Other Non-current Assets	-	164,752	833,447	(40,675)	247,100	-	2,304,075	3,508,699
<b>Total Assets</b>	<b>2,459,567</b>	<b>135,432,835</b>	<b>95,755,206</b>	<b>80,925,017</b>	<b>262,447</b>	<b>-</b>	<b>694,255,902</b>	<b>1,009,090,974</b>
<b>Liabilities</b>								
Payables from Main Operations	-	20,969,495	3,253,040	5,449,957	-	-	669,192,658	698,865,150
Due to Related Parties	-	968,459	-	-	-	-	-	968,459
Other Payables	-	2,024,469	-	-	-	-	-	2,024,469
Insurance Technical Provisions	-	374,516	3,763,738	71,210,085	70,517,267	13,105,791	49,604,403	208,575,800
Taxes, and Other Liabilities, and Provision	-	2,134,921	1,285,773	-	-	-	-	3,420,694
Deferred Income and Expense Accruals	-	826,401	24,588	454,480	430,002	53,070	-	1,788,541
Other Current Liabilities	-	-	3,945,916	-	1,184,606	-	1,177,946	6,308,468
Provisions for Other Risks	-	-	-	-	-	-	2,283,844	2,283,844
Shareholders' Equity	-	-	-	-	-	-	84,855,549	84,855,549
<b>Total Liabilities and Shareholder's Equity</b>	<b>-</b>	<b>27,298,261</b>	<b>12,273,055</b>	<b>77,114,522</b>	<b>72,131,875</b>	<b>13,158,861</b>	<b>807,114,400</b>	<b>1,009,090,974</b>
<b>Net Position</b>	<b>2,459,567</b>	<b>108,134,574</b>	<b>83,482,151</b>	<b>3,810,495</b>	<b>(71,869,428)</b>	<b>(13,158,861)</b>	<b>(112,858,498)</b>	<b>-</b>

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**4. Management of Insurance and Financial Risk (Continued)**

**4.2 Financial Risk Management (Continued)**

31 December 2015	No Maturity	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and over	Unallocated	Total
<b>Assets</b>								
Cash and Cash Equivalents	2,722,690	58,579,379	125,328,345	11,948,052	-	-	-	198,578,466
Financial Assets	-	-	-	-	-	-	-	-
Receivables from Main Operations	-	12,599,272	8,833,197	16,517,965	-	-	579,308,848	617,259,282
Due from Related Parties	-	3,000	-	-	-	-	-	3,000
Prepaid Income and Expense Accruals	-	403,070	1,572,616	22,268,563	-	-	-	24,244,249
Other Current Assets	-	-	-	-	-	-	-	-
Other Receivables	-	-	-	-	18,626	-	535,935	554,561
Financial Assets	-	-	-	-	-	-	362,019	362,019
Tangible Assets	-	-	-	-	-	-	7,663,430	7,663,430
Intangible Assets	-	-	-	-	-	-	7,116,319	7,116,319
Prepaid Income and Expense Accruals	-	-	-	-	2,693	-	-	2,693
Other Non-current Assets	-	-	-	466,296	288,170	-	1,961,317	2,715,783
<b>Total Assets</b>	<b>2,722,690</b>	<b>71,584,721</b>	<b>135,734,158</b>	<b>51,200,876</b>	<b>309,489</b>	<b>-</b>	<b>596,947,868</b>	<b>858,499,802</b>
<b>Liabilities</b>								
Payables from Main Operations	-	18,921,679	2,573,964	4,859,664	-	-	572,631,998	598,987,305
Due to Related Parties	-	193,147	228,168	-	-	-	-	421,315
Other Payables	-	2,250,010	-	-	-	-	-	2,250,010
Insurance Technical Provisions	-	312,721	2,623,648	66,588,784	60,800,383	10,006,551	36,922,327	177,254,414
Taxes, and Other Liabilities, and Provision	-	2,032,892	-	815,627	-	-	-	2,848,519
Deferred Income and Expense Accruals	-	498,516	7,540	409,646	137,611	28,151	-	1,081,464
Other Current Assets	-	-	-	2,331,479	892,286	-	543,828	3,767,593
Provisions for Other Risks	-	-	-	-	-	-	1,951,992	1,951,992
Shareholders' Equity	-	-	-	-	-	-	69,937,190	69,937,190
<b>Total Liabilities and Shareholder's Equity</b>	<b>-</b>	<b>24,208,965</b>	<b>5,433,320</b>	<b>75,005,200</b>	<b>61,830,280</b>	<b>10,034,702</b>	<b>681,987,335</b>	<b>858,499,802</b>
<b>Net Position</b>	<b>2,722,690</b>	<b>47,375,756</b>	<b>130,300,838</b>	<b>(23,804,324)</b>	<b>(61,520,791)</b>	<b>(10,034,702)</b>	<b>(85,039,467)</b>	<b>-</b>

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**4. Management of Insurance and Financial Risk (Continued)**

**4.2 Financial Risk Management (Continued)**

*Fair value of the financial assets*

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

*Financial assets*

The fair values of balances denominated in foreign currencies, which are translated at period end exchange rates, are considered to approximate carrying values. The fair values of cash and cash equivalents are considered to approximate their respective carrying values due to their short-term nature. The carrying value of receivables from main operations along with related provision for overdue receivables is considered to approximate respective fair values. The cost of the financial assets that are not quoted in an active market, less impairment if any, are considered to approximate carrying value.

*Financial liabilities*

The fair values of liabilities from main operations and other financial liabilities are considered to approximate to their respective carrying values.

*Hierarchy of Fair Value*

The Company evaluates its financial assets which are accounted with its fair values on 3 different levels by valuation methods.

Level 1: Quotation prices on active markets of the identical assets and liabilities which the Company can reach on the evaluating date (unrevised prices),

Level 2: The data except the quotation prices on Level 1, observable directly or indirectly relating to the asset or liability,

Level 3: Unobservable data relating to the asset or liability.

The Company evaluates its marketable securities in the tradebook which its fair value is accounted in the income statement as Level 1 and its equity instruments in available for sale financial assets as Level 3. The company does not have any financial asset or liability which enters to Level 3 and exits from Level 3 or transfers to other levels.

*Capital management*

The Company's objectives when managing the capital are:

- To comply with the capital requirements of the Treasury,
- To safeguard the Company's ability to continue as a going concern so that it can continue the operations.

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**4. Management of Insurance and Financial Risk (Continued)**

*Capital management (Continued)*

The minimum required shareholders' equity amount calculated as of 31 December 2016 within the framework of the related regulations on capital adequacy is TL45,321,259 (31 December 2015: TL 41,008,018). The Company shareholder's equity amount is TL 51,921,664 (31 December 2015: TL 38,661,353) higher than the required minimum of shareholder amount. The detailed calculations of the Company related to Capital Adequacy as of 31 December 2016 and 2015 is as shown below:

	31 December 2016	31 December 2015
<b>1st Method</b>		
Equity Required for Life Branch	32,179,200	27,975,484
Equity Required for Pension Branch	3,333,800	2,852,709
Equity Required for Non-Life Branches	4,983,489	6,430,357
<b>Total Required Equity</b>	<b>40,496,489</b>	<b>37,258,550</b>
<b>2nd Method</b>		
Equity Required for Active Risk	27,374,596	24,535,033
Equity Required for Underwriting Risk	14,795,161	12,569,266
Equity Required for Excess Premium Increase	-	2,031,504
Equity Required for Outstanding Claims Reserve	1,835,902	1,285,976
Equity Required for Reinsurance Risk	1,279,289	569,681
Equity Required for Currency Risk	36,311	16,558
<b>Total Required Equity</b>	<b>45,321,259</b>	<b>41,008,018</b>
Capital Sum (*)	97,242,923	79,669,371
<b>Capital Adequacy Result</b>	<b>51,921,664</b>	<b>38,661,353</b>

(\*) Equalization provision amount was added to the equity.

**5. Segment Information**

Disclosed in Note 2.3.

**6. Property and Equipment**

**6.1 Depreciation and amortization expenses for the period:** TL6,607,744 (1 January - 31 December 2015: TL4,810,051).

6.1.1 Depreciation expense: TL2,053,217 (1 January - 31 December 2015: TL1,669,494).

6.1.2 Amortization expenses: TL4,554,527 (1 January - 31 December 2015: TL3,140,557).

**6.2 Changes in depreciation calculation methods and effect of such changes on depreciation expenses for the year:** None.

**6.3 Movements of property and equipment in the current period**

6.3.1 Cost of property and equipment purchased: TL562,862 (1 January - 31 December 2015: TL7,645,793).

6.3.2 Cost of property and equipment sold or used as scrap: TL398,015 (1 January - 31 December 2015: TL1,386,380).

6.3.3 Revaluation increases in the current period:

6.3.3.1 Cost of fixed assets (+): None (1 January - 31 December 2015: None).

6.3.3.2 Accumulated depreciation (-): None (1 January - 31 December 2015: None).

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**6. Property and Equipment (Continued)**

*Movement table of tangible assets:*

	1 January 2016	Additions	Disposals	31 December 2016
<b>Cost:</b>				
Machinery and equipment	5,888,286	558,437	(105,717)	6,341,006
Leasehold improvements	5,962,847	4,425	(292,298)	5,674,974
<b>Total Cost</b>	<b>11,851,133</b>	<b>562,862</b>	<b>(398,015)</b>	<b>12,015,980</b>
<b>Accumulated depreciation:</b>				
Machinery and equipment	(2,361,633)	(1,122,314)	101,473	(3,382,474)
Leasehold improvements	(1,826,070)	(930,903)	228,182	(2,528,791)
<b>Total accumulated depreciation</b>	<b>(4,187,703)</b>	<b>(2,053,217)</b>	<b>329,655</b>	<b>(5,911,265)</b>
<b>Net book value</b>	<b>7,663,430</b>			<b>6,104,715</b>
	1 January 2015	Additions	Disposals	31 December 2015
<b>Cost:</b>				
Machinery and equipment	4,081,358	3,043,949	(1,237,021)	5,888,286
Leasehold improvements	1,510,362	4,601,844	(149,359)	5,962,847
<b>Total Cost</b>	<b>5,591,720</b>	<b>7,645,793</b>	<b>(1,386,380)</b>	<b>11,851,133</b>
<b>Accumulated depreciation:</b>				
Machinery and equipment	(2,473,106)	(911,305)	1,022,778	(2,361,633)
Leasehold improvements	(1,174,667)	(758,189)	106,786	(1,826,070)
<b>Total accumulated depreciation</b>	<b>(3,647,773)</b>	<b>(1,669,494)</b>	<b>1,129,564</b>	<b>(4,187,703)</b>
<b>Net book value</b>	<b>1,943,947</b>			<b>7,663,430</b>

As of 31 December 2016 and 2015 the Company does not have any tangible asset arising from financial leasing.

As of 31 December 2016 and 2015 there are no mortgage on the tangible assets of the Company.

**7. Investment Properties**

The Company has no investment property as of 31 December 2016 (31 December 2015: None).

**8. Intangible Assets**

	1 January 2016	Additions	Disposals	31 December 2016
<b>Cost:</b>				
Rights	17,361,658	6,350,377	-	23,712,035
<b>Accumulated depreciation:</b>				
Rights	(10,245,339)	(4,554,527)	-	(14,799,866)
<b>Net book value</b>	<b>7,116,319</b>			<b>8,912,169</b>
	1 January 2015	Additions	Disposals	31 December 2015
<b>Cost:</b>				
Rights	10,550,714	6,812,663	(1,719)	17,361,658
<b>Accumulated depreciation:</b>				
Rights	(7,106,501)	(3,140,557)	1,719	(10,245,339)
<b>Net Book Value</b>	<b>3,444,213</b>			<b>7,116,319</b>



**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**9. Investments in Associates**

The Company does not have any investments in associates accounted for using the equity accounting method as of 31 December 2016 and 2015.

**10. Reinsurance Assets**

Reinsurance Assets/(Liabilities)	31 December 2016	31 December 2015
Reinsurers' share of unearned premiums reserve	6,642,939	4,999,889
Reinsurers' share of outstanding claims provision	4,933,697	2,122,697
Equalization provision reinsurers' share	277,863	189,908
Payables/receivables to reinsurance companies	(94,248)	15,840
Deferred reinsurance commissions	(964,782)	(583,872)

Reinsurance Income/(Expense)	1 January - 31 December 2016	1 January - 31 December 2015
Reinsurers' share in paid claims	6,100,087	2,922,068
Reinsurers' share in change in outstanding claim provision	2,811,000	308,237
Commission received from reinsurers	2,312,040	2,378,167
Reinsurers' share of change in unearned premiums reserve	1,643,050	1,347,640
Reinsurers' share in check-up expense	65,619	97,869
Reinsurers' share of change in the equalization provision	87,955	54,797
Premiums ceded to reinsurers	(12,085,431)	(9,131,283)

**11. Financial Assets**

**11.1 Sub categorization of the items presented compatible to the Company's operations:**

The company has no financial assets held for trading as of 31 December 2016. (31 December 2015: None).

	31 December 2016	31 December 2015
Credits and Receivables (Note 12)	721,652,985	617,262,282
<b>Total</b>	<b>721,652,985</b>	<b>617,262,282</b>

**11.2 Marketable securities issued during the year other than share certificates:** None (31 December 2015: None).

**11.3 Marketable securities issued during the year other than share certificates:** None (31 December 2015: None).

**11.4 Market value of marketable securities and financial assets carried at cost and carrying value of marketable securities and financial assets carried at market value:**

The company has no "financial assets held for trading" as of 31 December 2016 (31 December 2015: None).

As of 31 December 2016 amount of TL362,019 in the financial fixed assets that Company have consist of Pension Monitoring Center shares (31 December 2015 : TL362,019). Since the Pension Monitoring Center shares is not trading actively in market, these shares do not have fair value.

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**11. Financial Assets (Continued)**

**11.5 Amounts of marketable securities classified under marketable securities and investment securities accounts issued by the Company's shareholders, associates and subsidiaries and the issuers:** None (31 December 2015: None).

**11.6 Value increase on financial assets in the last three years:**

Value increase on financial assets disclosed under notes 11.7 and 26.

**11.7 - 11.9 Other information about financial assets:**

Disclosed under note 26.

The company doesn't have any securities as of 31 December 2016 (31. December 2015: None).

**12. Loans and Receivables**

**12.1 Classification of the receivables as receivables from customers, receivables from related parties, advance payments (short-term and long-term prepayments) and others:**

	31 December 2016	31 December 2015
Receivables from pension operations	677,581,472	580,797,001
Due from insurance operations	43,992,904	36,450,544
Bank guaranteed credit card receivables	1,215	11,737
Doubtful receivables from main operations	50,896	50,971
Provision for doubtful receivables from main operations (-)	(50,896)	(50,971)
Due from Related Parties	77,394	3,000
<b>Receivables from main operations</b>	<b>721,652,985</b>	<b>617,262,282</b>

**12.2 Due from/due to shareholders, associates and subsidiaries:**

The transactions and balances with the related parties are disclosed in Note 45.

**12.3 Total mortgages and collaterals obtained for receivables:**

The Company does not have any assurance for receivables (31 December 2015: None).

**12.4 Receivables denominated in foreign currencies having no foreign exchange rate guarantees, assets in foreign currencies and conversion rates:**

Company's receivables and payables in foreign currency with the related parties are disclosed in Note 4.2.

**12.5 - 12.7 Other information about loans and receivables:**

The aging of due from insurance operations is as follows:

	31 December 2016	31 December 2015
Overdue receivables	7,470,798	6,470,505
Up to 3 months	17,362,057	13,662,577
3 - 6 months	12,222,323	12,244,367
6 months - 1 year	6,938,941	4,084,832
<b>Total</b>	<b>43,994,119</b>	<b>36,462,281</b>

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**12. Loans and Receivables (Continued)**

**12.5 - 12.7 Other information about loans and receivables (Continued):**

The aging of due from insurance operations is as follows:

	31 December 2016	31 December 2015
Up to 3 months	5,571,105	5,065,657
3 - 6 months	491,656	433,982
6 months -1 year	166,384	(350,221)
Longer than 1 year	1,241,653	1,321,087
<b>Total</b>	<b>7,470,798</b>	<b>6,470,505</b>

Company does not have any assurance for the receivables that are overdue which are explained above.

Entrance fee receivables that inside of receivables from pension operations amount TL50,896 is classified in doubtful receivables from main operations and the Company accounted provision for this amount in additional financial statements as of 31 December 2016 (31 December 2015: TL50,971).

As of 31 December 2016 receivables from entrance fee that inside of receivables from pension operations is TL2,047,974 (31 December 2015 : TL2,548,613) and receivables for overdue entrance fee is TL2,034,489 (31 December 2015: TL2,133,476).

**13. Derivative Financial Instruments**

None (31 December 2015: None).

**14. Cash and Cash Equivalents**

Cash and cash equivalents that are included the statement of cash flows for the periods 31 December 2016 and 2015 are presented in Note 2.12 and the details of bank deposits of the Company are as follows:

	31 December 2016	31 December 2015
Banks	233,240,881	186,660,930
-TL	232,169,788	186,660,930
-Foreign Currency (Note 4.2)	1,071,093	-
Bank guaranteed credit card receivables with maturities less than three months	11,870,200	11,917,536
<b>Total</b>	<b>245,111,081</b>	<b>198,578,466</b>

The blockage period for credit card receivables less than 3-month-maturity of the Company is in the range of 26-39 days as of 31 December 2016 (31 December 2015: 26-41 days).

The detail of the Bank deposits of the company is as follows:

	31 December 2016	31 December 2015
TL deposits		
- time deposits	230,781,314	183,938,240
- demand deposits	2,459,567	2,722,690
<b>Total</b>	<b>233,240,881</b>	<b>186,660,930</b>

As of 31 December 2016 time deposit worth of TL110,525,164 is blocked (31 December 2015: TL90,625,789) (Note 43).

The weighted average interest rates of the time deposits are as follows:

	31 December 2016 (%)	31 December 2015 (%)
Interest Rate	11.0	12.5

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**15. Capital**

*Legal Reserves:*

Retained earnings as per the statutory financial statements, other than legal reserve requirements as referred below, are available for distribution. The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code. The Turkish Commercial Code stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the Turkish Commercial Code, the legal reserves can only be used to offset losses unless they exceed 50% of paid-in share capital and are not available for any other usage. There is no movement in the legal reserves in the current period.

Movements of the legal reserves during the year are as follows:

	1 January 2016		Issued Capital		Amortized		31 December 2016	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid in capital	45,000,000	45,000,000	-	-	-	-	45,000,000	45,000,000
<b>Total</b>	<b>45,000,000</b>	<b>45,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,000,000</b>	<b>45,000,000</b>

	1 January 2015		Issued Capital		Amortized		31 December 2015	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid in capital	45,000,000	45,000,000					45,000,000	45,000,000
<b>Total</b>	<b>45,000,000</b>	<b>45,000,000</b>					<b>45,000,000</b>	<b>45,000,000</b>

The company does not liable to registered capital system. The details of dividend distribution is disclosed under Note 38.

There are not any shares held by the Company itself (31 December 2015: None).

The Company does not have any future delivery and equity share sales arising from contracts (31 December 2015: None).

Movements of the legal reserves and other legal reserves during the year are as follows:

	2016	2015
<i>Legal Reserves:</i>		
Opening balance - 1 January	11,202,422	7,698,421
Increases during the period	1,515,729	3,504,001
<b>Closing balance - 31 December</b>	<b>12,718,151</b>	<b>11,202,422</b>

	2016	2015
<i>Other legal reserves:</i>		
Opening balance - 1 January	(746,718)	(692,978)
Increases during the period	219,608	(53,740)
<b>Closing balance - 31 December</b>	<b>(527,110)</b>	<b>(746,718)</b>

**16. Other Reserves and Equity Component of Discretionary Participation Feature**

Information about other reserves classified under the equity is explained in Note 15.

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**17. Insurance Liabilities and Reinsurance Assets**

**17.1 Guarantees to be provided and guarantees provided for life and non-life branches:**

	31 December 2016	31 December 2015
Required guarantee amount to be provided for life branch (*)	112,389,880	92,515,491
Guarantee amount provided for life branch (**)	106,489,265	88,688,293
Required guarantee amount to be provided for non-life branch (*)	2,908,164	3,210,632
Guarantee amount provided for non-life branch (**)	4,035,899	1,887,252

(\*) In accordance with the article 4 of Communiqué regarding "The Financial Structure of Insurance, and Reinsurance and Pension Companies", published in the Official Gazette (No:26606) dated 7 August 2007 in accordance with the adaptation to the Insurance Law, the insurance and pension fund companies operating in personal accident and life branches should provide guarantees that equals to one third of required capital amount in each capital adequacy calculation period.

(\*\*) In accordance with the article 7 first paragraph of "The Financial Structure of Insurance, and Reinsurance and Pension Companies", published in the Official Gazette (No: 26616) dated 17 August 2007, the insurance and pension fund companies operating in personal accident and life branches have to establish guarantees in two months that following capital adequacy calculation period. In accordance related article, the Company propose to complete current blockage explicit until 28 February 2017.

**17.2 Number of life policies, the number and mathematical reserve amount of the life policies that enter and exit during the year and current status:**

	2016 Number of Policies	2015 Number of Policies
Opening balance - 1 January	1,422,549	1,602,215
Addition	896,290	1,235,873
Disposal	(879,217)	(1,415,539)
<b>Closing Balance - 31 December</b>	<b>1,439,622</b>	<b>1,422,549</b>
	<b>31 December 2016</b>	<b>31 December 2015</b>
Mathematical reserves - short term	6,617,783	3,520,687
Mathematical reserves - long term (*)	84,507,594	70,757,564
<b>Total</b>	<b>91,125,377</b>	<b>74,278,251</b>

The company has TL1,622,663 long-term actuarial mathematical provisions due to long-term personal accident policies as of 31 December 2016 (31 December 2015: TL1,416,564).

**17.3 Insurance guarantees given for non-life branches:**

Disclosed in Note 4.

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**17. Insurance Liabilities and Reinsurance Assets (Continued)**

**17.4 Unit prices of pension funds established by the Company:**

Pension Funds	Unit Prices (*) 31 December 2016	Unit Prices (*) 31 December 2015
CHK Kamu Borçlanma Araçları Emeklilik YF (**)	0,020043	0,018651
CHT Katkı Emeklilik YF	0,012041	0,011041
CHN Esnek Emeklilik YF	0,020370	0,018961
CHL Para Piyasası Likit Kamu Emeklilik YF	0,017897	0,016451
CHH Büyüme Amaçlı Hisse Senedi Emeklilik YF	0,032799	0,028474
CHM Büyüme Amaçlı Esnek Emeklilik YF (**)	0,016682	0,015301
CGG Gruplara Yönelik Gelir Amaçlı K. B. A. E. YF	0,013355	0,012313
CGE Gruplara Yönelik Esnek Emeklilik YF (**)	0,013568	0,012801
CHS Standart Emeklilik YF	0,012247	0,011403

(\*) Unit prices of funds are evaluated amount as of 30 December 2016. For the period 31 December 2015, unit prices of funds are evaluated as of 31 December 2015.

**17.5 Units and amounts of share certificates in portfolio and in circulation:**

*Private pension funds in circulation:*

	31 December 2016 (*)	
	Units in circulation	Amount in TL
CHK Kamu Borçlanma Araçları Emeklilik YF (**)	13,827,965,002	277,153,903
CHT Katkı Emeklilik YF	4,872,602,044	99,254,904
CHN Esnek Emeklilik YF	8,616,036,081	103,745,690
CHL Para Piyasası Likit Kamu Emeklilik YF	5,093,441,033	91,157,314
CHH Büyüme Amaçlı Hisse Senedi Emeklilik YF	1,524,932,903	50,016,274
CHM Büyüme Amaçlı Esnek Emeklilik YF (**)	1,042,197,097	17,385,932
CGG Gruplara Yönelik Gelir Amaçlı K. B. A. E. YF	876,078,032	11,700,022
CGE Gruplara Yönelik Esnek Emeklilik YF (**)	476,393,477	6,463,707
CHS Standart Emeklilik YF	806,906,396	9,882,183
	31 December 2015 (*)	
	Units in circulation	Amount in TL
CHK Kamu Borçlanma Araçları Emeklilik YF (**)	13,374,683,135	249,451,215
CHT Katkı Emeklilik YF	7,307,313,251	80,680,046
CHN Esnek Emeklilik YF	4,779,551,773	90,625,081
CHL Para Piyasası Likit Kamu Emeklilik YF	4,414,052,026	72,615,570
CHH Büyüme Amaçlı Hisse Senedi Emeklilik YF	1,465,127,418	41,718,038
CHM Büyüme Amaçlı Esnek Emeklilik YF (**)	935,776,669	14,318,319
CGG Gruplara Yönelik Gelir Amaçlı K. B. A. E. YF	812,139,044	9,999,868
CGE Gruplara Yönelik Esnek Emeklilik YF (**)	464,577,179	5,947,052
CHS Standart Emeklilik YF	454,851,423	5,186,671

(\*) Forward value transactions are updated on T+1 day in the shares of the table in circulation, on the other hand since the accounting record occurs at T + 2 days it shows differences in the shares in circulation and receivables/payables from long-term operations in pensions.

(\*\*)"Kamu Borçlanma Araçları Emeklilik YF", "Büyüme Amaçlı Hisse Senedi Emeklilik YF and "Büyüme Amaçlı Esnek Emeklilik YF" funds that are founded by Company, did not make collections at maturity date from TL2,511,135, TL306,357 and TL103,042 carried and TL2,470,000, TL300,000 and TL100,000 nominal priced financial bonds in their portfolio as of 31 December 2016. Due to the provision for losses relating to the related instrument is accounted in funds' financial statements on 11 February 2016 (31 December 2015: CHK: TL 2,522,042, CHM: TL 305,462, CGE: TL 101,541).

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**17. Insurance Liabilities and Reinsurance Assets (Continued)**

**17.6 Numbers and portfolio amounts of the individual and group pension funds' participants (entered, left, cancelled during the period and the current participants):**

	31 December 2016							
	Additions In period Unit	Additions In period TL	Disposals in period Unit	Disposals in period TL	Cancellations in period Unit (*)	Cancellations in period TL	Current Unit	Current TL
Individual	14,906	13,718,836	18,955	110,966,423	-	-	107,980	555,681,001
Group	3,587	1,967,525	8,168	23,683,860	-	-	25,438	111,078,928
<b>Total</b>	<b>18,493</b>	<b>15,686,361</b>	<b>27,123</b>	<b>134,650,283</b>	<b>-</b>	<b>-</b>	<b>133,418</b>	<b>666,759,929</b>

	31 December 2015							
	Additions In period Unit	Additions In period TL	Disposals in period Unit	Disposals in period TL	Cancellations in period Unit (*)	Cancellations in period TL	Current Unit	Current TL
Individual	26,709	26,073,646	15,147	80,578,709	-	-	112,036	476,024,642
Group	6,790	3,711,210	8,422	17,652,514	-	-	30,012	94,517,218
<b>Total</b>	<b>33,499</b>	<b>29,784,856</b>	<b>23,569</b>	<b>98,231,223</b>	<b>-</b>	<b>-</b>	<b>142,048</b>	<b>570,541,860</b>

(\*) Customs that were cancelled during the period has not shown because it is not effective for TL.

**17.7 Valuation methods of profit share calculation for life insurance:**

None (31 December 2015: None).

**17.8 Number of units and individual/group allocation of gross/net contribution amounts of the private pension fund participant's attendant at the Company during the period:**

	1 January - 31 December 2016			1 January - 31 December 2015		
	Number of Policies	Gross Contribution Amount	Net Contribution Amount	Number of Policies	Gross Contribution Amount	Net Contribution Amount
Individual (*)	14,906	16,084,578	16,072,228	26,709	28,593,919	28,229,854
Group (*)	3,587	2,426,118	2,405,653	6,790	4,511,929	4,454,114
<b>Total</b>	<b>18,493</b>	<b>18,510,696</b>	<b>18,477,881</b>	<b>33,499</b>	<b>33,105,848</b>	<b>32,683,968</b>

(\*) Agreements that new entrances in the current year in order that not standing at the end of the period have been included (Agreements that comes from other companies have been included to new entrance amount).

**17.9 Number of units and individual/group allocation of gross/net contribution amounts of the private pension fund participants transferred from another Companies during the period:**

	1 January - 31 December 2016			1 January - 31 December 2015		
	Number of Policies	Gross Contribution Amount	Net Contribution Amount	Number of Policies	Gross Contribution Amount	Net Contribution Amount
Individual	229	3,867,340	3,867,340	148	2,218,348	2,218,348
Group	50	353,979	353,979	34	106,317	106,317
<b>Total</b>	<b>279</b>	<b>4,221,319</b>	<b>4,221,319</b>	<b>182</b>	<b>2,324,665</b>	<b>2,324,665</b>

**17.10 Number of units and individual/group allocation of gross/net contribution amounts of the private pension fund participants transferred from the life insurance portfolio to the private pension fund portfolio during the period: None (1 January - 31 December 2015: None).**

**17.11 Number of units and individual/group allocation of gross/net contribution amounts of the private pension fund participants that left the Company and transferred to another Company or that left the Company but did not transfer to another Company:**

	1 January - 31 December 2016			1 January - 31 December 2015		
	Number of Policies	Gross Contribution Amount	Net Contribution Amount	Number of Policies	Gross Contribution Amount	Net Contribution Amount
Individual	18,955	102,113,644	100,607,201	15,147	74,587,048	73,405,803
Group	8,168	22,034,214	21,792,188	8,422	16,193,698	16,013,524
<b>Total</b>	<b>27,123</b>	<b>124,147,858</b>	<b>122,399,389</b>	<b>23,569</b>	<b>90,780,746</b>	<b>89,419,327</b>

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**17. Insurance Liabilities and Reinsurance Assets (Continued)**

**17.12 Number of units, gross/net premiums and individual/group allocation for life policyholders that joined the portfolio during the period:**

	1 January - 31 December 2016		1 January - 31 December 2015	
	Number of Policies	Net Premium	Number of Policies	Net Premium
Individual	83,997	83,952,726	118,336	51,466,800
Group	812,293	189,867,817	1,044,615	166,160,884
<b>Total</b>	<b>896,290</b>	<b>273,820,543</b>	<b>1,162,951</b>	<b>217,627,684</b>

**17.13 Number of units, gross/net premiums and individual/group allocation of mathematical reserves for life policyholders that left the portfolio during the period:**

	1 January - 31 December 2016				1 January - 31 December 2015			
	Number of Policies	Gross Premium	Net Premium	Mathematical Reserve (TL)	Number of Policies	Gross Premium	Net Premium	Mathematical Reserve (TL)
Individual	66,682	63,967,478	61,476,310	27,709,450	108,525	55,098,567	54,798,747	15,608,188
Group	812,535	166,490,109	153,089,457	63,415,927	1,234,092	154,199,434	150,645,760	58,670,063
<b>Total</b>	<b>879,217</b>	<b>230,457,587</b>	<b>214,565,767</b>	<b>91,125,377</b>	<b>1,342,617</b>	<b>209,298,001</b>	<b>205,444,507</b>	<b>74,278,251</b>

**17.14 Profit share distribution rate to the life policyholders:**

The Company does not have any saving life insurance which is liable to dividend distribution (31 December 2015: None).

**17.15 - 17.19 Other required information about liabilities from insurance agreements:**

	31 December 2016	31 December 2015
<b>Gross technical reserves</b>		
Unearned Premium Reserve	72,548,868	69,637,161
Mathematical Reserves	92,748,040	75,694,815
Outstanding Claims Provision	42,150,727	29,312,843
Equalisation Reserve	12,665,237	9,922,089
Bonus and Rebate Provision	317,427	-
<b>Total</b>	<b>220,430,299</b>	<b>184,566,908</b>
<b>Reinsurer's share</b>		
Unearned Premium Reserve	(6,642,939)	(4,999,889)
Equalisation Reserve	(277,863)	(189,908)
Outstanding Claims Provision	(4,933,697)	(2,122,697)
<b>Total</b>	<b>(11,854,499)</b>	<b>(7,312,494)</b>
<b>Net technical reserves</b>		
Unearned Premium Reserve	65,905,929	64,637,272
Mathematical Reserves	92,748,040	75,694,815
Outstanding Claims Provision	37,217,030	27,190,146
Bonus and Rebate Provision	317,427	-
Equalisation Reserve	12,387,374	9,732,181
<b>Total</b>	<b>208,575,800</b>	<b>177,254,414</b>



**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**17. Insurance Liabilities and Reinsurance Assets (Continued)**

**17.15 - 17.19 Other required information about liabilities from insurance agreements (Continued):**

Outstanding Claims Provision	31 December 2016		
	Gross	Reinsurer's share	Net
Outstanding Claims Provision	37,320,812	(4,672,072)	32,648,740
Calculated discount amount according to winning ratio	(1,697,706)	109,257	(1,588,449)
Claims incurred but not reported	6,527,621	(370,882)	6,156,739
<b>Total</b>	<b>42,150,727</b>	<b>(4,933,697)</b>	<b>37,217,030</b>

Outstanding Claims Provision	31 December 2015		
	Gross	Reinsurer's share	Net
Outstanding Claims Provision	23,173,714	(2,004,732)	21,168,982
Calculated discount amount according to winning ratio	(1,259,052)	83,180	(1,175,872)
Claims incurred but not reported	7,398,181	(201,145)	7,197,036
<b>Total</b>	<b>29,312,843</b>	<b>(2,122,697)</b>	<b>27,190,146</b>

Claims incurred but not reported	31 December 2016		
	Gross	Reinsurer's share	Net
Life	5,862,500	(326,401)	5,536,099
Personal Accident	665,121	(44,481)	620,640
<b>Total</b>	<b>6,527,621</b>	<b>(370,882)</b>	<b>6,156,739</b>

Claims incurred but not reported	31 December 2015		
	Gross	Reinsurer's share	Net
Life	4,502,391	(128,529)	4,373,862
Personal Accident	2,895,790	(72,616)	2,823,174
<b>Total</b>	<b>7,398,181</b>	<b>(201,145)</b>	<b>7,197,036</b>

Outstanding Claims Provision Movement Table	2016		
	Gross	Reinsurer's share	Net
Opening balance - 1 January	23,173,714	(2,004,732)	21,168,982
Paid Claims	(61,986,173)	6,100,087	(55,886,086)
Change	76,133,271	(8,767,427)	67,365,844
<b>Closing balance - 31 December</b>	<b>37,320,812</b>	<b>(4,672,072)</b>	<b>32,648,740</b>
Calculated discount amount according to winning ratio	(1,697,706)	109,257	(1,588,449)
Claims incurred but not reported	6,527,621	(370,882)	6,156,739
<b>Total</b>	<b>42,150,727</b>	<b>(4,933,697)</b>	<b>37,217,030</b>

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**17. Insurance Liabilities and Reinsurance Assets (Continued)**

**17.15 - 17.19 Other required information about liabilities from insurance agreements: (Continued):**

Opening balance - 1 January	2015		
	Gross	Reinsurer's share	Net
Opening balance - 1 January	16,471,506	(1,641,067)	14,830,439
Paid Claims	(42,819,013)	2,922,068	(39,896,945)
Change	49,521,221	(3,285,733)	46,235,488
<b>Closing balance - 31 December</b>	<b>23,173,714</b>	<b>(2,004,732)</b>	<b>21,168,982</b>
Calculated discount amount according to winning ratio	(1,259,052)	83,180	(1,175,872)
Claims incurred but not reported	7,398,181	(201,145)	7,197,036
<b>Total</b>	<b>29,312,843</b>	<b>(2,122,697)</b>	<b>27,190,146</b>

*Unearned Premium Reserve Movement Table*

	2016					
	Life			Non-life		
	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net
Opening balance - 1 January	49,889,733	(4,462,715)	45,427,018	19,747,428	(537,174)	19,210,254
Change	8,226,655	(1,918,250)	6,308,405	(5,314,948)	275,200	(5,039,748)
<b>Closing balance - 31 December</b>	<b>58,116,388</b>	<b>(6,380,965)</b>	<b>51,735,423</b>	<b>14,432,480</b>	<b>(261,974)</b>	<b>14,170,506</b>

*Unearned Premium Reserve Movement Table*

	2015					
	Life			Non-life		
	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net
Opening balance - 1 January	41,977,190	(3,632,713)	38,344,477	14,968,786	(19,536)	14,949,250
Change	7,912,543	(830,002)	7,082,541	4,778,642	(517,638)	4,261,004
<b>Closing balance - 31 December</b>	<b>49,889,733</b>	<b>(4,462,715)</b>	<b>45,427,018</b>	<b>19,747,428</b>	<b>(537,174)</b>	<b>19,210,254</b>

*Equalisation Reserve:*

	2016					
	Life			Non-life		
	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net
Opening balance - 1 January	9,820,308	(189,908)	9,630,400	101,781	-	101,781
Change	2,643,917	(84,071)	2,559,846	99,231	(3,884)	95,347
<b>Closing balance - 31 December</b>	<b>12,464,225</b>	<b>(273,979)</b>	<b>12,190,246</b>	<b>201,012</b>	<b>(3,884)</b>	<b>197,128</b>

	2015					
	Life			Non-life		
	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net
Opening balance - 1 January	7,759,418	(135,111)	7,624,307	-	-	-
Change	2,060,890	(54,797)	2,006,093	101,781	-	101,781
<b>Closing balance - 31 December</b>	<b>9,820,308</b>	<b>(189,908)</b>	<b>9,630,400</b>	<b>101,781</b>	<b>-</b>	<b>101,781</b>

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**17. Insurance Liabilities and Reinsurance Assets (Continued)**

**17.15 - 17.19 Other required information about liabilities from insurance agreements: (Continued):**

*Mathematical Reserves:*

	2016					
	Life			Non-life		
	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net
Opening balance - 1 January	74,278,251	-	74,278,251	1,416,564	-	1,416,564
Change	16,847,126	-	16,847,126	206,099	-	206,099
<b>Closing balance - 31 December</b>	<b>91,125,377</b>	<b>-</b>	<b>91,125,377</b>	<b>1,622,663</b>	<b>-</b>	<b>1,622,663</b>
	2015					
	Life			Non-life		
	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net
Opening balance - 1 January	63,705,054	-	63,705,054	-	-	-
Change	10,573,197	-	10,573,197	1,416,564	-	1,416,564
<b>Closing balance - 31 December</b>	<b>74,278,251</b>	<b>-</b>	<b>74,278,251</b>	<b>1,416,564</b>	<b>-</b>	<b>1,416,564</b>

*Bonus Discounts Movement Table*

	2016					
	Life			Non-life		
	Gross	Reinsurer's share	Net	Brüt	Reinsurer's share	Net
Opening balance - 1 January	-	-	-	-	-	-
Change	317,427	-	317,427	-	-	-
<b>Closing balance - 31 December</b>	<b>317,427</b>	<b>-</b>	<b>317,427</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Company does not have any mathematical reserve which is expressed in foreign currency and net of outstanding claims reserve.

**18. Investment Contract Liabilities**

None (31 December 2015: None).

**19. Trade and Other Payables, Deferred Income**

	31 December 2016	31 December 2015
Payables from pension operations	684,199,264	586,091,690
Payables to intermediaries and policyholders	14,665,886	12,895,615
Due to related parties	814,973	317,465
Deferred commission income	964,782	583,872
Due to personnel	153,486	103,850
Other payables (*) (Note 47.1)	2,024,469	2,250,010
Expense accruals (*)	823,759	497,592
<b>Total</b>	<b>703,646,619</b>	<b>602,740,094</b>

(\*) As of 31 December 2016, TL598,989 which is amount of Finansbank campaign expenses and TL74,153 which is amount of IBTech rights purchasing expenses, consists expense accruals. As of 31 December 2015, TL426,708 which is amount of campaign expenses consists expense accruals.

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**20. Borrowings**

None (31 December 2015: None)

**21. Deferred Income Tax**

The Company calculates deferred income tax for the temporary differences in the balance sheet items arising due to measurement in the financial statements and measurement in accordance with Tax Law.

Deferred income tax assets and liabilities are determined using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The enacted tax rate used for the calculation of deferred income tax assets and liabilities on temporary differences that are expected to be realized in the following periods under the liability method is 20% (2015: 20%).

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

As of 31 December 2016 and 2015, the details of the temporary differences, deferred income tax assets and liabilities calculated using enacted tax rates are as follows:

Deferred income tax assets	Cumulative temporary Differences		Deferred income tax assets/ (liabilities)	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Equalization reserve	12,387,374	9,732,181	2,477,475	1,946,437
Provision for employment termination benefits	2,283,844	1,951,992	456,769	390,398
Provision for bonus	3,945,916	2,331,479	789,183	466,296
Provision for accumulated leave	1,184,605	892,286	236,921	178,457
Provision for lawsuit	1,112,917	503,893	222,583	100,779
Bonus and Rebate Provisions	317,427	-	63,485	-
Provision for doubtful receivables	50,896	50,971	10,179	10,194
Other	823,759	497,592	164,752	99,518
<b>Total</b>	<b>22,106,738</b>	<b>15,960,394</b>	<b>4,421,347</b>	<b>3,192,079</b>
<b>Deferred income tax liabilities</b>				
Receivable-payable rediscount	(208,458)	(227,198)	(41,692)	(45,440)
Tangible and intangible fixed assets book value TPL difference	(4,055,302)	(2,154,284)	(811,060)	(430,856)
Deferred acquisition costs of sales	(299,480)	-	(59,896)	-
	<b>(4,563,240)</b>	<b>(2,381,482)</b>	<b>(912,648)</b>	<b>(476,296)</b>
<b>Net deferred income tax assets (Note 35)</b>	<b>17,543,498</b>	<b>13,578,912</b>	<b>3,508,699</b>	<b>2,715,783</b>

The movement in the deferred income tax assets in the current year is as follow:

	2016	2015
Opening balance - 1 January	2,715,783	2,565,538
Deferred tax income (Note 35)	847,818	136,810
Actuarial loss deferred income tax effect	(54,902)	13,435
<b>Closing balance - 31 December</b>	<b>3,508,699</b>	<b>2,715,783</b>

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**22. Retirement Benefit Obligations**

	31 December 2016	31 December 2015
Provision for employment termination benefits	2,283,844	1,951,992
	<b>2,283,844</b>	<b>1,951,992</b>

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). After the changes made on 23 May 2002 in the legislation, some process of transition clauses related to the length of service before retirement have been omitted.

The amount payable consists of one month's salary limited to a maximum of TL4,297.21 as of 31 December 2016 (31 December 2015: TL3,828.37).

The provision for employment termination benefits liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

IAS 19. requires actuarial valuation methods to be developed to estimate the enterprise's obligation. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2016	31 December 2015
Discount rate (%)	11.80%	10.70%
Inflation (%)	8.00%	7.75%

Turnover rate to estimate the probability of retirement based on years of service are as follows:

	31 December 2016	31 December 2015
0-2 service years (%)	85.00	85.00
2-5 service years (%)	90.00	90.00
5-10 service years (%)	96.00	96.00
10-15 service years (%)	99.00	99.00
15 over service years (%)	100.00	100.00

The movement in the provision for employment termination benefits in the current period is as follows:

	2016	2015
<b>Provision for employment termination benefits</b>		
Opening balance - 1 January	1,951,992	1,472,102
Service cost	1,223,357	1,048,198
Interest cost	208,671	125,724
Paid during the period (Note 33)	(825,666)	(761,207)
Actuarial (gain)/ loss	(274,510)	67,175
<b>Closing balance - 31 December</b>	<b>2,283,844</b>	<b>1,951,992</b>

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**23. Provisions for Other Liabilities and Charges**

Commitments and contingent liabilities not recognized as liabilities are disclosed in Note 43.  
Guarantees and pledges received are disclosed in Note 2.3.

The details of provisions that are classified under provisions for expense accruals in balance sheet are as follows:

	31 December 2016	31 December 2015
Provision for bonus	3,945,916	2,331,479
Provision for leave	1,184,605	892,286
Provision for lawsuit	1,112,917	503,893
Other	65,030	39,935
<b>Total</b>	<b>6,308,468</b>	<b>3,767,593</b>

**24. Net Insurance Premium Revenue**

	1 January - 31 December 2016			1 January - 31 December 2015		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Life	273,820,543	(11,396,802)	262,423,741	217,627,684	(8,215,572)	209,412,112
Personal Accident	27,996,878	(688,629)	27,308,249	36,516,902	(915,711)	35,601,191
<b>Total premium revenue</b>	<b>301,817,421</b>	<b>(12,085,431)</b>	<b>289,731,990</b>	<b>254,144,586</b>	<b>(9,131,283)</b>	<b>245,013,303</b>

**25. Fee (Contribution) Income**

The details of pension branch income for the period ended 31 December 2016 and 2015 is as follow:

	1 January - 31 December 2016	1 January - 31 December 2015
Entrance fee	5,965,098	5,410,282
Management expense charge	2,616,049	2,495,217
Fund management expense charge	7,863,152	6,698,421
<b>Total</b>	<b>16,444,299</b>	<b>14,603,920</b>

**26. Investment Income**

The details of the investment income are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
<b>Financial Assets Held for Trading</b>		
Financial assets held for trading sales profit / (loss)	-	(55,754)
Financial assets held for trading coupon rate income	-	2,234,190
Increases/ (decreases) in value of financial assets held for trading	-	(2,485,907)
<b>Cash and Cash Equivalents</b>		
Interest income	24,521,184	15,745,370
<b>Total</b>	<b>24,521,184</b>	<b>15,437,899</b>

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**27. Net Income Accrual on Financial Assets**

Information about income accrual on available-for-sale financial assets is disclosed in Note 26.

**28. Net Fair Value Gains on Assets at Fair Value Through Income**

Disclosed in Notes 2.8, 11 and 26.

**29. Insurance Benefits and Claims**

Disclosed in Note 17.

**30. Investment Agreement Benefits**

None (31 December 2015: None).

**31. Other necessary expenses**

Operating expenses classified under technical part

	1 January - 31 December 2016	1 January - 31 December 2015
- Life	167,943,107	139,801,024
- Pension	14,216,128	20,180,111
- Non-life	16,163,679	14,745,811
<b>Total (Note: 32) (*)</b>	<b>198,322,914</b>	<b>174,726,946</b>

Operating expenses classified under non-technical part

	1 January - 31 December 2016	1 January - 31 December 2015
- Depreciation expenses	6,607,744	4,810,051
<b>Total (Note: 32)</b>	<b>6,607,744</b>	<b>4,810,051</b>

**32. Expenses by Nature**

	1 January - 31 December 2016	1 January - 31 December 2015
Production expenses	112,423,506	93,038,620
Personnel expenses (Note 33)	59,051,257	53,679,757
Administration expenses	17,873,814	15,358,933
Depreciation expenses	6,607,744	4,810,051
Marketing and sales expenses	5,522,768	6,578,231
Outsourced services expenses	3,492,211	6,558,501
Reinsurance commission income (-)	(2,312,040)	(2,378,167)
Other	2,271,398	1,891,071
<b>Total</b>	<b>204,930,658</b>	<b>179,536,997</b>

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**33. Employee Benefit Expense**

	1 January - 31 December 2016	1 January - 31 December 2015
Salary payments	30,836,264	26,080,415
Employee benefits	8,630,851	7,615,804
Success premium to sales force	8,194,105	7,079,201
Employer's share of social security premium	5,537,887	4,861,124
Transportation expense for personnel	1,280,700	2,328,306
Education expenses	1,227,960	2,745,360
Bonuses	974,100	883,416
Employment termination benefit payments	825,666	761,207
Employer's share of unemployment insurance	778,620	614,509
Termination Benefits	487,089	497,640
Unused vacation payments	278,015	212,775
<b>Total (Note: 32)</b>	<b>59,051,257</b>	<b>53,679,757</b>

Total amount of the salaries and the benefits provided to top management such as the chairman and the members of the board of directors, general manager, general coordinator, assistant general managers and other executive management in the current period are disclosed in Note 1.6.

**34. Financial Costs**

**34.1 Total financial expenses for the period:**

34.1.1 Production cost related expenses: None (31 December 2015: None).

34.1.2 Expenses related to fixed assets: None (31 December 2015: None).

34.1.3 Direct expenses: None (31 December 2015: None).

**34.2 Financial expenses related to shareholders, subsidiaries and associates (Any amount exceeding 20% of total will be disclosed separately):** None (1 January - 31 December 2015: None).

**34.3 Sales to/purchases from shareholders, subsidiaries and investments (any amount exceeding 20% of total will be disclosed separately):** Related party transactions and balances are disclosed in Note 45 in details.

**34.4 Interest, rent or other charges received from or paid to shareholders, subsidiaries and associates (Any amount exceeding 20% of total will be disclosed separately.):** Related party transactions and balances are disclosed in Note 45 in details.



**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**35. Income Taxes**

Tax income and expenses recognized in the statements of income for the years ended 31 December 2016 and 2015 are summarized below :

	31 December 2016	31 December 2015
Provision for tax (-)	(7,107,700)	(3,809,094)
Prepaid taxes	5,821,926	2,993,468
<b>Total tax (liability)/asset, net</b>	<b>(1,285,774)</b>	<b>(815,626)</b>
Current period tax expense (Note: 21)	4,421,347	3,192,079
Deferred tax income (Note 21)	(912,648)	(476,296)
<b>Deferred tax asset, net (Note 21)</b>	<b>3,508,699</b>	<b>2,715,783</b>
	31 December 2016	31 December 2015
Current period tax expense	(7,107,700)	(3,809,094)
Deferred tax income	847,818	136,810
<b>Total tax expenses</b>	<b>(6,259,882)</b>	<b>(3,672,284)</b>

Actual tax expense reconciliation is as follow:

	1 January - 31 December 2016	1 January - 31 December 2015
Deferred tax and corporate tax before profit	31,180,443	18,043,251
Tax rate	20%	20%
Calculated tax expense (-)	(6,236,089)	(3,608,650)
The effect of non-deductible expenses	(87,733)	(102,640)
Other	63,940	39,006
<b>Total tax expenses</b>	<b>(6,259,882)</b>	<b>(3,672,284)</b>

**36. Net Foreign Exchange Gains**

	1 January - 31 December 2016	1 January - 31 December 2015
Current accounts	(233,825)	(71,530)
<b>Total</b>	<b>(233,825)</b>	<b>(71,530)</b>

**37. Earnings per Share**

Loss per share is calculated by dividing the Company's net loss in the reporting period to the Company's number of shares in the reporting period.

	1 January - 31 December 2016	1 January - 31 December 2015
Net profit for the year (+)	24,920,561	14,370,967
Per TL 1 weighted average number of shares outstanding	45,000,000	45,000,000
Gain per share (TL) (+)	0.55	0.32

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**38. Dividends per Share**

With the decision of Company's Ordinary General Assembly Meeting on 31 May 2016, gross profit amounting TL14,370,967 belong to 2015 period have been paid in cash gross value of TL0,227 that share with face value of TL1 per share to shareholders on 1 June 2016 after leaving TL 2,633,428 in the company due to legal regulations and the Company accounted legal reserves is amounting to TL1,515,729 (2015: with the decision of Company's Ordinary General Assembly Meeting on 24 March 2015, gross profit amounting to TL23,692,009 belong 2014 have been paid in cash gross value of TL 0,526 that share with face value of TL1 per share to shareholders on 13 April 2015. the Company accounted legal reserves is amounting to TL3,504,001).

**39. Cash Generated from Operations:** Disclosed in cash flow statement.

**40. Convertible Bonds:** None (31 December 2015: None).

**41. Cash Convertible Preferred Shares:** None (31 December 2015: None).

**42. Contingencies**

	31 December 2016	31 December 2015
Claim litigations against the Company - gross	11,449,468	8,522,097
Labour litigations against the Company (Note 23)	1,112,917	503,893

The provision for the aforementioned litigations against the Company is accounted for in outstanding claim provisions in the financial statements.

Additionally, TL3,291,146 identified as unfair payment and TL2,747,643 state subsidy return which is paid to tax Office collected back as TL2,245,496 at October 2014 and the remaning amount is also collected back in December 2016.

**43. Commitments**

The details of the given guarantees which are in currency TL are as follows:

	31 December 2016		Total
	US Dollar	TL	
Domestic given bank guarantee letters	850,478	1,394,254	2,244,732
<b>Total</b>	<b>850,478</b>	<b>1,394,254</b>	<b>2,244,732</b>

As of 31 December 2016 the Company does not have any contractual commitment to acquire tangible and intangible asset (31 December 2015: None).

Given guarantees and sureties are as follows:

	31 December 2015		Total
	US Dollar	TL	
Domestic given bank guarantee letters	590,105	772,039	1,362,144
<b>Total</b>	<b>590,105</b>	<b>772,039</b>	<b>1,362,144</b>

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**43. Commitments (Continued)**

*Total amount of mortgages or restrictions on assets:*

	31 December 2016	31 December 2015
Banks deposits (Notes: 14 and 17.1) (*)	110,525,164	90,625,789
<b>Total</b>	<b>110,525,164</b>	<b>90,625,789</b>

(\*) There is TL50,244 within blocked time deposit account, which is blocked time deposit for closed group policy sales and accrual interest amount for this amount is TL244. Bank deposit accounts which are showed as collateral covers TL3,475,125 interest accrual. (31 December 2015: TL1,550,341).

Long term operating lease expense of company includes rents of general management Office, region Office, fleet, printer and store. Cost of leasing's are, USD3,588,046, TL74,541, EUR 747,443, and EUR 3,125, respectively (31 December 2015 : USD 4,273,403, TL 176,448, EUR 452,640, EUR 12,499 and TL23,000).

**44. Business Combinations**

None (31 December 2015: None).

**45. Related Party Transactions**

Cigna Nederland Gamma B.V companies, Finansbank A.Ş. companies and senior management of the Company are defined as related parties in terms of financial statements.

Top management as chairman and member of the Board of Directors, chief executive, general coordinator, deputy managers benefits from wage and other benefits in current period are disclosed under Note 1.6.

	31 December 2016	31 December 2015
<b>a) Bank deposits</b>		
Finans Portföy Yönetimi A.Ş.	96,024,570	92,073,567
Finansbank A.Ş.	4,515,362	3,957,529
<b>Total</b>	<b>100,539,932</b>	<b>96,031,096</b>
<b>b) Receivables from other related parties and insurance operations</b>		
IBTech A.Ş.	-	21,879
Finans Factoring A.Ş.	-	3,649
Finansbank A.Ş.	-	219,772
Finans Portföy A.Ş.	-	1,224
Finans Yatırım Menkul Değerler A.Ş.	-	8,885
Finans Finansal Kiralama A.Ş.	-	4,176
<b>Total</b>	<b>-</b>	<b>259,585</b>
<b>c) Payables from insurance operations</b>		
Finansbank A.Ş.	14,943,991	13,187,415
Cigna Global Reinsurance	323,865	144,610
Finans Portföy Yönetimi A.Ş.	207,424	122,481
IBTech A.Ş.	-	21,953
Finans Factoring A.Ş.	213	3,667
Finans Yatırım Menkul Değerler A.Ş.	29	8,873
Finans Finansal Kiralama A.Ş.	-	4,178
<b>Total</b>	<b>15,475,522</b>	<b>13,493,177</b>

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**45. Related Party Transactions (Continued)**

	31 December 2016	31 December 2015
<b>d) Payables from other operations</b>		
Finansbank A.Ş.	598,989	32,949
IBTech A.Ş.	84,419	57,436
Cigna New Zealand	61,204	46,842
Cigna Life Insurance Company of Canada	50,090	96,069
Cigna Global Holdings Incorporation	19,309	50,977
Cigna HLA Technology Services Company Limited	962	1,249
Finans Yatırım Menkul Değerler A.Ş.	-	31,860
Cigna International Corporation	-	83
<b>Total</b>	<b>814,973</b>	<b>317,465</b>
<b>e) Interest income</b>		
Cigna International Corporation	77,394	-
Cigna Turkey Danışmanlık Hizm Ltd.	-	3,000
<b>Total</b>	<b>77,394</b>	<b>3,000</b>
<b>f) Bonus Discount Provision</b>		
Finansbank A.Ş.	(184,520)	-
Ibtech A.Ş.	(19,538)	-
Finans Yatırım Menkul Değerler A.Ş.	(7,630)	-
Finans Finansal Kiralama A.Ş.	(4,175)	-
Finans Factoring A.Ş.	(4,157)	-
Finans Portföy Yönetimi A.Ş.	(1,301)	-
<b>Total</b>	<b>(221,321)</b>	<b>-</b>
<b>g) Rent Income</b>		
Cigna Turkey Danışmanlık Hizmetleri Ltd.	16,356	18,000
<b>Total</b>	<b>16,356</b>	<b>18,000</b>
<b>h) Interest income</b>		
Finans Portföy Yönetimi A.Ş.	8,984,393	6,361,661
Finansbank A.Ş.	317,462	116,383
<b>Total</b>	<b>9,301,855</b>	<b>6,478,044</b>
<b>i) Commission expenses</b>		
Finansbank A.Ş.	(112,423,506)	(93,038,620)
<b>Total</b>	<b>(112,423,506)</b>	<b>(93,038,620)</b>

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**45. Related Party Transactions (Continued)**

	1 January - 31 December 2016	1 January - 31 December 2015
<b>j) Reinsurance expenses</b>		
Cigna Global Reinsurance	(563,918)	(427,811)
<b>Total</b>	<b>(563,918)</b>	<b>(427,811)</b>
<b>k) Operating expenses</b>		
Finans Portföy Yönetimi A.Ş.	(1,759,986)	(1,506,843)
Cigna Global Holdings Incorporation	(675,825)	(296,363)
Cigna New Zeland	(894,308)	(359,903)
Cigna Life Canada	(1,132,810)	(1,093,565)
Finansbank A.Ş.	(2,932,629)	(2,520,641)
IBTech A.Ş.	(122,880)	(382,218)
Finans Yatırım Menkul Değerler A.Ş.	(324,000)	(324,560)
Cigna HLA Technology Services	(8,682)	(11,477)
Cigna International Corporation	(331,442)	(319,569)
e-Finans Elektronik Ticaret ve Bilişim Hizmetleri A.Ş.	(9,878)	(9,000)
<b>Total</b>	<b>(8,192,440)</b>	<b>(6,824,139)</b>
<b>l) Premium received</b>		
Finansbank A.Ş.	1,076,529	1,378,725
Ibtech A.Ş.	50,151	48,221
Finans Yatırım Menkul Değerler A.Ş.	21,039	23,184
Finans Finansal Kiralama A.Ş.	11,189	9,804
Finans Factoring A.Ş.	12,127	11,436
Finans Portföy Yönetimi A.Ş.	4,213	3,332
<b>Total</b>	<b>1,175,248</b>	<b>1,474,702</b>
<b>m) Profit for risk shares</b>		
Finansbank A.Ş.	353,222	220,157
Ibtech A.Ş.	22,912	21,953
Finans Yatırım Menkul Değerler A.Ş.	10,113	8,873
Finans Factoring A.Ş.	4,794	3,667
Finans Finansal Kiralama A.Ş.	4,478	4,178
Finans Portföy Yönetimi A.Ş.	1,356	1,211
<b>Total</b>	<b>396,874</b>	<b>260,039</b>

**45.1 Doubtful receivables from shareholders, associates and subsidiaries:** None (31 December 2015: None).

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**45. Related Party Transactions (Continued)**

**45.2 Breakdown of associates and subsidiaries having an indirect shareholding and management relationship with the Company; names, participation rates and amounts of associates and subsidiaries; profit/loss and net profit/loss in the latest financial statements, the period of these financial statements, whether these financial statements are prepared in accordance with the accounting principles and standards as set out in the insurance legislation, whether they are independently audited and the opinion type of the independent audit report:**

	31 December 2016						
	%	Book Value	Financial Statement Period	Total Asset	Total Liabilities	Net Sales	Net gain/loss
EGM (*)	5.26%	362,019	31 December 2016	13,833,551	6,538,070	10,416,162	107,597
	31 December 2015						
	%	Book Value	Financial Statement Period	Total Asset	Total Liabilities	Net Sales	Net gain/loss
EGM (*)	5.26%	362,019	31 December 2015	9,726,372	2,538,487	7,580,182	383,076

(\*) the relevant financial asset does not have any identified price in big-board market and there are not any valuation work for the relevant Company, financial asset is carried at cost price.

**45.3 Bonus shares obtained through internally funded capital increases of equity investments and subsidiaries:** None (31 December 2015: None).

**45.4 Rights on immovable and their value:** None (31 December 2015: None).

**45.5 Total amount of guarantees, commitments and securities given in favour of shareholders, subsidiaries and investments:** None (31 December 2015: None)

**46. Events Occurred After the Balance Sheet Date**

About the regulation entered into force on January 1, 2017 on the Private Pension System; changes according to regulation number of 22/B are explained in notes 2.14.

**47. Other**

**47.1 Details of "Other" items in the balance sheet which exceed 20% of its respective account group or 5% of total assets:**

	31 December 2016	31 December 2015
<b>a) Other prepaid expenses</b>		
Deferred Production Expenses	299,480	-
Maintenance Expenses	262,475	-
Asistans Expenses	246,917	-
Catastrophic excess of loss	194,710	189,953
Subscription expenses	42,471	36,330
Insurance expenses	26,425	25,326
Education Expenses	6,609	44,486
Rent expenses	-	1,265,909
Transportation expenses	-	142,475
<b>Total</b>	<b>1,079,087</b>	<b>1,704,479</b>

**CİGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL**  
**STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016 AND 2015**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

**47. Other (Continued)**

	31 December 2016	31 December 2015
<b>b) Other receivables</b>		
Receivables from EGM (*)	-	535,935
<b>Total</b>	<b>-</b>	<b>535,935</b>
<b>c) Other payables</b>		
Payables to suppliers	2,034,181	2,259,654
Other payables rediscount	(9,712)	(9,644)
<b>Total</b>	<b>2,024,469</b>	<b>2,250,010</b>
<b>d) Other technical reserves</b>		
Equalization reserve	12,387,374	9,732,181
<b>Total</b>	<b>12,387,374</b>	<b>9,732,181</b>

(\*) This amount occurs of the state subsidy return receivable which is paid duplicate to EGM.

**47.2 Due from and due to personnel classified in "Other receivables" and "Other short-term or long-term payables" that exceed 1% of total assets:** None (31 December 2015: None).

**47.3 Claim recovery receivables followed under off-balance sheet items:** None (31 December 2015: None).

**47.4 Income and expenses related to prior periods and the amounts and sources of expenses and losses:** None (1 January - 31 December 2015: None).

**47.5 Other information required by Treasury to be presented:**

*Provision and rediscount (expenses)/income for the period:*

	1 January - 31 December 2016	1 January - 31 December 2015
Provision for bonus	3,945,916	2,331,479
Provision for lawsuit	609,024	(71,329)
Provision for employment termination benefit	606,362	412,714
Provision expense of unused vacation	292,319	172,713
Rediscount income/expenses	63,585	67,572
Provision for doubtful receivables	(75)	(897)
<b>Total</b>	<b>5,517,131</b>	<b>2,912,252</b>

**APPENDIX I - CONVENIENCE TRANSLATION OF**  
**THE STATEMENT OF PROFIT DISTRIBUTION**

	Note	Current Period	Previous Period
<b>I. DISTRIBUTION OF PROFIT FOR THE PERIOD</b>			
1.1. PROFIT FOR THE PERIOD		32,028,261	18,180,061
1.2. TAXES PAYABLE AND LEGAL LIABILITIES		(7,107,700)	(3,809,094)
1.2.1. Corporate Tax (Income Tax)		(7,107,700)	(3,809,094)
1.2.2. Income Tax Deduction		-	-
1.2.3. Other Taxes and Legal Liabilities		-	-
<b>A NET PROFIT FOR THE PERIOD (1.1 - 1.2)</b>		<b>24,920,561</b>	<b>14,370,967</b>
1.3. PREVIOUS YEARS' LOSSES (-)		-	-
1.4. FIRST LEGAL RESERVE		-	(718,548)
1.5. LEGAL FUNDS TO BE KEPT IN THE COMPANY (-)		-	-
<b>B NET DISTRIBUTABLE PROFIT FOR THE PERIOD [ (A - (1.3 + 1.4 + 1.5) ]</b>		<b>-</b>	<b>13,652,419</b>
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	(2,250,000)
1.6.1. to common shareholders		-	(2,250,000)
1.6.2. To preferred shareholders		-	-
1.6.3. To owners of participating redeemed shares		-	-
1.6.4. To owners of profit-sharing securities		-	-
1.6.5. To owners of profit and loss sharing securities		-	-
1.7. DIVIDENDS TO PERSONNEL (-)		-	-
1.8. DIVIDENDS TO FOUNDERS (-)		-	-
1.9. DIVIDENDS TO THE BOARD OF DIRECTORS (-)		-	-
1.10. SECOND DIVIDENDS TO SHAREHOLDERS (-)		-	(7,971,810)
1.10.1. To common shareholders		-	(7,971,810)
1.10.2. To preferred shareholders		-	-
1.10.3. To owners of participating redeemed shares		-	-
1.10.4. To owners of profit-sharing securities		-	-
1.10.5. To owners of profit and loss sharing securities		-	-
1.11. SECOND LEGAL RESERVE (-)		-	(797,181)
1.12. STATUTORY RESERVES (-)		-	-
1.13. EXTRAORDINARY RESERVES		-	-
1.14. OTHER RESERVES		-	-
1.15. SPECIAL FUNDS		-	-
<b>II. DISTRIBUTION FROM RESERVES</b>			
2.1. DISTRIBUTED RESERVES		-	-
2.2. SECOND LEGAL RESERVE (-)		-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1. To common shareholders		-	-
2.3.2. To preferred shareholders		-	-
2.3.3. To owners of participating redeemed shares		-	-
2.3.4. To owners of profit-sharing securities		-	-
2.3.5. To owners of profit and loss sharing securities		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO THE BOARD OF DIRECTORS (-)		-	-
<b>III. PROFIT PER SHARE</b>			
3.1. TO COMMON SHAREHOLDERS		-	0.319
3.2. TO COMMON SHAREHOLDERS (%)		-	31.94%
3.3. TO PREFERRED SHAREHOLDERS		-	-
3.4. TO PREFERRED SHAREHOLDERS (%)		-	-
<b>IV. DIVIDENDS PER SHARE</b>			
4.1. TO COMMON SHAREHOLDERS		-	0.227
4.2. TO COMMON SHAREHOLDERS (%)		-	22.72%
4.3. TO PREFERRED SHAREHOLDERS		-	-
4.4. TO PREFERRED SHAREHOLDERS (%)		-	-

Since profit distribution proposal for the year 2016 has not been prepared by the Board of Directors in order to be presented for an approval at the General Assembly, only the distributable profit has been stated on the statement of profit distribution of 2016.



### Evaluation of Financial Status, Profitability and Ability to Pay Compensation

#### Evaluation of Financial Status and Profitability

Size of the assets of our company has reached TL 1 billion 9 million with an increase by 18% in 2016.

When the items that form the company assets are examined in terms of size, it is seen that the item of Due from Insurance Operations has reached to TL 721.5 Million with an increase by 16.9%. Share of Receivables from Insurance Operations in total assets has been recorded as 71.5%. Sum of Current Assets has reached to TL 323.1 Million with an increase by 19.7%.

20.7% of the liabilities in our company's balance sheet is comprised of Insurance Technical Reserves while 69.3% is comprised of Due to Insurance Operations.

Sum of Equity of our company has been recorded as TL 84.9 Million.

According to the rules set by Turkish Prime Ministry Undersecretariat of Treasury, minimum amount of Equities required for our Company as of 31/12/2016 has been calculated as TL 45.3 Million and our Equities has been recorded as TL 97.2 Million including equalization reserves

Specific ratios related to financial status of our Company as of 31/12/2016 are given below.

	Current Term	Previous Term
1. Written Premiums (Gross) / Equity	355.68%	363.39%
2. Receivables from Premiums / Equity	51.85%	52.14%
3. Technical Reserves (Net) / Equity	245.80%	253.45%
4. Profit Before Tax / Written Premiums (Gross)	10.61%	7.15%
5. Profit Before Tax / Equity	37.74%	25.99%
6. Technical Profit - Life / Written Premiums (Gross) - Life	0.62%	2.27%

### Evaluation of Ability to Pay Compensation

We have adopted the principle that following realization of risks covered by our Company, insurance claims are assessed as soon as possible and the sums decided to be paid are paid to the claiming parties without delay.

The following table presents information about the total indemnity payments and outstanding amounts for all life/personal accident insurances effective as of the end of 2016;

#### Paid and Outstanding Life Insurance Compensations

Type of Compensation	Indemnifications paid (01/01/2016-31/12/2016)	
	Number of Files	Amount (TL)
Death	4,792	23,646,401
Death-Personal Accident	53	902,500
Disability	55	248,553
Disability-Personal Accident	24	192,600
Daily Hospital	3	8,680
Daily Hospital-Personal Accident	21	51,100
Dangerous Diseases (Cancer)	3	200,000
Unemployment	20,671	23,634,623
Surrender	340,430	12,995,734
Surrender-Personal Accident	79	105,982
<b>Total</b>	<b>366,131</b>	<b>61,986,173</b>
Type of Compensation	Outstanding Compensations-31/12/2016	
	Number of Files	Amount (TL)
Death	2,216	19,906,048
Death-Personal Accident	7	161,211
Disability	6	34,148
Disability-Personal Accident	3	51,266
Daily Hospital-Personal Accident	2	27,604
Unemployment	4,188	19,038,424
Dangerous Diseases (Cancer)	1	50,000
Surrender	259	33,765
<b>Total</b>	<b>6,682</b>	<b>39,302,464</b>

As of 2016, banks, policy holders and other beneficiaries were paid a total of TL 47,738,257 for life insurances and TL 1,146,200 for individual accident insurances.

The following table shows Net Loss/Premium ratios for the year 2016 as calculated by taking life insurances of the company into account;

**Evaluation of Ability to Pay Compensation (Cont.)**

Loss / Premium Ratio	2016 Q1	2016 Q2	2016 Q3	2016 Q4
Life	19%	19%	23%	25%

In 2016, unemployment compensation demands for life insurances with unemployment assurance received by our Company have been rapidly assessed and their payments have been made.

In 2016, the total compensation paid for additional assurances of Disability, Involuntary Unemployment / Temporary Incapacity / Hospital Daily and Treatment After Accident Costs totaled to TL 24,335,556 and total outstanding compensations totaled to TL 19,201,440.

In this period, sum of death compensations paid has been TL 23,646,401 for life insurances and TL 902,500 for Personal Accident insurances.

The amount of outstanding compensations has been TL 39,028,618 for life insurances. The amount of outstanding compensations for death has been TL 240,080 for personal accident insurances.

**Information About Risk Management Policies Applied for Each Type of Risk****Financial Risks**

The goal of the company in capital management is to ensure sustainability as a revenue-generating business, to protect interests of shareholders and corporate partners, and to ensure sustainability of the most effective capital structure in order to reduce capital costs.

The company is exposed to market risks (foreign exchange risk, interest rate risk, price risk), liquidity risks and credit risks due to financial assets and liabilities.

Risk management program of the company generally focuses on minimizing the potential adverse impacts of the uncertainty in financial markets on the financial performance of the Company. The company is usually exposed to interest rate and price risks due to financial investments; credit risks due to insurance receivables; and foreign exchange risks due to assets and liabilities indexed to foreign exchange.

Risks that the company may encounter in connection with its fields of activity, and measures and actions taken for the management of these risks are given below.

**Market Risk**

This is the risk of financial losses for the Company due to fluctuations in market interest rates, real estate prices or foreign exchange rates. The Company does not have any securities as of the date of balance sheet.

**Credit Risk**

The risk is the inability of a debtor of the Company to fulfill its liabilities in due time.

The Company monitors and limits the credit risks associated with its financial assets (categorized as credits and receivables) and its receivables arising from insurance activities (including receivables from reinsurance) by implementing procedures in the selection of sureties to be received and counterparties.

Financial assets of the Company that are other than credit and receivables category and are subjected to credit risk generally represent deposit accounts and current accounts held in banks and other financial institutions based in Turkey, and these receivables are not considered as having high credit risk. The Company does not have any securities as of the date of balance sheet.

**Liquidity Risk**

The risk that the Company lacks funds necessary to fulfill its financial liabilities on time without any loss. Furthermore, a significant decline is observed in transaction volumes in public domestic borrowing instruments market at times of very high fluctuation in interest rates due to economic and political uncertainties. This shows that the Company may be exposed to liquidity risk. Cash flow and portfolio studies are conducted on a monthly basis and existence of any forward risks are assessed in budget estimations revised 3 times a year for the purpose of ensuring the Company fulfills its commitments, particularly those for compensation payments; determining the liquidity level; managing liquidity risk; conducting the mentioned risk analyses; and determining the investment preferences. Furthermore, the Company obtains market status information from the Finance Portfolio, the manager of pension investment funds of the Company. 2016 risk evaluations indicate no risks which exceed the risk appetite specified by the Company.

**Legal Risks**

Legal and Compliance Department carries out regular studies in order to eliminate the risk of negative impacts of new or amended regulations and court order on the Company's activities and reputation. One of the most critical duties of Legal and Compliance Department in 2016 has been monitoring the regulations that govern the field of activity of the Company, reviewing amendments to such regulations and timely informing the Company management and employees on the implementation of liabilities arising from them. Legal and Compliance Department of our Company has played an active role in minimizing the regulatory risks by holding Regulation Committee meetings for regulatory reviews and briefings, and by providing employees with training whenever necessary for the purpose of supporting the Company in adopting to the regulatory amendments. Legal and Compliance Department also works jointly with the Compliance Officer in taking the necessary measures and making the necessary notifications within the scope of national and international regulations regarding prevention of laundering of criminal revenues and financing of terrorism.

**Strategy Risks**

The risk of failure to implement business plans and strategies required for the Company to adopt to changes in business conditions in its field of activity. Some of the important risk factors that may be defined as strategic risks for the Company are stated below.

Changes in customer trends apart from company's goals,  
Capability to create new customers and/or provide the right products,  
Competition threats in the industry,  
Economic and political changes,  
Impacts of new technologies,  
New distribution methods,  
Changes in regulations  
Detecting the right resources

Any developments in these circumstances and the lack of ensuring compliance with these changes may lead to deviation from the set and planned goals of the Company.

In order to prevent the Company from being negatively impacted from these risks, Management Committee and all other concerning committees of the Company closely follow up the developments and take necessary actions accordingly

**Profit Distribution Policy**

Principles on profit distribution policy of Cigna Finans Emeklilik ve Hayat A.Ş. are defined in article 26 of the articles of association of the Company as renewed under Registration Number 631745.

The capital of the company is fully paid-up and totals to TL 45,000,000 (Forty five million Turkish Liras). The capital is divided into 45,000,000 (Forty five million) shares each with a value of TL 1 (One Turkish Lira).

The capital of the company comprises (i) 22,949,999 Group A shares worth TL 22,949,999, (ii) 22,049,999 Group B shares worth TL 22,049,999, (iii) 1 Group A1 share worth TL 1, and (iv) 1 Group B1 share worth TL 1.

The Company will maintain its equity in line with the minimum level required by the applicable regulations. The Company may increase its equity level over the minimum capital level, increase it in comparison with the capital level determined on a past date or decrease it to the minimum capital level upon positive votes of at least one (1) Board of Directors member that represents Group A1 shareholders and at least one (1) Board of Directors member that represents Group B1 shareholders. In case the Board of Directors is willing to increase or decrease the level of equity to be maintained, the said increase will be covered by the shareholders proportionally to their shares and a resource other than addition of profit to the capital.

In case of a decrease, the difference will be paid to the shareholders as a special dividend proportionally to their shares. The net profit of the Company is the amount to be obtained after deducting the amounts required to be paid or reserved (such as overhead, depreciation and provisions) from the incomes determined as of the end of accounting term.

The distributable profit ("Distributable Profit") is the amount that remains after allocating the reserve funds that must be allocated pursuant to Article 519 of Turkish Commercial Code from the earnings after tax of the Company as calculated in accordance with Turkish Accounting Standards and reaching to the target capital level as decided in the annual business plan (as amended from time to time) by Group A1 and Group B1 shareholders.

100% of the Distributable Profit is distributed every year. Any decisions contrary to this may be made only upon approval of 100% of shareholders. General assembly may decide to distribute profits to Group A1 and B1 shareholders over separate percentages.

The profit distribution proposals submitted by the Board of Directors to the approval of General Assembly are prepared by taking the profitability into account while preserving the balance between the expectations of shareholder and the investment needs, growth targets and financial structure of the Company.

**Technical Risks****Insurance Risks and Insurance Risk Management Process**

Insurance risk is the possibility that premiums paid by the insurant cannot meet the compensation to be paid in the case the covered event takes place.

The coincidental and unpredictable nature of risk makes risk assessment even more important. A Risk Acceptance Guideline has been issued for the purpose of establishing an effective risk assessment policy with regards to insurance risks of the Company, and insurance risk assessment activities of the Company have been implemented accordingly. Terms of Risk Acceptance Guideline are reviewed annually in line with the company needs and the structure of changing life insurance portfolio.

All medical risk assessment activities have been carried out inhouse in 2016 under the agreement for providing an effective and professional service in risk assessment activities regarding insurance applications and compensation claims. The organization process was implemented by Branch Office Sales Management Platform Assistant, and medical opinions were provided by our consulting doctor at Technical and Actuary Group. We have obtained services from Compu Group Medical Bilgi Sistemleri A.Ş. for the contracted hospital network in 2016.

Risk assessment process of our Company utilizes internationally accepted and implemented insurance risk assessment tools. In the assessment of medical, personal and financial technical risks, the numeric risk assessment results obtained from the web based insurance risk assessment tool, MIRA (Munich Re Internet Risk Assessor), of Munich Re, the leader reinsurer in our reinsurance program, is used for controls.

Our Risk Acceptance Guideline is reviewed annually in line with the changing coverage, customer and sales channel needs of our portfolio, and revised when necessary in order to enable the Company to maintain its profitability and implement an effective risk assessment process. In addition to this assessment, our consulting doctor at Technical and Actuary Group carries out inhouse medical risk assessment process. Furthermore, the insurant candidates are subjected to personal (occupation, hobbies, lifestyle, geographical residence and moral risk) and financial risk assessments through our Technical and Actuary Group of our company.

**Medical Risk Assessment**

During assessment of insurance applications made to our Company; insurant candidates that claim assurance over amounts indicated in Risk Acceptance Regulation according to life insurance assurance amounts claimed in the first phase are requested to use specific check-up sets in contractual health institutions and therefore, information is gained about health status of insurant candidates. Our consulting doctor at Technical and Actuary Group of the Company is responsible for reviewing these medical results and submitting a medical opinion to the Company. Life insurance applications that belong to insurant candidates whose mortality risk is found to have increased to a certain level as a result of insurance risk assessment that involves medical risk and that is performed according to numerical risk grading method are declined.

**Personal (in terms of Lifestyle, Occupation, Morale and Hobbies) Risk Assessment**

The second phase of our insurance risk assessment process involves gathering of information about gender, lifestyle, geographical place of residence and occupation from the insurant candidates are analyzed and assessed by using current insurance risk assessment tools and if required, risks are re-assessed by requesting additional information and documents from insurant candidates.

**Financial Risk Assessment**

In the third phase, it is examined if the amount of life insurance coverage claimed by customers match the annual income of the potential insurant and/or credit amounts requested from the Bank. Since the Company's portfolio comprises mainly of life insurance products associated with bank risks, in this phase it is examined if the amounts of insurance coverage match the credits given by the Bank. The fact that the first financial analysis in credit life insurances is performed by the bank and provision of the credit is an important criteria for our Company in terms of financial risk assessment. In this phase, candidates are requested to provide a financial statement, a copy of credit contract, information and documents that indicate income status of the candidate as stated in Risk Acceptance Guideline.

In relation with a contract; the Company uploads the table that indicates amount of provided assurance, the amount transferred to reinsurer, the amount of net risk on the company, reinsurers to whom premiums have been transferred and international credit ratings of those reinsurers as well as including reasons for taking that risk in addition to information above in relation with risks over 10% of proprietary capital and whose content is determined by undersecretariat to the portal of Turkish Prime Ministry Undersecretariat of Treasury in relation with risks kept above over 5% of proprietary capital within one month after assurance is provided.

Auditing of insurance risk aims at ensuring that operations of all departments of the Company comply with legal regulations, Company strategies and policies, and codes of practice in accordance with the actuary principles of the Company.

Insurance risk auditing process consists of such phases that involve in providing information to the Company's top management and Board of Directors on:

- Effectiveness of risk management process,
- Compliance with the written processes,
- Compliance with the determined limits,
- The extent that data and reports produced reflects the actual status,

and providing recommendations on measures to be taken and changes to be made in practice.

**Management Process of Risks related with Reinsurance Companies**

Reassurance work is conducted by the Company over death risk or risks assured by additional coverage (death as a result of accident, disability as a result of disease, disability as a result of accident, dangerous diseases, unemployment assurance, bankruptcy coverage, etc.). For the life insurance tariffs with a risk element, a maximum reserve share (conservation) amount is determined for death and additional coverage through actuary calculations each year. A portion of the risk that does not exceed this amount is reserved by the Company and the portion above this is transferred to reinsurance companies with which we cooperate under shared reinsurance agreements (surplus and quote-share reinsurance agreements). Furthermore, a portion of the risks determined for new products with relatively uncertain results is transferred to the reinsurer under non-proportional excess of loss agreement in 2015.

In order to maintain conservation as a result of natural disasters such as earthquake and flood or traffic accidents in mass transportation or terrorist attacks, the Company makes a non-proportional catastrophic excess of loss (XL) reinsurance contract with the most appropriate method for the portfolio structure.

Acting in mutual agreement with its contractual reinsurers in Life and Accident insurance branches, the Company carries out its reinsurance transactions under appropriate risk assessment conditions and reinsurance capacity.

Results of the reassurance activities of the Company in life and accident branches as of the end of December 2016 are given below:

<b>January 1st - December 31st, 2016</b>	
Reassurance Results in Life Branch	
Transferred Premium	(11,396,802)
Commission Received	1,923,410
Reinsurer Share in Check Up Expenses	65,619
Reinsurer's Share in Compensation	6,100,087
<b>Total</b>	<b>(3,307,686)</b>

<b>January 1st - December 31st, 2016</b>	
Reassurance Results in Accident Branch	
Transferred Premium	(688,629)
Commission Received	388,630
Reinsurer's Share in Compensation	
<b>Total</b>	<b>(299,999)</b>

The following selection criteria is used for ensuring a reliable and high-standard service during selection of reinsurers within the reassurance program of the Company and its relationships with the reinsurers, and ensuring that reinsurers fulfill their obligations.

1. Companies with which reinsurance contract will be signed must be based in politically and economically safe regions far from conditions such as war, civil disorder, revolt and uprising,
2. Financial strength and credit ratings given by international credit rating institutions,
3. Long-term approach to business relationships,
4. Competitive reassurance premium prices,
5. Allocation of capacity in facultative works and non-proportional (catastrophic) reinsurance contracts,
6. Allocation of facilities to the Company in terms of risk assessment, information on new developments in the industry, product development, training, etc.

Reinsurance transaction management policy of our Company is based on business relationships established with steady and financially reliable reinsurance companies. Reinsurance contracts signed with reinsurance companies are made by taking the financial status of the company into account depending on market conditions and developments in industry.

As a result of steady and consistent pricing and risk acceptance policies implemented by the Company, risk assessment conditions and procedures agreed upon with treaty reinsurers allow automatic insurance of high-amount coverages, which are very higher than market averages.

Ranges of our valid life insurances according to coverage amounts and distribution of reinsurance in these ranges are shown in the following table:

**Total Number of Policies/Certificates and Reinsurance Distribution Based on Death Coverage Amount Ranges (31/12/2016):**

Coverage Range (TL)	Coverage Quantity as of 31/12/2016	Coverage Amount as of 31/12/2016	Conservation	Excess	Total Coverage Distribution	
					Quota Share	Facultative
1-5,000	594,481	1,413,828,285	1,003,826,387	410,001,897	0	0
5,001-10,000	346,288	2,528,603,294	2,482,018,172	46,585,122	0	0
10,001-25,000	308,935	4,668,424,538	4,585,459,190	82,965,348	0	0
25,001-50,000	120,822	4,390,458,499	4,105,507,808	270,500,690	14,450,000	0
50,001-100,000	46,299	3,404,922,855	2,985,482,379	412,122,098	7,318,378	0
100,001-500,000	22,417	3,912,556,818	2,839,662,347	1,063,297,982	9,596,489	0
500,001-1,000,000	320	218,036,382	110,369,655	107,666,727	0	0
1,000,001-5,000,000	60	121,505,125	5,552,880	112,267,238	0	3,685,007
<b>Total</b>	<b>1,439,622</b>	<b>20,658,335,795</b>	<b>18,117,878,818</b>	<b>2,505,407,102</b>	<b>31,364,867</b>	<b>3,685,007</b>

Our leading reinsurer in our reinsurance contracts in life insurance field is Munich Reinsurance company, the biggest reinsurer of the world based in Munich. Our second reinsurer in terms of share size in all our reinsurance contracts is Milli Reasürans T.A.Ş. based in Istanbul. We also have a reassurance agreement with Axa Partners CLP for Bankruptcy Coverage.

Ratings of these reinsurers given by S&P and A.M. Best credit rating institutions are given below;

Reinsurer	S & P		A.M. Best			
	Rating	Outlook	Date	Rating	Definition	Date
Münich Re	AA- (Very Strong)	Stationary	5/27/2015	A+ (Superior)	Stationary	2/28/2015
Milli Re	tr AA+		11/9/2016	B+	Negative	6/24/2016
Axa Partners CLP	A-		7/27/2015			
Cigna Re				A		12/31/2015

It is seen that our contracted reinsurers are among those approved by the Undersecretariat of Treasury pursuant to "Regulations On Measurement and Assessment of the Capital Adequacy of Insurance, Reinsurance and Pension Companies".

Selection of reinsurers is based on balance sheet and income statement documenting that the reinsurer is being audited by legal auditing and inspection authorities and the results (ratings) of researches conducted by independent international rating institutions for determination of their financial strength. Selection of reinsurers is made by the top management in line with the recommendations of concerning executive unit.

Information about Research and Development Practices Regarding New Services and Activities

Our Company has undertaken projects that add value to both insurants and shareholders through many new products and services in 2016 as well. These products and services include the following:

- 1- Profit center for monitoring profit and loss based on product, production channel and region was implemented.
- 2- The limit insurance with a flexible assurance for corporate customers using blank credit with a specified limit from the bank is now available.

### Summarized Financial Information for the Five Year Period including Report Period Balance Sheet

ACCOUNT NAME	31/12/2016	31/12/2015	DIFFERENCE (TL)	DIFFERENCE (%)
A- CASH AND CASH EQUIVALENT ASSETS	245,111,081	198,578,466	46,532,615	23.43%
B- FINANCIAL ASSETS AND FINANCIAL INVESTMENTS AT INSURANTS' RISK	-	-	-	.00%
C- RECEIVABLES FROM REAL OPERATIONS	54,507,955	46,554,416	7,953,539	17.08%
D- RECEIVABLES FROM AFFILIATES	77,394	3,000	74,394	2,479.80%
E- OTHER RECEIVABLES	-	535,935	(535,935)	(100.00%)
F- EXPENSES AND INCOME ACCRUALS PERTAINING TO FUTURE MONTHS	23,423,959	24,244,249	(820,290)	(3.38%)
G- OTHER CURRENT ASSETS	-	-	-	.00%
<b>I- SUM OF CURRENT ASSETS</b>	<b>323,120,389</b>	<b>269,916,066</b>	<b>53,204,323</b>	<b>19.71%</b>
A- RECEIVABLES FROM REAL OPERATIONS	667,067,636	570,704,866	96,362,770	16.88%
B- RECEIVABLES FROM AFFILIATES	-	-	-	.00%
C- OTHER RECEIVABLES	15,347	18,626	(3,279)	(17.60%)
D- FINANCIAL ASSETS	362,019	362,019	-	.00%
E- TANGIBLE ASSETS	6,104,715	7,663,430	(1,558,715)	(20.34%)
F- INTANGIBLE ASSETS	8,912,169	7,116,319	1,795,850	25.24%
G- EXPENSES AND INCOME ACCRUALS PERTAINING TO FUTURE YEARS	-	2,693	(2,693)	(100.00%)
H- OTHER NON-CURRENT ASSETS	3,508,699	2,715,783	792,916	29.20%
<b>II- SUM OF NON-CURRENT (FIXED) ASSETS</b>	<b>685,970,585</b>	<b>588,583,736</b>	<b>97,386,849</b>	<b>16.55%</b>
<b>SUM OF ASSETS (I+II)</b>	<b>1,009,090,974</b>	<b>858,499,802</b>	<b>150,591,172</b>	<b>17.54%</b>
ACCOUNT NAME	31/12/2016	31/12/2015	DIFFERENCE (TL)	DIFFERENCE (%)
A- FINANCIAL LIABILITIES	-	-	-	.00%
B- PAYABLES FROM REAL OPERATIONS	31,797,514	28,160,988	3,636,526	12.91%
C- PAYABLES TO AFFILIATES	968,459	542,766	425,693	78.43%
D- OTHER LIABILITIES	2,024,469	2,250,010	(225,541)	(10.02%)
E- INSURANCE TECHNICAL PROVISIONS	110,058,169	95,348,105	14,710,064	15.43%
F- TAXES AND OTHER SIMILAR LIABILITIES PAYABLE AND THEIR PROVISIONS	3,420,694	2,848,519	572,175	20.09%
G- PROVISIONS FOR OTHER RISKS	-	-	-	.00%
H- INCOMES AND EXPENSE ACCRUALS PERTAINING TO FUTURE MONTHS	1,788,541	1,081,464	707,077	65.38%
I- OTHER SHORT-TERM LIABILITIES	6,308,468	3,767,593	2,540,875	67.44%
<b>III- SUM OF SHORT-TERM LIABILITIES</b>	<b>156,366,314</b>	<b>133,999,445</b>	<b>22,366,869</b>	<b>16.69%</b>
A- FINANCIAL LIABILITIES	-	-	-	.00%
B- PAYABLES FROM REAL OPERATIONS	667,067,636	570,704,866	96,362,770	16.88%
C- PAYABLES TO AFFILIATES	-	-	-	.00%
D- OTHER LIABILITIES	-	-	-	.00%
E- INSURANCE TECHNICAL PROVISIONS	98,517,631	81,906,309	16,611,322	20.28%
F- OTHER LIABILITIES AND THEIR PROVISIONS	-	-	-	.00%
G- PROVISIONS FOR OTHER RISKS	2,283,844	1,951,992	331,852	17.00%
H- INCOMES AND EXPENSE ACCRUALS PERTAINING TO FUTURE YEARS	-	-	-	.00%
I- OTHER LONG-TERM LIABILITIES	-	-	-	.00%
<b>IV- SUM OF LONG-TERM LIABILITIES</b>	<b>767,869,111</b>	<b>654,563,167</b>	<b>113,305,944</b>	<b>17.31%</b>
A- PAID-UP CAPITAL (Nominal) Capital	45,000,000	45,000,000	-	.00%
Non-Paid-up Capital (-)	-	-	-	.00%
B- CAPITAL RESERVES	-	-	-	.00%
C- PROFIT RESERVES	12,301,560	10,566,223	1,735,337	16.42%
D- PREVIOUS YEARS' PROFITS	2,633,428	-	2,633,428	.00%
E- PREVIOUS YEARS' LOSSES (-)	-	-	-	.00%
F- NET TERM PROFIT	24,920,561	14,370,967	10,549,594	73.41%
<b>V- SUM OF EQUITIES</b>	<b>84,855,549</b>	<b>69,937,190</b>	<b>14,918,359</b>	<b>21.33%</b>
<b>SUM OF LIABILITIES (III+ IV+V)</b>	<b>1,009,090,974</b>	<b>858,499,802</b>	<b>150,591,172</b>	<b>17.54%</b>

### Balance Sheet (5-Year)

ACCOUNT NAME	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012
A- CASH AND CASH EQUIVALENT ASSETS	245,111,081	198,578,466	147,648,170	127,439,598	133,722,404
B- FINANCIAL ASSETS AND FINANCIAL INVESTMENTS AT INSURANTS' RISK	-	-	43,179,312	38,155,027	21,370,879
C- RECEIVABLES FROM REAL OPERATIONS	54,507,955	46,554,416	38,123,170	40,391,123	32,489,452
D- RECEIVABLES FROM AFFILIATES	77,394	3,000	234,973	13,345	-
E- OTHER RECEIVABLES	-	535,935	536,203	-	-
F- EXPENSES AND INCOME ACCRUALS PERTAINING TO FUTURE MONTHS	23,423,959	24,244,249	19,258,347	17,764,732	17,561,365
G- OTHER CURRENT ASSETS	-	-	-	-	-
<b>I- SUM OF CURRENT ASSETS</b>	<b>323,120,389</b>	<b>269,916,066</b>	<b>248,980,175</b>	<b>223,763,825</b>	<b>205,144,101</b>
A- RECEIVABLES FROM REAL OPERATIONS	667,067,636	570,704,866	474,187,791	364,996,714	208,715,074
B- RECEIVABLES FROM AFFILIATES	-	-	-	-	-
C- OTHER RECEIVABLES	15,347	18,626	38,214	34,181	27,465
D- FINANCIAL ASSETS	362,019	362,019	362,019	-	-
E- TANGIBLE ASSETS	6,104,715	7,663,430	1,943,947	2,230,223	1,153,925
F- INTANGIBLE ASSETS	8,912,169	7,116,319	3,444,213	3,577,500	1,381,891
G- EXPENSES AND INCOME ACCRUALS PERTAINING TO FUTURE YEARS	-	2,693	3,417	-	2,029
H- OTHER NON-CURRENT ASSETS	3,508,699	2,715,783	2,565,538	1,983,545	1,444,691
<b>II- SUM OF NON-CURRENT (FIXED) ASSETS</b>	<b>685,970,585</b>	<b>588,583,736</b>	<b>482,541,722</b>	<b>372,825,378</b>	<b>212,725,075</b>
<b>SUM OF ASSETS (I+II)</b>	<b>1,009,090,974</b>	<b>858,499,802</b>	<b>731,521,897</b>	<b>596,589,203</b>	<b>417,869,175</b>
ACCOUNT NAME	31/12/16	31/12/15	31/12/14	31/12/13	31/12/11
A- FINANCIAL LIABILITIES	-	-	-	-	-
B- PAYABLES FROM REAL OPERATIONS	31,797,514	28,160,988	23,630,744	23,640,552	19,667,964
C- PAYABLES TO AFFILIATES	968,459	542,766	666,955	705,408	236,219
D- OTHER LIABILITIES	2,024,469	2,250,010	1,242,211	2,132,520	790,936
E- INSURANCE TECHNICAL PROVISIONS	110,058,169	95,348,105	75,975,528	66,242,207	56,877,246
F- TAXES AND OTHER SIMILAR LIABILITIES PAYABLE AND THEIR PROVISIONS	3,420,694	2,848,519	3,090,205	1,931,330	3,401,052
G- PROVISIONS FOR OTHER RISKS	-	-	-	-	-
<b>H- INCOMES AND EXPENSE ACCRUALS PERTAINING TO FUTURE MONTHS</b>	<b>1,788,541</b>	<b>1,081,464</b>	<b>451,142</b>	<b>379,895</b>	<b>190,925</b>
I- OTHER SHORT-TERM LIABILITIES	6,308,468	3,767,593	3,209,160	3,709,098	2,727,268
<b>III- SUM OF SHORT-TERM LIABILITIES</b>	<b>156,366,314</b>	<b>133,999,445</b>	<b>108,265,945</b>	<b>98,741,010</b>	<b>83,891,611</b>
A- FINANCIAL LIABILITIES	-	-	-	-	-
B- PAYABLES FROM REAL OPERATIONS	667,067,636	570,704,866	474,187,791	364,996,714	208,715,074
C- PAYABLES TO AFFILIATES	-	-	-	-	-
D- OTHER LIABILITIES	-	-	-	-	-
E- INSURANCE TECHNICAL PROVISIONS	98,517,631	81,906,309	68,284,087	63,228,126	48,504,829
F- OTHER LIABILITIES AND THEIR PROVISIONS	-	-	-	-	-
G- PROVISIONS FOR OTHER RISKS	2,283,844	1,951,992	1,472,102	732,556	270,655
<b>H- INCOMES AND EXPENSE ACCRUALS PERTAINING TO FUTURE YEARS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
I- OTHER LONG-TERM LIABILITIES	-	-	-	-	-
<b>IV- SUM OF LONG-TERM LIABILITIES</b>	<b>767,869,111</b>	<b>654,563,167</b>	<b>543,943,980</b>	<b>428,957,396</b>	<b>257,490,558</b>
A- PAID-UP CAPITAL (Nominal) Capital	45,000,000	45,000,000	45,000,000	45,000,000	45,000,000
Non-Paid-up Capital (-)	-	-	-	-	-
B- CAPITAL RESERVES	-	-	-	-	-
C- PROFIT RESERVES	12,301,560	10,566,223	7,115,962	5,459,901	2,719,266
D- PREVIOUS YEARS' PROFITS	2,633,428	-	-	-	-
<b>E- PREVIOUS YEARS' LOSSES (-)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>F- NET TERM PROFIT</b>	<b>24,920,561</b>	<b>14,370,967</b>	<b>27,196,010</b>	<b>11,556,542</b>	<b>28,767,741</b>
<b>V- SUM OF EQUITIES</b>	<b>84,855,549</b>	<b>69,937,190</b>	<b>79,311,972</b>	<b>68,890,797</b>	<b>76,487,008</b>
<b>SUM OF LIABILITIES (III+ IV+V)</b>	<b>1,009,090,974</b>	<b>858,499,802</b>	<b>731,521,897</b>	<b>596,589,203</b>	<b>417,869,175</b>



## Income statement

ACCOUNT NAME	31/12/2016	31/12/2015	DIFFERENCE (TL)	DIFFERENCE (%)
Non-Life Technical Revenue	32,745,610	31,493,314	1,252,296	3.98%
Non-Life Technical Expenses (-)	(15,636,780)	(18,701,168)	3,064,388	(16.39%)
<b>TECHNICAL CATEGORY BALANCE (NON-LIFE)</b>	<b>17,108,830</b>	<b>12,792,146</b>	<b>4,316,684</b>	<b>33.74%</b>
Life Technical Revenue	256,115,336	202,329,571	53,785,765	26.58%
Life Technical Expenses (-)	(254,408,821)	(197,393,865)	(57,014,956)	28.88%
<b>TECHNICAL CATEGORY BALANCE (LIFE)</b>	<b>1,706,515</b>	<b>4,935,706</b>	<b>(3,229,191)</b>	<b>(65.43%)</b>
Pension Technical Revenue	16,444,299	14,603,920	1,840,379	12.60%
Pension Technical Expenses (-)	(15,979,845)	(21,753,537)	5,773,692	(26.54%)
<b>TECHNICAL CATEGORY BALANCE (PENSION)</b>	<b>464,454</b>	<b>(7,149,617)</b>	<b>7,614,071</b>	<b>(106.50%)</b>
<b>GENERAL TECHNICAL CATEGORY BALANCE</b>	<b>19,279,799</b>	<b>10,578,235</b>	<b>8,701,564</b>	<b>82.26%</b>
Investment Revenues	24,725,417	23,543,840	1,181,577	5.02%
Investment Expenses (-)	(7,718,771)	(13,383,150)	5,664,379	(42.32%)
'From Other and Extraordinary Activities	(2,558,864)	259,038	(2,817,902)	(1,087.83%)
<b>Expenses and Losses in Other Activities and Extraordinary Activities (+ -)'</b>	<b>(4,258,184)</b>	<b>(2,558,864)</b>	<b>(1,699,320)</b>	<b>66.41%</b>
Net Term Profit or Loss	24,920,561	14,370,967	10,549,594	73.41%
Term Profit or Loss	32,028,261	18,180,061	13,848,200	76.17%
Provisions for Taxation and Other Legal Liabilities on Term Profit (-)	(7,107,700)	(3,809,094)	(3,298,606)	86.60%
<b>NET TERM PROFIT/LOSS</b>	<b>24,920,561</b>	<b>14,370,967</b>	<b>10,549,594</b>	<b>73.4%</b>

## Income statement (5-Year)

ACCOUNT NAME	31/12/16	31/12/15	31/12/14	31/12/13	31/12/12
Non-Life Technical Revenue	32,745,610	31,493,314	9,189,764	1,053,085	1,299
Non-Life Technical Expenses (-)	(15,636,780)	(18,701,168)	(5,834,254)	(601,003)	(177,029)
<b>TECHNICAL CATEGORY BALANCE (NON-LIFE)</b>	<b>17,108,830</b>	<b>12,792,146</b>	<b>3,355,510</b>	<b>452,082</b>	<b>(175,730)</b>
Life Technical Revenue	256,115,336	202,329,571	189,320,374	190,685,543	143,458,114
Life Technical Expenses (-)	(254,408,821)	(197,393,865)	(167,360,286)	(165,876,133)	(116,587,411)
<b>TECHNICAL CATEGORY BALANCE (LIFE)</b>	<b>1,706,515</b>	<b>4,935,706</b>	<b>21,960,088</b>	<b>24,809,410</b>	<b>26,870,703</b>
Pension Technical Revenue	16,444,299	14,603,920	12,819,124	10,521,744	10,362,297
Pension Technical Expenses (-)	(15,979,845)	(21,753,537)	(20,211,620)	(23,043,027)	(13,296,752)
<b>TECHNICAL CATEGORY BALANCE (PENSION)</b>	<b>464,454</b>	<b>(7,149,617)</b>	<b>(7,392,496)</b>	<b>(12,521,283)</b>	<b>(2,934,455)</b>
<b>GENERAL TECHNICAL CATEGORY BALANCE</b>	<b>19,279,799</b>	<b>10,578,235</b>	<b>17,923,102</b>	<b>12,740,209</b>	<b>23,760,518</b>
Investment Revenues	24,725,417	23,543,840	31,424,680	27,114,399	18,996,834
Investment Expenses (-)	(7,718,771)	(13,383,150)	(14,592,194)	(22,461,646)	(4,968,713)
Revenue and Profit from and Expenses and Losses in Other Activities and Extraordinary Activities	(4,258,184)	(2,558,864)	259,038	(1,948,365)	(1,291,295)
<b>Net Term Profit or Loss</b>	<b>24,920,561</b>	<b>14,370,967</b>	<b>27,196,010</b>	<b>11,556,542</b>	<b>28,767,741</b>
Term Profit or Loss	32,028,261	18,180,061	35,014,626	15,444,597	36,497,343
Provisions for Taxation and Other Legal Liabilities on Term Profit (-)	(7,107,700)	(3,809,094)	(7,818,616)	(3,888,055)	(7,729,602)
<b>NET TERM PROFIT/LOSS</b>	<b>24,920,561</b>	<b>14,370,967</b>	<b>27,196,010</b>	<b>11,556,542</b>	<b>28,767,741</b>

**CIGNA FİNANS EMEKLİLİK VE HAYAT A.Ş.**  
**END-OF-YEAR NON-CONSOLIDATED FINANCIAL STATEMENT AS OF DECEMBER 31, 2016**

The Annual Report of the Company for the accounting period ended on December 31, 2016 is drafted and submitted in line with the methods and procedures set forth by Regulation on Financial Structures of Insurance, Reinsurance and Pension Companies and Article 516 of Turkish Commercial Code.

Yours Sincerely,



**Mehmet Ömer Arif ARAS**  
Chairman



**Adnan Menderes YAYLA**  
Member of the Board



**Kevin KEITH**  
Financial Control and Reporting,  
Technical and Actuary  
Assistant General Manager



**Gail Bernadette COSTA**  
Member of the Board  
General Manager



**Erkin AYDIN**  
Member of the Board



**Ali Ekrem HAZNEDAR**  
Financial Control and  
Reporting  
Group Manager

