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

Allianz Hayat ve Emeklilik Anonim Şirketi

Financial Statements
As At and For The Year Ended
31 December 2016
With Independent Auditors' Report Thereon

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

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik Anonim Şirketi

10 March 2017

This report contains 2 pages of independent auditors' report and 77 pages of financial statements

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

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

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

T.C. BAĞIMSIZ DENETÇİ 583 1923

Erdal Tıkmak, SMMM
Partner

10 March 2017
Istanbul, Turkey

Additional paragraph for convenience translation to English:

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

Allianz

ALLİANZ HAYAT VE EMEKLİLİK ANONİM ŞİRKETİ

FINANCIAL REPORT

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

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

İstanbul, 10 March 2017

Taylan TÜRKÖLMEZ General Manager	Ersin PAK Chief Financial Officer
Ahmet Faruk YEGÜL Financial Affairs Director	Birsen ÖZTÜRK KIRÇAL Actuary

(Currency: Turkish Lira (TL))

ASSETS			
I- Current Assets	**Notes**	**Audited Current Period 31 December 2016**	**Audited Prior Period 31 December 2015**
A- Cash and Cash Equivalents	**14**	**103,292,844**	**76,260,939**
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	77,629,910	46,352,948
4- Cheques Given and Payment Orders		-	-
5- Bank Guaranteed Credit Card Receivables With Maturity Less Than Three Months	14	25,662,934	29,907,991
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments with Risks on Policyholders	**11**	**418,251,816**	**436,683,975**
1- Available-for-Sale Financial Assets	11	60,000,603	64,407,122
2- Held to Maturity Investments		-	-
3- Financial Assets Held for Trading		-	-
4- Loans and Receivables		-	-
5- Provision for Loans and Receivables		-	-
6- Financial Investments with Risks on Saving Life Policyholders	11	358,251,213	372,276,853
7- Company’s Own Equity Shares		-	-
8- Diminution in Value of Financial Investments		-	-
C- Receivables from Main Operations	**12**	**16,912,290**	**17,793,270**
1- Receivables from Insurance Operations	12	8,425,403	8,934,691
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited to Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders	2,8,12	4,570,799	4,785,252
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Operations	12,18	3,916,088	4,073,327
9- Doubtful Receivables from Main Operations	12	906,225	746,249
10- Provision for Doubtful Receivables from Main Operations	12	(906,225)	(746,249)
D- Due from Related Parties	**12,45**	**2,579,942**	**2,457,123**
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	12,45	2,579,942	2,457,123
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
E- Other Receivables	**12**	**209,021**	**22,115**
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables	12	209,021	22,115
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
F- Prepaid Expenses and Income Accruals	**17**	**5,122,260**	**4,548,704**
1- Deferred Acquisition Costs	17	2,927,958	3,424,925
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses	17	2,194,302	1,123,779
G- Other Current Assets		**1,154,401**	**682,158**
1- Stocks to be Used in the Following Months		-	-
2- Prepaid Taxes and Funds	12	1,126,472	656,529
3- Deferred Tax Assets		-	-
4- Job Advances		21,179	21,179
5- Advances Given to Personnel		6,750	4,450
6- Inventory Count Differences		-	-
7- Other Miscellaneous Current Assets		-	-
8- Provision for Other Current Assets		-	-
I- Total Current Assets		**547,522,574**	**538,448,284**

The accompanying notes are an integral part of these financial statements

(Currency: Turkish Lira (TL))

ASSETS			
II- Non-Current Assets	**Notes**	**Audited Current Period 31 December 2016**	**Audited Prior Period 31 December 2015**
A- Receivables from Main Operations	**12,18**	**2,047,995,000**	**1,675,223,200**
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited for Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Business	12,18	2,047,995,000	1,675,223,200
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-
B- Due from Related Parties		**-**	**-**
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
C- Other Receivables	**12**	**188**	**188**
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given	12	188	188
4- Other Miscellaneous Receivables		-	-
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
D- Financial Assets	**9**	**1,227,620**	**1,227,620**
1- Investments in Equity Shares		-	-
2- Investments in Associates	9	1,227,620	1,227,620
3- Capital Commitments to Associates		-	-
4- Investments in Subsidiaries		-	-
5- Capital Commitments to Subsidiaries		-	-
6- Investments in Joint Ventures		-	-
7- Capital Commitments to Joint Ventures		-	-
8- Financial Assets and Financial Investments with Risks on Policyholders		-	-
9- Other Financial Assets		-	-
10- Impairment in Value of Financial Assets		-	-
E- Tangible Assets	**6**	**3,935,257**	**4,730,280**
1- Investment Property		-	-
2- Impairment on Investment Property		-	-
3- Owner Occupied Property		-	-
4- Machinery and Equipments		-	-
5- Furniture and Fixtures	6	2,841,051	3,062,136
6- Motor Vehicles		-	-
7- Other Tangible Assets (Including Leasehold Improvements)	6	3,305,666	3,276,519
8- Tangible Assets Acquired Through Finance Leases	6	309,234	1,209,789
9- Accumulated Depreciation	6	(2,520,694)	(2,818,164)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
F- Intangible Assets		**23,803,359**	**41,746,968**
1- Rights	8	46,520,915	58,547,103
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortization	8	(22,717,556)	(16,800,135)
8- Advances Paid for Intangible Assets		-	-
G-Prepaid Expenses and Income Accruals		**-**	**4,388**
1- Deferred Acquisition Costs		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses		-	4,388
H-Other Non-Current Assets	**21**	**4,969,136**	**1,896,212**
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Stocks to be Used in the Following Years		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	21	4,969,136	1,896,212
6- Other Miscellaneous Non-Current Assets		-	-
7- Amortization on Other Non-Current Assets		-	-
8- Provision for Other Non-Current Assets		-	-
II- Total Non-Current Assets		**2,081,930,560**	**1,724,824,468**
TOTAL ASSETS		**2,629,453,134**	**2,263,272,752**

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

(Currency: Turkish Lira (TL))

LIABILITIES			
III- Short-Term Liabilities	**Notes**	**Audited Current Period 31 December 2016**	**Audited Prior Period 31 December 2015**
A- Financial Liabilities	**20**	**40,200,137**	**29,525,658**
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Leasing Costs		-	-
4- Current Portion of Long-Term Debts		-	-
5- Principal Installments and Interests on Bonds Issued		-	-
6- Other Financial Assets Issued		-	-
7- Valuation Differences of Other Financial Assets Issued		-	-
8- Other Financial Liabilities	20	40,200,137	29,525,658
B- Payables Arising from Main Operations		**33,041,898**	**36,702,795**
1- Payables Arising from Insurance Operations	19	4,285,954	7,930,627
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies	19	945,355	810,238
4- Payables Arising from Individual Pension Business	18,19	27,810,549	27,371,619
5- Payables Arising from Other Main Operations	19	40	590,311
6- Discount on Payables from Other Main Operations		-	-
C-Due to Related Parties	**19,45**	**2,503,720**	**3,963,171**
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel	45	59,275	62,445
6- Due to Other Related Parties	45	2,444,445	3,900,726
D- Other Payables	**19**	**9,277,792**	**8,363,722**
1- Deposits and Guarantees Received		-	-
2- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables	19	9,277,792	8,363,722
4- Discount on Other Miscellaneous Payables		-	-
E-Insurance Technical Provisions	**17**	**110,370,553**	**112,704,894**
1- Reserve for Unearned Premiums - Net	17	6,953,203	7,626,944
2- Reserve for Unexpired Risks- Net	17	296,029	-
3- Life Mathematical Provisions - Net	17	79,562,722	83,839,096
4- Provision for Outstanding Claims - Net	17	23,378,649	21,067,360
5- Provision for Bonus and Discounts – Net	17	179,950	171,494
6- Other Technical Provisions – Net		-	-
F- Provisions for Taxes and Other Similar Obligations	**19**	**2,169,282**	**1,203,515**
1- Taxes and Funds Payable		1,658,220	958,603
2- Social Security Premiums Payable		511,062	244,912
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Similar Payables		-	-
5- Corporate Tax Payable		-	-
6- Prepaid Taxes and Other Liabilities Regarding Current Period Profit		-	-
7- Provisions for Other Taxes and Similar Liabilities		-	-
G- Provisions for Other Risks	**23**	**8,943,845**	**6,175,186**
1- Provision for Employee Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	23	8,943,845	6,175,186
H- Deferred Income and Expense Accruals	**19**	**408,252**	**287,913**
1- Deferred Commission Income	19	333,331	287,913
2- Expense Accruals		-	-
3- Other Deferred Income		74,921	-
I- Other Short-Term Liabilities		**-**	**-**
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		-	-
3- Other Various Short Term Liabilities		-	-
III – Total Short-Term Liabilities		**206,915,479**	**198,926,854**

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

(Currency: Turkish Lira (TL))

LIABILITIES			
IV- Long-Term Liabilities	**Notes**	**Audited Current Period 31 December 2016**	**Audited Prior Period 31 December 2015**
A- Financial Liabilities		**-**	**-**
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Leasing Costs		-	-
4- Bonds Issued		-	-
5- Other Financial Assets Issued		-	-
6- Valuation Differences of Other Financial Assets Issued		-	-
7- Other Financial Liabilities		-	-
B- Payables Arising from Main Operations	**18,19**	**2,047,995,000**	**1,675,223,200**
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business	18,19	2,047,995,000	1,675,223,200
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations		-	-
C- Due to Related Parties	**19,45**	**35,371**	**39,256**
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties	19,45	35,371	39,256
D- Other Payables		**-**	**-**
1- Deposits and Guarantees Received		-	-
2- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables		-	-
4- Discount on Other Miscellaneous Payables		-	-
E-Insurance Technical Provisions		**304,784,297**	**307,882,728**
1- Reserve for Unearned Premiums - Net		-	-
2- Reserve for Unexpired Risks - Net		-	-
3- Life Mathematical Provisions - Net	17	317,495,782	313,363,665
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Provisions - Net	17	(12,711,485)	(5,480,937)
F-Other Liabilities and Relevant Accruals	23	**926,208**	**-**
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals	23	926,208	-
G- Provisions for Other Risks	**23**	**1,752,111**	**1,678,317**
1- Provisions for Employment Termination Benefits	23	1,752,111	1,678,317
2- Provisions for Employee Pension Funds Deficits		-	-
H-Deferred Income and Expense Accruals		**137,354**	**26,454**
1- Deferred Commission Income		-	26,454
2- Expense Accruals		-	-
3- Other Deferred Income		137,354	-
I- Other Long-Term Liabilities		**-**	**-**
1- Deferred Tax Liabilities		-	-
2- Other Long-Term Liabilities		-	-
IV- Total Long-Term Liabilities		**2,355,630,341**	**1,984,849,955**

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

(Currency: Turkish Lira (TL))

EQUITY			
V- Equity	**Notes**	**Audited Current Period 31 December 2016**	**Audited Prior Period 31 December 2015**
A- Paid in Capital		**78,500,000**	**78,500,000**
1- (Nominal) Capital	2.13,15	78,500,000	78,500,000
2- Unpaid Capital		-	-
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences		-	-
5- Unregistered Capital		-	-
B- Capital Reserves		**151,553**	**151,553**
1- Share Premium		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Asset Sales That Will Be Transferred to Capital		-	-
4- Currency Translation Adjustments		-	-
5- Other Capital Reserves	15	151,553	151,553
C- Profit Reserves		**25,347,001**	**26,000,954**
1- Legal Reserves		16,792,601	16,792,601
2- Statutory Reserves		-	-
3- Extraordinary Reserves		10,200,717	10,200,717
4- Special Funds		-	-
5- Revaluation of Financial Assets	11	(1,646,317)	(992,364)
6- Other Profit Reserves		-	-
D- Retained Earnings		**-**	**-**
1- Retained Earnings		-	-
E- Accumulated Losses		**(25,046,255)**	**(21,388,153)**
1- Accumulated Losses		(25,046,255)	(21,388,153)
F-Net Profit/(Loss) for the Period		**(12,044,985)**	**(3,768,411)**
1- Net Profit for the Year		-	-
2- Net Loss for the Year		(12,044,985)	(3,768,411)
3- Net Profit for the Period not Subject to Ditribuiton		-	-
V- Total Equity		**66,907,314**	**79,495,943**
TOTAL EQUITY AND LIABILITIES		**2,629,453,134**	**2,263,272,752**

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

(Currency: Turkish Lira (TL))

TECHNICAL SECTION	Notes	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
A- Non-Life Technical Income		**745,032**	**1,358,559**
1- Earned Premiums (Net of Reinsurer Share)		590,823	618,882
1.1- Written Premiums (Net of Reinsurer Share)	17	994,116	696,314
1.1.1- Written Premiums, gross	5,17	1,127,225	811,928
1.1.2- Written Premiums, ceded	5,10,17	(133,109)	(115,614)
1.1.3- Written Premiums, SSI share		-	-
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	5,17,29	(107,264)	(77,432)
1.2.1- Reserve for Unearned Premiums, gross	17	(122,069)	(80,800)
1.2.2- Reserve for Unearned Premiums, ceded	10,17	14,805	3,368
1.2.3- Reserve for Unearned Premiums, SSI share		-	-
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		(296,029)	-
1.3.1- Reserve for Unexpired Risks, gross		(336,455)	-
1.3.2- Reserve for Unexpired Risks, ceded		40,426	-
2- Investment Income - Transferred from Non-Technical Section	5	154,209	739,677
3- Other Technical Income (Net of Reinsurer Share)		-	-
3.1- Other Technical Income, gross		-	-
3.2- Other Technical Income, ceded		-	-
4. Accrued Salvage and Subrogation Income		-	-
B- Non-Life Technical Expense		**(2,899,014)**	**(541,157)**
1- Incurred Losses (Net of Reinsurer Share)	17	(1,477,461)	(238,999)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(696,061)	(86,861)
1.1.1- Claims Paid, gross	5,17	(696,061)	(86,861)
1.1.2- Claims Paid, ceded		-	-
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(781,400)	(152,138)
1.2.1- Change in Provisions for Outstanding Claims, gross	5,17	(781,400)	(152,138)
1.2.2- Change in Provisions for Outstanding Claims, ceded	5,10,17	-	-
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts, gross		-	-
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
4- Operating Expenses	32	(1,421,553)	(302,158)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
5.1- Mathematical Provisions		-	-
5.2- Mathematical Provisions, ceded		-	-
6- Other Technical Expense		-	-
6.1- Other Technical Expense, gross		-	-
6.2- Other Technical Expense, ceded		-	-
C- Net Technical Income-Non-Life (A – B)	**5**	**(2,153,982)**	**817,402**
D- Life Technical Income		**152,158,026**	**162,126,895**
1- Earned Premiums (Net of Reinsurer Share)		102,447,131	106,458,874
1.1- Written Premiums (Net of Reinsurer Share)	17	101,666,126	104,693,344
1.1.1- Written Premiums, gross	5,17	116,243,840	114,691,985
1.1.2- Written Premiums, ceded	5,10,17	(14,577,714)	(9,998,641)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	5,17,29	781,005	1,765,530
1.2.1- Reserve for Unearned Premiums, gross	17	542,153	1,469,515
1.2.2- Reserve for Unearned Premiums, ceded	10,17	238,852	296,015
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.3.1- Reserve for Unexpired Risks, gross		-	-
1.3.2- Reserve for Unexpired Risks, ceded		-	-
2- Investment Income	5	46,260,389	52,903,831
3- Unrealized Gains on Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)	5	3,450,506	2,764,190
4.1- Other Technical Income, gross	5	3,450,506	2,764,190
4.2- Other Technical Income, ceded		-	-
5- Accrued Salvage and Subrogation Income		-	-

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

(Currency: Turkish Lira (TL))

I-TECHNICAL SECTION	**Notes**	**Audited Current Period 31 December 2016**	**Audited Prior Period 31 December 2015**
E- Life Technical Expense		**(148,366,853)**	**(153,683,893)**
1- Incurred Losses (Net of Reinsurer Share)	17	(92,394,771)	(108,740,936)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(90,864,882)	(107,187,917)
1.1.1- Claims Paid, gross	5,17	(94,508,848)	(108,624,313)
1.1.2- Claims Paid, ceded	5,10,17	3,643,966	1,436,396
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(1,529,889)	(1,553,019)
1.2.1- Change in Provisions for Outstanding Claims, gross	5,17	(2,600,783)	(2,077,987)
1.2.2- Change in Provisions for Outstanding Claims, ceded	5,10,17	1,070,894	524,968
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)	5	(8,457)	(77,645)
2.1- Provision for Bonus and Discounts, gross	5	(8,457)	(77,645)
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)	5,29	144,258	9,059,282
3.1- Change in Life Mathematical Provisions, gross	5	(2,864,983)	7,615,968
3.1.1- Actuarial Mathematical Provisions		(1,854,878)	564,381
3.1.2- Profit Sharing Provisions (Provisions for Policies Investment Risks of Which Belong to Life Insurance Policyholders)		(1,010,105)	7,051,587
3.2- Change in Life Mathematical Provisions, ceded	5	3,009,241	1,443,314
3.2.1- Actuarial Mathematical Provisions, ceded		3,009,241	1,443,314
3.2.2- Profit Sharing Provisions, ceded (Provisions for Policies Investment Risks of Which Belong to Life Insurance Policyholders)		-	-
4- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	5	(455,431)	(420,293)
5- Operating Expenses	5,32	(52,124,608)	(48,399,635)
6- Investment Expenses	5	(3,527,844)	(5,104,666)
7- Unrealized Losses on Investments		-	-
8- Investment Income Transferred to the Non-Life Technical Section		-	-
F- Net Technical Income- Life (D – E)	**5**	**3,791,173**	**8,443,002**
G- Pension Business Technical Income	**5**	**38,928,891**	**35,703,077**
1- Fund Management Income	5	29,818,740	24,186,195
2- Management Fee	5	3,203,731	4,027,177
3- Entrance Fee Income	5	5,269,148	6,733,111
4- Management Expense Charge in case of Suspension		610,264	723,414
5- Income from Individual Service Charges		-	-
6- Increase in Value of Capital Allowances Given as Advance		-	3,461
7- Other Technical Expense	5	27,008	29,719
H- Pension Business Technical Expense		**(41,925,433)**	**(47,956,343)**
1- Fund Management Expense	5	(2,483,680)	(2,031,415)
2- Decrease in Value of Capital Allowances Given as Advance		-	-
3- Operating Expenses	5,32	(38,446,494)	(45,203,412)
4- Other Technical Expenses	5	(994,288)	(720,359)
5- Penalty Payment		(971)	(1,157)
I- Net Technical Income - Pension Business (G – H)	**5**	**(2,996,543)**	**(12,253,266)**

(Currency: Turkish Lira (TL))

I-NON-TECHNICAL SECTION	Notes	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
C- Net Technical Income – Non-Life (A-B)		**(2,153,982)**	**817,402**
F- Net Technical Income – Life (D-E)		**3,791,173**	**8,443,002**
I - Net Technical Income – Pension Business (G-H)		**(2,996,543)**	**(12,253,266)**
J- Total Net Technical Income (C+F+I)		**(1,359,352)**	**(2,992,862)**
K- Investment Income	**5**	**17,187,900**	**30,640,644**
1- Income from Financial Assets		11,236,755	6,541,620
2- Income from Disposal of Financial Assets		-	-
3- Valuation of Financial Assets		1,553,638	1,509,520
4- Foreign Exchange Gains		4,318,454	17,495,319
5- Income from Associates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment		360	19,570
8- Income from Derivative Transactions		78,693	5,074,615
9- Other Investments		-	-
10- Income Transferred from Life Section		-	-
L- Investment Expense	**5**	**(27,979,030)**	**(29,047,277)**
1- Investment Management Expenses (inc. interest)		-	-
2- Diminution in Value of Investments		(13,561,396)	-
3- Loss from Disposal of Financial Assets		(25,083)	-
4- Investment Income Transferred to Non-Life Technical Section		(154,209)	(739,677)
5- Loss from Derivative Transactions		-	(10,230,544)
6- Foreign Exchange Losses		(2,952,916)	(7,582,996)
7- Depreciation and Amortization Expenses	5	(7,069,162)	(6,370,230)
8- Other Investment Expenses		(4,216,264)	(4,123,830)
M- Income and Expenses From Other and Extraordinary Operations	**5**	**105,497**	**(2,368,916)**
1- Provisions	47	(2,870,179)	(174,986)
2- Rediscounts	47	(3,927)	6,763
3- Specified Insurance Accounts		-	-
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Assets)	35	2,937,012	-
6- Deferred Taxation (Deferred Tax Liabilities)	35	-	(2,060,295)
7- Other Income		98,909	79,716
8- Other Expenses and Losses		(51,114)	(220,114)
9- Prior Year’s Income		-	-
10- Prior Year’s Expenses and Losses		(5,204)	-
N- Net Profit for the Year		**(12,044,985)**	**(3,768,411)**
1- Profit for the Year		(12,044,985)	(3,768,411)
2- Corporate Tax Provision and Other Fiscal Liabilities		-	-
3- Net Profit for the Year		(12,044,985)	(3,768,411)
4- Monetary Gains and Losses		-	-

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

(Currency: Turkish Lira (TL))

	Notes	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
A. Cash flows from operating activities			
1. Cash provided from insurance activities		121,431,016	116,737,770
2. Cash provided from reinsurance activities		-	-
3. Cash provided from individual pension business		628,019,970	594,239,508
4. Cash used in insurance activities		(183,874,437)	(186,808,566)
5. Cash used in reinsurance activities		-	-
6. Cash used in individual pension business		(631,161,497)	(607,842,472)
7. Cash provided by operating activities		**(65,584,948)**	**(83,673,760)**
8. Interest paid		-	-
9. Income taxes paid		-	(48,055)
10. Other cash inflows		11,779,666	8,793,068
11. Other cash outflows		(2,565,830)	(13,805,076)
12. Net cash provided by operating activities		**(56,371,112)**	**(88,733,823)**
B. Cash flows from investing activities			
1. Proceeds from disposal of tangible assets		-	39,206
2. Acquisition of tangible assets	6.8	(1,914,810)	(5,355,437)
3. Acquisition of financial assets	11	(157,976,037)	(180,547,921)
4. Proceeds from disposal of financial assets	11	160,681,617	210,215,539
5. Interests received		65,964,559	35,903,361
6. Dividends received		-	-
7. Other cash inflows		79,053	4,075,884
8. Other cash outflows		(1,403,717)	(4,461,620)
9. Net cash provided by investing activities		**65,430,665**	**59,869,012**
C. Cash flows from financing activities			
1. Equity shares issued		-	-
2. Cash provided from loans and borrowings		-	-
3. Finance lease payments		-	-
4. Dividends paid		-	-
5. Other cash inflows		-	-
6. Other cash outflows		-	(82,782)
7. Net cash provided by financing activities		**-**	**(82,782)**
D. Effect of currency differences on cash and cash equivalents		**732,597**	**1,018,300**
E. Net increase/(decrease) in cash and cash equivalents		**9,792,150**	**(27,929,293)**
F. Cash and cash equivalents at the beginning of the year	**14**	**15,588,429**	**43,517,722**
G. Cash and cash equivalents at the end of the year	**14**	**25,380,579**	**15,588,429**

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

Allianz Hayat ve Emeklilik Anonim Şirketi
Statement of Changes in Equity
For the Year Ended 31 December 2016
(Currency: Turkish Lira (TL))

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

Audited Statement of Changes in Equity - 31 December 2015

	Notes	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit / (Loss) for the Year	Retained Earnings	Total
I - Balance at the end of the previous year – 31 December 2014		**78,500,000**	**-**	**2,287,066**	**-**	**-**	**16,792,601**	**-**	**10,352,270**	**(6,554,974)**	**(14,750,396)**	**86,626,567**
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
1- In cash		-	-	-	-	-	-	-	-	-	-	-
2- From reserves		-	-	-	-	-	-	-	-	-	-	-
B- Purchase of own shares		-	-	-	-	-	-	-	-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-	-	-	-	-	-	(82,783)	**(82,783)**
D- Change in the value of financial assets		-	-	(3,279,430)	-	-	-	-	-	-	-	**(3,279,430)**
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the year		-	-	-	-	-	-	-	-	(3,768,411)	-	**(3,768,411)**
I – Other Reserves and Transfers from Retained Earnings		-	-	-	-	-	-	-	-	6,554,974	(6,554,974)	-
J- Dividends paid		-	-	-	-	-	-	-	-	-	-	-
II - Balance at the end of the year – 31 December 2015		**78,500,000**	**-**	**(992,364)**	**-**	**-**	**16,792,601**	**-**	**10,352,270**	**(3,768,411)**	**(21,388,153)**	**79,495,943**

Audited Statement of Changes in Equity - 31 December 2016

	Notes	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustments	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit / (Loss) for the Year	Retained Earnings	Total
I - Balance at the end of the previous year – 31 December 2015		**78,500,000**	**-**	**(992,364)**	**-**	**-**	**16,792,601**	**-**	**10,352,270**	**(3,768,411)**	**(21,388,153)**	**79,495,943**
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
1- In cash		-	-	-	-	-	-	-	-	-	-	-
2- From reserves		-	-	-	-	-	-	-	-	-	-	-
B- Purchase of own shares		-	-	-	-	-	-	-	-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-	-	-	-	-	-	110,309	**110,309**
D- Change in the value of financial assets		-	-	(653,953)	-	-	-	-	-	-	-	**(653,953)**
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the year		-	-	-	-	-	-	-	-	(12,044,985)	-	**(12,044,985)**
I – Other Reserves and Transfers from Retained Earnings	15	-	-	-	-	-	-	-	-	3,768,411	(3,768,411)	-
J- Dividends paid		-	-	-	-	-	-	-	-	-	-	-
II - Balance at the end of the year – 31 December 2016		**78,500,000**	**-**	**(1,646,317)**	**-**	**-**	**16,792,601**	**-**	**10,352,270**	**(12,044,985)**	**(25,046,255)**	**66,907,314**

The accompanying notes are an integral part of these financial statements

(Currency: Turkish Lira (TL))

	Notes	Current Period 31 December 2016	Prior Period 31 December 2015
I. DISTRIBUTION OF THE PROFIT FOR THE YEAR		**-**	**-**
1.1. CURRENT PERIOD PROFIT/(LOSS)		(14,981,997)	(1,708,116)
1.2. TAXES AND DUTIES PAYABLE		2,937,012	(2,060,295)
1.2.1. Corporate Tax (Income Tax)		-	-
1.2.2. Income Tax Deductions		-	-
1.2.3. Other Taxes and Legal Duties		2,937,012	(2,060,295)
A CURRENT PERIOD PROFIT/(LOSS) (1.1 – 1.2)		**(12,044,985)**	**(3,768,411)**
1.3. ACCUMULATED LOSSES (-)		-	-
1.4. FIRST LEGAL RESERVES (-)		-	-
1.5. OTHER STATUTORY RESERVES (-)		-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5)]		**-**	**-**
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	-
1.6.1. To owners of ordinary shares		-	-
1.6.2. To owners of privileged shares		-	-
1.6.3. To owners of redeemed shares		-	-
1.6.4. To holders profit sharing bonds		-	-
1.6.5. To holders of profit and loss sharing certificates		-	-
1.7. DIVIDENDS TO PERSONNEL (-)		-	-
1.8. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.9. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.9.1. To owners of ordinary shares		-	-
1.9.2. To owners of privileged shares		-	-
1.9.3. To owners of redeemed shares		-	-
1.9.4. To holders profit sharing bonds		-	-
1.9.5. To holders of profit and loss sharing certificates		-	-
1.10. LEGAL RESERVES (-)		-	-
1.11. STATUTORY RESERVES(-)		-	-
1.12. EXTRAORDINARY RESERVES		-	-
1.13. OTHER RESERVES		-	-
1.14. SPECIAL FUNDS		-	-
II. DISTRIBUTION OF RESERVES		**-**	**-**
2.1. APPROPRIATED RESERVES		-	-
2.2. SECOND LEGAL RESERVES (-)		-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1. To owners of ordinary shares		-	-
2.3.2. To owners of privileged shares		-	-
2.3.3. To owners of redeemed shares		-	-
2.3.4. To holders of profit sharing bonds		-	-
2.3.5. To owners of Profit and Loss Participation Certificates		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. EARNINGS PER SHARE		**-**	**-**
3.1. TO OWNERS OF ORDINARY SHARES		-	-
3.2. TO OWNERS OF ORDINARY SHARES (%)		-	-
3.3. TO OWNERS OF PRIVILEGED SHARES		-	-
3.4. TO OWNERS OF PRIVILEGED SHARES (%)		-	-
IV. DIVIDEND PER SHARE		**-**	**-**
4.1. TO OWNERS OF ORDINARY SHARES		-	-
4.2. TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3. TO THE PRIVILEGED SHAREHOLDERS		-	-
4.4. TO THE PRIVILEGED SHAREHOLDERS (%)		-	-

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

Allianz Hayat ve Emeklilik Anonim Şirketi

Notes to the Financial Statements
As at 31 December 2016

(Currency:Turkish Lira (TL))

1 General information

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

Allianz Hayat ve Emeklilik Anonim Şirketi ("the Company") was established in 1991 under the name of Şark Hayat Sigorta A.Ş. Following the application of the Company for the approval of the transition from a life insurance company to an individual pension company in accordance with the paragraph 2 of temporary article 1 of Individual Pension Saving and Investment System Law No. 4632, transition to an individual pension company is approved by the decision of the Turkish Prime Ministry Undersecretariat of Treasury ("the Turkish Treasury") dated 3 December 2002. Following the approval of the Turkish Treasury, the title of the Company has been changed to Koç Allianz Hayat ve Emeklilik Anonim Şirketi as published in the Turkish Trade Registry Gazette dated 28 February 2003.

Based on the share purchase agreement signed on 20 April 2008 between Koç Holding A.Ş. and Allianz SE, the shareholders of the Company as of 31 December 2007, Koç Holding A.Ş., Temel Ticaret ve Yatırım A.Ş., Rahmi M. Koç and Suna Kıraç have sold all of their shares of the Company to Allianz SE, following the approvals of the Treasury and the Competition Authority dated 21 July 2008. In the Extraordinary General Assembly of the Shareholders, held on 22 September 2008, it has been decided to change the title of Company from Koç Allianz Hayat ve Emeklilik A.Ş. to Allianz Hayat ve Emeklilik A.Ş. and, in this respect, to amend the related articles of the articles of association. This decision is registered on 7 October 2008 by the Istanbul Trade Registry Office.

As at 31 December 2016, the shareholder having direct or indirect control over the shares of the Company is Allianz Europe B.V. by 86.0% of the outstanding shares of the Company. Other shareholder having direct or indirect control over the shares of the Company is Tokio Marine and Nichido Fire Insurance Co. Ltd by 11.0% shares of the outstanding shares.

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

The Company was registered in Turkey in 1991 and operates as a joint stock company in accordance with the regulations of Turkish Commercial Code ("TCC"). The address of the Company's registered office is Allianz Tower, Küçükbakkalköy Mah. Kayışdağ Cad. No. 1 34750 Ataşehir / İstanbul.

1.3 Business of the Company

The economic purpose of the Company is to issue contracts in individual pension, life and personal accident and to operate in the related branches. The Company also operates branch of personal accident in accordance with the articles of association.

(Currency: Turkish Lira (TL))

1 General Information *(continued)*

1.4 Description of the main operations of the Company

As at 31 December 2016, the Company issues policies in life and personal accident insurance branches and contracts in individual pension business by conducting its operations in accordance with the Insurance Law No.5684 (the "Insurance Law") issued in Official Gazette dated 14 June 2007 and numbered 26552 and the Individual Pension Law, and other communiqués and regulations in force issued by the Turkish Treasury.

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

The number of the personnel during the year in consideration of their categories was as follows:

	31 December 2016	**31 December 2015**
Top management personnel	3	3
Other personnel	112	118
Total	**115**	**121**

1.6 Wages and similar benefits provided to the senior management

For the year ended 31 December 2016, salaries and similar benefits provided to the top management including Chairman, Member of the Board of Directors, General Manager, General Coordinator, and Assistant General Managers amounted to TL 1,379,931 (31 December 2015: TL 1,395,309).

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

Procedures and principles related to keys used in the distribution of investment income and operating expenses in the financial statements are determined in accordance with the 4 January 2008 dated and 2008/1 numbered "Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan" issued by the Turkish Treasury. In accordance with the above mentioned Communiqué, known and exactly distinguishable operating expenses are directly recorded under life, non-life or individual pension segments. Other non-distinguishable expenses, which are not exactly distinguished, are distributed between insurance segments and individual pension segment in accordance with the number of policies and contracts at the end of last 3 years and arithmetic average of contribution premium and earned premium within the last 3 years in accordance with the 9 August 2010 dated and 2010/9 numbered "Amendments Communiqué Related to the Procedures and Principles for the Keys Used in the Financial Statements Being Prepared In Accordance With Insurance Accounting Plan" issued by the Turkish Treasury. Amendment is effective from 1 January 2011. The portion of insurance segments calculated as described above is distributed between life and non-life branches in accordance with the average of 3 ratios calculated by dividing "number of the policies produced within the last three years", "gross premiums written within the last three years", and "number of the claims reported within the last three years" to the "total number of the policies", "total gross written premiums", and the "total number of the claims reported", respectively.

1 General information *(continued)*

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

In accordance with the related communiqué, insurance companies are allowed to transfer technical section operating expenses to insurance segments using methods suggested by the Turkish Treasury or alternatively using methods determined by the companies, which requires approval of the Turkish Treasury. In this context, the Company allocates technical section operating expenses to segments using "Activity Based Costing System" with the approval of the Turkish Treasury. Known and exactly distinguishable expenses are allocated to life, non-life and individual pension segments, and other non- distinguishable expenses are allocated by using certain criteria (space used, number of personnel, policies, proposals and policyholders).

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

Income from the assets invested against mathematical and profit sharing provisions is recorded under technical section.

The Company has common expenses with Allianz Sigorta A.Ş., which is a group company and also a shareholder holding 2% of the Company's share capital, due to sharing physical area and using joint personnel, that are not directly separable classified. These types of common expenses are separated according to the contract signed between the Company and Allianz Sigorta A.Ş., in which principles to determine sharing of common expenses is outlined. In accordance with this contract, the parties share common expenses due to functional and operational activities among themselves based on "Activity Based Costing System".

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

The accompanying financial statements comprise only the financial information of the Company. As further discussed in *Note 2.2 - Consolidation*, the Company has not prepared consolidated financial statements as at and for the year ended 31 December 2016.

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

Trade name of the Company	: Allianz Hayat ve Emeklilik Anonim Şirketi
Registered address of the head office	: Allianz Tower, Kayışdağı Cad. No:1
	Ataşehir, İstanbul
The web page of the Company	: **www.allianzemeklilik.com.tr**

There is no change in the aforementioned information subsequent to the previous reporting date.

1.10 Subsequent events

Explanations related to subsequent events are disclosed in Note 46 – *Subsequent events*

2 Significant accounting policies

2.1 Basis preparation

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

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

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

Additional paragraph for convenience translation to English

As explained in note 2.1, the accompanying financial statements are not intended to present the financial position of the Company and results of its operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

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

Accounting in hyperinflationary countries

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

With respect to the declaration of the Turkish Treasury with the article dated 4 April 2005 and numbered 19387, inflation accounting is no longer applied starting from 1 January 2005.

Other accounting policies

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

2.1.3 Functional and presentation currency

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

2.1.4 Rounding level of the amounts presented in the financial statements

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

2 Significant accounting policies *(continued)*

2.1 Basis preparation *(continued)*

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

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

2.1.6 Accounting policies, changes in accounting estimates and errors

There is no change or mistake in accounting policies in the current period.

The clarirification of accounting policies has been given in 3 - Significant accounting estimates and decisions note.

2.2 Consolidation

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

Consolidation is not performed due to the Company has no subsidiary.

2.3 Segment reporting

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

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, except for those arising on the translation of the fair value change of available-for-sale financial assets, are offset and are recognized as foreign exchange gains or losses.

Changes in the fair value of financial assets denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the asset and other changes in the carrying amount of the asset. Translation differences related to changes in amortised cost are recognized in profit or loss, and other changes in carrying amount are recognized in equity.

(Currency: Turkish Lira (TL))

2 Significant accounting policies *(continued)*

2.5 Tangible assets

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

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

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

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

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

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

Tangible assets	**Estimated useful lives (years)**	**Depreciation rates (%)**
Furniture and fixtures	3-15	6-33
Other tangible assets (Including leasehold improvements)	5	20
Leased assets	3-5	20-33

2.6 Investment property

The Company does not have any investment property.

2.7 Intangible Assets

The Company's intangible assets consist of information system, license right, computer software and bank exclusive right Intangible assets are recorded at cost in compliance with "TAS 38 – *Accounting for intangible assets*". The cost of the intangible assets purchased before 31 December 2004 are restated for the effects of inflation from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs.

The company amortise its exclusive rights with normal amortization method by the agreement with a bank for 10 years. Other intangible assets are amortized based on straight line method through their useful lives (3-5 years).

The strategy that is announced and implemented at the beginning of 2016 by bank which had already had an exclusivity agreement with company has caused the conversion process of the life and pension premium production potential for the bank to change negatively and necessitate the revision the value of distribution channel agreement. In this context, the valuation based on the assumptions about the current activity potential of the bank has been made for the related distribution agreement and the impairment amount of TL 13,561,396 has been reflected to the financial statements as of 31 December 2016 over the book value (Note 8). As at 31 December 2016, the book value of the contract will be distributed on a straight-line basis over the remaining life.

2 Significant accounting policies *(continued)*

2.8 Financial Assets

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

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

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

Available-for-sale financial assets are the financial assets other than assets held for trading purposes, held-to-maturity financial assets and loans and receivables.

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

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

Associates which are not traded in an active market and whose fair value can not be reliably set are reflected in the financial statements at their costs after deducting impairment losses, if any.

Special instruments

Loans to the policyholders are the securitized loans that are used by the policyholders with the security of their life insurance policy that have made premium payments throughout the period that is determined by the technical bases related to certified tariffs of life insurance (this period is 3 years according to general conditions of life insurance, minimum 1 year for “Growing Child” and “Private Saving” tariffs policies starting after 5 November 2007). As at 31 December 2016, total amount of loans to the policyholders amounts to TL 4,570,799 (31 December 2015: TL 4,785,252) *(Note 12).*

2 Significant accounting policies *(continued)*

2.8 Financial Assets *(continued)*

Financial investments with risks on life insurance policyholders are the financial assets invested against the savings of the life insurance policyholders. Financial investments with risks on life insurance policyholders could be classified as financial assets held for trading purpose, available-for-sale financial assets or held to maturity investments by considering the benefits of the policyholders and measured in accordance with the principles as explained above.

When such investments are classified as available-for-sale financial assets, for foreign currency and Turkish Lira investments, 5% and 10%, respectively, of the difference between the fair values and amortized costs calculated by using effective interest method are recorded under equity and the remaining 95% and 90% for foreign currency and Turkish Lira investments, respectively belonging to policyholders are recorded as 'insurance technical provisions – other technical provisions'. 95% of the difference between fair values and amortized costs of those foreign-currency assets backing liabilities and 90% of the difference between fair values and amortized costs of those domestic-currency assets amounting TL 14,844,556 (31 December 2015: TL 7,158,577) *(Note 17)* is recorded under other technical provisions as unrealized gains/losses from financial investments with risks on life insurance policyholders classified available-for-sale.

Receivables from individual pension operations consist of capital advances given to pension investment funds, receivable from pension investment funds for fund management fees, entrance fee receivable from participants' and 'receivables from clearing house on behalf of the participants'.

'Receivable from pension investment funds for fund management fee' are the fees charged to the pension investment funds against for the administration of related pension investment funds which consist of fees which are not collected in the same day.

Capital advances given to pension investments funds during their establishment are recorded under 'capital advances given to pension investment funds'.

'Receivables from the clearing house on behalf of the participants' is the receivable from clearing house on fund basis against the collections of the participants. Same amount is also recorded as payables to participants for the funds sold against their collections under the 'payables arising from individual pension business'.

Derecognition

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

2.9 Impairment on assets

Impairment on financial assets

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

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

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

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

2 Significant accounting policies *(continued)*

2.9 Impairment on assets *(continued)*

Impairment on tangible and intangible assets

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

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

2.10 Derivative financial instruments

These derivative instruments are treated as held for trading financial assets in compliance with the standard TAS 39 – *Financial Instruments*. Derivative financial instruments are initially recognized at their fair value. The receivables and liabilities arising from the derivative transactions are recognized under the off-balance sheet accounts through the contract amounts. Derivative financial instruments are subsequently re-measured at fair value. All unrealized gains and losses on these instruments are included in the statement of income.

As at 31 December 2016, the Company recognised TL 78,693 invesment income from derivative transactions (31 December 2015: TL 5,074,615 investment income, 10,230,544 investment expense).

2.11 Offsetting of financial assets

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

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

2.12 Cash and cash equivalents

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

2.13 Share Capital

As at 31 December 2016 , the shareholder having direct or indirect control over the Company is Allianz Europe B.V., holding 86% of the outstanding shares of the Company. Other shareholder having direct or indirect control over the Company is Tokio Marine and Nichido Fire Insurance Co. Ltd having 11% of the outstanding shares.

(Currency: Turkish Lira (TL))

2 Significant accounting policies *(continued)*

2.13 Share Capital *(continued)*

As at 31 December 2016 and 2015 the share capital and ownership structure of the Company are as follows:

	31 December 2016		31 December 2015	
Name	**Nominal Value of the Shares (TL)**	**Percentage (%)**	**Nominal Value of the Shares (TL)**	**Percentage (%)**
Allianz Europe B.V.	67,509,999	%86	67,509,999	%86
Tokio Marine and Nichido Fire Insurance Co. Ltd.	8,635,000	%11	8,635,000	%11
Other	2,355,001	%3	2,355,001	%3
Paid-in Capital	**78,500,000**	**%100**	**78,500,000**	**%100**

Sources of the capital increases during the period

None.

Privileges on common shares representing share capital

None.

Registered capital system in the Company

None.

Repurchased own shares by the Company

None.

2.14 Insurance and investment contracts - classification

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

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

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

Risk policies

Annual life insurance

Annual life insurance is a one-year renewable insurance product providing indemnity payment to the policyholder in case of disability occurred in the policy term or to his beneficiaries stated in advance in the case of death. 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. The age limit is between 18 and 65. Annual life contracts do not provide surrender and policy loan rights, and do not have any paid up value. Group and individual contracts can be issued. Insurance premium changes according to the risk assessment based on age, sex and health risk assessment.

2 Summary of significant accounting policies *(continued)*

2.14 Insurance and investment contracts - classification *(continued)*

Risk policies *(continued)*

Long-term decreasing guarantee life insurance

Long-term decreasing guarantee life insurance provides long-term guarantee for all risks that the policyholder can be exposed to by providing natural death coverage along with the additional coverage such as permanent or temporary disability during the policy term. With this type of insurance, in case of the death of the policyholder in the policy period, annuity during the policy period or death indemnity is paid to beneficiaries stated on the policy. If temporary or permanent disability guarantee is chosen, in case of disability of the policyholder in the policy period, disability indemnity is paid in full or paid as salary during the period to the policyholder. Individuals between the ages of 18 and 65 can benefit from this insurance and policy term can be defined between 2 to 40 years. (The total of beginning age and policy period can not be more than 75). The insurance is sold for individuals. The policies with a minimum of three years of paid premiums provide surrender right and have paid up value. Policy loan is not provided. Insurance premium changes according to the risk assessment based on age, sex and health risk assessment.

Credit coverage guarantee life insurance

Credit coverage guarantee life insurance is an insurance product that protects the customers who have obtained loans from contracted banks for unexpected events that causes the non-payment of installments during the policy period and decreases the risk of credit institution. This insurance covers the risks during the policy period by providing natural death guarantee along with additional coverage such as temporary and permanent disability, critical illness, illness, permanent disability due to accident and involuntary employment. According to the occupation of the individual, additional guarantees like critical illnesses, illness and unemployment for temporary disability due to accident are determined. Employers can benefit from involuntary unemployment; self-employed individuals and public officers can benefit from illness and temporary disability due to accident guarantee; other credit customers can benefit from critical illnesses guarantee. Policyholder age is between 18 and 69 and policy period is 1 to 10 years. For long-term policies, surrender is allowed after one month of the policy beginning. Policy does not have any paid up value.

Credit life insurance

“Credit life insurance is a long-term life insurance with decreasing capital insuring the credit customers of the contracted banks against the death risk during the credit term. Policyholder age is between 18 and 64. Policy period may be determined between 1 and 10 years in parallel with credit term. When death risk is realised, the remaining portion of the loan not paid by the policyholder to the bank from which loan is received. Policy does not have any paid up value and for the long-term policies, surrender is allowed after one month of the policy date.

Personal accident insurance

Personal accident insurance provides guarantee against risks arising as a result of accidents. It provides accidental disability coverage along with the additional coverage such as accidental death, medical expenses and unemployment. Individuals between the ages of 18-65 can benefit from this insurance. Policy period can be issued up to 1 year. Insurance premiums are determined based on the risk levels classified on occupation rather than on age or sex. This insurance policy can be issued for individuals and groups.

2 Summary of significant accounting policies *(continued)*

2.14 Insurance and and investment contracts- classification *(continued)*

Saving policies

Combined life insurance

Combined life insurance is a long-term product that provides death and disability guarantees during the policy period and proposes a choice between a cumulative payment and annuity per perpetuity to the insurees at the end of the policy period. The age interval for this insurance is between 18 and 55, and the policy period is between 10 and 30 years. The sum of entrance age and total insurance period can not be more than 65 years. The policies with a minimum of 1 years of paid premiums provide surrender and policy loan rights and have paid up value.

Growing child insurance

Growing child insurance is a long-term product that provides annuity to the child insured in case of the death of the parents and proposes a choice between a cumulative payment and annuity to the insurees at the end of the policy period. Children between the ages of 0-17 can benefit from this policy and the policy period is minimum 10 years. The policy can last until the insured becomes 25 years old. The policies with a minimum of 3 years of paid premiums have policy loan right and have paid up value. After 5 November 2007, policies with one year of paid premiums have a surrender right. This insurance policy is issued for individuals.

Private saving insurance

Private saving insurance is a long-term product for saving purposes that proposes a choice between a cumulative payment and annuity per perpetuity to the insurees at the amount invested including the investment income earned during the policy period at the end of the policy period. In case of the death of the policyholder, premiums paid are returned to the beneficiaries. Individuals between the ages of 18 and 67 can benefit from this insurance and policy period is between 10 to 30 years. The policies with a minimum of 1 year of paid premiums have surrender and policy loan rights. This insurance policy can be issued for individuals and groupsr.

Surrender

The policyholder can end the insurance contract and demand the mathematical reserves accrued after 1 year in Private Saving policies and after 1 years in Growing Child (for Growing Child policies beginning after 5 November 2007, surrender period is decreased to 1 year) and Combined Life policies. Surrender amount is the amount remaining after surrender deductions from mathematical reserves and recorded in life branch paid claims account.

In the context of the saving life products, if the investment return, obtained from the savings of the policyholders which is invested by the Company, results a lower yield rate than the technical interest rate, the Company compensates the difference; if investment return results higher yield than the guaranteed technical interest rate, the difference is distributed to the policyholders as profit sharing bonus. Investment income obtained from these products are accounted in accordance with the accounting policies specified above under statement of income or equity and all agreements are presented in technical provisions as a liability.

2 Summary of significant accounting policies *(continued)*

2.14 Insurance and investment contracts- classification *(continued)*

Individual pension contracts

The Company draws up individual pension contracts in individual pension system which is configured in order to provide the participants to have a saving for their life-time and to direct, arrange and encourage the savings.

These savings which are complementary to the Social Security System is reimbursed in the form of life-time retirement pension pay and/or lumpsum payment. The participants gain right for retirement provided that they remain in the pension system for at least 10 years, pay contributions for at least 10 years and complete 56 years of age.

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

Receivables from pension business operations are disclosed *2.8- Financial assets* note, Payables arising from pension operations are disclosed in 2.17- *Liabilities* note and income from pension business is disclosed in *2.21 - Revenue recognition* note.

Reinsurance agreements

Reinsurance agreements are the agreements the agreed by the Company and Reinsurance Company for the loss which may occur in one or more insurance agreement signedby the Company, and those meet all conditions to be classified as insurance contract and those whose costs are paid. The Company transfers partly the risks taken such as death, disability, involuntary unemployment, temporary capacity, insurance of daily hospital benefits, accidental death/ disability, critical illness, accidental death in public transportation to reinsurance companies. The Company has reinsurance agreements for the life policies differentiated on product basis which are generally surplus, quota share/surplus and excess of loss structured. As for the catastrophic claims, the Company adopted a structure with TL 80,000,000 capacity formed of three layers. (31 December 2015: TL 50,750,000)

2.15 Insurance contracts and investment contracts with discretionary participation feature

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

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

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

2.16 Investment contracts without DPF

As at 31 December 2016 and 2015, the Company does not have any insurance contracts and investment contracts without DPF.

2 Summary of significant accounting policies *(continued)*

2.17 Liabilities

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

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

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

2.18 Income Tax

Corporate Tax

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

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

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

In accordance with the Turkish Tax Legislation, tax losses can be carried forward to offset against future taxable income for up to five years. As at 31 December 2016, Company has an amount of TL 37,684,370 deductible tax losses (31 December 2015: TL 41,545,807) *(Note 21)*.

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

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies *(continued)*

2.18 Income Tax *(continued)*

Deferred taxes

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

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

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

Transfer pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

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

2.19 Employee termination benefits

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

Actuarial gain/loss is recognised under retained earnings in other comprehensive income and all other expenses are recognised under operating expenses in profit/loss.

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

	31 December 2016	**31 December 2015**
Net discount rate	%2.80	%2.55
Expected rate of salary/limit increase	%8.50 / %7.00	%9.25 / %7.75
Estimated voluntary leave rate (Head Office) (*)	%1.25 – %15.00	%1 – %21.50

(*) The Company reviewed calculation of voluntary leave rate which can change according to employees' seniority considering past period of service in the prior years. Voluntary leave rate is determined by taking into account past experiences and future expactations.

2 Summary of significant accounting policies *(continued)*

2.19 Employee termination benefits *(continued)*

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

Other benefits

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

2.20 Provisions

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

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

2.21 Revenue recognition

Written premiums

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

Commission income and expense

As further disclosed in *Note 2.24 – Reserve for Unearned premiums*, commissions paid to the agencies related to the production of the insurance policies and the commissions received from the reinsurance firms related to the premiums ceded are recognized over the life of the contract by deferring commission income and expenses within the calculation of reserve for unearned premiums for the policies produced.

Interest income and expense

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

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

2 Summary of significant accounting policies *(continued)*

2.21 Revenue recognition *(continued)*

Trading income/expense

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

Dividends

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

Income from pension business

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

Management fee is levied on contributions of the participants up to 5% and recognized as income under "Fund management income".

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

2.22 Leasing transactions

Tangible assets acquired by way of finance leases are recorded in tangible assets and the obligations under finance leases arising from the lease contracts are presented under finance lease payables account in the financial statements. In the determination of the related assets and liabilities, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs of leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through financial lease and in the expected future benefits, the leased assets are measured at net realizable value. Depreciation for assets obtained through financial lease is calculated in the same manner as tangible assets.Payments made under operating leases are recognized in the statement of income on a straight-line basis over the term of the lease.

2.23 Dividend distribution

In accordance with the resolution taken in the Ordinary General Meeting held on 30 March 2016, net loss for 2015 amounting TL 3,768,411 is transferred to retained losses.

2 Summary of significant accounting policies *(continued)*

2.24 Reserve for unearned premiums

In accordance with the "Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" ("Communiqué on Technical Reserves") which was issued in 27655 numbered and 28 July 2010 dated Official Gazette and put into effect starting from 30 September 2010, the reserve for unearned premiums represents the proportions of the gross premiums written without deductions of commission or any other allowance, in a period that relate to the period of risk subsequent to the reporting period for all short-term insurance policies.

In the case of personal accident insurance, annual life insurance and life insurance which of the renewal date exceeds one year, reserve for unearned premiums is calculated for the portion of the remaining part which is left after deducting savings from gross premium written for the period. Insurance policies covering possibilities of life and death or both and personal accident, disability by illness and serious illness insurance policies are considered as life insurance policies and their premiums are classified as life insurance premiums.

According to Communiqué on Technical Reserves, during the calculation of reserve for unearned premiums, starting date and end date of insurance policy is taken into consideration as half day.

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

2.25 Reserve for unexpired risks

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

The test is performed on branch basis and in case where the expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that specific main branch is added to the reserves of that branch. As at 31 December 2016 related tests have resulted in TL 296,029 inadequacy regarding reserve for unexpired risks.(31 December 2015: None)

2 Summary of significant accounting policies *(continued)*

2.26 Provision for outstanding claims

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

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

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

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

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

According to the circulars numbered 2010/14 and 2010/16 dated 20 September 2010 and 18 September 2010 issued by the Turkish Treasury, average annual guarantee should be taken into consideration when calculating the incurred but not reported claims (IBNR) of the products whose guarantees are variable during the year such as decreasing secured credit life, variable annual life guaranteed and education insurance etc. whereas total death and additional guarantees should be considered in calculating the IBNR amount of the other products. The Company's actuary determines how additional guarantees are considered in calculating the amount of average annual guarantees. Accordingly, average annual guarantee is considered for the credit life and credit protection secured life products and total death and additional guarantees are considered for the annual and long-term products. Effects of additional guarantees of the unemployment and temporary disability policies to average annual guarantees are determined by the actuary of the Company. These guarantees are paid in maximum six months for an event and eighteen months during the policy period. Accordingly, it was considered appropriate to add nine-month amount of the related guarantees to average annual guarantee As at 31 December 2016, average guarantee amount is calculated as TL 1,953,258,271 (31 December 2015: TL 2,569,527,274). As at 31 December 2016, the actuary of the Company calculates average guarantees amounting TL 11,243,188,015 (31 December 2015: TL 15,954,042,020). As at 31 December 2016, the Company has provided for IBNR, net off ceded amounting TL 2,783,525 (31 December 2015: TL 1,832,926).

2 Summary of significant accounting policies *(continued)*

2.26 Provision for outstanding claims

In addition to IBNR which is recognised as mentioned above, the Company recognised no additional IBNR for decedent but not reported claims which is received from Insurance Information and Monitoring Center (31 December 2015: None). According to the Communiqué on Technical Reserves; provision for the outstanding claims of the period cannot be less than the result of the actuarial chain ladder method determined by Turkish Treasury. As at 31 December 2016, the Company has not provided additional provision for outstanding claims according to actuarial chain ladder method (31 December 2015: None).

In accordance with the "Communiqué on Amendments to the Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" which was issued in 27665 numbered and 28 July 2010 dated Official Gazette, insurance, reinsurance and individual pension companies are not obliged to perform adequacy test to assess the adequacy of provision for outstanding claims at the end of the each fiscal year except for new branches and branches with inadequate number of claim files. Based on the regulation, as at 31 December 2016 and 2015, the Company has not performed adequacy test.

2.27 Mathematical provisions

In accordance with the Communiqué on Technical Reserves, companies operating in life and non-life insurance branches are obliged to allocate adequate mathematical reserves based on actuarial basis to meet liabilities against policyholders and beneficiaries for long-term life, health and personal accident which provides coverage accidental death insurance contracts. Mathematical provisions are composed of actuarial mathematical provisions and profit sharing provisions.

Actuarial mathematical provisions, according to formulas and basis in approved technical basis of tariffs for over one year-length life insurance, are calculated by determining the difference between present value of liabilities that the Company meets in future and current value of premiums paid by policyholder in future (prospective method). In life insurance where saving plan premiums are also generated, actuarial mathematical provisions consist of total saving plan portions of premiums.

Provision for profit sharing consists of profit sharing calculated in previous years and a certain percentage of current period's income, determined in the approved profit sharing tariffs, obtained from the financial assets backing liabilities of the Company against the policyholders and other beneficiaries for the contracts which the Company is liable to give profit sharing.

The valuation method used in calculation of the profit to be shared for saving life contracts is the same with the valuation basis of portfolio on which assets on which the Company invests the provisions allocated due to liabilities against the beneficiaries are included in the framework of basis defined in the note 2.8 – *Financial assets* above

2 Summary of significant accounting policies *(continued)*

2.28 Equalization provision

According to "Communiqué on Technical Reserves", companies should book equalization provision for guarantees of loan and earthquakes in order to offset fluctuations in the rate of indemnification and to meet catastrophic risks in the accounting period.

In accordance with the Communiqué on Technical Reserves, the Company considers 11% of net death premium (including damage payments) as earthquake premium and 12% of that amount is calculated as equalization provision. In accordance with the Communiqué on Technical Reserves, the companies should continue booking provisions until reaching 150% of the highest net premium amount of the last five financial years. After five financial years, in case that provision amount is less than previous year amount depending on written premiums, the difference is recognized in other profit reserves under equity. This amount recorded in equity can either be kept under reserves or can also be used in capital increase or paying claims. Equalization provisions are presented under "other technical reserves" within long-term liabilities in the accompanying financial statements.

2.29 Related parties

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

2.30 Earnings per share

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

2.31 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.

2.32 New standards and interpretations not yet adopted

Standards published as at 1 December 2016 but not yet effective and not yet adopted

Standards that are published but not yet effective and not yet adopted

The new standards, interpretations and amendments published as of the approval date of the financial statements but not yet effective for the current reporting period and not yet adopted by the Company are as follows.The Company will make the necessary changes to affect its financial statements and footnotes after the new standards and interpretations have entered into force, unless otherwise stated.

2 Summary of significant accounting policies *(continued)*

2.32 New standards and interpretations not yet adopted *(continued)*

Standards published as at 1 December 2016 but not yet effective and not yet adopted

TFRS 9 *Financial Instruments: Recognition and Measurement*

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

TFRS 15 Revenue from Contracts with Customers

As issued in September 2016, the new standard replaces existing TFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under TFRS. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA

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

IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 - IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 9 Financial Instruments (2014)

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

2 Summary of significant accounting policies *(continued)*

2.32 New standards and interpretations not yet adopted *(continued)*

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA *(continued)*

IFRS 16 Leases

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

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The amendments clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative

IAS 7 Statement of Cash Flows has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

Amendments to IAS 12 Income Taxes– Recognition of Deferred Tax Assets for Unrealized Losses
The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company **.**

2 Summary of significant accounting policies *(continued)*

2.32 New standards and interpretations not yet adopted *(continued)*

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA *(continued)*

IAS 40 – Transfers of Investment Property

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 1 "First Time Adoption of International Financial Reporting Standards"

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters related to disclosures for financial instruments, employee benefits and consolidated financial statements.

IFRS 12 "Disclosure of Interests in Other Entities"

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.

IAS 28 "Investments in Associates and Joint Ventures"

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

3 Critical Accounting estimates and judgements in appliying accounting policies

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

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

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

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

Note 4.1 – Management of insurance risk

Note 4.2 – Management of financial risk

Note 10 – Reinsurance assets/liabilities

Note 11 – Financial assets

Note 12 – Loans and receivables

Note 17 – Insurance liabilities and reinsurance assets

Note 18 – Investment contract liabilities

Note 19 – Trade and other liabilities, deferred income

Note 21 – Deferred income taxes

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk

4.1 Management of insurance risk

Insurance risk

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

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

The Company manages the aforementioned risks by its overall underwriting strategy and via reinsurance agreements, which the Company is a party to. The Company's pricing mainly depends on statistical analysis, historical data, mortality and morbidity tables and technical interest rates assumed to be best fit for the related product. The Company manages potential risks through controls in underwriting process and reinsurance agreements. The underwriting process for life policies changes in accordance the risk profile of the policyholder. The procedures applied during underwriting process of life policies are stated below:

Age of the potential policyholder	**Death coverage (DC)**	**Underwriting method**
≤40	VT < 300,000 TL	Based on declaration on information form.
	300,000 TL ≤ VT < 400,000 TL	Physician report required stating the medical condition
>40	VT < 200,000 TL	Based on the declaration on information form
	200,000 TL ≤ VT < 300,000 TL	Based on the doctor report on health
	300,000 TL ≤ VT ≤ 400,000 TL	Check-up report is required.
	VT ≥ 400,000 TL	Check-up report is required.

For the products with death coverage above TL 400,000, the results of the detailed health controls are sent to the reinsurance company and policy is issued only if the reinsurance company accepts the facultative reinsurance.

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

	31 December 2016		**31 December 2015**	
	Coverage Amount (TL)	**Number**	**Coverage Amount (TL)**	**Number**
Death	8,121,890,671	348,165	8,337,266,769	360,892
Disabled due to accident	2,375,366,82	16,971	2,376,158,404	23,624
Disability due to illness	2,185,256,54	15,683	2,176,895,052	22,040
Death due to accident	1,262,803,597	9,445	1,345,885,914	11,043
Unemployment and accident & illness	2,990,203,600	224,244	2,412,974,006	215,964
Complete and perpetual goods	127,130,098	1,009	129,669,470	1,199
Critical illness	2,243387,056	100,278	1,705,984,698	76,962
Accident (public transit)	2,014,997,911	182,070	935,474,147	142,136
Canser coverage	32,789,400	372	44,515,468	677

(Currency: Turkish Lira (TL))

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

4.1 Management of insurance risk *(continued)*

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

Mortality risk

The Company is subject to mortality risk if the actual death claims are higher than expected death rates in the mortality tables used for pricing of the policies. The Company uses the appropriate mortality table for each product. The Company uses the CSO 80 or US GAAT 83 mortality tables while pricing the life insurance agreements

Technical interest rate risk

In saving life products, the policyholders are guaranteed an income that is equal to "technical interest rate" at a minimum. The Company is subject to the technical interest rate risk if the market interest rate is lower than the guaranteed interest rate. The Company's current saving life portfolio is continuously reviewed by considering the possible technical interest rate risk to which may arise in the following years. In order to reduce the technical interest rate risk, guaranteed technical interest rates for newly issued saving life policies and long-term life policies are decreased. As of 31 December 2016 and 2015, guaranteed interest rates for the products of the Company are as follows:

Product	**Guaranteed interest rate**
Growing Child (for policies issued before 1 July 2004)	9%
Growing Child (for policies issued after 1 July 2004)	5%
Growing Child (for policies issued after 1 April 2010)	3%
Combined Life	9%
Private Saving (for TL denominated policies issued before 1 January 2006)	9%
Private Saving (for TL denominated policies issued after 1 January 2006)	4%
Private Saving (for TL denominated policies issued after 1 April 2010)	3%
Private Saving (for foreign currency denominated policies issued before 1 January 2006)	3%
Private Saving (for foreign currency denominated policies issued after 1 January 2006)	2%
New Private Saving (for TL denominated policies issued after 6 September 2011)	2%
New Private Saving (for TL denominated policies issued after 2 November 2015)	1%

Short-term life insurance contracts

Short-term life insurance contracts of the Company consist of annual renewable non-saving life policies. The Company uses the CSO-80 woman-man mortality table for the short-term life policies after 5 November 2007.

New Annual Life Insurance

New annual life insurance contracts of the Company provides security against loss of life, death benefits due to accident and permanent disability benefits due to sickness and critical illnesses and covers the treatment expenses within the framework of the amount written on the insurance policy. In order for this insurance to be executed, the Insuree has to be between 18 and 65 years old. If required, the Insuree may continue to take the policy until he/she is 75 years old. Within the context of the product, there is a 5 plan equipped with assistance services and different risk options (Basic Protection, Family Protection, Comprehensive Life and Health Protection, Cancer Protection and Flexible Plan).

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

4.1 Management of insurance risk *(continued)*

New Private Savings Insurance

Even though the Savings Insurance is a sort of savings insurance due to its nature, if required by the Insuree, risk guarantees can be added into the policy. Within the framework of this product, there are 4 different plans equipped with different risk guarantees and assistance services. (Savings Plan, Basic Protection Plan, Family Protection Plan, Critical Illnesses Protection Plan). In parallel with the plan options, there are 3 types of risk profiles which the Insuree may select: Silver, Bronze and Gold. In order for this insurance to be executed, the Insuree shall be between 18 and 65 years old. For all the plans, the risk guarantees are provided until 65 years old. Even if the Insuree one of the other plan alternatives except for the savings plan, risk guarantees will expire on the next policy anniversary and starting from this date, there will be no stoppage on the premiums for risk guarantees.

Reinsurance companies

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

Allianz SE is the leader reinsurance firm of the Company. Financial Insurance Company Limited is the second reinsurance firm in terms of its reinsurance share. Recent ratings of these companies given by international institutions are as follows:

Reinsurer	Grade	Rating Company	Main Shareholder	Center of Operations	Direct/Indirect Ownership
Allianz SE	A+	A.M.Best	Allianz Group	Germany	0.0001%
Financial Insurance Company Limited	A	S&P	Genworth Financial Company	United Kingtom	None
Financial Assurance Company Limited	A	S&P	Genworth Financial Company	United Kingtom	None

4.2 Management of financial risk

Introduction and overview

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

- credit risk
- liquidity risk
- market risk

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

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

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

4.2 Management of financial risk

Credit risk

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

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

Financial assets subject to credit risk of the Company mainly consist of government debt securities, time and demand deposits held in banks and financial institutions of Turkey. These receivables are not considered as having high credit risk.

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

(Currency: Turkish Lira (TL))

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

4.2 Management of financial risk *(continued)*

Credit risk *(continued)*

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

	31 December 2016	**31 December 2015**
Financial assets and financial investments with risks on policyholders *(Note 11)*	418,251,816	436,683,975
Cash and cash equivalents *(Note 14)*	103,292,844	76,260,939
Receivables from main operations *(Note 12)* (*)	16,912,290	17,793,270
Due from related parties *(Note 12)*	2,579,942	2,457,123
Reinsurer share in provision for outstanding claims *(Note 10), (Note 17)*	2,573,726	1,502,832
Prepaid taxes and funds *(Note 12)*	1,126,472	656,529
Other receivables *(Note 12)*	209,209	22,303
Toplam	**544,946,299**	**535,376,971**

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

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

	31 December 2016		**31 December 2015**	
	Gross Amount	**Provision**	**Gross Amount**	**Provision**
Not past due	15,450,557	-	16,897,963	-
Past due 0-30 days	346,939	-	300,131	-
Past due 31-60 days	179,387	-	85,042	-
Past due 61-180 days	372,222	-	118,556	-
Past due 181-365 days	563,185	-	391,578	-
More than one year	906,225	(906,225)	746,249	(746,249)
Total	**17,818,515**	**(906,225)**	**18,539,519**	**(746,249)**

The Company cancels any life premiums that are accrued but not collected within a certain period of time, and deducts them from the premium income and from the receivables from insurance activities. .

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

	31 December 2016	**31 December 2015**
Provision for receivables from insurance operations at the beginning of the period	(746,249)	(688,230)
Collections during the period	-	-
Impairment losses incurred during the period	(159,976)	(58,019)
Provision for receivables from insurance operations at the end of the period	**(906,225)**	**(746,249)**

(Currency: Turkish Lira (TL))

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

4.2 Management of financial risk *(continued)*

Liquidity risk

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

Management of the Liquidity Risk

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

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

31 December 2016	**Carrying Value**	**Up to 3 month**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**
Cash and cash equivalents	103,292,844	103,292,844	-	-	-
Financial assets and financial investments with risks on policyholders	418,251,816	18,150,129	18,959,463	118,674,014	262,468,210
Receivables from main operations	2,064,907,290	4,616,252	12,296,038	-	2,047,995,000
Due from related parties	2,579,942	2,579,942	-	-	-
Prepaid taxes and funds	1,126,472	1,126,472	-	-	-
Other receivables	209,209	-	209,021	188	-
Total monetary assets	**2,590,367,573**	**129,765,639**	**31,464,522**	**118,674,202**	**2,310,463,210**
Financial liabilities	40,200,137	40,200,137	-	-	-
Payables arising from main operations	2,081,036,898	32,687,435	354,463	-	2,047,995,000
Due to related parties	2,503,720	2,503,720	-	-	-
Other liabilities	9,277,792	4,644,971	4,632,821	-	-
Insurance technical provisions (*)	23,378,649	4,628,972	1,800,156	12,273,791	4,675,730
Investment contract liabilities	397,058,504	114,226	79,448,496	15,608,388	301,887,394
Provisions for taxes and other similar obligations	2,169,282	2,169,282	-	-	-
Provisions for other risks	10,695,956	8,943,845	-	1,752,111	-
Total monetary liabilities	**2,566,320,938**	**95,892,588**	**86,235,936**	**29,634,290**	**2,354,558,124**

31 December 2015	**Carrying Value**	**Up to 3 month**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**
Cash and cash equivalents	76,260,939	76,260,939	-	-	-
Financial assets and financial investments with risks on policyholders	436,683,975	45,221,311	30,664,906	94,885,569	265,912,189
Receivables from main operations	1,693,016,470	5,128,587	12,664,683	-	1,675,223,200
Due from related parties	2,457,123	2,457,123	-	-	-
Prepaid taxes and funds	656,529	656,529	-	-	-
Other receivables	22,303	-	22,115	188	-
Total monetary assets	**2,209,097,339**	**129,724,489**	**43,351,704**	**94,885,757**	**1,941,135,389**
Financial payables	29,525,658	29,525,658	-	-	-
Payables arising from main operations	1,711,925,995	35,519,328	1,183,467	-	1,675,223,200
Due to related parties	3,963,171	3,963,171	-	-	-
Other liabilities	8,363,722	3,470,025	4,893,697	-	-
Insurance technical provisions (*)	21,067,360	4,171,337	1,622,186	11,060,365	4,213,472
Investment contract liabilities	397,202,761	63,127,596	20,711,500	123,333,608	190,030,057
Provisions for taxes and other similar obligations	1,203,515	1,203,515	-	-	-
Provisions for other risks	7,853,503	6,175,186	-	1,678,317	-
Total monetary liabilities	**2,181,105,685**	**147,155,816**	**28,410,850**	**136,072,290**	**1,869,466,729**

(*) Provision for all outstanding claims is presented in short-term liabilities in the accompanying tables.

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(Currency: Turkish Lira (TL))

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

4.2 Management of financial risk (*continued)*

Market risk

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

Currency risk

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

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

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

31 December 2016	**US Dollar**	**Euro**	**Total**
Cash and cash equivalents	3,610,329	6,237,197	9,847,526
Financial assets and financial investments with risks on policyholders	48,365,390	4,453,843	52,819,233
Receivables from main operations	256,825	127,943	384,768
Total assets in foreign currency	**52,232,544**	**10,818,983**	**63,051,527**
Payables from main operations	-	46,754	46,754
Insurance technical provisions	50,823,508	4,486,942	55,310,450
Total liabilities in foreign currency	**50,823,508**	**4,533,696**	**55,357,204**
Balance sheet position	**1,409,036**	**6,285,287**	**7,694,323**

31 December 2015	**US Dollar**	**Euro**	**Total**
Cash and cash equivalents	6,112,421	8,147	6,120,568
Financial assets and financial investments with risks on policyholders	50,273,044	4,738,266	55,011,310
Receivables from main operations	152,216	96,314	248,530
Total assets in foreign currency	**56,537,681**	**4,842,727**	**61,380,408**
Payables Arising from Main Operations	56,095	18,629	74,724
Insurance technical provisions	53,392,369	4,384,786	57,777,155
Total liabilities in foreign currency	**53,448,464**	**4,403,415**	**57,851,879**
Balance sheet position	**3,089,217**	**439,312**	**3,528,529**

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

(Currency: Turkish Lira (TL))

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

4.2 Management of financial risk *(continued*

Market risk *(continued)*

Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the buying exchange rates announced by the Central Bank of the Republic of the Turkey ("CBRT") ruling at 31 December 2016. Only life mathematical provisions and loans to the policyholders are measured at effective selling rates announced by the Central Bank of Turkey as disclosed on the face of policies.

Foreign exchange rates used for the translation of foreign currency denominated monetary assets and liabilities as at the reporting date are as follows:

31 December 2016	**US Dollar**	**Euro**
Foreign currency rates used in translation of balance sheet items	3.5192	3.7099
Foreign currency rates used in calculation of life mathematical provision and loans to the policyholders	3.5308	3.7222

31 December 2015	**US Dollar**	**Euro**
Foreign currency rates used in translation of balance sheet items	2.9076	3.1776
Foreign currency rates used in calculation of life mathematical provision and loans to the policyholders	2.9172	3.1881

Exposure to currency risk

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

	31 December 2016		**31 December 2015**	
	Profit or loss	**Equity (*)**	**Profit or loss**	**Equity (*)**
US Dollar	128,535	140,904	287,922	308,922
Euro	626,899	628,529	41,926	43,931
Total, net	**755,434**	**769,433**	**329,848**	**352,853**

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

(Currency: Turkish Lira (TL))

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

4.2 Management of financial risk *(continued)*

Market risk *(continued)*

Exposure to interest rate risk

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

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

	31 December 2016	31 December 2015
Financial assets:		
Financial assets with fixed interest rates		
Cash at banks *(Note 14)*	74,846,478	45,536,740
Available-for-sales financial assets – Government bonds *(Note 11)*	60,000,603	62,412,599
Available-for-sales financial assets – Private sector bonds *(Note 11)*	-	1,994,523
Financial investments with risks on life insurance policyholders – Available-for-sale financial assets – government bonds *(Note 11)*	239,512,130	247,982,512
Financial investments with risks on life insurance policyholders – Available-for-sale financial assets – Eurobonds *(Note 11)*	52,425,217	46,638,708
Financial investments with risks on life insurance policyholders – Held to maturity financial assets – government bonds *(Note 11)*	62,168,354	61,957,640
Financial investments with risks on life insurance policyholders – time deposit*(Note11)*	4,145,512	15,697,993
Financial liabilities with fixed interest rates:		
Funds from repo transactions *(Note 20)*	40,200,137	29,525,658

Interest rate sensitivity of the financial instruments

Interest rate sensitivity of equity is calculated by considering the change in the fair values of the available-for-sale financial assets as at 31 December 2016 as a result of the assumed changes in interest rates below. The analysis has been made on the same basis as at 31 December 2015. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The table below demonstrating the effect of changes in interest rates on statement of income and equity excludes tax effects on related loss or income.

(Currency: Turkish Lira (TL))

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

4.2 Management of financial risk *(continued)*

Market risk *(continued)*

Interest rate sensitivity of financial instruments (continued)

	Statement of income		Equity	
31 December 2016	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial investments with risks on life insurance policyholders – Available-for-sale financial assets	-	-	(1,420,377)	1,492,999
Available-for-sale financial assets	-	-	(479,553)	490,230
Total, net	**-**	**-**	**(1,899,930)**	**1,983,229**

	Statement of income		Equity	
31 December 2015	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Financial investments with risks on life insurance policyholders – Available-for-sale financial assets	-	-	(1,534,496)	1,648,500
Available-for-sale financial assets	-	-	(253,965)	257,953
Total, net	**-**	**-**	**(1,788,461)**	**1,906,453**

Fair value information

The estimated fair values of financial instruments have been determined using available market information, and where they exist, appropriate valuation methodologies. The Company has classified its marketable securities as available-for-sale, and financial investments with risks on life insurance policyholders as available-for-sale and held to maturity. Available-for-sale financial assets are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying financial statements. Held-to-maturity financial assets with a carrying amount of TL 62,168,354 as at 31 December 2016 (31 December 2015: TL 61,957,640) are measured at amortised cost and their fair value amounted to TL 63,002,769 as at 31 December 2016 (31 December 2015: TL 62,867,519).

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

Classification relevant to fair value information

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

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

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

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

(Currency: Turkish Lira (TL))

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

4.2 Management of financial risk *(continued)*

Market risk *(continued)*

Classification relevant to fair value information (continued)

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

	31 December 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Available-for-sale financial assets *(Note 11)*	60,000,603	-	-	60,000,603
Financial investments classified as financial assets with risks exposed to policy holders *(Note 11)*	291,937,347	-	-	291,937,347
Receivables from individual pension operations – receivables from clearing house on behalf of the participants *(Note 18)*	2,047,995,000	-	-	2,047,995,000
Total financial assets	**2,399,932,950**	**-**	**-**	**2,399,932,950**
Financial liabilities:				
Payables arising from individual pension – payables to participants *(Note 18)*	2,047,995,000	-	-	2,047,995,000
Total financial liabilities	**2,047,995,000**	**-**	**-**	**2,047,995,000**

	31 December 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Finansal varlıklar:				
Available-for-sale financial assets *(Note 11)*	64,407,122	-	-	64,407,122
Financial investments classified as financial assets with risks exposed to policy holders *(Note 11)*	294,621,220	-	-	294,621,220
Receivables from individual pension operations – receivables from clearing house on behalf of the participants *(Note 18)*	1,675,223,200	-	-	1,675,223,200
Total financial assets	**2,034,251,542**	**-**	**-**	**2,034,251,542**
Financial liabilities:				
Payables arising from individual pension – payables to participants *(Note 18)*	1,675,223,200	-	-	1,675,223,200
Total financial liabilities	**1,675,223,200**	**-**	**-**	**1,675,223,200**

Capital management

The Company’s capital management policies include the following:

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

With respect to the 19 January 2008 dated and 26761 numbered “Communiqué Related to Capital Adequacy Measurement and Evaluation of Insurance, Reinsurance and Individual Pension Companies” issued by the Turkish Treasury, the required equity amount which is calculated by the Company as at 31 December 2016 is TL 33,588,970 (31 December 2015: TL 34,056,388).

(Currency: Turkish Lira (TL))

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

4.2 Management of financial risk *(continued)*

Gains and losses from financial instruments

Gains and losses recognized in the statement of income:	31 December 2016	31 December 2015
Unrealized gains and losses transferred from equity to statement of income due to disposal of available-for-sale financial assets with risks exposed to policy holders *(Note 15)*	6,313,615	(11,885,246)
Interest income from debt securities	34,322,566	51,946,632
Gains incurred due from selling of financial assets	490,138	1,499,618
Unrealized gains and losses transferred from equity to statement of income due to disposal of available-for-sale financial assets, company's own portfolio *(Note 15)*	(186,231)	134,455
Foreign exchange gains	14,691,385	32,897,135
Interest income from time deposits	7,737,763	3,857,696
Income from derivative financial instruments	78,693	5,074,615
Investment income	**63,447,929**	**83,524,905**
Foreign exchange losses	(4,608,550)	(10,969,489)
Impairment of investments	(13,561,396)	-
Interest expense to overnight repo	(3,682,794)	(3,705,975)
Loss on sales of debt securities	(1,217,972)	(1,106,738)
Interest expense on derivatives	-	(10,230,545)
Other investment expense	(1,212,791)	(1,029,289)
Investment expense	**(24,283,503)**	**(27,042,036)**
Financial gains and losses recognized in the statement of income, net	**39,164,426**	**56,482,869**

(Currency: Turkish Lira (TL))

5 Segment reporting

Segment information is presented in respect of the Company's geographical and business segments. Company's primary segment reporting format is based on business segments. Measurement of segment assets and liabilities and segment results is based on the accounting policies set out in the "Significant Accounting Policies".

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

Business segments:

31 December 2016	Life	Pension	Non-Life	Undistributed	Total
Written premiums, gross	116,243,840	-	1,127,225	-	117,371,065
Written premiums, ceded	(14,577,714)	-	(133,109)	-	(14,710,823)
Fees and commission income *(Note 32)*	2,700,677	-	47,327	-	2,748,004
Change in reserve for unearned premiums, net	781,005	-	(107,264)	-	673,741
Change in reserve for unexpired premiums, net	-	-	(296,029)	-	(296,029)
Claims paid, gross	(94,508,848)	-	(696,061)	-	(95,204,909)
Claims paid, ceded	3,643,966	-	-	-	3,643,966
Change in insurance contract liabilities, gross	(5,929,654)	-	(781,400)	-	(6,711,054)
Change in insurance contract liabilities, ceded	4,080,135	-	-	-	4,080,135
Fund management fees	-	29,818,740	-	-	29,818,740
Management fees	-	3,813,995	-	-	3,813,995
Entrance fee income	-	5,269,148	-	-	5,269,148
Fund management expense	-	(2,483,680)	-	-	(2,483,680)
Commission expenses *(Note 32)*	(39,756,510)	(17,198,787)	(227,683)	-	(57,182,980)
Investment income	46,260,389	(971)	154,209	17,187,900	63,601,527
Investment expense	(3,527,844)	-	-	(27,979,030)	(31,506,874)
Operating expense	(15,068,775	707	(1,193,870	-	(37,510, 352
Other income/(expense)	3,450,506	(968,252)	(47,327)	105,497	2,540,424
Profit before taxes	**3,791,173**	**(2,996,543)**	**(2,153,982)**	**(10,685,633)**	**(12,044,985)**
Corporate tax expense	-	-	-	-	-
Net profit/loss for the period	**3,791,173**	**(2,996,543)**	**(2,153,982)**	**(10,685,633)**	**(12,044,985)**
Other segment information:					
Amortization expenses (*)	-	-	-	(1,151,741)	**(1,151,741)**
Depreciation expenses (*)	-	-	-	(5,917,421)	**(5,917,421)**

(*) Depreciation and amortization expenses are disclosed after expense sharing between the Group companies.

(Currency: Turkish Lira (TL))

5 Segment reporting *(continued)*

Business segments *(continued)*

31 December 2015	**Life**	**Pension**	**Non-Life**	**Undistributed**	**Total**
Written premiums, gross	114,691,985	-	811,928	-	115,503,913
Written premiums, ceded	(9,998,641)	-	(115,614)	-	(10,114,255)
Fees and commission income *(Note 32)*	3,972,649	-	78,618	-	4,051,267
Change in reserve for unearned premiums, net	1,765,530	-	(77,432)	-	1,688,098
Claims paid, gross	(108,624,313)	-	(86,861)	-	(108,711,174)
Claims paid, ceded	1,436,396	-	-	-	1,436,396
Change in insurance contract liabilities, gross	5,040,043	-	(152,138)	-	4,887,905
Change in insurance contract liabilities, ceded	1,968,282	-	-	-	1,968,282
Fund management fees	-	24,186,195	-	-	24,186,195
Management fees	-	4,750,591	-	-	4,750,591
Entrance fee income	-	6,733,111	-	-	6,733,111
Fund management expense	-	(2,031,415)	-	-	(2,031,415)
Commission expenses *(Note 32)*	(37,291,294)	(25,047,936)	(140,688)	-	(62,479,918)
Investment income	52,903,831	(1,157)	739,677	30,640,644	84,282,996
Investment expense	(5,104,666)	-	-	(29,047,277)	(34,151,943)
Operating expense	(15,080,990)	(20,155,476)	(240,088)	-	(35,476,554)
Other income/(expense)	2,764,190	(687,179)	-	(2,368,916)	(291,906)
Profit before taxes	**8,443,002**	**(12,253,266)**	**817,402**	**(775,549)**	**(3,768,411)**
Corporate tax expense	-	-	-	-	-
Net profit/loss for the period	**8,443,002**	**(12,253,266)**	**817,402**	**(775,549)**	**(3,768,411)**

Other segment information:					
Amortization expenses [(*)]	-	-	-	(526,372)	**(526,372)**
Depreciation expenses [(*)]	-	-	-	(5,843,858)	**(5,843,858)**

[(*)] Depreciation and amortization expenses are disclosed after expense sharing between the Group companies.

(Currency: Turkish Lira (TL))

6 Tangible Assets

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

	1 January 2016	Additions	Disposals	31 December 2016
Cost:				
Furniture and fixtures	3,062,136	350,455	(571,540)	2,841,051
Tangible assets acquired through finance leases	1,209,789	-	(900,555)	309,234
Special cost	3,276,519	29,147	-	3,305,666
	7,548,444	**379,602**	**(1,472,095)**	**6,455,951**
Accumulated depreciation:				
Furniture and fixtures	1,390,600	495,290	(548,655)	1,337,235
Tangible assets acquired through finance leases	1,209,129	660	(900,555)	309,234
Special cost	218,435	655,790	-	874,225
	2,818,164	**1,151,740**	**(1,449,210)**	**2,520,694**
Net Book Value	**4,730,280**			**3,935,257**

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

	1 January 2015	Additions	Disposals	31 December 2015
Cost:				
Furniture and fixtures	1,650,396	1,525,131	(113,391)	3,062,136
Tangible assets acquired through finance leases	1,270,023	-	(60,234)	1,209,789
Special Costs	-	3,276,519	-	3,276,519
	2,920,419	**4,801,650**	**(173,625)**	**7,548,444**
Accumulated depreciation:				
Furniture and fixtures	1,239,697	244,658	(93,755)	1,390,600
Tangible assets acquired through finance leases	1,266,725	2,638	(60,234)	1,209,129
Special Costs	-	218,435	-	218,435
	2,506,422	**465,731**	**(153,989)**	**2,818,164**
Net Book Value	**413,997**			**4,730,280**

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

There are no pledges on tangible assets (31 December 2015: None).

Finance lease re-payments during the period: None (31 December 2015: None).

(Currency: Turkish Lira (TL))

7 Investment property

None.

8 Intangible assets

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

	1 January 2016	Addition	Disposal	31 December 2016
Cost:				
Exclusive bancassurance agreement (*)	54,000,000	-	(13,561,396)	40,438,604
Rights	4,547,103	1,535,208	-	6,082,311
	58,547,103	**1,535,208**	**(13,561,396)**	**46,520,915**
Accumulated amortization:				
Exclusive bancassurance agreement (*)	13,050,000	5,400,000	-	18,450,000
Rights	3,750,135	517,421	-	4,267,556
	16,800,135	**5,917,421**	**-**	**22,717,556**
Net book value	**41,746,968**		**-**	**23,803,359**

(*) The Company had signed a bancassurance contract at 24 April 2013. According to the bancassurance contract, the Company has a right of exclusivity for distrubution of defined insurance policies with the price of TL 54,000,000.The whole of subjected price is paid in cash after completion of necessary confirmation at 28 August 2013 and then this amount clasified in “Rights” which is under “Intangibles” account and this amount amortizate itself in 10 years.

The strategy that is announced and implemented at the beginning of 2016 by bank which had already had an exclusivity agreement with company has caused the conversion process of the life and pension premium production potential for the bank to change negatively and necessitate the revision the value of distribution channel agreement. In this context, the valuation based on the assumptions about the current activity potential of the bank has been made for the related distribution agreement and the impairment amount of TL 13,561,396 has been reflected to the financial statements as of 31 December 2016 over the book value (Note 8). As at 31 December 2016, the book value of the contract will be distributed on a straight-line basis over the remaining life.

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

	1 January 2015	Addition	Disposal	31 December 2015
Cost:				
Exclusive bancassurance agreement (*)	54,000,000	-	-	54,000,000
Rights	3,993,316	553,787	-	4,547,103
	57,993,316	**553,787**	**-**	**58,547,103**
Accumlated mortization:				
Exclusive bancassurance agreement (*)	7,650,000	5,400,000	-	13,050,000
Rights	3,350,604	399,531	-	3,750,135
	11,000,604	**5,799,531**	**-**	**16,800,135**
Net book value	**46,992,712**			**41,746,968**

(Currency: Turkish Lira (TL))

9 Investments in associates

	31 December 2016		31 December 2015	
	Carrying value	**Participation rate %**	**Carrying value**	**Participation rate %**
Magdeburger Sigorta AŞ	964,398	20.00%	964,398	20.00%
Emeklilik Gözetim Merkezi AŞ	263,222	5.26%	263,222	5.26%
Investments in associates, net	**1,227,620**		**1,227,620**	

Name	**Total Asset**	**Total Equity**	**Retained earnings**	**Profit for the period**	**Unaudited/ Audited**	**Period**
Magdeburger Sigorta AŞ	6,917,105	6,278,769	-	123,248	Audited	31 December 2016
Emeklilik Gözetim Merkezi AŞ	13,833,551	7,295,481	-	107,597	Unaudited	31 December 2016

10 Reinsurance assets and liabilities

Outstanding reinsurance assets and liabilities of the Company, as a ceding company, in accordance with existing reinsurance contracts are as follows:

Reinsurance assets	**31 December 2016**	**31 December 2015**
Life mathematical provisions , ceded *(Note 17)*	13,004,212	9,994,971
Provision for outstanding claims, ceded *(Note 4.2), (Note 17)*	2,573,726	1,502,832
Reserve for unearned premiums, ceded *(Note 17)*	1,254,328	1,000,670
Reserve for unexpired premiums, ceded *(Note 17)*	40,426	-
Receivables from reinsurers *(Note 12)*	2,024,155	2,352,331
Toplam	**18,896,847**	**14,850,804**

There is not any impairment losses recognized for reinsurance assets.

Reinsurance liabilities	**31 December 2016**	**31 December 2015**
Payables to the reinsurers related to premiums written *(Note 19)*	2,859,826	3,237,299
Deferred commission income *(Note 19)*	333,331	287,913
Total	**3,193,157**	**3,525,212**

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

	31 December 2016	**31 December 2015**
Premiums ceded during the period *(Note 17)*	(14,710,823)	(10,114,255)
Reserve for unearned premiums, ceded at the beginning of the period *(Note 17)*	(1,000,670)	(701,287)
Reserve for unearned premiums, ceded at the end of the period *(Note 17)*	1,254,328	1,000,670
Premiums earned, ceded *(Note 17)*	**(14,457,165)**	**(9,814,872)**
Claims paid, ceded during the period *(Note 17)*	3,643,966	1,436,396
Provision for outstanding claims, ceded at the beginning of the period *(Note 17)*	(1,502,832)	(977,864)
Provision for outstanding claims, ceded at the end of the period *(Note 17)*	2,573,726	1,502,832
Claims incurred, ceded *(Note 17)*	**4,714,860**	**1,961,364**
Change in Life Mathematical Provisions, ceded	**3,009,241**	**1,443,314**
Commission income accrued from reinsurers during the period	2,793,423	4,109,423
Deferred commission income at the beginning of the period (*Note 19)*	287,913	229,757
Deferred commission income at the end of the period *(Note 19)*	(333,332)	(287,913)
Commission income from reinsurers *(Note 32)*	**2,748,004**	**4,051,267**
Total, net	**(3,985,060)**	**(2,358,927)**

(Currency: Turkish Lira (TL))

11 Financial assets

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

Financial assets and financial investments with risk on policyholder	**31 December 2016**	**31 December 2015**
Available-for-sale financial assets Company's own portfolio	60,000,603	64,407,122
Financial investments with risks on life policyholders	358,251,213	372,276,853
Total	**418,251,816**	**436,683,975**

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

	31 December 2016			
	Nominal value	**Cost**	**Fair value**	**Carrying value**
Debt instruments:				
Government bonds – TL	59,500,000	58,666,633	60,000,603	60,000,603
Private sector bonds – TL	-	-	-	-
Total available-for-sale financial assets, Company's own portfolio		**58,666,633**	**60,000,603**	**60,000,603**

	31 December 2015			
	Nominal value	**Cost**	**Fair value**	**Carrying value**
Debt instruments:				
Government bonds – TL	61,400,000	60,495,328	62,412,599	62,412,599
Private sector bonds – TL	2,000,000	1,918,930	1,994,523	1,994,523
Total available-for-sale financial assets, Company's own portfolio		**62,414,258**	**64,407,122**	**64,407,122**

Financial investments with risks on life insurance policyholders ("FIRLIP") as at 31 December 2016 and 2015 are detailed as follows:

	31 December 2016			
	Nominal value	**Cost**	**Fair value**	**Carrying value**
Debt instruments:				
Government bonds – TL	255,624,867	250,707,857	239,512,130	239,512,130
Eurobonds issued by The Turkish Government	47,067,555	21,066,180	52,425,217	52,425,217
Financial investments with risks on life policyholders classified as Available-for-sale financial assets		**271,774,037**	**291,937,347**	**291,937,347**
Debt instruments:				
Government bonds – TL	60,000,000	58,413,000	63,002,769	62,168,354
Financial investments with risks on life policyholders classified as Held to maturity financial assets		**58,413,000**	**63,002,769**	**62,168,354**
Bank deposits	4,142,977	4,142,977	4,145,512	4,145,512
Financial investments with risks on life policyholders classified as loans and receivables		**4,142,977**	**4,145,512**	**4,145,512**
Total Financial investments with risks on life insurance policyholders		**334,330,014**	**359,085,628**	**358,251,213**

(Currency: Turkish Lira (TL))

11 Financial assets *(continued)*

	31 December 2015			
	Nominal value	**Cost**	**Fair value**	**Carrying value**
Debt instruments:				
Government bonds – TP	267,714,867	253,554,041	247,982,512	247,982,512
Eurobonds issued by The Turkish Government	39,810,543	21,506,981	46,638,708	46,638,708
Financial investments with risks on life policyholders classified as Available-for-sale financial assets		**275,061,022**	**294,621,220**	**294,621,220**
Debt instruments:				
Government bonds – TL	60,000,000	58,413,000	62,867,519	61,957,640
Financial investments with risks on life policyholders classified as Held to maturity financial assets		**58,413,000**	**62,867,519**	**61,957,640**
Bank deposits	15,661,523	15,661,523	15,697,993	15,697,993
Financial investments with risks on life policyholders classified as loans and receivables		**15,661,523**	**15,697,993**	**15,697,993**
Total Financial investments with risks on life insurance policyholders		**349,135,545**	**373,186,732**	**372,276,853**

All debt instruments presented above are traded in active markets.

There is not any financial asset held by the Company issued by the related parties.

During the period, there is not any corporate bond issued or paid by the Company.

There is not any financial asset which is overdue but not impaired in the financial assets portfolio of the Company.

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

Year	**Change in value increase/(decrease)**	**Total increase/ (decrease) in value**
31 December 2016	(653,953)	(1,646,317)
31 December 2015	(3,279,430)	(992,364)
31 December 2014	2,792,779	2,287,066

As at 31 December 2016 and 2015, the Company's available-for-sale financial assets subject to repo transactions are detailed as follows:

	31 December 2016			
	Nominal value	**Cost**	**Fair value**	**Carrying value**
Available-for-sale financial assets	41,638,790	41,029,741	42,049,838	42,049,838
Total		**41,029,741**	**42,049,838**	**42,049,838**

	31 December 2015			
	Nominal value	**Cost**	**Fair value**	**Carrying value**
Available-for-sale financial assets	30,699,825	30,095,623	30,815,357	30,815,357
Total		**30,095,623**	**30,815,357**	**30,815,357**

(Currency: Turkish Lira (TL))

11 Financial assets *(continued)*

Excluding bank deposits movements of the financial assets portfolios during the period are as follows:

	31 December 2016			
	Company's portfolio	FIRLIP		
	Available-for-sale financial assets	Available-for-sale financial assets	Financial assets held to maturity	Total
Balance at the beginning of the period	**64,407,122**	**294,621,220**	**61,957,640**	**420,985,982**
Unrealized exchange differences on financial assets	-	1,490,585	-	1,490,585
Acquisitions during the period	56,727,407	101,248,630	-	157,976,037
Disposals (either sold or settled)	(61,192,564)	(99,489,053)	-	(160,681,617)
Change in the fair value of financial assets *(Note 4.2)*	(249,746)	(14,807,180)	-	(15,056,926)
Change in amortised costs of the financial assets	308,384	8,873,145	210,714	9,392,243
Balance at the ending of the period	**60,000,603**	**291,937,347**	**62,168,354**	**414,106,304**

	31 December 2015			
	Company's portfolio	FIRLIP		
	Available-for-sale financial assets	Available-for-sale financial assets	Financia assets held to maturity	Available-for-sale financial assets
Balance at the beginning of the period	**55,700,112**	**348,800,118**	**61,782,818**	**466,283,048**
Unrealized exchange differences on financial assets	-	13,340,575	-	13,340,575
Acquisitions during the period	57,939,270	122,608,651	-	180,547,921
Disposals (either sold or settled)	(49,895,446)	(160,320,093)	-	(210,215,539)
Change in the fair value of financial assets *(Note 4.2, 15)*	(263,292)	(27,482,426)	-	(27,745,718)
Change in amortised costs of the financial assets	926,478	(2,325,605)	174,822	(1,224,305)
Balance at the ending of the period	**64,407,122**	**294,621,220**	**61,957,640**	**420,985,982**

Financial assets blocked in favor of the Turkish Treasury as a guarantee for the insurance activities are as follows:

	31 December 2016			
	Nominaş Value	Cost	Fair Value	Carrying Value
Financial investments with risks on life insurance policyholders – Debt securities *(Note 17)*	328,899,867	335,797,528	355,041,984	355,041,984
Available-for-sale financial assets *(Note 17)*	11,000,000	11,067,511	11,062,942	11,062,942
Bank deposits *(Note 17)*	73,602,861	72,867,586	73,259,139	73,259,139
Bank deposit - FIRLIP *(Not 17)*	3,938,221	3,934,791	3,938,221	3,938,221
Total		**423,667,416**	**443,302,286**	**443,302,286**

	31 December 2015			
	Nominal Value	Cost	Fair Value	Carrying Value
Financial investments with risks on life insurance policyholders – Debt securities *(Note 17)*	373,194,401	357,467,090	357,621,554	357,621,554
Available-for-sale financial assets *(Note 17)*	26,500,000	26,802,655	27,373,400	27,373,400
Bank deposits *(Note 17)*	45,856,710	44,715,200	45,322,655	45,322,655
Bank deposit - FIRLIP *(Not 17)*	14,753,997	14,676,794	14,741,785	14,741,785
Total		**443,661,739**	**445,059,394**	**445,059,394**

(Currency: Turkish Lira (TL))

12 Loans and receivables

	31 December 2016	31 December 2015
Receivables from main operations *(Note 4.2)*	2,064,907,290	1,693,016,470
Due from related parties *(Note 4.2), (Note 45)*	2,579,942	2,457,123
Prepaid taxes and funds *(Note 4.2)*	1,126,472	656,529
Other receivables *(Note 4.2)*	209,209	22,303
Total	**2,068,822,913**	**1,696,152,425**
Short-term receivables	20,827,725	20,929,037
Long-term receivables	2,047,995,188	1,675,223,388
Total	**2,068,822,913**	**1,696,152,425**

As at 31 December 2016 and 2015, receivables from main operations are detailed as follows:

	31 December 2016	31 December 2015
Receivables from policyholders and agencies	6,401,248	6,582,360
Receivables from reinsurance companies *(Note 10)*	2,024,155	2,352,331
Total receivables from main operations, net	**8,425,403**	**8,934,691**
Receivables from individual pension operations *(Note 18)*	2,051,911,088	1,679,296,527
Loans to the policyholders *(Note 4.2)*	4,570,799	4,785,252
Provisions for doubtful receivables from policyholders *(Note 4.2)*	906,225	746,249
Provision for receivables from individual pension operations and main operations *(Note 4.2)*	(906,225)	(746,249)
Receivables from main operations, net	**2,064,907,290**	**1,693,016,470**

Mortgages and collaterals obtained for receivables are disclosed as follows.

	31 December 2016	31 December 2015
Real estate pledges	1,086,380	1,339,530
Letters of guarantees	7,852,587	6,401,350
Treasury bills and government bonds	2,000	510,873
Other	1,581,201	1,173,262
Total	**10,522,168**	**9,425,015**

Doubtful provisions for overdue receivables and receivables not due yet

a) Receivables under legal or administrative follow up (due): TL 906,225 (31 December 2015 TL 746,249).

b) Provision for premium receivables (due): None (31 December 2015: None).

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

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

13 Derivative financial instruments

As at 31 December 2016, the Company recognized net income from derivative financial instruments amounting TL 78,693 (31 December 2015: TL 5,155,929).

14 Cash and cash equivalents

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

	31 December 2016		**31 December 2015**	
	End of the period	**Beginning of the period**	**End of the period**	**Beginning of the period**
Bank deposits	77,629,910	46,352,948	46,352,949	59,137,136
Bank guaranteed credit card receivables with maturity less than three months	25,662,934	29,907,991	29,907,991	30,760,188
Cash and cash equivalents in the balance sheet	**103,292,844**	**76,260,939**	**76,260,940**	**89,897,324**
Blocked amounts	(77,541,082)	(60,610,707)	(60,610,707)	(46,016,042)
Interest accruals on bank deposits	(371,183)	(61,803)	(61,803)	(363,560)
Cash and cash equivalents presented in the statement of cash flows	**25,380,579**	**15,588,429**	**15,588,430**	**43,517,722**

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

	31 December 2016	**31 December 2015**
Foreign currency denominated bank deposits		
- time deposits	9,758,037	6,022,370
- demand deposits	89,489	98,198
Bank deposits in Turkish Lira		
- time deposits	65,088,441	39,514,370
- demand deposits	2,693,943	718,010
Cash at banks	**77,629,910**	**46,352,948**

As at 31 December 2016, Company has a blocked bank deposit amount of TL 77,541,082 in the favor of Undersecretariat of Treasury (31 December 2015: TL 60,610,707) *(Note 17)*.

Time deposits are comprised of deposits with maturity less than 3 months. Interest rate for TL time deposits is between %8.25 – 11.75 (31 December 2015: %12.25-14.10), %1- 3 for foreign currency time deposits (31 December 2015: %1.40 -2.95).

(Currency: Turkish Lira (TL))

15 Equity

Paid in Capital

As at 31 December 2016 and 2015, the authorized nominal share capital of the Company is TL 78,500,000 and the share capital of the Company consists of 785.000.000 issued shares with TL 0.1 nominal value each.

There are not any privileged shares of the Company.

There are not any treasury shares held by the Company itself or by its subsidiaries or associates.

There are not any treasury shares issued which will be subject to sale in accordance with forward transactions and contracts.

As at 31 December 2016, the shareholder having direct or indirect control over the shares of the Company was Allianz Europe B.V. having 86.0% of outstanding shares. Tokio Marine and Nichido Fire Insurance Co. Ltd. having 11.0% outstanding share is other qualified shareholder of the Company.

In accordance with tax legislation, 75% of profits from sales of fixed assets and participation shares included in the assets of companies is exempt from corporate tax provided that it is classified under a special fund for full five years. The exempt gains cannot be transferred to another account other than a capital increase or cannot be withdrawn from the entity for five years. According to the properties in use which had been classified in Adana Building in 2012 in which had been initiated from the sale and Tax Procedures established by the Law of the book value calculated taking into consideration TL 202,070 real estate sales, corresponding to 75% of real estate sales profit TL 151,553, based on the decision March 22, 2013 dated 2012/13 The Board of Directors pursuant to equity under the "Capital Reserves" in the group are classified as "Other Capital Reserves".

Revaluation of financial assets

Movement of fair value reserves of available-for-sale financial assets is presented below:

	31 December 2016	**31 December 2015**
Fair value reserves at the beginning of the period	**(992,364)**	**2,287,066**
Change during the period		
The effect of changes in foreign exchange rates on unrealized gains and losses, recognized due to change in the fair values of available-for-sale financial assets backing long term investment contracts	5,889	77,687
Change in unrealized gains and losses due to changes in the fair values of available-for-sale financial assets backing long term investment contracts *(Note 4.2), (Note 11)*	(14,807,180)	(27,482,426)
Change in unrealized gains and losses due to changes in the fair values of available-for-sale financial assets backing long term investment contracts, policyholders' portion	13,419,208	24,885,879
Change in unrealized gains and losses from available-for-sale financial assets, company's own portfolio *(Note 4.2) (Note 11)*	(249,746)	(263,292)
Deferred and corporate tax effect	327,543	571,968
Disposals during the year:		
Unrealized gains and losses transferred from equity to statement of income due to disposal of available-for-sale financial assets backing long term investment contracts *(Note 4.2)*	(6,313,615)	11,885,246
Unrealized gains and losses transferred from equity to statement of income due to disposal of available-for-sale financial assets with risks on saving life policyholders, policyholders' portion	6,940,297	(13,087,348)
Unrealized gains and losses transferred from equity to statement of income of available-for-sale financial assets, company's own portfolio	186,234	(134,455)
Deferred and corporate tax effect	(162,583)	267,311
Fair value reserves at the end of the year	**(1,646,317)**	**(992,364)**

(Currency: Turkish Lira (TL))

16 Other reserves and equity component of DPF

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

The Company recognizes its liability to the policyholders due to the saving life products, classified as investment contracts, under life mathematical provisions. The Company recognizes its own portion for the unrealized gains and losses, recognized due to change in the fair values of available-for-sale financial assets backing long term investment contracts under equity within 'revaluation of financial assets'. The movement of the Company's portion for the unrealized gains and losses on such assets are also presented in *Note 15 – Equity*.

17 Insurance liabilities and reinsurance assets

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

	31 December 2016	**31 December 2015**
Reserve for unearned premiums, gross	8,207,531	8,627,614
Reserve for unearned premiums, ceded *(Note 10)*	(1,254,328)	(1,000,670)
Reserves for unearned premiums, net	**6,953,203**	**7,626,944**
Life mathematical provisions, gross	410,062,716	407,197,732
Life mathematical provisions, ceded *(Note 10)*	(13,004,212)	(9,994,971)
Life mathematical provisions, net	**397,058,504**	**397,202,761**
Unexpired risks provisions	336,455	-
Unexpired risks provisions,ceded (Not 10)	(40,426)	-
Unexpired risks provisions, net	**296,029**	**-**
Provision for outstanding claims, gross	25,952,375	22,570,192
Provision for outstanding claims, ceded *(Note 4.2) (Note 10)*	(2,573,726)	(1,502,832)
Provision for outstanding claims, net	**23,378,649**	**21,067,360**
Provision for bonus and discounts – net	**179,950**	**171,494**
Unrealized gains and losses due to changes in the fair values of available-for-sale financial assets backing long term investment contracts, policyholders' portion *(Note 2.8)*	(14,844,556)	(7,158,577)
Equalization provision – net	2,133,071	1,677,640
Other technical provisions	**(12,711,485)**	**(5,480,937)**
Total insurance technical provisions, net	**415,154,850**	**420,587,622**
Short-term	110,370,553	112,704,894
Medium and long-term	304,784,297	307,882,728
Total insurance technical provisions, net	**415,154,850**	**420,587,622**

(Currency: Turkish Lira (TL))

17 Insurance liabilities and reinsurance assets *(continued)*

As at 31 December 2016 and 2015, movements of the insurance liabilities and related reinsurance assets are presented below:

Reserve for unearned premiums	**31 December 2016**		
	Gross	**Ceded**	**Net**
Reserve for unearned premiums at the beginning of the period	8,627,614	(1,000,670)	7,626,944
Premium written during the period	117,371,065	(14,710,823)	102,660,242
Premiums earned during the period	(117,791,148)	14,457,165	(103,333,983)
Reserve for unearned premiums at the end of the period	**8,207,531**	**(1,254,328)**	**6,953,203**

Reserve for unearned premiums	**31 December 2015**		
	Gross	**Ceded**	**Net**
Reserve for unearned premiums at the beginning of the period	10,016,329	(701,287)	9,315,042
Premium written during the period	115,503,913	(10,114,255)	105,389,658
Premiums earned during the period	(116,892,628)	9,814,872	(107,077,756)
Reserve for unearned premiums at the end of the period	**8,627,614**	**(1,000,670)**	**7,626,944**

Provision for outstanding claims	**31 December 2016**		
	Gross	**Ceded**	**Net**
Provision for outstanding claims at the beginning of the period	22,570,192	(1,502,832)	21,067,360
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	98,587,092	(4,714,860)	93,872,232
Claims paid during the period	(95,204,909)	3,643,966	(91,560,943)
Provision for outstanding claims at the end of the period	**25,952,375**	**(2,573,726)**	**23,378,649**

Provision for outstanding claims	**31 December 2015**		
	Gross	**Ceded**	**Net**
Provision for outstanding claims at the beginning of the period	20,340,067	(977,864)	19,362,203
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	110,941,299	(1,961,364)	108,979,935
Claims paid during the period	(108,711,174)	1,436,396	(107,274,778)
Provision for outstanding claims at the end of the period	**22,570,192**	**(1,502,832)**	**21,067,360**

Claim development tables

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

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

(Currency:Turkish Lira(TL))

17 Insurance liabilities and reinsurance assets *(continued)*

Claims development tables *(continued)*

	31 December 2016							
Accident year	**Before 2011**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Accident year	22,742,110	2,602,083	3,284,360	7,423,152	8,085,774	6,927,118	11,072,435	11,072,435
1 year later	18,492,672	3,230,806	4,471,556	8,469,632	8,927,025	9,110,842	-	9,110,842
2 years later	18,419,590	3,240,791	4,276,879	8,561,848	8,811,348	-	-	8,811,348
3 years later	18,533,325	3,100,629	4,637,698	8,623,496	-	-	-	8,623,496
4 years later	19,086,525	3,136,181	4,694,362	-	-	-	-	4,694,362
5 years later	19,712,526	3,201,263	-	-	-	-	-	22,913,789
Current estimate of cumulative claims	19,712,526	3,201,263	4,694,362	8,623,496	8,811,348	9,110,842	11,072,435	65,226,272
Cumulative payments up to date	19,537,363	3,099,931	4,023,702	7,909,289	7,855,070	7,743,108	7,273,908	57,442,371
Provisions recognized in financial tables	175,163	101,332	670,660	714,207	956,278	1,367,734	3,798,527	7,783,901
Total gross outstanding claim provision presented in the financial statements at the end of the period (*)								**7,783,901**

	31 December 2016							
Accident year	**Before 2011**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Accident year	12,175,499	2,099,572	2,639,461	6,209,065	6,352,559	5,352,873	7,170,381	7,170,381
1 year later	9,302,608	2,466,651	3,357,252	6,200,166	6,988,292	7,164,605	-	7,164,605
2 years later	9,262,469	2,475,018	3,144,383	6,270,956	6,873,594	-	-	6,873,594
3 years later	9,373,722	2,358,442	3,333,300	6,328,949	-	-	-	6,328,949
4 years later	9,944,269	2,391,844	3,389,963	-	-	-	-	3,389,963
5 years later	10,569,192	2,454,721	-	-	-	-	-	13,023,913
Current estimate of cumulative claims	10,569,192	2,454,721	3,389,963	6,328,949	6,873,594	7,164,605	7,170,381	43,951,405
Cumulative payments up to date	10,413,865	2,392,533	3,015,759	5,769,494	6,128,796	6,116,822	4,204,325	38,041,594
Provisions recognized in financial tables	155,327	62,188	374,204	559,455	744,798	1,047,783	2,966,056	5,909,811
Total net outstanding claim provision presented in the financial statements at the end of the period (*)								**5,909,811**

(*) Claims incurred but not reported (IBNR) is not added to net outstanding claims provision in claims development table. The amount is the provision for outstanding claims for risk products of life and personal accident branches.

(Currency:Turkish Lira(TL))

17 Insurance liabilities and reinsurance assets *(continued)*

Claims development tables *(continued)*

31 December 2015								
Accident year	**Before 2010**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Accident year	19,043,899	1,733,746	2,602,083	3,284,360	7,423,152	8,085,774	6,927,118	6,927,118
1 year later	15,406,918	1,886,036	3,230,806	4,471,556	8,469,632	8,927,025	-	8,927,025
2 years later	15,311,250	3,136,820	3,240,791	4,276,879	8,561,848	-	-	8,561,848
3 years later	15,355,852	3,082,881	3,100,629	4,637,698	-	-	-	4,637,698
4 years later	15,336,709	3,187,356	3,136,181	-	-	-	-	3,136,181
5 years later	15,345,969	3,178,765	-	-	-	-	-	18,524,734
Current estimate of cumulative claims	15,345,969	3,178,765	3,136,181	4,637,698	8,561,848	8,927,025	6,927,118	50,714,604
Cumulative payments up to date	15,807,330	3,098,270	3,040,289	3,944,007	7,841,811	7,560,288	5,038,100	46,330,095
Provisions recognized in financial tables	(461,361)	80,495	95,892	693,691	720,037	1,366,737	1,889,018	4,384,509
Total gross outstanding claim provision presented in the financial statements at the end of the period (*)								**4,384,509**

31 December 2015								
Accident year	**Before 2010**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Accident year	9,723,423	1,134,807	2,099,572	2,639,461	6,209,065	6,352,559	5,352,873	5,352,873
1 year later	8,066,903	1,254,532	2,466,651	3,357,252	6,200,166	6,988,292	-	6,988,292
2 years later	8,030,293	1,242,561	2,475,018	3,144,383	6,270,956	-	-	6,270,956
3 years later	8,060,047	1,209,278	2,358,442	3,333,300	-	-	-	3,333,300
4 years later	8,053,191	1,313,404	2,391,844	-	-	-	-	2,391,844
5 years later	8,060,318	1,321,010	-	-	-	-	-	9,381,328
Current estimate of cumulative claims	8,060,318	1,321,010	2,391,844	3,333,300	6,270,956	6,988,292	5,352,873	33,718,593
Cumulative payments up to date	8,532,353	1,249,748	2,332,891	2,936,063	5,702,902	5,843,185	3,976,127	30,573,269
Provisions recognized in financial tables	(472,035)	71,262	58,953	397,237	568,054	1,145,107	1,376,746	3,145,324
Total net outstanding claim provision presented in the financial statements at the end of the period (*)								**3,145,324**

(*) Claims incurred but not reported (IBNR) is not added to net outstanding claims provision in claims development table. The amount is the provision for outstanding claims for risk products of life and personal accident branches.

(Currency:Turkish Lira(TL))

17 Insurance liabilities and reinsurance assets *(continued)*

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

	31 December 2016		31 December 2015	
	Should be placed (**)	**Placed (*)**	**Should be placed (**)**	**Placed (*)**
Life:				
Bank deposits *(Note 14)*	-	3,934,791	-	14,676,794
Bank deposits *(Note 14)*	-	72,867,586	-	44,715,200
Financial assets(*) *(Note 11)*	-	363,676,454	-	382,121,162
Total	**432,960,560**	**440,478,831**	**425,846,087**	**441,513,156**
Non Life:				
Bank deposits *(Note 14)*	-	500,000	-	500,000
Financial assets(*) *(Note 11)*	-	-	-	-
Total	**182,673**	**500,000**	**178,382**	**500,000**
Total	**433,143,233**	**440,978,831**	**426,024,469**	**442,013,156**

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

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

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

	31 December 2016		31 December 2015	
	Number of policyholders	**Life mathematical provisions**	**Number of policyholders**	**Life mathematical provisions**
Additions during the period	137,044	83,783,641	182,205	92,579,092
Disposals during the period	149,696	80,918,657	203,531	100,195,060
Current	446,335	410,062,716	458,987	407,197,732

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

	31 December 2016			31 December 2015		
	Number of Contracts	**Gross Premium**	**Net Premium**	**Number of Contracts**	**Gross Premium**	**Net Premium**
Individual	105,728	64,027,076	42,329,198	116,788	59,227,100	42,317,926
Group	31,316	813,310	676,633	65,417	1,639,379	1,248,292
Total	**137,044**	**64,840,386**	**43,005,831**	**182,205**	**60,866,479**	**43,566,218**

(Currency:Turkish Lira(TL))

17 Insurance liabilities and reinsurance assets *(continued)*

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

	31 December 2016				31 December 2015			
	Number of contracts	Gross premium	Net premium	Mathematical reserves	Number of contracts	Gross premium	Net premium	Mathematical reserves
Individual	136,208	915,019	802,958	78,538,067	171,820	774,351	711,066	96,927,154
Group	13,488	30,262	24,097	2,380,590	31,711	30,542	25,244	3,267,906
Total	**149,696**	**945,281**	**827,055**	**80,918,657**	**203,531**	**804,893**	**736,310**	**100,195,060**

The movements of life mathematical provision for saving life policies gross as at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Life mathematical provision at the beginning of the period, gross	**407,197,732**	**414,813,700**
Written premiums during the period (saving life policies)	49,652,262	57,312,727
Management fee	(2,696,993)	(3,178,026)
Risk premiums	(6,265,966)	(6,089,777)
Commission expense	(1,598,997)	(1,992,486)
Disposals during the period	(80,918,657)	(100,195,060)
Investment income	40,188,012	43,628,319
Policy loans	845,305	(549,918)
Increase in risk policies	2,795,670	4,062,707
Other	864,348	(614,454)
Life mathematical provision at the end of the period, gross	**410,062,716**	**407,197,732**

Profit share distribution rates to life policyholders during the years ended 31 December 2016 and 2015:

	31 December 2016	31 December 2015
US Dollar:	6.31 %	3.98 %
Euro:	5.31 %	6.70 %
TL:	9.16 %	9.26 %

Deferred commission expenses

Unrecognized portion of commissions paid to the intermediaries in relation to the policies produced are capitalized under the account "deferred acquisition expenses" in the accompanying financial statements. As at 31 December 2016, deferred commission expenses and other deferred acquisition costs amount to TL 2,442,481 and TL 485,477 (31 December 2015: TL 2,594,426 and TL 830,499) respectively.

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

	31 December 2016	31 December 2015
Deferred commission expenses at the beginning of the period	2,594,426	3,047,648
Commissions accrued during the period	39,832,248	36,978,760
Commissions expensed during the period *(Note 32)*	(39,984,193)	(37,431,982)
Deferred commission expenses at the end of the period	**2,442,481**	**2,594,426**

(Currency:Turkish Lira(TL))

18 Investment contract liabilities

Individual pension business

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

	31 December 2016	31 December 2015
Receivables from clearing house on behalf of the participants	2,047,995,000	1,675,223,200
Receivables from participants (fund management)	2,563,326	2,171,855
Receivables from participants (entrance fee)	1,352,762	1,901,472
Receivables from individual pension operations, net *(Note 12)*	**2,051,911,088**	**1,679,296,527**

	31 December 2016	31 December 2015
Payables to participants	2,047,995,000	1,675,223,200
Participants temporary account	25,811,520	24,771,030
Payables to clearing house	1,750,380	2,600,589
Payables to pension monitoring center	248,649	-
Individual pension business liabilities *(Note 19)*	**2,075,805,549**	**1,702,594,819**

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

	31 December 2016 Unit price	31 December 2015 Unit price
Income Oriented Government Debt Instruments PF	0.051812	0.047997
Money Market Liquid Government PF	0.040087	0.036883
Growth Oriented – Share Certificates	0.061787	0.054845
Growth Oriented Flexible PF	0.055930	0.050211
Income Oriented Government Debt Instruments Pension Fund for Groups	0.031283	0.028709
Income Oriented Government Debt Instruments PF	0.055676	0.047781
Income Oriented Secondary Government Debt Instruments PF	0.036059	0.031448
Income Oriented Flexible PF	0.033698	0.027872
Growth Oriented Flexible PF for Groups	0.022134	0.020409
Income Oriented Government Debt Instruments Pension Fund for Groups	0.036412	0.031094
Money Market Custody Liquid Government PF	0.032408	0.030025
Allianz Hayat ve Emeklilik Supplementary Pension funds	0.012267	0.011245
Allianz Hayat ve Emeklilik Golden Pension Funds	0.014140	0.011065
Allianz Hayat ve Emeklilik Standard Pension Funds	0.011699	0.010862
Allianz Hayat ve Emeklilik Flexible Pension Funds	0.011323	0.010394

(Currency:Turkish Lira(TL))

18 Investment contract liabilities *(continued)*

Individual pension business *(continued)*

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

	31 December 2016			
	Participation shares sold		Participation shares outstanding	
	Number	Amount	Number	Amount
Income Oriented Government Debt Instruments PF	11,673,661,271	604,837,992	88,326,338,729	4,576,381,317
Money Market Liquid Government PF	7,242,274,233	290,319,749	10,757,725,767	431,243,025
Growth Oriented – Share Certificates	3,225,104,299	199,270,550	5,774,895,701	356,815,326
Growth Oriented Flexible PF	3,546,258,879	198,341,345	6,453,741,121	360,956,078
Income Oriented Government Debt Instruments Pension Fund for Groups	1,455,335,634	45,526,780	18,544,664,366	580,126,565
Income Oriented Government Debt Instruments PF	3,677,568,131	204,751,291	15,322,431,869	853,087,585
Income Oriented Secondary Government Debt Instruments PF	1,781,330,646	64,233,094	8,218,669,354	296,357,424
Income Oriented Flexible PF	2,263,474,852	76,275,119	7,736,525,148	260,707,283
Growth Oriented Flexible PF for Groups	230,434,160	5,100,505	9,769,565,840	216,242,748
Income Oriented Government Debt Instruments Pension Fund for Groups	259,050,364	9,432,418	9,740,949,636	354,682,797
Money Market Custody Liquid Government PF	122,326,171	3,964,354	5,877,673,829	190,483,988
Allianz Hayat ve Emeklilik Supplementary pension funds	18,833,377,958	231,023,452	80,166,622,042	983,380,134
Allianz Hayat ve Emeklilik Golden pension funds	5,170,133,448	73,105,245	4,829,866,552	68,293,901
Allianz Hayat ve Emeklilik Standard pension funds	2,094,751,905	24,506,119	6,905,248,095	80,783,234
Allianz Hayat Ve Emeklilik Flexible pension funds	1,528,457,782	17,306,987	98,471,542,218	1,115,009,964
Total		**2,047,995,000**		**10,724,551,369**

	31 December 2015			
	Participation shares sold		Participation shares outstanding	
	Number	Amount	Number	Amount
Income Oriented Government Debt Instruments PF	11,970,327,974	574,542,450	88,029,672,026	4,225,179,421
Money Market Liquid Government PF	6,291,789,351	232,057,804	11,708,210,649	431,829,722
Growth Oriented – Share Certificates	3,041,237,137	166,796,547	5,958,762,863	326,808,147
Growth Oriented Flexible PF	3,317,629,114	166,580,543	6,682,370,886	335,526,646
Income Oriented Government Debt Instruments Pension Fund for Groups	1,438,132,584	41,287,744	18,561,867,416	532,897,762
Income Oriented Government Debt Instruments PF	3,236,629,530	154,648,983	15,763,370,470	753,187,595
Income Oriented Secondary Government Debt Instruments PF	1,492,016,780	46,920,722	8,507,983,220	267,557,794
Income Oriented Flexible PF	2,046,004,443	57,026,867	7,953,995,557	221,696,219
Growth Oriented Flexible PF for Groups	238,152,709	4,860,418	9,761,847,291	199,227,884
Income Oriented Government Debt Instruments Pension Fund for Groups	215,646,028	6,705,195	9,784,353,972	304,230,047
Money Market Custody Liquid Government PF	117,107,635	3,516,212	5,882,892,365	176,636,604
Allianz Hayat ve Emeklilik Supplementary pension funds	14,436,641,209	162,339,393	84,563,358,791	950,911,237
Allianz Hayat ve Emeklilik Golden pension funds	2,991,812,867	33,105,093	7,008,187,133	77,547,193
Allianz Hayat ve Emeklilik Standard pension funds	1,776,701,689	19,298,119	7,223,298,311	78,457,775
Allianz Hayat Ve Emeklilik Flexible pension funds	532,698,924	5,537,110	99,467,301,076	1,033,907,472
Total		**1,675,223,200**		**9,915,601,518**

(Currency:Turkish Lira(TL))

18 Investment contract liabilities *(continued)*

Individual pension business *(continued)*

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

	31 December 2016			31 December 2015		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	14,341	120,609,231	116,075,213	30,515	198,222,045	190,770,357
Group	1,388	2,730,642	2,708,398	1,717	3,098,607	3,073,366
Total	**15,729**	**123,339,873**	**118,783,611**	**32,232**	**201,320,652**	**193,843,723**

Distribution of new participants in terms of their numbers and gross and net contributions for individuals and groups which were transferred from other insurance companies during the period

	31 December 2016			31 December 2015		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	1,113	26,737,360	25,671,968	1,670	40,671,262	39,050,653
Group	99	1,797,441	1,782,804	63	1,287,427	1,276,943
Total	**1,212**	**28,534,801**	**27,454,772**	**1,733**	**41,958,689**	**40,327,596**

Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio during the period

There aren't any individual and group participants which were transferred from life insurance portfolio during the period.

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

	31 December 2016			31 December 2015		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	1,406	46,054,301	44,322,999	1,041	32,181,881	30,972,079
Group	223	5,417,010	5,372,884	303	7,146,955	7,088,736
Total	**1,629**	**51,471,311**	**49,695,883**	**1,344**	**39,328,836**	**38,060,815**

(Currency:Turkish Lira(TL))

19 Trade and other payables, deferred income

	31 December 2016	31 December 2015
Payables arising from main operations	2,081,036,898	1,711,925,995
Other various payables	9,277,792	8,363,722
Due to related parties *(Note 45)*	2,539,091	4,002,427
Provisions for taxes and other similar obligations	2,169,282	1,203,515
Short/long term deferred income and expense accruals	408,252	287,913
Total	**2,095,431,315**	**1,725,783,572**
Short-term liabilities	47,400,944	50,521,116
Medium and long term liabilities	2,048,030,371	1,675,262,456
Total	**2,095,431,315**	**1,725,783,572**

As at 31 December 2016 and 2015, other various payables consist of policy loan expenses individual pension contribution payment and various claims to be paid.

As at 31 December 2016 and 2015, taxes payable and other liabilities consists of withholding tax on dividends paid, employee income tax, and provision for taxes and other liabilities.

As at 31 December 2016 short/long term deferred income and expense accruals consist of deferred acquisition costs. The amount of deferred acquisition costs is TL 310,750 (31 December 2015: TL 271,249) for life and TL 22,581 (31 December 2015: TL 16,664) for personnel accident branch .

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

	31 December 2016	31 December 2015
Payables to policyholders	354,463	1,183,466
Payables to reinsurers	2,882,900	3,264,264
Payables to agencies	1,071,665	3,509,862
Payables to reinsurers rediscount	(23,074)	(26,965)
Total payables arising from insurance operations	**4,285,954**	**7,930,627**
Payables arising from individual pension business *(Note 18)*	2,075,805,549	1,702,594,819
Other payables arising from main operations	40	590,311
Deposit received from insurance and reinsurance companies	945,355	810,238
Payables arising from main operations	**2,081,036,898**	**1,711,925,995**

Corporate tax provision and prepaid taxes are disclosed below:

	31 December 2016	31 December 2015
Prepaid taxes during the period	1,126,472	656,529
Prepaid corporate taxes	**1,126,472**	**656,529**

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

None.

(Currency:Turkish Lira(TL))

20 Financial liabilities

As at 31 December 2016, the Company has TL 40,200,137 financial liabilities from repo transactions (31 December 2015: TL 29,525,658). As of 31 December 2016, the repurchase rate is between January 4, 2017 and February 1, 2017 (December 31, 2015: February 11, 2016 and February 12, 2016) and the interest rate is between 9.10% and 9.50% (December 31, 2015: 10.50% to 10.75%).

21 Deferred taxes

As at 31 December 2016 and 2015, the detailed analysis of the items giving rise to deferred tax assets and liabilities are as follows:

	31 December 2016	**31 December 2015**
	Deferred tax assets/(liabilities)	**Deferred tax assets/(liabilities)**
Tangible and intangible assets	(320,876)	(3,198,679)
Unamortized part of previous year loss	(4,820,000)	(4,820,000)
Provision for reinsurance profit commission	(298,811)	(298,811)
Provision for other risks	1,181,785	464,296
Deductible fiscal losses	7,536,884	8,309,171
Provision for integration expenses	47,954	47,954
Provision for unused vacation pay liability and employee termination benefits	500,461	463,433
Provision for management personnel bonus	(52,221)	66,351
Difference in valuation of financial assets	(82,591)	(91,970)
Equalization provision	426,614	335,528
Provision for bonus and discounts	35,990	34,299
Life and private pension commission provisions	754,741	584,640
Unexpired risks provisions	59,206	-
Deferred tax assets	**4,969,136**	**1,896,212**

As at 31 December 2016 and 2015, The Company's expiry dates of carried forward tax losses are as follows:

	31 December 2016	**31 December 2015**
Until 2018	(26,835,593)	(30,036,927)
Until 2019	(2,992,371)	(2,992,371)
Until 2020	(7,856,406)	(8,516,509)
Total	**(37,684,370)**	**(41,545,807)**

The Company has accumulated tax loss amounting TL 37,684,370 (31 December 2015: TL 41,545,807) as at 31 December 2016. The Company provides provision for non-recoverable carried forward tax loss amounting TL 24,100,000 (31 December 2015: 24,100,000) in accordance with the projections made by the Company management about the possibility of making taxable profit before the expiration date of accumulated tax losses. Deferred tax asset amounting to TL 13,584,730 (31 December 2015: TL 17,445,807) is recognised deducting probable tax losses after considering probable recoverable balance of deferred tax loss amounting to TL 2,716,884 (31 December 2015: TL 3,489,161).

22 Retirement benefit obligations

None.

(Currency:Turkish Lira(TL))

23 Provision for other liabilities and charges

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

	31 December 2016	**31 December 2015**
Provision for premiums	2,447,225	2,889,264
Provision for commissions	1,566,246	1,205,605
Provision for vacations	648,371	537,026
Provision for other expenses	2,859,136	1,256,620
Provisions for lawsuits against the Company	1,149,259	286,671
Integration provision	273,608	-
Provisions for costs	**8,943,845**	**6,175,186**
Provision for restructuring expenses	926,208	-
Provision for employee termination benefits	1,752,111	1,678,317
Total provisions for other risks	**11,622,164**	**7,853,503**

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

	31 December 2016	**31 December 2015**
Provision for employee termination benefits at the beginning of the period	1,678,317	1,593,854
Interest cost	166,636	144,541
Service cost	155,163	106,643
Payments during the period	(117,831)	(282,570)
Payment/benefit containment/ loss due to termination (gain)	7,710	12,371
Actuarial gain/loss	(137,884)	103,478
Provision for employee termination benefits at the end of the period	**1,752,111**	**1,678,317**

In accordance with the Board of Directors Decision dated October 3, 2016 numbered 2016/34, the Company has decided to establish an Operations Center in the province of Izmir. As a provision for restructuring for the compensations and similar benefits expected to be paid in relation to the excess of labor force that may arise in this context, TL 273,608 (31 December 2015: None) short term and TL 926,208 (31 December 2015: None) long term expense provisions are accounted.

24 Net insurance premium revenue

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

25 Fee revenues

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

The details of fees from individual pension investment funds and individual pension participants are presented in the accompanying statement of income. For the year ended 31 December 2016, fees charged to life insurance policyholders amounts to TL 3,312,525 (31 December 2015: TL 3,379,484).

26 Investment income

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

27 Net realized gains and financials assets

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

(Currency:Turkish Lira(TL))

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

Net fair value gains on assets at fair value through profit or loss are presented in Note 4.2 - *Financial Risk Management*.

29 Insurance rights and claims

	31 December 2016		31 December 2015	
	Life	**Non-Life**	**Life**	**Non-Life**
Claims paid, net off ceded	(90,864,882)	(696,061)	(107,187,917)	(86,861)
Change in provision for outstanding claims, net off ceded	(1,529,889)	(781,400)	(1,553,019)	(152,138)
Change in reserve for unearned premium, net off ceded	781,005	(107,264)	1,765,530	(77,432)
Change in equalization provision	(455,431)	-	(420,293)	-
Change in life mathematical provisions for insurance contracts, net off ceded	144,258	-	9,059,282	-
Total changes in life mathematical provisions recognized in the statement of income	**(91,924,939)**	**(1,584,725)**	**(98,336,417)**	**(316,431)**

30 Investment contract benefits

None.

31 Other expenses

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

32 Expenses by nature

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

	31 December 2016			
	Life	**Nonlife**	**Pension**	**Total**
Commission expenses *(Note 17)*	(39,756,510)	(227,683)	(17,198,787)	(57,182,980)
Employee benefit expenses *(Note 33)*	(6,659,720)	(684,486)	(11,744,344)	(19,088,550)
Commission income from reinsurers *(Note 10)*	2,700,677	47,327	-	2,748,004
Policy loan expenses	(2,605,201)	-	-	(2,605,201)
Administrative expenses	(2,859,686)	(293,919)	(5,043,025)	(8,196,630)
Marketing and sales expenses	(1,876,175)	(192,833)	(3,308,615)	(5,377,623)
Expenses for services received	(653,093)	(67,125)	(1,151,723)	(1,871,941)
Other expenses	(319,879)	(2,834)	-	(322,713)
Deferred acquisition expenses	(95,021)	-	-	(95,021)
Total	**(52,124,608)**	**(1,421,553)**	**(38,446,494)**	**(91,992,655)**

	31 December 2015			
	Life	**Nonlife**	**Pension**	**Total**
Commission expenses *(Note 17)*	(37,291,294)	(140,688)	(25,047,936)	(62,479,918)
Employee benefit expenses *(Note 33)*	(6,562,703)	(135,657)	(11,490,306)	(18,188,666)
Commission income from reinsurers *(Note 10)*	3,972,649	78,618	-	4,051,267
Policy loan expenses	(3,314,108)	-	-	(3,314,108)
Administrative expenses	(2,860,898)	(59,137)	(5,009,003)	(7,929,038)
Marketing and sales expenses	(1,810,093)	(37,417)	(3,169,201)	(5,016,711)
Expenses for services received	(278,131)	(5,749)	(486,966)	(770,846)
Other expenses	(70,521)	(2,128)	-	(72,649)
Deferred acquisition expenses	(184,536)	-	-	(184,536)
Total	**(48,399,635)**	**(302,158)**	**(45,203,412)**	**(93,905,205)**

(Currency:Turkish Lira(TL))

33 Employee benefit expenses

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

	31 December 2016			
	Life	**Non Life**	**Pension**	**Total**
Wages and salaries	(3,779,672)	(388,475)	(6,665,411)	(10,833,558)
Employer's share in social security premiums	(647,381)	(66,538)	(1,141,649)	(1,855,568)
Bonus, premium and commissions	(731,302)	(75,163)	(1,289,643)	(2,096,108)
Restructuring costs	(200,985)	(20,657)	(354,435)	(576,077)
Employee termination benefits and unused vacation expenses	(92,731)	(9,531)	(163,530)	(265,792)
Other benefits	(1,207,649)	(124,122)	(2,129,676)	(3,461,448)
Total *(Note 32)*	**(6,659,720)**	**(684,486)**	**(11,744,344)**	**(19,088,550)**

	31 December 2015			
	Life	**Non Life**	**Pension**	**Total**
Wages and salaries	(3,957,209)	(81,798)	(6,928,476)	(10,967,483)
Employer's share in social security premiums	(612,675)	(12,665)	(1,072,702)	(1,698,042)
Bonus, premium and commissions	(685,603)	(14,172)	(1,200,388)	(1,900,163)
Employee termination benefits and unused vacation expenses	(176,025)	(3,639)	(308,194)	(487,858)
Other benefits	(1,131,191)	(23,383)	(1,980,546)	(3,135,120)
Total *(Note 32)*	**(6,562,703)**	**(135,657)**	**(11,490,306)**	**(18,188,666)**

34 Financial costs

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

35 Income taxes

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

	31 December 2016	**31 December 2015**
Provision for corporate tax:		
Provision for corporate taxes	-	-
Deferred taxes:		
Arising from origination (+)/ reversal (-) of taxable temporary differences	2,937,012	(2,060,295)
Total income tax expense recognized in profit or loss		
Provision for corporate tax:	**2,937,012**	**(2,060,295)**

A reconciliation of tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 31 December 2016 and 2015 is as follows:

	31 December 2016		31 December 2015	
Profit before taxes	**(14,981,997)**	**Tax rate (%)**	**(1,708,116)**	**Tax rate (%)**
Tax calculated at the statutory tax rate of the Company	2,996,399	(20.00)	341,623	(20.00)
Non-deductible expenses	11,227	(0.07)	45,938	2.69
Current year losses for which no deferred taxis recognised	-	-	(2,400,000)	140.51
Others	(70,614)	0.47	(47,856)	2.80
Total tax expense recognized in profit or loss	**2,937,012**	**(19.60)**	**(2,060,295)**	**120.62**

(Currency:Turkish Lira(TL))

36 Net foreign exchange gains

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

37 Earnings per share

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

	31 December 2016	**31 December 2015**
Net loss for the year	(12,044,985)	(3,768,411)
Weighted average number of shares	785,000,000	785,000,000
Loss per share – TL	(0.0153)	(0,0048)

38 Dividends per share

In accordance with the resolution taken in the Ordinary General Meeting held on 30 March 2016, net loss for 2015 amounting TL 6,554,974 is transferred to retained losses.

39 Cash generated from operations

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

40 Convertible bonds

None.

41 Redeemable preference shares

None.

(Currency:Turkish Lira(TL))

42 Contingencies

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

	31 December 2016	31 December 2015
Outstanding claims lawsuits against the Company	2,467,149	854,774
Personnel lawsuits against the Company	1,149,258	209,686
Premium refund lawsuits against the Company	64,656	20,000
Other lawsuits against the Company	33,077	153,336
Total	**3,714,140**	**1,237,796**

43 Commitments

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

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

EUR commitments-Rental vehicle	31 December 2016	31 December 2015
Less than 1 year	108,387	-
More than 1 year less than 5 years	95,794	-
More than 5 years	-	-
Total of minimum rent payments	**204,181**	**-**

EUR commitments-real estate property	31 December 2016	31 December 2015
Less than 1 year	605,425	605,425
More than 1 year less than 5 years	-	-
More than 5 years	-	-
Total of minimum rent payments	**605,425**	**605,425**

44 Business combinations

None.

(Currency:Turkish Lira(TL))

45 Related party transactions

Allianz Europe B.V. holding 86.0% of the outstanding shares of the Company and the groups having direct control over those companies and the affiliates and associates of those groups are defined as related parties of the Company.

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

	31 December 2016	31 December 2015
Allianz Hayat ve Emeklilik Funds	2,563,326	2,171,855
Allianz Yaşam Emeklilik A.Ş.	-	270,262
Beykoz Gayrimenkul Yatırım İnşaat Turizm San. Tic. A.Ş.	586	1,048
Tokyo Marine Nichido and Fire Insurance Co. Ltd.	16,026	13,840
Magdeburger Sigorta A.Ş.	-	118
Allianz SE	4	-
Other receivables from related parties *(Note 12)*	**2,579,942**	**2,457,123**
Allianz SE	152,884	392,189
Receivables from main operations	**152,884**	**392,189**
Allianz SE	927,827	1,064,432
Payables from main operations	**927,827**	**1,064,432**

	31 December 2016	31 December 2015
Allianz Sigorta AŞ	1,002,317	3,897,285
Allianz Managed Operations & Services SE	40,289	35,670
Allianz Investment Management SE	37,198	99
Allianz SE	47,386	-
Other	1,352,626	6,928
Payables to other related parties	**2,479,816**	**3,939,982**

No guarantees have been taken for the receivables from related parties.

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

There are no liabilities like guarantee, commitments and loans on behalf of shareholders, subsidiaries and joint ventures.
For the year ended 31 December 2016, company has TL 59,275 amount loan to personal (31 December 2015: TL 62,445).

The transactions with related parties during the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Allianz SE	1,581,261	177,958
Claims paid	**1,581,261**	**177,958**
Allianz SE	3,194,258	2,318,438
Ceded premiums	**3,194,258**	**2,318,438**
Allianz SE	925,443	661,248
Commissions received	**925,443**	**661,248**
Allianz SE	55,761	36,174
Deposit premium expenses	**55,761**	**36,174**

(Currency:Turkish Lira(TL))

45 Related party transactions *(continued)*

	31 December 2016	31 December 2015
Allianz Sigorta A.Ş.	-	172,800
Allianz Yaşam ve Emeklilik A.Ş.	-	286,004
Beykoz Gayrimenkul Yatırım İnş.Tur.San.ve Tic.A.Ş.	1,999,759	654,626
Rent Expenses	**1,999,759**	**1,113,430**

46 Subsequent events

None.

47 Other

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

They are presented in the related notes above.

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

None.

Subrogation recorded in "Off-Balance Sheet Accounts"

There aren't any subrogation recorded in "Off-Balance Sheet Accounts"

Real rights on immovable and their values

None.

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

None

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

	31 December 2016	31 December 2015
Change in provision for employee termination	(211,678)	49,112
Other provision expense	(2,658,501)	(224,098)
Total income tax income/(expense) reflecting to income statement	**(2,870,179)**	**(174,986)**

The related provision expense is presented after the effects of cost sharing with Allianz Sigorta AŞ.

	31 December 2016	31 December 2015
Rediscount of receivables from insurance receivables	(3,892)	7,627
Other rediscounts	(35)	(864)
Rediscount income/(expense)	**(3,927)**	**6,763**