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

Allianz Sigorta Anonim Şirketi

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

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

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik A.Ş.

10 March 2017

This report includes 2 pages of independent auditors' report and 75 pages of separate financial statements together with their explanatory notes.

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah. Kavak Sok.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Allianz Sigorta Anonim Şirketi

Report on the Financial Statements

We have audited the accompanying unconsolidated balance sheet of Allianz Sigorta Anonim Şirketi ("the Company") as at 31 December 2016, and the unconsolidated 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 Unconsolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of these unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated financial statements are free from material misstatement and provide a true and fair view of the Company.

KPMG

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of Allianz Sigorta Anonim Şirketi as at 31 December 2016 and its unconsolidated financial performance and unconsolidated cash flows for the year then ended in accordance with the Insurance Accounting and Reporting Legislation.

Other Related Legislation Reports of Independent Auditors

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 for the period 1 January - 31 December 2016, the Company's bookkeeping activities 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 required documents in connection with the audit.

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

T.C. BAĞIMSIZ DENETÇİ 553 1923

Erdal Tıkmak, SMMM
Partner

10 March 2017
İstanbul, Türkiye

Additional paragraph for convenience translation to English:

As explained in Note 2.1.1, the accompanying unconsolidated 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 SİGORTA ANONİM ŞİRKETİ'NİN
FINANCIAL REPORT
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

We confirm that 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 Under secretariat 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 Mart 2017

Arif AYTEKİN General Manager	Ersin PAK Chief Financial Officer	Ahmet Faruk YEGÜL Financial Affairs Director

Nalan ÖNEY
Actuary

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Ticaret Sicil No: 6022 • Mersis No: 0-8000-0132-7000012 • Büyük Mükellefler VD. No: 8000013270

(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**	**2,139,904,493**	**1,372,098,992**
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	1,527,987,751	877,688,905
4- Cheques Given and Payment Orders		-	-
5- Bank Guaranteed Credit Card Receivables With Maturity Less Than Three Months	14	609,826,139	492,021,047
6- Other Cash and Cash Equivalents	14	2,090,603	2,389,040
B- Financial Assets and Financial Investments with Risks on Policyholders	**11**	**2,961,430,236**	**2,180,589,772**
1- Available-for-Sale Financial Assets	11	2,950,209,898	2,169,219,073
2- Held to Maturity Investments		-	-
3- Financial Assets Held for Trading	11	11,220,338	11,370,699
4- Loans and Receivables		-	-
5- Provision for Loans and Receivables		-	-
6- Financial Investments with Risks on Saving Life Policyholders		-	-
7- Company’s Own Equity Shares		-	-
8- Diminution in Value of Financial Investments		-	-
C- Receivables from Main Operations	**12**	**1,008,068,623**	**868,833,667**
1- Receivables from Insurance Operations	12	987,929,443	863,691,984
2- Provision for Receivables from Insurance Operations	4.2,12	(22,282,732)	(16,735,151)
3- Receivables from Reinsurance Operations	12	48,522,380	29,277,470
4- Provision for Receivables from Reinsurance Operations	12	(7,324,052)	(8,625,508)
5- Cash Deposited to Insurance and Reinsurance Companies	12	165,095	172,445
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Operations		-	-
9- Doubtful Receivables from Main Operations	12	174,896,952	151,972,964
10- Provision for Doubtful Receivables from Main Operations	4.2,12	(173,838,463)	(150,920,537)
D- Due from Related Parties	**12,45**	**6,075,910**	**15,127,852**
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	6,075,910	15,127,852
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**	**9,426,169**	**4,584,837**
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables	12	9,383,836	4,542,504
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables	12	3,587,022	1,455,763
7- Provision for Other Doubtful Receivables	12	(3,544,689)	(1,413,430)
F- Prepaid Expenses and Income Accruals	**17**	**492,769,970**	**359,912,414**
1- Deferred Acquisition Costs	17	490,867,338	358,062,605
2- Accrued Interest and Rent Income		16,619	45,720
3- Income Accruals		-	-
4- Other Prepaid Expenses	17	1,886,013	1,804,089
G- Other Current Assets		**28,408,127**	**10,981,800**
1- Stocks to be Used in the Following Months		-	-
2- Prepaid Taxes and Funds	12	28,096,228	10,797,478
3- Deferred Tax Assets		-	-
4- Job Advances		116,157	47,412
5- Advances Given to Personnel		195,742	136,910
6- Inventory Count Differences		-	-
7- Other Miscellaneous Current Assets		-	-
8- Provision for Other Current Assets		-	-
I- Total Current Assets		**6,646,083,528**	**4,812,129,334**

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		-	-
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited for Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Business		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-
B- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
C- Other Receivables	**12**	**1,427**	**20,481**
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given	12	1,427	20,481
4- Other Miscellaneous Receivables		-	-
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
D- Financial Assets	**9**	**554,239,188**	**553,034,984**
1- Investments in Equity Shares		-	-
2- Investments in Associates	9	9,814,372	6,822,468
3- Capital Commitments to Associates		-	-
4- Investments in Subsidiaries	9	544,424,816	546,212,516
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**	**95,673,054**	**101,193,756**
1- Investment Property	6,7	12,220,500	28,182,500
2- Impairment on Investment Property		-	-
3- Owner Occupied Property	6	34,503,026	13,507,715
4- Machinery and Equipments		-	-
5- Furniture and Fixtures	6	64,481,224	65,135,878
6- Motor Vehicles	6	26,500	36,000
7- Other Tangible Assets (Including Leasehold Improvements)	6	29,841,258	34,786,888
8- Tangible Assets Acquired Through Finance Leases	6	965,901	6,200,356
9- Accumulated Depreciation	6	(46,365,355)	(46,790,642)
10- Advances Paid for Tangible Assets (Including Construction in Progress)	6	-	135,061
F- Intangible Assets	**8**	**54,177,604**	**32,152,780**
1- Rights	8	126,200,593	83,744,365
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortization	8	(72,022,989)	(51,591,585)
7- Advances Paid for Intangible Assets		-	-
G-Prepaid Expenses and Income Accruals		**62,542**	**17,559**
1- Deferred Acquisition Costs		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses		62,542	17,559
H-Other Non-Current Assets		**31,296,655**	**32,049,640**
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	31,247,312	32,000,297
6- Other Miscellaneous Non-Current Assets		49,343	49,343
7- Amortization on Other Non-Current Assets		-	-
8- Provision for Other Non-Current Assets		-	-
II- Total Non-Current Assets		**735,450,470**	**718,469,200**
TOTAL ASSETS		**7,381,533,998**	**5,530,598,534**

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**	**250,982,526**	**250,825,043**
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	250,982,526	250,825,043
B- Payables Arising from Main Operations	**19**	**259,326,504**	**222,466,212**
1- Payables Arising from Insurance Operations	19	199,894,699	175,680,664
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies	19	55,428	364,111
4- Payables Arising from Individual Pension Business		-	-
5- Payables Arising from Other Main Operations	19	59,376,377	46,421,437
6- Discount on Payables from Other Main Operations		-	-
C-Due to Related Parties	**19,45**	**3,659,261**	**4,470,242**
1- Due to Shareholders		3,496,015	10,656
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		104,798	138,801
6- Due to Other Related Parties	19,45	58,448	4,320,785
D- Other Payables	**19**	**128,206,143**	**87,438,557**
1- Deposits and Guarantees Received		-	-
2- Payables to Social Security Institution	19	82,072,683	48,008,263
3- Other Miscellaneous Payables	19	46,133,460	39,430,294
4- Discount on Other Miscellaneous Payables		-	-
E-Insurance Technical Provisions	**17**	**4,733,368,686**	**3,276,874,414**
1- Reserve for Unearned Premiums - Net	17	2,549,456,075	1,852,437,051
2- Reserve for Unexpired Risks- Net	2.25,17	4,227,194	1,187,627
3- Life Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net	17	2,175,881,245	1,420,377,237
5- Provision for Bonus and Discounts – Net	17	3,804,172	2,872,499
6- Other Technical Provisions – Net		-	-
F- Provisions for Taxes and Other Similar Obligations	**19**	**82,920,075**	**56,843,617**
1- Taxes and Funds Payable		76,812,615	54,186,221
2- Social Security Premiums Payable		6,107,460	2,657,396
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Similar Payables		-	-
5- Corporate Tax Payable	19	66,540,371	24,893,498
6- Prepaid Taxes and Other Liabilities Regarding Current Period Profit	19	(66,540,371)	(24,893,498)
7- Provisions for Other Taxes and Similar Liabilities		-	-
G- Provisions for Other Risks	**23**	**66,151,377**	**69,972,155**
1- Provision for Employee Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	23	66,151,377	69,972,155
H- Deferred Income and Expense Accruals	**19**	**105,280,991**	**77,595,724**
1- Deferred Commission Income	19	104,222,625	77,510,664
2- Expense Accruals		-	-
3- Other Deferred Income		1,058,366	85,060
I- Other Short-Term Liabilities		**-**	**-**
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		-	-
3- Other Various Short Term Liabilities		-	-
III – Total Short-Term Liabilities		**5,629,895,563**	**4,046,485,964**

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		**-**	**-**
1- Payables Arising from Insurance Operations		-	-
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business		-	-
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations		-	-
C- Due to Related Parties	**45**	**179,352**	**148,281**
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	45	179,352	148,281
D- Other Payables	**19**	**-**	**-**
1- Deposits and Guarantees Received		-	-
2- Payables to Social Security Institution	19	-	-
3- Other Miscellaneous Payables		-	-
4- Discount on Other Miscellaneous Payables		-	-
E-Insurance Technical Provisions	**17**	**72,858,918**	**62,193,297**
1- Reserve for Unearned Premiums - Net		-	-
2- Reserve for Unexpired Risks - Net		-	-
3- Life Mathematical Provisions - Net		-	-
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Provisions - Net	17	72,858,918	62,193,297
F-Other Liabilities and Relevant Accruals	**23**	**12,040,699**	**-**
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals	23	12,040,699	-
G- Provisions for Other Risks	**23**	**22,622,074**	**21,050,490**
1- Provisions for Employment Termination Benefits	23	22,622,074	21,050,490
2- Provisions for Employee Pension Funds Deficits		-	-
H-Deferred Income and Expense Accruals		**1,880,476**	**-**
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		1,880,476	-
I- Other Long-Term Liabilities		**-**	**-**
1- Deferred Tax Liabilities		-	-
2- Other Long-Term Liabilities		-	-
IV- Total Long-Term Liabilities		**109,581,519**	**83,392,068**

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

(Currency: Turkish Lira (TL)) Originally Issued in Turkish, See Note 2.1.1

SHAREHOLDERS' EQUITY			
V- Shareholders' Equity	**Notes**	**Audited Current Period 31 December 2016**	**Audited Prior Period 31 December 2015**
A- Paid in Capital		**647,642,916**	**647,642,916**
1- (Nominal) Capital	2.13,15	529,147,564	529,147,564
2- Unpaid Capital		-	-
3- Positive Capital Restatement Differences		118,495,352	118,495,352
4- Negative Capital Restatement Differences		-	-
5- Unregistered Capital		-	-
B- Capital Reserves	**15**	**(24,236,476)**	**(94,207,407)**
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	(24,236,476)	(94,207,407)
C- Profit Reserves		**585,001,350**	**560,117,232**
1- Legal Reserves	15	98,171,443	77,771,040
2- Statutory Reserves		-	-
3- Extraordinary Reserves	15	545,710,004	518,634,823
4- Special Funds		-	-
5- Revaluation of Financial Assets	11,15	(61,468,340)	(38,876,874)
6- Other Profit Reserves	15	2,588,243	2,588,243
D- Retained Earnings		**57,493,495**	**53,844,946**
1- Retained Earnings		57,493,495	53,844,946
E- Accumulated Losses		**-**	**-**
1- Accumulated Losses		-	-
F-Net Profit/(Loss) for the Period		**376,155,631**	**233,322,815**
1- Net Profit for the Year		371,105,531	161,275,585
2- Net Loss for the Year		-	-
3- Net Profit for the Period not Subject to Distribution		5,050,100	72,047,230
V- Total Equity		**1,642,056,916**	**1,400,720,502**
TOTAL EQUITY AND LIABILITIES		**7,381,533,998**	**5,530,598,534**

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		**4,530,032,175**	**3,160,113,718**
1- Earned Premiums (Net of Reinsurer Share)		4,161,013,958	2,844,688,313
1.1- Written Premiums (Net of Reinsurer Share)	17	4,861,072,549	3,347,690,211
1.1.1- Written Premiums, gross	17	5,775,137,834	4,050,872,623
1.1.2- Written Premiums, ceded	10,17	(661,185,614)	(584,890,908)
1.1.3- Written Premiums, transferred to SSI	17	(252,879,671)	(118,291,504)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	17,29	(697,019,024)	(501,814,271)
1.2.1- Reserve for Unearned Premiums, gross	17	(840,827,547)	(609,793,251)
1.2.2- Reserve for Unearned Premiums, ceded	17	83,475,763	69,448,346
1.2.3- Reserve for Unearned Premiums, SSI share	17	60,332,760	38,530,634
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(3,039,567)	(1,187,627)
1.3.1- Reserve for Unexpired Risks, gross	17,29	(1,753,379)	(6,320,491)
1.3.2- Reserve for Unexpired Risks, ceded		(1,286,188)	5,132,864
2- Investment Income - Transferred from Non-Technical Section	1.7	332,189,978	275,341,628
3- Other Technical Income (Net of Reinsurer Share)		12,431,101	10,842,412
3.1- Other Technical Income, gross		12,431,101	10,842,412
3.2- Other Technical Income, ceded		-	-
4. Accrued Salvage and Subrogation Income		24,397,138	29,241,365
B- Non-Life Technical Expense		**(4,113,630,899)**	**(2,948,593,239)**
1- Incurred Losses (Net of Reinsurer Share)	17	(3,050,736,803)	(2,157,337,754)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(2,295,232,795)	(1,774,160,830)
1.1.1- Claims Paid, gross	17	(2,478,098,877)	(1,944,679,430)
1.1.2- Claims Paid, ceded	10,17	182,866,082	170,518,600
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(755,504,008)	(383,176,924)
1.2.1- Change in Provisions for Outstanding Claims, gross	17	(848,140,459)	(517,717,974)
1.2.2- Change in Provisions for Outstanding Claims, ceded	17	92,636,451	134,541,050
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)	17	(931,673)	(1,532,122)
2.1- Provision for Bonus and Discounts, gross	17	(931,673)	(1,532,122)
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(10,665,621)	(9,904,531)
4- Operating Expenses	32	(997,141,488)	(736,593,849)
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	47	(54,155,314)	(43,224,983)
6.1- Other Technical Expense, gross		(54,155,314)	(43,224,983)
6.2- Other Technical Expense, ceded		-	-
C- Net Technical Income-Non-Life (A – B)		**416,401,276**	**211,520,479**
D- Life Technical Income		-	-
1- Earned Premiums (Net of Reinsurer Share)		-	-
1.1- Written Premiums (Net of Reinsurer Share)		-	-
1.1.1- Written Premiums, gross		-	-
1.1.2- Written Premiums, ceded		-	-
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)		-	-
1.2.1- Reserve for Unearned Premiums, gross		-	-
1.2.2- Reserve for Unearned Premiums, ceded		-	-
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.3.1- Reserve for Unexpired Risks, gross		-	-
1.3.2- Reserve for Unexpired Risks, ceded		-	-
2- Investment Income		-	-
3- Unrealized Gains on Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)		-	-
4.1- Other Technical Income, gross		-	-
4.2- Other Technical Income, ceded		-	-
5- Accrued Salvage and Subrogation Income		-	-

(Currency: Turkish Lira (TL))

TECHNICAL SECTION	Notes	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
E- Life Technical Expense		-	-
1- Incurred Losses (Net of Reinsurer Share)		-	-
1.1- Claims Paid (Net of Reinsurer Share)		-	-
1.1.1- Claims Paid, gross		-	-
1.1.2- Claims Paid, ceded		-	-
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.2.1- Change in Provisions for Outstanding Claims, gross		-	-
1.2.2- Change in Provisions for Outstanding Claims, ceded		-	-
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts, gross		-	-
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
3.1- Change in Mathematical Provisions, gross		-	-
3.1.1- Actuarial Mathematical Provisions		-	-
3.1.2- Profit Sharing Provisions (Provisions for Policies Investment Risks of Which Belong to Life Insurance Policyholders)		-	-
3.2- Change in Mathematical Provisions, ceded		-	-
3.2.1- Actuarial Mathematical Provisions, ceded		-	-
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- Operating Expenses		-	-
6- Investment Expenses		-	-
7- Unrealized Losses on Investments		-	-
8- Investment Income Transferred to the Non-Life Technical Section		-	-
F- Net Technical Income- Life (D – E)		-	-
G- Pension Business Technical Income		-	-
1- Fund Management Income		-	-
2- Management Fee		-	-
3- Entrance Fee Income		-	-
4- Management Expense Charge in case of Suspension		-	-
5- Income from Individual Service Charges		-	-
6- Increase in Value of Capital Allowances Given as Advance		-	-
7- Other Technical Expense		-	-
H- Pension Business Technical Expense		-	-
1- Fund Management Expense		-	-
2- Decrease in Value of Capital Allowances Given as Advance		-	-
3- Operating Expenses		-	-
4- Other Technical Expenses		-	-
I- Net Technical Income - Pension Business (G – H)		-	-

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

(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)		**416,401,276**	**211,520,479**
F- Net Technical Income – Life (D-E)		**-**	**-**
I - Net Technical Income – Pension Business (G-H)		**-**	**-**
J- Total Net Technical Income (C+F+I)		**416,401,276**	**211,520,479**
K- Investment Income	**4.2**	**550,425,978**	**706,712,182**
1- Income from Financial Assets		287,693,169	169,553,276
2- Income from Disposal of Financial Assets		19	361,093
3- Valuation of Financial Assets		97,339,982	59,602,443
4- Foreign Exchange Gains	4.2	74,744,129	260,528,601
5- Income from Associates	4.2	53,774	108,620
6- Income from Subsidiaries and Joint Ventures	4.2	80,000,000	68,800,000
7- Income from Property, Plant and Equipment		6,497,629	85,047,212
8- Income from Derivative Transactions	4.2	4,097,276	62,710,937
9- Other Investments		-	-
10- Income Transferred from Life Section		-	-
L- Investment Expense	**4.2**	**(468,329,972)**	**(633,148,763)**
1- Investment Management Expenses (inc. interest)		-	-
2- Diminution in Value of Investments	4.2	-	(5,925,000)
3- Loss from Disposal of Financial Assets		(880,677)	(41,773,825)
4- Investment Income Transferred to Non-Life Technical Section		(332,189,978)	(275,341,628)
5- Loss from Derivative Transactions	4.2	-	(113,622,189)
6- Foreign Exchange Losses	4.2	(53,040,466)	(136,885,763)
7- Depreciation and Amortization Expenses	6,8	(38,256,970)	(25,846,911)
8- Other Investment Expenses		(43,961,881)	(33,753,447)
M- Income and Expenses From Other and Extraordinary Operations		**(55,801,280)**	**(26,867,585)**
1- Provisions	47	(47,584,738)	(30,363,116)
2- Rediscounts	47	(2,371,915)	3,088,202
3- Specified Insurance Accounts		542,662	668,640
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Assets)		-	-
6- Deferred Taxation (Deferred Tax Liabilities)	35	(6,615,986)	(1,708,733)
7- Other Income		2,579,522	2,620,348
8- Other Expenses and Losses		(1,543,211)	(956,252)
9- Prior Year's Income		-	-
10- Prior Year's Expenses and Losses	47	(807,614)	(216,674)
N- Net Profit for the Year		**376,155,631**	**233,322,815**
1- Profit for the Year		442,696,002	258,216,313
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(66,540,371)	(24,893,498)
3- Net Profit for the Year		376,155,631	233,322,815
4- Monetary Gains and Losses		-	-

(*)Restated as it is explained in detail at section 1.7

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		6,016,282,371	4,295,801,887
2. Cash provided from reinsurance activities		-	2,282,115
3. Cash provided from pension business		-	-
4. Cash used in insurance activities		(4,628,167,148)	(3,642,219,442)
5. Cash used in reinsurance activities		(19,237,560)	-
6. Cash used in pension business		-	-
7. Cash provided from operating activities		**1,368,877,663**	**655,864,560**
8. Interest paid		-	-
9. Income taxes paid		(94,636,599)	(43,601,437)
10. Other cash inflows		36,421,077	54,835,623
11. Other cash outflows		(25,454,170)	(18,540,146)
12. Net cash provided from operating activities		**1,285,207,971**	**648,558,600**
B. Cash flows from investing activities			
1. Disposal of tangible assets		26,575,407	79,638,311
2. Acquisition of tangible assets	6,8	(70,625,799)	(78,235,734)
3. Acquisition of financial assets	11	(1,498,306,020)	(1,291,176,732)
4. Disposal of financial assets	11	710,443,473	198,947,748
5. Interests received		357,336,951	206,741,115
6. Dividends received		80,053,774	68,908,620
7. Other cash inflows		83,996,092	398,186,343
8. Other cash outflows		(107,075,580)	(330,761,399)
9. Net cash provided by investing activities		**(417,601,702)**	**(747,751,728)**
C. Cash used in financing activities			
1. Equity shares issued		-	-
2. Cash provided from loans and borrowings		-	-
3. Finance lease payments		-	-
4. Dividends paid		(113,800,000)	(109,000,000)
5. Other cash inflows		-	99,509,557
6. Other cash outflows		(667,563)	-
7. Net cash used in financing activities		**(114,467,563)**	**(9,490,443)**
D. Impact of currency differences on cash and cash equivalents		**11,767,524**	**11,626,127**
E. Net increase/(decrease) in cash and cash equivalents		**764,906,230**	**(97,057,444)**
F. Cash and cash equivalents at the beginning of the period	**14**	**1,367,592,884**	**1,464,650,328**
G. Cash and cash equivalents at the end of the period	**14**	**2,132,499,114**	**1,367,592,884**

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

Allianz Sigorta Anonim Şirketi *Convenience Translation of Financial Statements*
Separate Statement of Changes in Shareholders' Equity *and Related Disclosures and Footnotes*
For the Year Ended 31 December 2016 *Originally Issued in Turkish, See Note 2.1.1*
(Currency: Turkish Lira (TL))

Shareholder's Equity – 31 December 2015 – Audited												
	Notes	**Share Capital**	**Treasury Shares**	**Value Increase in Assets**	**Inflation Adjustments**	**Currency Translation Adjustments**	**Legal Reserves**	**Statutory Reserves**	**Other Reserves and Retained Profit**	**Net Profit / (Loss) for the Year**	**Retained Earnings**	**Total**
I – Balance at 31 December 2014		**529,147,564**	**-**	**20,988,515**	**118,495,352**	**-**	**55,303,834**	**-**	**316,929,957**	**284,258,890**	**11,125,804**	**1,336,249,916**
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
1 – In cash		-	-	-	-	-	-	-	-	-	-	-
2 – From reserves	15	-	-	-	-	-	-	-	-	-	-	-
B- Treasury shares		-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not recognized in the statement of income		-	-	-	-	-	-	-	-	-	(306,085)	(306,085)
D- Change in the value of financial assets	11,15	-	-	(59,865,389)	-	-	-	-	-	-	-	(59,865,389)
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses	6	-	-	-	-	-	-	-	(42,705,982)	-	43,025,227	319,245
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period		-	-	-	-	-	-	-	-	233,322,815	-	233,322,815
I- Other Reserves and Transfers from Retained Earnings		-	-	-	-	-	22,467,206	-	152,791,684	(175,258,890)	-	-
J – Dividends paid		-	-	-	-	-	-	-	-	(109,000,000)	-	(109,000,000)
II – Balance at 31 December 2015		**529,147,564**	**-**	**(38,876,874)**	**118,495,352**	**-**	**77,771,040**	**-**	**427,015,659**	**233,322,815**	**53,844,946**	**1,400,720,502**

Shareholder's Equity – 31 December 2016 – Audited												
	Note	**Share Capital**	**Treasury Shares**	**Value Increase in Assets**	**Inflation Adjustments**	**Currency Translation Adjustments**	**Legal Reserves**	**Statutory Reserves**	**Other Reserves and Retained Profit**	**Net Profit / (Loss) for the Year**	**Retained Earnings**	**Total**
I – Balance at 31December 2015		**529,147,564**	**-**	**(38,876,874)**	**118,495,352**	**-**	**77,771,040**	**-**	**427,015,659**	**233,322,815**	**53,844,946**	**1,400,720,502**
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
1 – In cash		-	-	-	-	-	-	-	-	-	-	-
2 – From reserves	15	-	-	-	-	-	-	-		-	-	-
B- Treasury shares		-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not recognized in the statement of income		-	-	-	-	-	-	-	-	-	759,824	759,824
D- Change in the value of financial assets	11,15	-	-	(22,591,466)	-	-	-	-	-	-	-	(22,591,466)
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses	6	-	-	-	-	-	-	-	(2,076,300)	-	2,888,725	812,425
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the period		-	-	-	-	-	-	-	-	376,155,631	-	376,155,631
I – Other Reserves and Transfers from Retained Earnings		-	-	-	-	-	20,400,403	-	99,122,412	(119,522,815)	-	-
J- Dividends paid		-	-	-	-	-	-	-	-	(113,800,000)	-	(113,800,000)
II – Balance at 31 December 2016		**529,147,564**	**-**	**(61,468,340)**	**118,495,352**	**-**	**98,171,443**	**-**	**524,061,771**	**376,155,631**	**57,493,495**	**1,642,056,916**

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
I. DISTRIBUTION OF THE PROFIT FOR THE YEAR			
1.1. CURRENT PERIOD PROFIT/(LOSS)		449,311,988	259,925,046
1.2. TAXES AND DUTIES PAYABLE		73,156,357	26,602,231
1.2.1. Corporate Tax (Income Tax)		66,540,371	24,893,498
1.2.2. Income Tax Deductions		-	-
1.2.3. Other Taxes and Legal Duties		6,615,986	1,708,733
A CURRENT PERIOD PROFIT/(LOSS) (1.1 – 1.2)		**376,155,631**	**233,322,815**
1.3. ACCUMULATED LOSSES (-)		-	-
1.4. 1.4. FIRST LEGAL RESERVES (-)		-	11,666,141
1.5. 1.5. OTHER STATUTORY RESERVES (-)		-	(72,047,230)
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5)]		**-**	**149,609,446**
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	(26,457,378)
1.6.1. To owners of ordinary shares		-	(26,457,378)
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 (-)		-	(87,342,622)
1.9.1. To owners of ordinary shares		-	(87,342,622)
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 (-)		-	(8,734,262)
1.11. STATUTORY RESERVES(-)		-	-
1.12. EXTRAORDINARY RESERVES		-	-
1.13. OTHER RESERVES		-	(27,075,184)
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		**0.0071**	**0.0044**
3.1. TO OWNERS OF ORDINARY SHARES		0.0071	0.0044
3.2. TO OWNERS OF ORDINARY SHARES (%)		0.71	0.44
3.3. TO OWNERS OF PRIVILEGED SHARES		-	-
3.4. TO OWNERS OF PRIVILEGED SHARES (%)		-	-
IV. DIVIDEND PER SHARE		**-**	**0.0022**
4.1. TO OWNERS OF ORDINARY SHARES		-	0.0022
4.2. TO OWNERS OF ORDINARY SHARES (%)		-	0.2151
4.3. TO THE PRIVILEGED SHAREHOLDERS		-	-
4.4. TO THE PRIVILEGED SHAREHOLDERS (%)		-	-

General Board of the Company is authorized about Current period profit distribution. As the preparation date of financial statements, The Company's annual General Board meeting has not been held.

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

1 General information

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

Allianz Sigorta Anonim Şirketi ("the Company") was established in Istanbul in 1923. In the Extraordinary General Meeting dated 28 July 1998, the Company has changed its title to Koç Allianz Sigorta A.Ş. from Şark Sigorta T.A.Ş.

Subsequent to the approval of the Turkish Prime Ministry-Undersecretariat of Treasury (the "Turkish Treasury"). and the Competition Authority, in accordance with the Board of Directors decision dated 21 July 2008 and numbered 2008/13, Koç Holding A.Ş. and Temel Ticaret ve Yatırım A.Ş., the Company's shareholders as at 31 December 2007, have transferred their shares with a nominal value of TL 94,179,000 constituting the 47.09% of the total shares of the Company to Allianz SE for a sales price of EUR 247,576,782. In the Extraordinary General Meeting of the Company held on 22 September 2008, it has been decided to change the name of the Company from Koç Allianz Sigorta A.Ş. to Allianz Sigorta 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.

In accordance with the approval of the Turkish Treasury dated 4 May 2010 and decision of the Board of Directors dated on 11 May 2010 numbered 2010/14, Allianz SE has transferred their shares with a nominal value of TL 168,280,000 constituting 84.18% of the total shares of the Company to Allianz Europe B.V., in 2010.

As at 31 December 2014, the shareholders having direct or indirect control over the shares of the Company are Allianz SE and Allianz Europe B.V.

According to the extraordinary General Meeting held on 19 September 2014, and the approval of the Turkish Treasury dated 25 July 2014 and numbered 70761236-301.08/2451, legal entity of Yapı Kredi Sigorta A.S terminated after the merger through acquisition.

95,815,146 nominal valued share which representing 93,94% share of Yapı Kredi Sigorta A.S, acquired from Yapı Kredi Bank by Company's major shareholder Allianz SE at the date of 12 July 2013.

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 has been registered in Turkey and operates as a joint stock company. The Headquarter of the Company is located in "Allianz Tower Küçükbakkalköy Mahallesi Kayışdağı Caddesi No:1 Ataşehir İstanbul". Other than the headquarter, the Company has 12 representative offices operating as regional office, liaison office and branches located in Istanbul, Ankara, Izmir, Adana, Bursa, Antalya, Malatya, Samsun, Denizli and Kocaeli.

1.3 Business of the Company

The Company operates in non-life insurance branches consisting of fire, marine, accident, engineering, motor-hull, personnel accident, health, agriculture, credit and legal protection.

As at 31 December 2016, the Company has 3,881 (31 December 2015: 3,894) agencies of which 3,829 are authorized and 52 are unauthorized (31 December 2015: 3,790 authorized, 104 unauthorized).

(Currency: Turkish Lira (TL))

1 General information *(continued)*

1.4 Description of the main operations of the Company

The Company conducts its operations as stated in note 1.3 above in accordance with the Insurance Law No.5684 issued in the Official Gazette dated 14 June 2007 and numbered 26552 ("the Insurance Law") and the communiqués and other regulations in effect issued by "Turkish Treasury.

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

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

	31 December 2016	31 December 2015
Top management personnel	25	20
Other personnel	1,559	1,561
Total	**1,584**	**1,581**

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 13,854,409 (31 December 2015: TL 13,210,440).

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

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 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).

All of the income on the investment of assets backing non-life technical provisions is transferred from non-technical part to technical part. Other investment income is classified under non-technical part. The Company has common expenses with Allianz Hayat ve Emeklilik A.Ş., which is a group company and in which the Company has 2% shares, classified as available-for-sale financial asset, 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 Hayat ve Emeklilik 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". The Company management has recalculated the amount of investment incomes transferred to technical income from non-technical segment amounting to TL 308,483,293 included in the individual income statement for the accounting period ending on December 31, 2015 with the method change in the current period and transferred it to technical income section as TL 275,341,628.

1 General information *(continued)*

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

There are some common costs that can not be directly separated due to reasons such as physical area sharing and the use of common personnel with Allianz Yaşam ve Emeklilik Anonim Şirketi and Allianz Hayat ve Emeklilik Anonim Şirketi, which are group companies and whose shareholdings in the capital are 2% and 80% respectively. Such shared costs are separated on the basis of a contract to determine the basis for sharing between the Company and Allianz Hayat ve Emeklilik Anonim Şirketi and Allianz Yaşam ve Emeklilik Anonim Şirketi.Under this contract, the parties share the costs they have incurred due to their common functions and activities, based on the 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 (Allianz Sigorta A.S). The company's date December 31, 2008 and published in the Official Gazette No. 27097 "Communiqué of the insurance and reinsurance companies and pension companies preparing consolidated financial statements" prepared in the framework of the consolidated financial statements also will be published.

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 Sigorta Anonim Şirketi
Registered address of the head office	: Allianz Tower Küçükbakkalköy Mahallesi
	Kayışdağı Caddesi No:1
	Ataşehir/İstanbul
The website of the Company	: **www.allianz.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 Summary of significant accounting policies *(continued)*

2.1 Basis of 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 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.

"Circular Related to the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance, and Individual Pension Companies" issued by the Undersecretariat of Treasury in the 31 December 2008 dated and 27097 numbered (4th repeat) Official Gazette, constituted the basis of consolidation to be effective on the dates that the circular specifies.

In the 12 August 2008 dated and 2008/36 numbered "Sector Announcement Related to the Accounting of Subsidiaries, Associates and Joint Ventures in the Separate Financial Statements of Insurance, Reinsurance and Individual Pension Companies" issued by the Undersecretariat of Treasury, it is stated that although, insurance, reinsurance and individual pension companies are exempted from *TAS 27 – Consolidated and Separate Financial Statements*, subsidiaries, associates and joint-ventures could be accounted for in accordance with TAS 39 – *Financial Instruments: Recognition and Measurement* or at cost in accordance with the 10th paragraph of TAS 27 – *Consolidated and Separate Financial Statements.* The company recognised its subsidiaries and associates with respect to their fair values less impairment amount if any.

"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.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

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

Accounting in hyperinflationary countries

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

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

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

2.1.4 Rounding scale of the amounts presented in the financial statements

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

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

The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2004, except for the financial assets held for trading, available for sale financial assets, investment property, owner occupied property of the Company and investments in associates which are stated at their fair values.

2.1.6 Changes in accounting policies

There are no changes in accounting policies in the current year.

2.1.7 Changes in accounting estimates

There are no changes in accounting estimates in the current year.

The clarirification of other accounting estimates have been given in 3 - Significant accounting estimates and decisions note.

2 Summary of significant accounting policies *(continued)*

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.

In the 12 August 2008 dated and 2008/36 numbered “Sector Announcement Related to the Accounting of Subsidiaries, Associates and Joint Ventures in the Separate Financial Statements of Insurance, Reinsurance and Individual Pension Companies” issued by the Turkish Treasury, it is stated that although insurance, reinsurance and individual pension companies are exempted from *TAS 27 – Consolidated and Separate Financial Statements*, subsidiaries, could be accounted for in accordance with TAS 39 – *Financial Instruments: Recognition and Measurement* or at cost in accordance with the 10th paragraph of TAS 27 – *Consolidated and Separate Financial Statements.*

The Company has not consolidated Magdeburger Sigorta A.Ş., the subsidiary of the Company, based on the exception specified in the Circular for Consolidation; as the amount of total assets of the such subsidiary was below 1% of total assets of the Company. The Company accounted for this subsidiary at cost less impairment losses as of 31 December 2016 and 2015. The Company’s other subsidiaries Allianz Yaşam ve Emeklilik A.Ş. and Beykoz Gayrimenkul Yatırım İnşaat Turizm San. Tic. A.Ş. that will be included in consolidated financial statements prepared as of 31 December 2016 shall also be published.

2.3 Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Since the main economic environment, where the Company operates, is Turkey, a geographical segment reporting has not been presented; also because the Company operates in only non-life branch, a business segment reporting has not been presented, either.

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 date 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, “valuation of financial assets” account under the equity.

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies *(continued)*

2.5 Tangible assets

Tangible assets, excluding own use property, 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 disparity and financial expenses.

Own use property are carried at their revalued amount on the basis of a valuation made by an independent valuation expert less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net carrying amount is restated to the revalued amount.

Increases in the carrying amounts arising on revaluation of property, net of tax effects, are credited to "Other Capital Reserves" under shareholders' equity. Any subsequent decrease in value offsetting previous increases in the carrying amount of the same asset is charged against the funds in the equity; and all other decreases are charged to profit or loss. At each reporting date, the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's original cost is transferred from "Other Capital reserves" to retained earnings.

Land, due to infinite life, is not depreciated. Depreciation on tangible assets is calculated using straight-line method to allocate their cost or revalued amounts over their estimated useful lives.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net book value and the net sales price 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 calculated on a straight-line basis over the estimated useful lives of tangible assets. Depreciation rates and estimated useful lives are:

Tangible Assets	**Estimated Useful Lives (years)**	**Depreciation Rates (%)**
Own use property	50	2
Furniture and fixtures	3-15	7-33
Motor vehicles	5	20
Other tangible assets (including leasehold improvements)	3	33

When the property previously was held for own use, the property is amortised up to the date of the change in use as investment property. Any difference at the date of the change in use between the carrying amount of the property and its fair value is recognised as a revaluation and impairment losses are recognized in profit or loss. Positive differences at the date of the change in use are transferred to retained earnings.

2 Summary of significant accounting policies *(continued)*

2.6 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both.

Investment property is measured initially at cost including transaction costs.

Investment properties are carried at their fair value on the basis of valuation made by an independent valuation expert.

Changes in fair values of investment properties are recognized in the income statement under investment income.

2.7 Intangible Assets

The Company's intangible assets consist of information systems and software. 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.

Intangible assets are amortized based on straight line method through their useful lives (3-5 years).

2.8 Financial assets

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity. Financial assets are classified in four categories; as financial assets held for trading, available-for-sale financial assets, held to maturity financial assets, and loans and receivables.

Financial assets held for trading are valued at their fair values and gain/loss arising is recorded in profit or loss. Interest income earned on trading securities and the difference between their acquisition costs and fair values are recorded as interest income in the statement of income. In case of sales of such securities before their maturity, the gains/losses on such sales are recorded under trading income/losses.

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

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

2 Summary of significant accounting policies *(continued)*

2.8 Financial assets *(continued)*

Available-for-sale financial assets are initially recorded at cost and subsequently measured at their fair values. However, 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 value 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 the profit or loss.

The determination of fair values of financial instruments not traded in an active market is determined by using valuation techniques. Observable market prices of the quoted financial instruments which are similar in terms of interest, maturity and other conditions are used in determining the fair value. Purchase and sale transactions of marketable securities are accounted on delivery date

Subsidiaries are the entities that the Company has the power to govern the financial and operating policies of those so as to obtain benefits from its activities. Subsidiaries are reflected in financial statements at their costs after deducting impairment losses, if any.

Associates, classified as available-for-sale financial assets in the financial statements, which are traded in an active market or whose fair value can be reliably measured, are recorded at fair value. Associates which are not traded in an active market and whose fair value cannot be reliably set are reflected in the financial statements at their costs after deducting impairment losses, if any. In this respect, the Company measured the fair value of its shares in Allianz Hayat ve Emeklilik A.Ş. (“AHE”), by using the price in a recent arm's length market transaction between knowledgeable and willing parties, as these shares are not quoted in an active market. In additon relating to determination of the value of Allianz Hayat ve Emeklilik AŞ, internal discounted cash flow method was used and Company records to reflects valuation resulting impairment.

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.

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies *(continued)*

2.9 Impairment on assets *(continued)*

Impairment on tangible assets

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

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

2.10 Derivative financial instruments

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. 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.

For the year ended 31 December 2016, the Company recognised TL 4,097,276 (31 December 2015: TL 62,710,937 investment income) invesment income. The Company has not recognised any investment loss from derivative transactions. (31 December 2015: TL 113,622,189 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 accounting 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 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 and readily 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 shares of the Company is Allianz SE and Allianz Europe BV. As at 31 December 2016 and 2015, the share capital and ownership structure of the Company is as follows:

	31 December 2016		**31 December 2015**	
Name	**Nominal Value of the Shares (TL)**	**Share Percentage (%)**	**Nominal Value of the Shares (TL)**	**Share Percentage (%)**
Allianz SE	340,724,316	64.39	340,719,436	64.39
Allianz Europe BV.	168,356,668	31.82	168,356,668	31.82
Tokio Marine and Nichido Fire Insurance Co. Ltd.	20,000,000	3.78	20,000,000	3.78
Diğer	66,580	0.01	71,460	0.01
Paid-in Capital	**529,147,564**	**100.00**	**529,147,564**	**100.00**

2 Summary of significant accounting policies *(continued)*

2.13 Share Capital *(continued)*

Capital increase during the period and sources

None.

Privileges on common shares representing share capital

No privileges are granted to the shares representing the share capital as at 31 December 2016 and 2015.

Treasury shares of the Company

The Company is not subject to the registered share capital system as at 31 December 2016 and 2015.

Repurchased own shares by the Company

None.

2.14 Insurance and investments contracts – classification

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

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

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

2.15 Insurance contracts and investment contracts with discretionary participation feature

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

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

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

2.16 Investment contracts without DPF

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

2.17 Liabilities

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

2 Summary of significant accounting policies *(continued)*

2.18 Income taxes

Corporate tax

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

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. 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.

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

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods. As at 31 December 2016 and 2015 the Company does not have any deductible tax losses amount.

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

Deferred taxes

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

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

If transactions and events are recorded in the statement of income, then the related tax effects are also recognized in the statement of income. 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.

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies *(continued)*

2.19 Employee benefits

Employee termination benefit

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 Profit / Losses, other comprehensive income and all other expenses are recognized under profit / loss of service production costs and general administrative expenses.

The Company reserved for employee severance indemnities using actuarial method in compliance with the "*TAS 19* – Employee Benefits". The major statistical 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 / 9.25	%9.25 / 7.75
Estimated Voluntarily Leave Rate (Head Office) (*)	%1.25 – %15	%1.25 – %15
Estimated Voluntarily Leave Rate (Sales Personnel) (*)	%1 – %21.50	%1 – %21.50

(*) The Company reviewed calculation of voluntary leave rate which is considered in provision for employee termination and reanalyzed data of voluntary leave rate. Voluntary leave rate is determined by taking into account past experiences and future expactations

The specified expected rate of salary/limit increase is defined according to inflation estimation of government.

Other benefits

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

2.20 Provision

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 Summary of significant accounting policies *(continued)*

2.21 Revenue recognition

Written premiums and outstanding claims

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 on gross premiums are booked in “premiums ceded to reinsurance companies” account of statement of income.

The Company accounts for accrued and calculated outstanding claim provision for ultimate cost of the claims incurred, but not paid in the current or prior periods or for the estimated ultimate cost if the cost is not certain yet, and for the incurred but not reported claims. Ceded portion of claims are deducted from outstanding claims provision.

Subrogation, salvage and quasi income

According to the Circular 2010/13 dated 20 September 2010; the Company can account for income accrual for subrogation receivables up to the guarantee limit of insurance companies without any voucher for insurance companies after the completion of the claim payments made to the insuree and receipt of voucher (bank statement related to the claim payment) from third parties other than insurance companies and notice of the insurance companies or third part parties. If the amount cannot be collected from the counterparty insurance company, the Company provides provision for uncollected amounts due for six months. If the counter party is not an insurance Company, the provision is provided after four months.

On the other hand, if there is an agreement with the insurance company and third parties; where there is a payment plan up to one year, or receipt of cheques, bills or similar documents, the Company does not provide provision for subrogation receivables that are under the installment plan, but uncollected for six months from insurance companies and four months for other counter parties after the payment date to the insure.

As at the reporting date, in accordance with the related circular, the Company provided TL 41,055,421 (31 December 2015: TL 34,838,344) (*Note 12*) allowance for subrogation receivables amounting to TL 15,141,108 (31 December 2015: TL 11,765,838) (*Note 12*) recorded as receivables from main operations.

If there is a payment installment or cheques and bills received, provision should be accounted for the amounts due above one year. In addition, provision for all undue installments is provided, if there is unpayment for the twelve month period after the payment to the insuree.

When the subrogation is subject to a court case, the amount is recorded on the date of the transaction and the same amount of provision is provided on the same day.

The Company provided provision for subrogation receivables under legal follow up at an amount by TL 166,577,971 (31 December 2015: TL 144,936,261) *(Note 12)* and the same amount is presented under doubtful receivables under main operations.

In order to account for salvage income expected from the sale of the assets, the insurance amount should be paid to the insuree and the ownership of the related assets should be transferred to the Company. When the assets are transferred to the insuree, sold to third parties by the Company or by an intermediary; salvage income is recorded and should not be recorded as a deduction from provisions for outstanding claims and paid claims.

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies *(continued)*

2.21 Revenue recognition *(continued)*

Subrogation, salvage and quasi income *(continued)*

For the years ended 31 December 2016 and 2015, salvage and subrogation collected are as follows:

	31 December 2016	**31 December 2015**
Land vehicles	277,724,223	244,959,189
Motor vehicle liability	36,685,839	19,896,652
Marine	3,280,779	2,736,431
Fire and natural disasters	2,697,363	2,362,647
Sickness / Health	802,860	172,107
General losses	730,994	123,152
Ships	206,242	95,606
General Liability	46,154	16,933
Accident	5,164	3,417
Total	**322,179,618**	**270,366,134**

For the years ended 31 December 2016 and 2015, accrued subrogation and salvage income per branches is as follows:

	31 December 2016	**31 December 2015**
Land vehicles	24,906,276	21,317,608
Motor vehicle liability	10,344,199	8,402,029
Sickness / Health	2,277,717	2,197,094
Fire and natural disasters	1,837,161	691,835
Marine	1,624,899	1,820,665
General liability	65,169	409,113
Total	**41,055,421**	**34,838,344**

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 and available-for-sale financial assets. Trading income and trading expenses are recognized as "Income from disposal of financial assets" and "Loss from disposal of financial assets" in the accompanying financial statements.

Dividend

Dividend income is accounted when related dividend right arises.

2.22 Leasing transactions

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

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

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

2.23 Dividend distribution

In accordance with the resolution taken unanimously in the ordinary General Meeting held on 30 March 2016, As a result of the activities of the Company in the year 2015, TL 11,666,141 general legal reserves and TL 72,047,230 non-distribution real estate sales profit were allocated from the after-tax profit of TL 233,322,815 for the year 2015 and net profit for 2015 amounting to TL 113,800,000 is decided to distribute and the remaining profit is transferred to extraordinary reserves according to the Turkish Commercial Law (article: 519).

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") published in the Official Gazette dated July 28, 2010 and numbered 27655 and entered into force as of September 30, 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 date for all short- term insurance policies. For cargo insurance policies with unspecified termination date, unearned premium reserve is accounted for as the 50% of premiums written in the last three months.

Reserve for unearned premiums is calculated for all contracts except for the insurance contracts for which the Company provides mathematical reserve. Reserve for unearned premiums is also calculated for the annual premiums of the insurance contracts which have long term maturity but renewed annually.

In accordance with the Communiqué on Technical Reserves, reserve for unearned premiums is calculated by taking into account that all polices become active at 12:00 at noon and end at 12:00 at noon.

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

2 Summary of significant accounting policies *(continued)*

2.25 Reserve for unexpired risks

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

The test is performed on main branch basis and in case where the expected claim/premium ratio is higher than 95%, reserve calculated by multiplying the exceeding portion of the expected claim/premium ratio with the reserve for unearned premiums of that specific branch is added to the reserves of that branch. As a result of the related test, as at the reporting date, the Company has recorded TL 4,227,193 reserve for unexpired risks. (31 December 2015: 1,187,627).

According to the Circular numbered 2015/30 and 2016/1, outstanding claims amount that used on calculation of expected loss/premium ratio for determine unexpired risks has recalculated consistently with previous year.

According to the Circular numbered 2012/15 dated 10 December 2012, reserve for unexpired risks are calculated on main branches.

As of 31 December 2016, the Company did not use the method stated in "Circular Related to Continuing Risks" dated 11 November 2016 and No 2016/37.

2.26 Provision for outstanding claims

According to the Communiqué on Technical Reserves, all expenses related to the claim files including calculated or expected expertise, consultant, lawsuit and communication expenses in the calculation of provision for outstanding claims. In these calculations salvage and subrogation income are not considered.

According to Article 7 of the Technical Reserves Regulation entitled "Provision for outstanding claims", the Company has recognized the amount of compensation that was accrued and calculated but not yet paid in the previous accounting period or in the current accounting period, or, if this amount was not calculated, the estimated compensation amount (IBNR) in order to pay outstanding claims.

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

The Company selected most appropriate method to calculate IBNR on main branches in accordance to the “Communiqué on Outstanding Claims” dated 5 December 2014 and numbered 2014/16.

According to the Circular numbered 2011/18, in IBNR calculation for Motor Third Party Liability, Compulsory Transportation Financial Liability and Compulsory Personal Accident for Bus Transportation branches’ IBNR calculation, all paid claims, outstanding claims and received subrogation amounts related to treatment expenses are excluded.

2 Summary of significant accounting policies *(continued)*

2.26 Provision for outstanding claims *(continued)*

IBNR calculations have been made on the gross amounts where the Company's reinsurance agreements in force or related agreements are used to reach net figures. The same method is used in order to calculate the net IBNR amounts. The gross IBNR result is multiplied by the related periods retention rates for each claim period in order to reach net IBNR amount for all branches. Method applied for all branches separately

As at the reporting date, as a result of best estimate actuarial estimation; the Company recorded net TL 845,669,070 (31 December 2015: TL 433,822,085) IBNR amount.

The Company carries out IBNR calculation based on the best estimation methods in accordance with the "Circular on Outstanding Compensation" No. 2014/16. Within the methods used, one major damage file in the General Liability and General Loss branch has been excluded from the analysis due to the damage development.

Company within the Compulsory Traffic branch , especially the observed damage to the pace of development in recent years in damage to the body, interplead rate, the effect of the difference compared to the average claim amount passed on factors such as the period in order to reflect the best damage estimates conducted separate final damage estimates for physical and property damage. The estimates made for physical damage is based upon Frequency - Violence, Bornhuetter -Ferguson and a combination of growth factors method. For property damage , the damage suffered by the growth factor -based methods, especially the depreciation of the damage pursuant to the Frequency - Violent methods are considered .

In General Liability with a long tail branches Medical Compulsory Third Party Liability branch on Bad Practices and Other Liability were analyzed separately , both broken with for the Bornhuett -Ferguson and growth factor -based methods, the final damage estimates were carried out. The methods used in other branches of activity indicated growth factor method is based mainly suffered damage , Bornhuett -Ferguson method for the period deemed necessary and accident branches are taken into account.

The level of minimum wage increase that is effective from the beginning of 2016 will affect the amount of compensation to be deprived of the support account, the damages that took place and reported as of December 31, 2015 and the ones that took place as of December 31, 2015 but no reported. Accordingly, the Company as of December 31, 2015, the damages that have occurred and have been reported because the average amount of compensation that apply to files not yet provisioned over the average outstanding amount for the damage has not confirmed an increase in the amount of outstanding claims . IBNR files to the best damage provisions regarding separated , were raised in accordance with all of the minimum wage increase will create the effect.

By using the explanation made in 2016/11 numbered " Circular Relating to Outstanding Claims Provisions (2014/16) Circular on the Amendment " and by using the 100% pass rate at 31 December 2016, the company reflected in all the best estimate of damage on financial statements.

(Currency: Turkish Lira (TL))

2 Summary of significant accounting policies *(continued)*

2.26 Provision for outstanding claims *(continued)*

June 17, 2013 dated and 2013/13 numbered " ACLM Basis retroactive Update of files on Industry Announcements " and Mandatory Traffic Insurance, the final decision as a result of the company issued by the Supreme Court in relation to damage to the body in the sectors indicated that increased financial obligations. Furthermore, the update will be made in the same industry with the announcement of the amount of outstanding claims as well as data on the actuarial chain ladder method creates history IBNR impairment and therefore false to prevent the separation of the data to be updated Circular No. 2011/1 was reminded of the possibility recognized retroactively. On the other hand , on July 17, 2012 and 28356 numbered Official Newspaper " Regulation on Technical Provisions of Insurance and Reinsurance Companies and Amendments to the Regulation on provisions which will be invested on the Assets" .and the amount of the uncertain debt claims, since the adequate documentation available in the absence of known amount for the company until the subjected documents and reports prepared by the company's three -year history, leaving at least provision for outstanding claims according to the best estimate is to be made according to the statistics to be collected.

In accordance with circular dated 17 June 2013 numbered 2013/13 by The Undersecretariat of Treasury on 17 June 2013 and 28534 numbered Official Gazette, the Company has revised outstanding claims for court expenses and other lawsuit receivables for bodily injury cases that the amounts are not determined reliably.

According to the Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves” published in the Official Gazette numbered 27655 on 28 July 2010; except new branches and branches with limited claim data specified by the actuaries, the regulation related to adequacy test is not applicable and the Company has not performed adequacy test for provision for outstanding claims for all branches as at 31 December 2015. For branches those have small number of files and performed big claim elimination by Company actuaries, adequacy test is performed. The Company did not provide any additional provision based on the adequacy test.

In accordance with “Circular Related to Information on Calculation of Incurred But Not Reported Claims Reserve” numbered 2011/23, the companies can decrease their outstanding claims reserve balances based on the conditions specified in the related circular. Based on the regulation, Company actuary and lawyer calculated probability of winning from the data set of the last five years and the outstanding claims reserve balance is decreased by TL 109,316,103 (31 December 2015: TL 103,085,338). Details of the probabilities of winning of business lines as follows:

Branch	**Probility of winning**
Fire and Natural Disaster	%25
Transportaion	%25
Watercrafts	%25
Transportation vehicles (land)	%25
General responsibility	%25
General loss	%25
Aviation	%25
Legal Protection	%25
Health	%25
Motor vehicle liability	%18
Personal accident	%14

2 Summary of significant accounting policies *(continued)*

2.27 Equalization provision

In accordance with the Communiqué on Technical Reserves put into effect starting from 1 January 2008, the Company should provide equalization provision in credit insurance and earthquake branches to equalize the fluctuations in future possible claims and for catastrophic risks. Equalization provision, started to be provided in 2008, is calculated as 12% of net premiums written in credit insurance and earthquake branches. In the calculation of net premiums, fees paid for un-proportional reinsurance agreements are considered as premiums ceded to the reinsurance firms. The companies should continue booking equalization provision up to reaching 150% of the highest premium amount written in a year within the last five 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. When claims are incurred, the amounts below exemption limits as stated in the contracts and the share of the reinsurance firms cannot be deducted from equalization provisions. Claims payments are deducted from first year's equalization provisions by first in first out method. Equalization provisions are presented under "other technical reserves" account of long-term liabilities in the accompanying financial statements.

As of 31 December 2016, equalization provision amounting to TL 72,858,918 (31 December 2015: TL 62,193,297) is presented under "other technical reserves" under long term-liabilities in the accompanying financial statements.

2.28 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.

2.29 Earnings per share

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

2.30 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.

2.31 New standards and interpretations not yet adopted

Standards and interpretations issued but not yet effective as of 31 December 2016

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

2 Summary of significant accounting policies *(continued)*

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

TFRS 9 *Financial Instruments: Recognition and Measurement*

An entity shall apply TFRS 9 for annually years beginning on or after 1 January 2018. An earlier application is permitted. If an entity adopts this TFRS in its financial statements for a period beginning before 1 January 2012, then prior periods are not needed to be restated. The objective of TFRS 9, being the first phase of the project, is to establish principles for the financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of amounts, timing and uncertainty of the entity's future cash flows. With TFRS 9 an entity shall classify financial assets as subsequently measured at either amortized cost or fair value on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristic of the financial assets. The guidance in TAS 39 on impairment of financial assets and hedge accounting continues to apply.

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)*

2.31 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.

2 Summary of significant accounting policies *(continued)*

2.31 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)*

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 **.**

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.

2 Summary of significant accounting policies *(continued)*

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

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 judgments in applying accounting policies

The notes given in this section are provided to addition/supplement the commentary on the management of insurance risk *(Note 4.1)* 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 6 – *Tangible assets*
Note 7 – *Investment properties*
Note 9 – *Investments in associates*
Note 12 – *Loans and receivables*
Note 17 – *Insurance liabilities and reinsurance assets*
Note 17 – *Deferred acquisition costs*
Note 21 – *Deferred taxes*

4 Management of insurance and financial risk

4.1 Management of insurance risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities.

In accordance with Code of Risk Acceptance, risks are allocated in terms of their branches and potential effects. The main part of this risk management is the evaluation of all possibilities to eliminate, control or reinsure the risk by defining in all parts of the insurance operations.

The Company determines annual “risk acceptance policies” regarding the products of the Company and revised these policies during the year, if necessary. Based on the mentioned risk acceptance policies, the maximum and minimum limits for risk analysis during the period from order process to the issuance of the policy and the risks which will be excluded are determined for each product. Furthermore, the Company, by considering its financial structure, obtains coverage for the significant risks and catastrophic losses through the use of reinsurance agreements.

The Company does not only apply risk evaluation procedure, but also transfers risks to reinsurers in conformity with the excess-of-loss and quota-share reinsurance agreements. For compensating risks exceeding the treaty capacities which vary with respect to related branches, the Company makes facultative reinsurance agreements.

Insurance risk in general, except earthquake and catastrophic risks, does not cause cannot be compensated large losses in normal operating period. Insurance risk is sensitive to the risk of earthquakes and catastrophic risks.

The Company’s primary risk is the amount of compensation which is above the upper limits of the agreement, arise from earthquake and catastrophic risks. Excess of loss treaties’ the upper limit determined by considering the company's equity capital and intensity and damage of possible İstanbul earthquake.

For the contracts exceeding treaty limits determined on branch basis, technical units perform facultative reinsurance agreements.

Main reinsurance companies that the Company works with and update graduation of these reinsurance companies are:

	Standard & Poors			AM Best		
Reinsurer	**Graduation**	**Outlook**	**Date**	**Graduation**	**Outlook**	**Date**
Allianz SE	AA	Stable	30 Dec 2016	A+	Stable	8 November 2016

(Currency: Turkish Lira (TL))

4 Management of insurance and financial risk

4.2 Management of insurance risk

Branches of insurance coverage amounts given as shown in detail below.

Branches of insurance coverage amounts given as

	31 December 2016	**31 December 2015**
Motor vehicle liability	14,542,946,713,160	8,808,067,328,335
Fire and natural disasters	366,904,431,651	314,118,573,229
Transportation	310,705,310,030	162,397,637,628
Accident	117,319,431,398	86,895,818,786
Sickness/ Health	112,515,793,000	66,162,718,000
General Losses	108,979,159,920	106,226,174,285
General Liability	97,349,339,972	55,539,170,440
Motor Vehicles	51,232,257,679	43,748,648,415
Water Vehicles	35,316,896,431	27,736,555,199
Financial Liability	28,765,774,219	24,212,934,135
Aircraft liability	4,629,769,812	9,139,267,210
Legal Protection	3,011,433,106	3,231,184,161
Aircraft	234,922,873	881,499,633
Fidelity guarantee insurance	237,186	13,506,233
TOTAL	**15,779,911,470,437**	**9,708,371,015,689**

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

4.2 Management of financial risk

Introduction and overview

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

- credit risk
- liquidity risk
- market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. 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.

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 assets held for trading
- Held to maturity financial assets
- Premium receivables from policyholders
- Receivables from intermediaries (agencies)
- Receivables from reinsurance companies related to commissions and claims paid
- Reinsurance shares of insurance liability
- Receivables from related parties
- Other receivables

Reinsurance contracts are the most common method to manage insurance risk. This does not, however, discharge the Company’s liability as the primary insurer. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any 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 *(Note 11)*(*)	2,950,209,898	2,169,219,073
Cash and cash equivalents *(Note 14)*	2,139,904,493	1,372,098,992
Receivables from operating activities *(Note 12)*	1,008,068,623	868,833,667
Reinsurer share in provision for outstanding claims *(Note 10), (Note 17)*	586,987,262	494,350,811
Prepaid Taxes and funds *(Note 12)*	28,096,228	15,127,852
Receivables from related parties *(Note 12)*	6,075,910	10,797,478
Given advances	311,899	4,605,318
Other Receivables *(Note 12)*	9,427,596	184,322
Toplam	**6,729,081,909**	**4,935,217,513**

(*) Equity shares amounting to TL 11,220,338 are not included (31 December 2015: 11,370,699).

As at 31 December 2016 and 2015, the aging of the receivables from operating activities and related provisions are as follows:

	31 December 2016		31 December 2015	
	Gross Amount	**Provision**	**Gross Amount**	**Provision**
Not past due	960,921,576	-	818,309,450	-
Past due 0-30 days	12,420,167	-	7,146,945	-
Past due 31-60 days	3,047,713	-	2,900,164	-
Past due 61-180 days	5,819,969	(4,115,230)	5,652,390	(2,568,082)
Past due 181-365 days	6,588,980	(2,528,865)	15,690,543	(1,334,969)
More than one year	15,082,073	(15,082,073)	15,603,731	(15,639,010)
	1,003,880,478	**(21,726,168)**	**865,303,223**	**(19,542,061)**
Subrogation and salvage receivables (*)	41,055,421	(15,141,108)	34,838,344	(11,765,839)
Doubtful receivables from main operations – subrogation (**)	166,577,971	(166,577,971)	144,973,296	(144,973,296)
Total	**1,211,513,870**	**(203,445,247)**	**1,045,114,863**	**(176,281,196)**

(*) As per the 20 September 2010 dated and 2010/13 numbered Circular issued by the Turkish Treasury, the Company recognized subrogation receivables amounted to TL 41,055,421 (31 December 2015: TL 34,838,344) and provided allowance amounted to TL 15,141,108 (31 December 2015: TL 11,765,839).

(**) As per the 3 February 2005 dated and B.02.1.HM.O.SGM.0.3.1/01/05 numbered Circular issued by the Turkish Treasury, in case where subrogation is subject to claim/legal action, related subrogation amount is recognized as doubtful receivables and allowance for doubtful receivables is provided by the same amount in the financial statements.

The movement in the allowance for impairment in respect of premium receivables during the period is as follows:

	31 December 2016	31 December 2015
Balance at the beginning of the period	176,281,196	156,391,857
Collections during the period	(2,465,341)	(6,346,821)
Impairment losses incurred during the period	4,649,447	4,449,025
Allowance for subrogation provided during the period	24,979,945	21,787,135
Balance at the end of the period	**203,445,247**	**176,281,196**

(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.

Managing 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	**Book value**	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**
Cash and Cash Equivalents	2,139,904,493	1,619,526,189	520,378,304	-	-	-
Financial Assets	2,950,209,898	-	297,057,512	332,214,674	-	2,320,937,712
Receivables from Main Operations	1,008,068,623	200,714,756	292,393,862	391,618,706	111,027,977	12,313,322
Due from Related Parties	6,075,910	-	6,075,910	-	-	-
Other Receivables	9,385,261	5,971,790	3,412,044	-	-	1,427
Total Monetary Assets	**6,113,644,185**	**1,826,212,735**	**1,119,317,632**	**723,833,380**	**111,027,977**	**2,333,252,461**
Financial liabilities	250,982,526	250,982,526	-	-	-	-
Payables arising from operating activities	259,326,504	47,579,236	96,974,332	103,014,237	7,874,765	3,883,934
Due to related parties	3,838,613		3,659,261	-	-	179,352
Other payables	128,206,143	128,206,143	-	-	-	-
Insurance technical provisions(*)	2,175,881,245	342,560,000	263,066,080	165,753,778	218,877,993	1,185,623,394
Provision tax and other similar Liabilities	82,920,075	-	82,920,075	-	-	-
Provisions for other risks and expense accruals	88,773,451	6,214,719	-	53,548,662	6,387,996	22,622,074
Total monetary liabilities	**2,989,928,557**	**775,542,624**	**446,619,748**	**322,316,677**	**233,140,754**	**1,212,308,754**

31 December 2015	**Book value**	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**
Cash and Cash Equivalents	1,372,098,992	995,950,117	376,148,874	-	-	-
Financial Assets	2,169,219,073	152,537,829	155,660,627	115,465,161	266,547,891	1,479,007,565
Receivables from Main Operations	868,833,667	159,481,171	257,451,269	351,215,825	86,036,674	14,648,729
Due from Related Parties	15,127,852	-	15,127,852	-	-	-
Other Receivables	4,562,985	3,269,266	1,273,238	-	-	20,481
Total Monetary Assets	**4,429,842,569**	**1,311,238,383**	**805,661,860**	**466,680,986**	**352,584,565**	**1,493,676,775**
Financial liabilities	250,825,043	250,825,043	-	-	-	-
Payables arising from operating activities	222,466,212	32,536,836	80,343,353	93,793,090	12,447,612	3,345,320
Due to related parties	4,618,523	-	4,470,242	-	-	148,281
Other payables	87,438,557	87,438,557	-	-	-	-
Insurance technical provisions(*)	1,420,377,237	248,290,876	173,000,516	90,362,094	121,168,787	787,554,964
Provision tax and other similar liabilities	56,843,617	-	56,843,617	-	-	-
Provisions for other risks and expense accruals	91,022,645	2,708,643	-	56,546,205	10,717,307	21,050,491
Total monetary liabilities	**2,133,591,834**	**621,799,955**	**314,657,728**	**240,701,389**	**144,333,706**	**812,099,056**

(*) Provision for outstanding claims is presented in the short term liabilities of accompanying financial statements.

(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 rate, foreign exchange rates and credit spreads will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Currency risk

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

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

The Company is in long position against US Dollar and Euro in parallel to the general characteristics of Turkish insurance market.

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

31 December 2016	**US Dollar**	**Euro**	**Other currencies**	**Total**
Cash and cash equivalents	46,600,070	120,626,741	307,101	167,533,912
Financial assets	-	11,220,338	-	11,220,338
Receivables from operating activities	88,576,283	79,273,585	1,979,369	169,829,237
Total foreign currency assets	**135,176,353**	**211,120,664**	**2,286,470**	**348,583,487**
Payables arising from operating activities	(54,528,264)	(54,717,626)	(2,232,153)	(111,478,043)
Insurance technical provisions	(21,164,187)	(49,561,210)	(1,139,574)	(71,864,971)
Total foreign currency liabilities	**(75,692,451)**	**(104,278,836)**	**(3,371,727)**	**(183,343,014)**
Net on-balance sheet position	**59,483,902**	**106,841,828**	**(1,085,257)**	**165,240,473**

31 December 2015	**US Dollar**	**Euro**	**Other currencies**	**Total**
Cash and cash equivalents	24,683,906	63,758,537	604,714	89,047,157
Financial assets	-	11,370,699	-	11,370,699
Receivables from operating activities	91,742,215	52,514,196	1,714,813	145,971,224
Total foreign currency assets	**116,426,121**	**127,643,432**	**2,319,527**	**246,389,080**
Payables arising from operating activities	(65,336,956)	(20,624,772)	(1,411,066)	(87,372,794)
Insurance technical provisions	(19,053,329)	(37,994,206)	(309,216)	(57,356,751)
Total foreign currency liabilities	**(84,390,285)**	**(58,618,978)**	**(1,720,282)**	**(144,729,545)**
Net on-balance sheet position	**32,035,836**	**69,024,454**	**599,245**	**101,659,535**

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

(Currency: Turkish Lira (TL))

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

4.2 Management of financial risk *(continued)*

Market Risk *(continued)*

Foreign currency transactions were recorded of the foreign exchange rates ruling of the dates of the transactions. As at the reporting date, foreign currency items of assets and liabilities were converted into TL of 31 December 2016 dated buying foreign exchange rates of Central Bank of the Republic of Turkey ("CBRT").

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

	US Dollar	**Euro**
31 December 2016	3.5192	3.7099
31 December 2015	2.9076	3.1776

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	5,948,390	5,948,390	3,203,584	3,203,584
Euro	10,684,183	10,684,183	6,902,445	6,902,445
Other currencies	(108,526)	(108,526)	59,925	59,925
Total, net	**16,524,047**	**16,524,047**	**10,165,954**	**10,165,954**

(*)Equity effect also includes profit or loss effet of %10 devaluaiton of TL against related currincies.

(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. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for reprising bands.

As at 31 December 2016 and 2015, 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 with fixed interest rate:		
Financial assets with fixed interest rate	*4,433,306,114*	*3,026,515,463*
Time deposits at banks *(Note 14)*	1,508,396,685	872,276,760
Available-for-sale financial assets-government bond *(Note 11)*	2,822,897,465	2,085,619,624
Available-for-sale financial assets– private sector bond *(Not 11)*	102,011,964	68,619,079
Financial assets with non-fixed interest rate:		
Available-for-sale financial assets- government bond *(Note 11)*	4,988,008	5,000,656
Available-for-sale financial assets– private sector bond *(Note 11)*	20,312,461	9,979,714
Financial liabilities:		
Funds from repo transactions *(Note 20)*	250,982,526	250,825,043

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 at 31 December 2016 and 2015 as a result of the assumed changes in interest rates below. In this analysis, all other variables, in particular, the exchange rates are assumed to remain constant.

	Statement of income		Equity	
31 December 2016	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Available-for-sale financial assets	(839,704)	714,509	(61,138,113)	63,251,147
Total, net	**(839,704)**	**714,509**	**(61,138,113)**	**63,251,147**

	Statement of income		Equity	
31 December 2015	**100 bp increase**	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Available-for-sale financial assets	(164,390)	200,636	(37,870,763)	39,520,704
Total, net	**(164,390)**	**200,636**	**(37,870,763)**	**39,520,704**

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

4.2 Management of financial risk *(continued)*

Market risk *(continued)*

Fair value information

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

The Company has classified its marketable securities as available for sale, held for trading and held-to-maturity financial assets. As at the reporting date, available-for-sale financial assets and financial assets held for trading are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying financial statements.

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

Classification of fair value measurement

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).

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

The revised TFRS 13 "*Fair Value Measurement*" standard requires the measurements of fair value of assets and liablities to be classified in a hierarchy that reflects the significance of the valuation inputs used other that financial assets and liabilities.

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

(Currency: Turkish Lira (TL))

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

4.2 Management of financial risk *(continued)*

Market risk *(continued)*

	31 December 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Investment property (*Note 7)*	-	-	12,220,500	12,220,500
Property held for own use (*Note 6)*	-	-	34,503,026	34,503,026
Tradable financial assets *(Note 11)*	11,220,338	-	-	11,220,338
Available-for-sale financial assets *(Note 11)*	2,827,885,473	122,324,425	-	2,950,209,898
Associations *(Note 9)*	-	-	9,220,000	9,220,000
Total assets	**2,839,105,811**	**122,324,425**	**55,943,526**	**3,017,373,762**

	31 December 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Investment property *(Note 7)*	-	-	28,182,500	28,182,500
Property held for own use (*Note 6)*	-	-	13,507,715	13,507,715
Tradable financial assets *(Note 11)*	11,370,699	-	-	11,370,699
Available-for-sale financial assets *(Note 11)*	2,085,619,624	83,599,449	-	2,169,219,073
Associations *(Note 9)*	-	-	6,228,096	6,228,096
Total assets	**2,096,990,323**	**83,599,449**	**47,918,311**	**2,228,508,083**

Due to lack of current market price of available for sale financial assets in Level 2, by using the market price of similar products recorded consolidated financial statements as their amortized cost values.

Fair value of subsidiaries and long term securitiesin Level 3 is determined with discounted cash flows and comparateive value method that prepared by independent valuation company.

	31 December 2016	**31 December 2015**
Beggining of period fair value computations	**47,918,311**	**128,163,725**
Total Gain or Loss	*8,025,215*	*(80,245,414)*
-Recognized in profit or loss	(15,962,000)	(12,662,100)
-Recognized in other comprehensive income	23,987,215	(67,583,314)
End of period fair valua computations	**55,943,526**	**47,918,311**

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

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 of 31 December 2016 is TL 1,422,158,142 (31 December 2015: TL 1,169,328,656).

(Currency: Turkish Lira (TL))

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

4.2 Management of financial risk *(continued)*

Gains and losses from financial assets

Gains and losses recognized in the statement of income:	**31 December 2016**	**31 December 2015**
Interest income from debt securities classified as available-for-sale financial assets	246,048,709	162,714,453
Foreign exchange gains	74,744,129	260,528,601
Interest income from bank deposits	142,004,021	64,083,487
Gains transferred from the statement of equity to the statement of income on disposal of available for sale financial assets (*Note 15)*	(3,019,560)	2,718,872
Income from subsidiaries	80,000,000	68,800,000
Income from associations	53,774	108,620
Income from investment funds classified as held for trading financial assets	4,097,276	62,710,937
Investment income	**543,928,349**	**621,664,970**
Foreign exchange losses	(53,040,466)	(136,885,763)
Interest expenses related to repurchase agreements	(24,673,727)	(23,502,559)
Impairment on investments	-	(5,925,000)
Losses from derivatives classified as available-for-sale financial assets	-	(113,622,189)
Losses incurred due to converting investments into cash	-	(3,160,977)
Other investment expenses	(5,646,473)	(5,852,131)
Investment expenses	**(83,360,666)**	**(288,948,619)**
Financial gains and losses recognized in the statement of income, net	**460,567,683**	**332,716,351**

Gains and losses recognized in equity:	**31 December 2016**	**31 December 2015**
Net gains/(losses) transferred from statement of equity to the statement of income on disposal of available for sale financial assets *(Note 15)*	3,019,560	(2,718,872)
Fair value changes in available for sale financial assets *(Note 15)*	(34,811,782)	(70,955,018)
Financial gains and losses recognized in equity, net	**(31,792,222)**	**(73,673,890)**

5 Segment reporting

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

Business segment

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

Geographical segment

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

(Currency: Turkish Lira (TL))

6 Tangible assets

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

	1 January 2016	Addition	Valuation Inc./(Dec.)	Disposals	Transfers	31 December 2016
Cost:						
Investment property lands *(Note 7)*	80,000	-	5,000	-	-	85,000
Investment property buildings *(Note7)*	28,102,500	-	578,000	(16,545,000)	-	12,135,500
Own use lands	-	20,026,994	-	-	-	20,026,994
Own use buildings	13,507,715		968,317	-	-	14,476,032
Furniture and fixtures	65,135,878	7,453,274	-	(8,107,928)	-	64,481,224
Motor vehicles	36,000		-	(9,500)	-	26,500
Other tangibles (inc. leasehold improvements)	34,786,888	689,303	-	(5,634,933)	-	29,841,258
Leased assets	6,200,356	-	-	(5,234,455)	-	965,901
	147,849,337	**28,169,571**	**1,551,317**	**(35,531,816)**	**-**	**142,038,409**
Accumulated depreciation:						
Investment property lands *(Note 7)*	1,611,873	364,159	-	-	-	1,976,032
Furniture and fixtures	30,856,394	11,306,846	-	(7,871,406)	-	34,291,834
Motor vehicles	36,000	-	-	(9,500)	-	26,500
Other tangibles (inc. leasehold improvements)	8,102,351	6,142,369	-	(5,137,310)	-	9,107,410
Leased assets	6,184,024	12,192	-	(5,232,637)	-	963,579
	46,790,642	**17,825,566**	**-**	**(18,250,853)**	**-**	**46,365,355**
Net book value	**101,058,695**					**95,673,054**

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

	1 January 2015	Addition	Valuation Inc./(Dec.)	Disposals	Transfers	31 December 2015
Cost:						
Investment property lands *(Note 7)*	36,500	-	43,500	-	-	80,000
Investment property buildings *(Note7)*	40,808,100	-	(2,116,807)	(10,588,793)	-	28,102,500
Own use lands	10,000,000	-	-	(10,000,000)	-	-
Own use buildings	79,743,688	-	-	(66,235,973)	-	13,507,715
Furniture and fixtures	48,009,600	26,025,339	-	(8,899,061)	-	65,135,878
Motor vehicles	36,000	-	-	-	-	36,000
Other tangibles (inc. leasehold improvements)	8,801,370	25,985,518	-	-	-	34,786,888
Leased assets	6,385,284	-	-	(184,928)	-	6,200,356
	193,820,542	**52,010,857**	**(2,073,307)**	**(95,908,755)**	**-**	**147,849,337**
Accumulated depreciation:						
Investment property lands *(Note 7)*	9,627,688	2,299,141		(10,314,956)		1,611,873
Own Use Buildings	28,342,158	8,285,159	-	(5,770,923)	-	30,856,394
Furniture and fixtures	36,000	-	-	-	-	36,000
Motor vehicles	5,245,520	2,856,831	-	-	-	8,102,351
Other tangibles (inc. leasehold improvements)	6,352,184	16,405	-	(184,565)	-	6,184,024
	49,603,550	**13,457,536**	**-**	**(16,270,444)**	**-**	**46,790,642**
Net book value	**144,216,992**					**101,058,695**

There aren't any change in the depreciation method in the current period.

(Currency: Turkish Lira (TL))

6 Tangible assets *(continued)*

As at 31 December 2016 TL "Advances for Tangible Assets", There is no amount given for renovation expenditures for buildings that is rented from Beykoz Gayrimenkul Yatırım İnşaat Turizm A.Ş.(31 December 2015: TL 135,061).

As at 31 December 2016 and 2015 details of own use lands and buildings is presented below:

	31 December 2016 Net Book Value	31 December 2015 Net Book Value	Appraisal date	Appraisal value
İzmir Gaziemir, Land	20,026,994	-	1 September 2016	20,026,994
Ankara-Çankaya, Business Center	12,500,000	11,895,842	31 December 2016	12,260,000
Net book value after revaluation	**32,526,994**	**11,895,842**		**32,286,994**

Revaluation increases arising from valuation of land and buildings, net of deferred tax effects, are credited to "Other Capital Reserves" under shareholders' equity. Revaluation decreases arising from valuation of land and buildings are charged against "Other Capital Reserves" for the corresponding asset under shareholders' equity. Revaluation decreases regarding the assets without balances in "Other Capital Reserves" under shareholders' equity are charged to the income statement.

The movements of the revaluation increases for the land and buildings accounted for using revaluation model that accounted by fair value method, for the year ended 31 December 2016 and 2015, are as follows:

	31 December 2016	31 December 2015
Fair value increase opening balance	7,635,454	50,341,436
Fair value increase from revaluation	968,317	-
Depreciation differences recognized in retained earnings	(188,862)	(1,596,221)
Deferred tax on revaluation, net	(155,891)	319,245
Disposable of Own use property due to sale	(2,699,864)	(41,429,006)
Fair value increase ending balance *(Note 15)*	**5,559,154**	**7,635,454**

(Currency: Turkish Lira (TL))

7 Investment property

As at 31 December 2016 and 2015, investment property comprises the followings:

	31 December 2016 Net Book Value	**31 December 2015 Net Book Value**	**Expertise date**	**Expertise value**
Ankara Building	11,000,000	10,500,000	31 December 2016	11,000,000
Ankara Rengin Apt. Shop	775,000	705,000	31 December 2016	775,000
Samsun-Merkez, Residence	150,000	150,000	31 December 2016	150,000
Manisa, Dublex Residence	95,000	90,000	31 December 2016	95,000
Samsun Çarşamba Residence	67,500	67,500	31 December 2016	67,500
Amasya-Merkez, Residence	48,000	45,000	31 December 2016	48,000
Çanakkale – Ezine Land	40,000	35,000	31 December 2016	40,000
Tunceli-Mazgirt Land	45,000	45,000	31 December 2016	45,000
İstanbul-Kadıköy, Building(1)	-	16,000,000	31 December 2016	-
Adana Branch Building(2)	-	300,000	31 December 2016	-
Çanakkale-Çan Residence(3)	-	90,000	31 December 2016	-
Çanakkale-Çan Residence(4)	-	70,000	31 December 2016	-
Tekirdağ - Shop(5)	-	44,000	31 December 2016	-
Tekirdağ - Residence(6)	-	41,000	31 December 2016	-
Net book value *(Note 6)*	**12,220,500**	**28,182,500**		

(1) The Company has sold the İstanbul Kadıköy Building at TL 21,050,000 on September 28, 2016.

(2) The Company has sold the Adana Branch Building at TL 280,000 on May 11, 2016.

(3) The Company has sold the Çanakkale Çan Residence at TL 60,000 on October 28, 2016.

(4) The Company has sold the Çanakkale Çan Residence at TL 55,000 on October 28, 2016.

(5) The Company has sold the Tekirdağ Shop at TL 44,000 on October 4, 2016.

(6) The Company has sold the Tekirdağ Residence at TL 32,100 on October 4, 2016.

In the current period, the Company has rental income from investment properties amounting to TL 467,383. (31 December 2015 TL 808,296)

8 Intangible assets

Movements in intangible assets in the period from 1 January to 31 December 2016 are as follows:

	1 January 2016	**Additions**	**Disposals**	**31 December 2016**
Cost:				
Rights	83,744,365	42,456,228	-	126,200,593
	83,744,365	**42,456,228**	**-**	**126,200,593**
Accumulated amortisation:				
Rights	51,591,585	20,431,404	-	72,022,989
	51,591,585	**20,431,404**	**-**	**72,022,989**
Net book value	**32,152,780**			**54,177,604**

Movements in intangible assets in the period from 1 January to 31 December 2015 are as follows:

	1 January 2015	**Additions**	**Disposals**	**31 December 2015**
Cost:				
Rights	57,519,488	26,224,877	-	83,744,365
	57,519,488	**26,224,877**	**-**	**83,744,365**
Accumulated amortisation:				
Rights	39,243,489	12,348,096	-	51,591,585
	39,243,489	**12,348,096**	**-**	**51,591,585**
Net book value	**18,275,999**			**32,152,780**

(Currency: Turkish Lira (TL))

9 Investments in equity shares

	31 December 2016		31 December 2015	
	Book value	Participation rate %	Book value	Participation rate %
Allianz Hayat ve Emeklilik AŞ *(Note 15)*(*)	9,220,000	2.00	6,228,096	2.00
Milli Reasürans TAŞ	443,146	0.13	443,146	0.13
Tarım Sigortaları Havuz İşlt. AŞ	121,167	4.00	121,167	4.00
Mapfre Genel Sigorta	27,829	0,01	27,829	0.01
General Investment	2,228	0,01	2,228	0.01
Other	2		2	
Associates, net	**9,814,372**		**6,822,468**	
Beykoz Gayrimenkul Yatırım İnşaat Turizm San.Tic.A.Ş. (*)	482,386,510	100.00	484,174,210	100.00
Allianz Yaşam ve Emeklilik A.Ş.	58,180,713	80.00	58,180,713	80.00
Madgeburger Sigorta AŞ	3,857,593	80.00	3,857,593	80.00
Subsidiaries, net	**544,424,816**		**546,212,516**	
Total financial assets	**554,239,188**		**553,034,984**	

(*)Rönesans Holding Real Estate Investment A.Ş as a vendor on January 20, 2015 Rönesans Holding A.Ş as a guarantor and purchased pursuant to the share purchase and sale agreement is signed with Beykoz Gayrimenkul Yatırım İnşaat Turizm San.Tic.A.Ş. 's capital all represent each having TL 1,273,500,000 shares of the Company to transfer has been approved by the Board of Directors meeting held on April 9, 2015. The property that is located at the Ataşehir district owned by Beykoz Gayrimenkul Yatırım İnşaat Turizm San.Tic.A.Ş. and it is also headquarter of Turkey Allianz Insurance Group.

The contract is signed within the authority on the signing of the share purchase and sale contract will be signed which consists of the Company will pay 170,000,000 Euro base price in exchange for the acquired shares of Beykoz Gayrimenkul Yatırım İnşaat Turizm San.Tic.A.Ş. Recently, signed the share purchase and paid the ultimate price of the shares as a result of adjustments made in the context of sales contracts for the purchase of 171,917,147 Euro was deemed appropriate.

Name	Total assets	Total equity	Retained Earnings	Current year profit	Unaudited/ Audited	Period
Associates:						
Madgeburger Sigorta A.Ş.	6,917,105	6,278,769	-	123,248	Audited	31 December 2016
Allianz Yaşam ve Emeklilik A.Ş.	9,454,149,083	400,806,820	59,629,342	162,299,874	Audited	31 December 2016
Beykoz Gayrimenkul Yatırım İnşaat Turizm San.Tic.A.Ş.	578,606,477	563,198,958	14,870,628	48,488,292	Audited	31 December 2016
Subsidaries:						
Allianz Hayat ve Emeklilik A.Ş.	2,629,453,134	66,907,314	(25,046,255)	(12,044,985)	Audited	31 December 2016
Milli Reasürans T.A.Ş.	2,683,273,200	1,175,357,879	166,338,531	33,377,205	Audited	31 December 2016
Tarım Sigortaları Havuz İşlt. A.Ş.	15,153,713	9,070,575	-	1,121,565	Unaudited	31 December 2016

Investments in equity instruments classified as available-for-sale financial assets are measured at fair value when they are traded in an active market and/or their fair value can be reliably measured.

Investments in equity instruments classified as available-for-sale financial assets are measured at cost less cumulative impairment losses, if any, when they are not traded in an active market and their fair value cannot be reliably measured.

(Currency: Turkish Lira (TL))

10 Reinsurance assets and liabilities

As at 31 December 2016 and 2015, 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**
Provision for outstanding claims, ceded *(Note 4.2), (Note 17)*	586,987,262	494,350,811
Reserve for unearned premiums, ceded *(Note 17)*	403,091,207	319,615,444
Reserve for unexpired risks, ceded *(Note 17)*	3,846,676	5,132,864
Receivables from reinsurance companies *(Note 12)*	10,313,914	20,430,583
Total	**1,004,239,059**	**839,529,702**

There aren't any impairment recognised for reinsurance assets.

Reinsurance liabilities	**31 December 2016**	**31 December 2015**
Stores Taken From Reınsurance Companies *(Note 19)*	161,398,184	135,104,215
Deferred commission income *(Note 19)*	104,196,961	77,087,384
Premium deposits from reinsurance companies *(Note 19)*	55,428	364,111
Total	**265,650,573**	**212,555,710**

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)*	(661,185,614)	(584,890,908)
Reserve for unearned premiums, ceded at the beginning of the period *(Note 17)*	(319,615,444)	(250,167,098)
Reserve for unearned premiums, ceded at the end of the period *(Note 17)*	403,091,207	319,615,444
Premiums earned, ceded *(Note 17)*	**(577,709,851)**	**(515,442,562)**
Claims paid, ceded during the period *(Note 17)*	182,866,082	170,518,600
Provision for outstanding claims, ceded at the beginning of the period *(Note 17)*	(494,350,811)	(359,809,761)
Provision for outstanding claims, ceded at the end of the period *(Note 17)*	586,987,262	494,350,811
Claims incurred, ceded *(Note 17)*	**275,502,533**	**305,059,650**
Commission income accrued from reinsurers during the period	122,244,763	110,581,565
Deferred commission income at the beginning of the period (*Note 19)*	77,087,384	52,110,544
Deferred commission income at the end of the period *(Note 19)*	(104,196,961)	(77,087,384)
Commission income from reinsurers *(Note 32)*	**95,135,186**	**85,604,725**
Total, net	**(207,072,132)**	**(124,778,187)**

(Currency: Turkish Lira (TL))

11 Financial assets

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

	31 December 2016	31 December 2015
Tradable financial assets	11,220,338	11,370,699
Available-for-sale financial assets	2,950,209,898	2,169,219,073
Total	**2,961,430,236**	**2,180,589,772**

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

	31 December 2016		
	Cost	Fair Value	Net book value
Financial assets with non-fixed income:			
Common stocks	8,701,433	11,220,338	11,220,338
Total trading financial assets	**8,701,433**	**11,220,338**	**11,220,338**

	31 December 2015		
	Cost	Fair Value	Net book value
Financial assets with non-fixed income:			
Common stocks	8,851,794	11,370,699	11,370,699
Total trading financial assets	**8,851,794**	**11,370,699**	**11,370,699**

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

	31 December 2016			
	Nominal value	Cost	Fair value	Net book value
Debt instruments:				
Government bonds – TL (*)	2,859,675,000	2,825,974,589	2,827,885,473	2,827,885,473
Private sector bonds	125,000,000	116,376,300	122,324,425	122,324,425
Total available-for-sale financial assets	**2,984,675,000**	**2,942,350,889**	**2,950,209,898**	**2,950,209,898**

	31 December 2015			
	Nominal value	Cost	Fair value	Net book value
Debt instruments:				
Government bonds – TL (*)	2,117,975,000	2,080,311,410	2,085,619,624	2,085,619,624
Private sector bonds	83,500,000	75,065,578	83,599,449	83,599,449
Total available-for-sale financial assets	**2,201,475,000**	**2,155,376,988**	**2,169,219,073**	**2,169,219,073**

(*) As at 31 December 2016, the government bond with face value of TL 2,700,000 (31 December 2015: TL 2,700,000) has been given to Tarım Sigortaları Havuz İşletmesi A.Ş. as collateral in order to deliver related risks to pool managed by Tarım Sigortaları Havuz İşletmesi A.Ş.

(Currency: Turkish Lira (TL))

11 Financial assets *(continued)*

The Company's all marketable securities 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, including marketable securities which represent equity share and classified as available-for-sale financial assets, for the last 3 years (including tax effects):

Year	Change in value increase/(decrease)	Total value increase/(decrease)
2016	(22,591,466)	(61,468,340)
2015	(59,865,389)	(38,876,874)
2014	55,798,230	20,988,515

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	Net book
Available-for-sale financial assets	265,690,416	266,730,793	263,810,883	263,810,883
Total		**266,730,793**	**263,810,883**	**263,810,883**

	31 December 2015			
	Nominal value	Cost	Fair value	Net book
Available-for-sale financial assets	262,344,805	260,860,777	261,951,785	261,951,785
Total		**260,860,777**	**261,951,785**	**261,951,785**

(Currency: Turkish Lira (TL))

11 Financial assets *(continued)*

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

	31 December 2016			
	Trading	**Available for sale**	**Held to maturity**	**Total**
Balance at the beginning of the period	**11,370,699**	**2,169,219,073**	-	**2,180,589,772**
Unrealized foreign currency exchange differences of financial assets	-	-	-	-
Acquisitions during the period	-	1,498,306,020	-	1,498,306,020
Disposals (by either sale or amortization)	(150,361)	(710,293,112)	-	(710,443,473)
Changes in the fair value of financial assets *(Note15)*	-	(34,811,782)	-	(34,811,782)
Change in amortized cost of the financial assets	-	27,789,699	-	27,789,699
Balance at the end of the period	**11,220,338**	**2,950,209,898**	**-**	**2,961,430,236**

	31 December 2015			
	Trading	**Available for sale**	**Held to maturity**	**Total**
Balance at the beginning of the period	**12,668,137**	**1,606,766,287**	**-**	**1,619,434,424**
Unrealized foreign currency exchange differences of financial assets	-	-	-	-
Acquisitions during the period	-	1,291,176,732	-	1,291,176,732
Disposals (by either sale or amortization)	(1,297,438)	(675,862,615)	-	(677,160,053)
Changes in the fair value of financial assets *(Note15)*	-	(70,955,018)	-	(70,955,018)
Change in amortized cost of the financial assets	-	18,093,687	-	18,093,687
Balance at the end of the period	**11,370,699**	**2,169,219,073**	**-**	**2,180,589,772**

As at 31 December 2016 and 2015, the Company has financial assets blocked in favor of the Turkish Treasury as a guarantee due to its insurance operations as follows:

	31 December 2016			
	Nominal value	**Cost**	**Fair value**	**Net book value**
Available-for-sale financial assets *(Note 17)*	497,900,000	487,653,449	484,646,223	484,646,223
Total	**497,900,000**	**487,653,449**	**484,646,223**	**484,646,223**

	31 December 2015			
	Nominal value	**Cost**	**Fair value**	**Net book value**
Available-for-sale financial assets *(Note 17)*	361,800,000	354,270,897	345,592,715	345,592,715
Total	**361,800,000**	**354,270,897**	**345,592,715**	**345,592,715**

(Currency: Turkish Lira (TL))

12 Loans and Receivables

	31 December 2016	31 December 2015
Receivables from operating activities *(Note 4.2)*	1,008,068,623	868,833,667
Prepaid taxes and funds *(Note 4.2)*	28,096,228	15,127,852
Receivables from related parties *(Note 4.2) , (Note 45)*	6,075,910	10,797,478
Other Receivables *(Note 4.2)*	9,427,596	4,605,318
Toplam	**1,051,668,357**	**899,364,315**
Short-term receivables	1,051,666,930	899,343,834
Medium and long term receivables	1,427	20,481
Total	**1,051,668,357**	**899,364,315**

As at 31 December 2016 and 2015, receivables from operating activities are detailed as follows:

	31 December 2016	31 December 2015
Receivables from policyholders	494,964,724	424,073,500
Receivables from agencies, brokers and intermediaries	446,375,289	386,863,151
Salvage and subrogation *(Note 2.21)*	41,055,421	34,838,344
Receivables from reinsurance companies*(Note 10)*	10,313,914	20,430,583
Rediscount of receivables from insurance activities	(4,779,905)	(2,513,594)
Total receivables from operating activities	**987,929,443**	**863,691,984**
Doubtful receivables from operating activities	174,896,952	151,972,964
Provisions for doubtful receivables from operating activities	(173,838,463)	(150,920,537)
Receivables from reinsurance activities	48,522,380	29,277,470
Provisions for subrogation receivables *(Note 2.21)*	(15,141,108)	(11,765,839)
Provisions for receivables from insurance activities	(7,141,624)	(4,969,312)
Provisions for receivables from reinsurance activities	(7,324,052)	(8,625,508)
Cash deposited to insurance and reinsurance companies	165,095	172,445
Receivables from main operations	**1,008,068,623**	**868,833,667**

As at 31 December 2016 and 2015, securities and other guarantees taken for receivables are detailed as follows:

	31 December 2016	31 December 2015
Mortgage bond	81,642,486	81,041,405
Letter of guarantee	15,453,775	19,222,065
Cash collateral	5,530,676	5,570,666
Government bonds and treasury bills pledged as collateral	3,525,575	4,582,250
Total	**106,152,512**	**110,416,386**

Provisions provided for doubtfull receivables that are due and not due

a) Receivables under legal or administrative follow up (due): TL 7,260,492 (31 December 2015: TL 5,947,241).

b) Provision for premiums receivables (due): TL 7,141,624 (31 December 2015: TL 4,969,312).

c) Provision for subrogation receivables: TL 15,141,108 (31 December 2015: TL 11,765,839).

d) Provision for subrogation receivables under legal follow up: TL 166,577,971 (31 December 2015: TL 144,973,296).

e) Provision for reinsurance receivables (due): TL 7,324,052 (31 December 2015: TL 8,625,508).

12 Loans and Receivables *(continued)*

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

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

13 Derivative financial instruments

For the year ended 31 December 2016, net profit from derivative transactions is TL 4,097,276 (31 December 2015: TL 50,911,252 net profit).

14 Cash and cash equivalents

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

	31 December 2016		31 December 2015	
	At the end of the period	**At the beginning**	**At the end of the period**	**At the beginning**
Banks	1,527,987,751	877,688,905	877,688,905	1,195,840,122
Bank guaranteed credit card receivables with maturity less than three months	609,826,139	492,021,047	492,021,047	273,867,370
Other cash and cash equivalents	2,090,603	2,389,040	2,389,040	2,432,452
Cash and cash equivalents presented in the balance sheet	**2,139,904,493**	**1,372,098,992**	**1,372,098,992**	**1,472,139,944**
Blocked amounts (*)	(441,983)	(412,313)	(412,313)	(382,323)
Bank deposits-income accruals	(6,963,396)	(4,093,795)	(4,093,795)	(7,107,293)
Cash and cash equivalents presented in the statement of cash flows	**2,132,499,114**	**1,367,592,884**	**1,367,592,884**	**1,464,650,328**

(*) As of 31 December 2016, blocked amounts are required according to Turkish Republic of Northern Cyprus regulations.

As at 31 December 2016 and 2015, bank balances are detailed as follows:

	31 December 2016	**31 December 2015**
Foreign currency denominated bank deposits		
- time deposits	165,311,911	86,166,063
- demand deposits	2,222,001	2,881,094
Bank deposits in Turkish Lira		
- time deposits	1,343,084,774	786,110,697
- demand deposits	17,369,065	2,531,051
Bank balances	**1,527,987,751**	**877,688,905**

As at 31 December 2016, there is no cash collateral kept at banks in favor of the Turkish Treasury against insurance operations (31 December 2015: None) *(Note 17)*.

Time deposits are comprised of deposits with maturity less than 3 months. Interest rate for TL time deposits is between 6.75-12.00% (31 December 2015: 9.00-14.10%), 0.10-3.75% for foreign currency time deposits (31 December 2015: 1.40-1.90%)

(Currency: Turkish Lira (TL))

15 Shareholder’s equity

Paid in capital

As of December 31, 2016 the Company's share capital is 529,147,564 TL and the capital of the company have been exported and each occurred in 1 Kurus 52,914,756,400 Total nominal value. In addition, there are no privileges given to shares representing the capital.

As of December 31st 2016, the Company's share capital directly or indirectly involved in capital group is Allianz Europe SE which have %64.39 share. Another organization is qualified shareholders Allianz Europe B.V with %31.82 shares.

Allianz Sigorta A.Ş. , regarding the purchase of shares during the pre- minority merger in March 2016, the offer is sent to small shareholders to purchase the shares by Allianz SE and the nominal capital of 11,643,332 TL has been transferred to Allianz SE from minority shareholders.

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

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

On 26 March 2013, a share purchase agreement has been signed between Yapı ve Kredi Bankası Anonim Şirketi, Yapı ve Kredi Faktoring Anonim Şirketi, Yapı ve Kredi Yatırım Menkul Değerler Anonim Şirketi and Allianz SE for the sale and purchase of shares in Yapı ve Kredi Sigorta Anonim Şirketi and Yapi Kredi Emeklilik Anonim Şirketi. The Competition Authority approved this share purchase agreement with 70922894-120.01.06-7224 numbered decision at 27 June 2013 and The Undersecretariat of Treasury approved with 36816135 numbered decision at 5 July 2013.

According to the Company's Extraordinary General Meeting held on 19 September 2014, with in the framework of approval of The Undersecretariat of Treasury numbered 70761236-301.08/24251 and dated 25 July 2014, the legal existence of Yapı Kredi Sigorta ended.

As a result of the legal merger of Allianz Sigorta A.Ş. and Yapı Kredi Sigorta A.Ş., the total share capital of the Company increased by TL 329,147,564 and the total share capital of the Company became equal to TL 529,147,564 upon the increase. The abovementioned share capital increase 32,914,756,400 registered shares (each having a nominal value of TL 0.01) issued by the Company, given at no cost to Yapı Kredi Sigorta A.Ş.’s shareholders in exchange for their Yapı Kredi Sigorta A.Ş. shares owned by shareholders as of the date of registration with the Istanbul Trade Registry of the General Assembly of Shareholders decision.

Other capital reserves

As at 31 December 2016 and 2015, other capital reserves presented in accompanying the financial statements amounts are as follows:

	31 December 2016	31 December 2015
Own use buildings revaluation fund *(Note 6)*	5,559,154	7,635,454
Profit from sale of participation shares exempted from corporate tax	197,293,160	125,245,929
Capital adjustment due to merger	(227,156,298)	(227,156,298)
Bonus shares obtained	67,508	67,508
Other legal reserves	**(24,236,476)**	**(94,207,407)**

	31 December 2016	31 December 2015
Profit on associate sales exempted from corporate tax at the beginning of the period	125,245,929	125,005,860
Profit on fixed asset sales transferred to capital reserve during period	72,047,231	240,069
Profit on associate sales exempted from corporate tax at the end of the period	**197,293,160**	**125,245,929**

(Currency: Turkish Lira (TL))

15 Shareholder's equity *(continued)*

Other capital reserves *(continued)*

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.

In accordance with "TAS 16 - Tangible Assets", the Company accounts for property (land and buildings) using the revaluation model. Increases in the carrying amounts arising on revaluation of land and buildings, net of tax, are accounted for in "Other capital reserves" under shareholders' equity. At each accounting period, the difference between depreciation based on the revalued carrying amount of the asset (charged to the statement of income) and the depreciation based on the asset's original cost is transferred from "Other Capital reserves" to retained earnings. In accordance with the current regulation, revaluation increases arising from the revaluation of own use property are not allowed to be used in capital increases. The movements in the current period related to revaluation increases are disclosed in Note 6.

Legal reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5%, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

The movement of legal reserves in the period is as follows:

	31 December 2016	31 December 2015
Legal reserves at the beginning of the period	**77,771,040**	**55,303,834**
Transfer from profit	20,400,403	22,467,206
Legal reserves at the end of the period	**98,171,443**	**77,771,040**

Extraordinary reserves

The movement of extraordinary reserves in the period is as follows:

	31 December 2016	31 December 2015
Extraordinary reserves at the beginning of the period	**518,634,823**	**366,083,208**
Transfer from profit	27,075,181	152,551,615
Extraordinary reserves at the end of the period	**545,710,004**	**518,634,823**

Valuation of financial assets

As at 31 December 2016 and 2015, the unrealised gains and losses arising from the changes in the fair values of available-for-sale financial assets are recognized in "Valuation of Financial Assets" under the shareholders' equity. The movement of valuation of financial assets in the period is as follows:

	31 December 2016	31 December 2015
Valuation increase of subsidiaires	7,131,010	4,288,701
Government debt instruments	(68,599,350)	(43,165,575)
Valuation of financial assets	**(61,468,340)**	**(38,876,874)**

The Company performed discounted cash flow method internally in order to determine the fair value of Allianz Hayat ve Emeklilik A.Ş. and recorded the impairment amount determined from the fair value calculation at 31 December 2016.

(Currency: Turkish Lira (TL))

15 Shareholders' equity *(continued)*

Valuation of financial assets*(continued)*

Movements of change in the fair value reserves classified as available-for-sale financial assets are presented below:

	31 December 2016	31 December 2015
Fair value reserves at the beginning of the period	**(43,165,575)**	**15,773,537**
Effect of changes in foreign currency exchange rates	(34,811,782)	(70,955,018)
Tax effect	6,962,357	14,191,003
Net gains transferred to the income statement	3,019,560	(2,718,872)
Tax effect	(603,910)	543,775
At the end of period valuation differences	**(68,599,350)**	**(43,165,575)**

Other profit reserves

In accordance with the 4 July 2007 dated and 2007/3 numbered "Circular Related to accordance of the Provisions of Insurance, Reinsurance and Individual Pension Companies with the Insurance law numbered 5684" issued by the Turkish Treasury, it was stated that the companies would not further provide earthquake provision for the year 2007. However, it was also stated that earthquake provisions provided in previous periods (earthquake provision in the financial statements as at 31 December 2006) should be transferred to the reserve accounts under equity in accordance with the 5th Temporary Article of the Insurance Law. The companies had to transfer total amount of provisions, including earthquake provisions reserved as at 31 December 2006 and related gains obtained from investment of these amounts, to the account called as "549.01 – transferred earthquake provisions" which would be opened as at 1 September 2007 within Uniform Chart of Account and the reserves amount should not be subject to dividend distribution or should not be transferred to other accounts.

Accordingly, the Company initially transferred total provisions amounting to TL 41,588,243, including earthquake provisions reserved as at 31 December 2006 and related gains obtained from investment of this amount, to the reserve accounts under equity. TL 39,000,000 of this amount is used for capital increase in 2008 and the remaining amount is TL 2,588,243.

Net Profit for the Period not Subject to Distribution

According to the provisions of the tax legislation, 75% of the profits arising from the sale of real estate and subsidiaries included in the assets of the companies are exempted from the corporation tax, provided that they are kept in a special fund account for at least five full years. As of December 31, 2016, the year 2015 amounting to TL 72,047,230 and the exemption amount for the year 2005 fixed income sales gain amounting to 5,050,100 have been classified as other capital reserves.

Retained Earnings

As at 31 December 2016 TL 11,476,592 actuarial loss, net off deferred tax and expense allocation has been recognised under previous years' losses. (31 December 2015: 12,236,417 TL)

16 Other reserves and equity component of Discretionary Participation Feature

As at 31 December 2016 and 2015, changes in fair values of available-for-sale financial assets presented under "fair value reserves of financial assets", revaluation fund for own use property, profits from sales of participation shares which are exempt from corporate tax presented under "other capital reserves" and earthquake reserves under "other profit reserves" are explained in detail in Note 15 above. As at 31 December 2016 and 2015, the Company does not hold any insurance or investment contracts which contain a DPF.

(Currency: Turkish Lira (TL))

17 Insurance liabilities and reinsurance assets

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

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

	31 December 2016	31 December 2015
Reserve for unearned premiums, gross	3,086,498,992	2,245,671,445
Reserve for unearned premiums, ceded *(Note 10)*	(403,091,207)	(319,615,444)
Reserve for unearned premiums, SSI share *(Note 10)*	(133,951,710)	(73,618,950)
Reserves for unearned premiums, net	**2,549,456,075**	**1,852,437,051**
Reserve for unexpired risks, gross	8,073,870	6,320,491
Reserve for unexpired risks, ceded *(Note 10)*	(3,846,676)	(5,132,864)
Reserve for unexpired risks, net	**4,227,194**	**1,187,627**
Provision for outstanding claims, gross	2,762,868,507	1,914,728,048
Provision for outstanding claims, ceded *(Note 10)*	(586,987,262)	(494,350,811)
Provision for outstanding claims, net	**2,175,881,245**	**1,420,377,237**
Provisions for bonus and discouns	3,804,172	2,872,499
Reinsurance share in Provisions for bonus and discounts	-	-
Provisions For Bonus and Discounts, net	**3,804,172**	**2,872,499**
Equalization provision, net	72,858,918	62,193,297
Total technical provisions, net	**4,806,227,604**	**3,339,067,711**
Short-term	4,733,368,686	3,276,874,414
Medium and long-term	72,858,918	62,193,297
Total insurance technical provisions, net	**4,806,227,604**	**3,339,067,711**

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

	31 December 2016			
Reserve for unearned premiums	**Gross**	**Reinsurer Share**	**SSI share**	**Net**
Reserve for unearned premiums at the beginning of the period	2,245,679,525	(319,615,444)	(73,618,950)	1,852,445,131
Premium written during the period	5,775,137,834	(661,185,614)	(252,879,671)	4,861,072,549
Premiums earned during the period	(4,934,318,367)	577,709,851	192,546,911	(4,164,061,605)
Reserve for unearned premiums at the end of the period	**3,086,498,992**	**(403,091,207)**	**(133,951,710)**	**2,549,456,075**

	31 December 2015			
Reserve for unearned premiums	**Gross**	**Reinsurer Share**	**SSI share**	**Net**
Reserve for unearned premiums at the beginning of the period	1,635,886,274	(250,166,996)	(35,088,316)	1,350,630,962
Premium written during the period	4,050,872,623	(584,890,908)	(118,291,504)	3,347,690,211
Premiums earned during the period	(3,441,079,372)	515,442,460	79,760,870	(2,845,876,042)
Reserve for unearned premiums at the end of the period	**2,245,679,525**	**(319,615,444)**	**(73,618,951)**	**1,852,445,131**

(Currency: Turkish Lira (TL))

17 Insurance liabilities and reinsurance assets *(continued)*

Provision for outstanding claims	**31 December 2016 Gross**	**Reinsurer Share**	**Net**
Provision for outstanding claims at the beginning of the period	1,914,728,048	(494,350,811)	1,420,377,237
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	3,326,239,336	(275,502,533)	3,050,736,803
Claims paid during the period	(2,478,098,877)	182,866,082	(2,295,232,795)
Provision for outstanding claims at the end of the period	**2,762,868,507**	**(586,987,262)**	**2,175,881,245**

Provision for outstanding claims	**31 December 2015 Gross**	**Reinsurer Share**	**Net**
Provision for outstanding claims at the beginning of the period	1,397,010,074	(359,809,761)	1,037,200,313
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	2,462,397,404	(305,059,650)	2,157,337,754
Claims paid during the period	(1,944,679,430)	170,518,600	(1,774,160,830)
Provision for outstanding claims at the end of the period	**1,914,728,048**	**(494,350,811)**	**1,420,377,237**

Provisions For Bonus and Discounts	**31 December 2016 Gross**	**Reinsurer Share**	**Net**
Provisions For Bonus and Discounts at he beginning of period	2,872,499	-	2,872,499
Change during the period	931,673	-	931,673
Provisions For Bonus and Discounts at theen of the period	**3,804,172**	**-**	**3,804,172**

Provisions For Bonus and Discounts	**31 December 2015 Gross**	**Reinsurer Share**	**Net**
Provisions For Bonus and Discounts at he beginning of period	1,332,195	-	1,332,195
Change during the period	1,540,304	-	1,540,304
Provisions For Bonus and Discounts at theen of the period	**2,872,499**	**-**	**2,872,499**

Claim development tables

The basic assumption used in estimation of the outstanding claims provision is the Company's past experience of claims development. In determining the effect of external factors like court decisions and legal changes outstanding claims provision; Company management uses its own judgments. Sensitivity of estimations caused by legal changes and other ambiguities in the process of estimation is not measurable. Also the long intervals between the time claim happens and the payment time prevent the outstanding claims reserve to be determined clearly. Consequently, total liabilities can change according to subsequent events and differences occurred by this re-estimation of the total liabilities are booked in financial statements in succeeding periods.

Development of insurance liabilities allows measuring the performance of the Company in estimating the total claims liability. The amounts in the upper part of the tables below show the changes in the Company's estimations of aggregate claims from the time that claims happened, whereas the amounts in the the lower part of the table gives the reconciliation of the total liabilities with the outstanding claim provision that is presented on the financial statements:

(Currency: Turkish Lira (TL))

17 Insurance liabilities and reinsurance assets *(continued)*

Claim development tables *(continued)*

31 December 2016								
Accident year	**Before 2011**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Accident year	447,656,831	1,295,047,459	1,406,298,908	1,647,688,480	1,707,767,320	2,035,128,339	2,569,376,643	2,569,376,643
1 year later	422,174,471	1,299,102,216	1,455,170,761	1,724,669,230	1,854,911,189	2,185,482,821	-	2,185,482,821
2 years later	515,935,576	1,327,527,555	1,480,128,421	1,790,852,497	1,910,082,795	-	-	1,910,082,795
3 years later	555,011,438	1,312,265,630	1,521,329,486	1,834,469,025	-	-	-	1,834,469,025
4 years later	599,862,951	1,327,483,665	1,556,367,441	-	-	-	-	1,556,367,441
5 years later	635,997,857	1,345,080,745	-	-	-	-	-	1,981,078,602
Current estimate of cumulative claims	635,997,857	1,345,080,745	1,556,367,441	1,834,469,025	1,910,082,795	2,185,482,821	2,569,376,643	12,036,857,327
Cumulative payments up to date	402,880,947	1,271,054,893	1,434,034,524	1,686,060,284	1,741,252,400	1,915,542,347	1,792,461,575	10,243,286,970
Liability recognized	233,116,910	74,025,852	122,332,917	148,408,741	168,830,395	269,940,474	776,915,068	1,793,570,357
Incurred but not reported provision								969,298,150
Total gross outstanding claim provision presented in the financial statements at the end of the period								**2,762,868,507**

31 December 2016								
Accident year	**Before 2011**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total**
Accident year	252,326,036	1,056,907,255	1,209,754,861	1,413,899,117	1,522,659,333	1,823,193,343	2,327,499,941	2,327,499,941
1 year later	270,025,533	1,059,945,797	1,234,407,948	1,486,099,533	1,659,786,525	1,962,776,069	-	1,962,776,069
2 years later	343,564,795	1,078,052,047	1,261,947,751	1,559,565,615	1,724,813,706	-	-	1,724,813,706
3 years later	371,428,006	1,088,754,637	1,287,243,609	1,598,975,636	-	-	-	1,598,975,636
4 years later	405,110,029	1,099,436,881	1,309,786,196	-	-	-	-	1,309,786,196
5 years later	438,494,126	1,110,868,507	-	-	-	-	-	1,549,362,633
Current estimate of cumulative claims	438,494,126	1,110,868,507	1,309,786,196	1,598,975,636	1,724,813,706	1,962,776,069	2,327,499,941	10,473,214,181
Cumulative payments up to date	298,821,900	1,069,983,289	1,238,717,520	1,491,685,194	1,582,223,905	1,758,618,813	1,702,951,385	9,143,002,006
Liability recognized	139,672,226	40,885,218	71,068,676	107,290,442	142,589,801	204,157,256	624,548,556	1,330,212,175
Incurred but not reported provision								845,669,070
Total net outstanding claim provision presented in the financial statements at the end of the period								**2,175,881,245**

(Currency: Turkish Lira (TL))

17 Insurance liabilities and reinsurance assets *(continued)*

Claim development tables *(continued)*

	31 December 2015							
Accident year	**Before 2010**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Accident year	406,578,881	1,018,736,455	1,295,264,409	1,406,554,469	1,647,952,905	1,707,944,938	2,035,128,339	2,035,128,339
1 year later	391,748,698	1,032,032,537	1,299,235,231	1,455,236,220	1,724,705,909	1,854,911,189	-	1,854,911,189
2 years later	390,298,680	1,007,779,545	1,327,682,951	1,480,188,100	1,790,852,497	-	-	1,790,852,497
3 years later	459,920,941	1,031,916,927	1,312,415,152	1,521,329,486	-	-	-	1,521,329,486
4 years later	485,907,436	1,045,123,094	1,327,483,665	-	-	-	-	1,327,483,665
5 years later	520,090,546	1,055,543,584	-	-	-	-	-	1,575,634,130
Current estimate of cumulative claims	520,090,546	1,055,543,584	1,327,483,665	1,521,329,486	1,790,852,497	1,854,911,189	2,035,128,339	10,105,339,306
Cumulative payments up to date	329,664,533	1,005,158,077	1,258,402,068	1,399,836,375	1,628,545,872	1,643,699,356	1,475,664,630	8,740,970,911
Liability recognized	190,426,013	50,385,507	69,081,597	121,493,111	162,306,625	211,211,833	559,463,709	1,364,368,395
Incurred but not reported provision								550,359,653
Total gross outstanding claim provision presented in the financial statements at the end of the period								**1,914,728,048**

	31 December 2015							
Accident year	**Before 2010**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
Accident year	220,270,031	872,334,634	1,056,907,255	1,209,754,861	1,413,899,117	1,522,659,333	1,823,193,343	1,823,193,343
1 year later	223,759,869	872,051,605	1,059,945,797	1,234,407,948	1,486,099,533	1,659,786,525	-	1,659,786,525
2 years later	238,803,691	874,707,279	1,078,052,047	1,261,947,751	1,559,565,615	-	-	1,559,565,615
3 years later	295,751,719	891,298,513	1,088,754,637	1,287,243,609	-	-	-	1,287,243,609
4 years later	314,941,994	899,971,449	1,099,436,881	-	-	-	-	1,099,436,881
5 years later	351,372,750	908,389,888	-	-	-	-	-	1,259,762,638
Current estimate of cumulative claims	351,372,750	908,389,888	1,099,436,881	1,287,243,609	1,559,565,615	1,659,786,525	1,823,193,343	8,688,988,611
Cumulative payments up to date	241,047,122	878,341,860	1,059,298,618	1,214,536,296	1,440,788,283	1,495,182,162	1,373,239,117	7,702,433,458
Liability recognized	110,325,628	30,048,028	40,138,263	72,707,313	118,777,332	164,604,363	449,954,226	986,555,153
Incurred but not reported provision								433,822,084
Total net outstanding claim provision presented in the financial statements at the end of the period								**1,420,377,237**

(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		
	Should be placed (**)	**Placed (*)**	**Book value**
Non-life:			
Financial assets(*) *(Note 11)*	474,298,020	484,627,593	484,646,223
Total	**474,298,020**	**484,627,593**	**484,646,223**

	31 December 2015		
	Should be placed (**)	**Placed (*)**	**Book value**
Non-life:			
Financial assets(*) *(Note 11)*	386,412,404	345,592,715	345,592,715
Total	**386,412,404**	**345,592,715**	**345,592,715**

(*)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.

(Currency: Turkish Lira (TL))

17 Insurance liabilities and reinsurance assets *(continued)*

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

None.

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

None.

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

None.

Deferred commission expenses

Unrecognized portion of commissions paid to the intermediaries in relation to the policies produced are capitalized under the account "short-term prepaid expenses" in the accompanying financial statements. Total deferred acquisition costs amounting to TL 490,867,338 (31 December 2015: TL 358,062,605) consist of deferred commission expenses amounting to TL 446,725,590 (31 December 2015: TL 324,354,951) deferred other expenses amounting to TL 44,141,748 (31 December 2015: TL 33,707,653) TL 30,729,055 of deferred other expenses is comprised of deferred assistance expenses (31 December 2015: 26,362,956 TL) and consist of other prepaid expenses amounting to TL 13,412,693 TL (31 December 2015: 7,344,697 TL).

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	324,354,952	230,792,495
Commissions accrued during the period	827,003,877	583,069,136
Commissions expensed during the period *(Note 32)*	(704,633,239)	(489,506,680)
Deferred commission expenses at the end of the period	**446,725,590**	**324,354,951**

Individual pension funds

None.

18 Investment contract liabilities

None.

(Currency: Turkish Lira (TL))

19 Trade and other payables, deferred income

	31 December 2016	31 December 2015
Payables arising from operating activities	259,326,504	222,466,212
Short/long term deferred income and expense accruals	105,280,991	77,595,724
Taxes and other liabilities	82,920,075	56,843,617
Payables to SSI	82,072,683	48,008,263
Payables to the related parties *(Note 45)*	3,710,356	39,430,294
Payables to the personnel	104,798	4,469,066
Payables to Associates	23,459	138,801
Other Liabilities	46,133,460	10,656
Total	**579,572,326**	**448,962,633**
Short-term	579,392,974	448,814,352
Medium and long-term	179,352	148,281
Total	**579,572,326**	**448,962,633**

As at 31 December 2016 and 2015 other payables are comprised of payables for outsourced services.

As at 31 December 2016, payables to SSI amounting to TL 82,072,683 (31 December 2015: TL 48,008,263) is all comprised from short term payables.

As of 31 December 2016, short/long term deferred income and expense accruals are comprised of deferred commission income *(Note 10)* amounting to TL 104,196,961 (31 December 2015: TL 77,087,384).

Payables from operating activities of the Company as of 31 December 2016 and 2015 are detailed as follows:

	31 December 2016	31 December 2015
Payables to reinsurance companies *(Note 10)*	161,398,184	135,104,215
Payables to the contractors and service providers	59,376,377	46,421,437
Payables to agents, brokers and mediators	35,599,170	32,570,087
Payables to insurance companies	1,876,513	6,086,813
Payables to policyholder	1,020,832	1,919,549
Payables due to insurance operations	**259,271,076**	**222,102,101**
Deposit taken from reinsurers *(Note10)*	55,428	364,111
Payables arising from operating activities	**259,326,504**	**222,466,212**

Corporate tax and prepaid tax amounts are detailed below as follows:

	31 December 2016	31 December 2015
Provision for corporate tax	66,540,371	24,893,498
Prepaid tax during period	(94,636,599)	(35,690,975)
Corporate tax payable, net	**(28,096,228)**	**(10,797,477)**

Total amount of investment deductions that will be benefited in current and forthcoming periods

None.

(Currency: Turkish Lira (TL))

20 Financial liabilities

As of 31 December 2016, the Company has TL 250,982,526 financial liabilities from repo transactions (31 December 2015: TL 250,825,043). As of 31 December 2016, the repurchase agreements' maturity are between 20 January 2017 and 10 February 2017 (31 December 2015: 4 January 2016 to 12 February 2016) and the interest rate is between 9.25% and 9.50%. (31 December 2015: % 10.25 to % 10.75)

21 Deferred taxes

As at 31 December 2016 and 2015, deferred taxes comprised the following:

	31 December 2016	**31 December**
	Deferred tax assets/(liabilities)	**Deferred tax assets/(liabilities)**
Equalization reserve	12,690,287	10,717,757
Provision for doubtful receivables	11,559,655	8,281,391
TAS19 Actuarial termination difference	2,869,147	3,631,127
Provision for integration expenses	3,166,424	216,730
Provisions for employee termination benefits and unused vacations	2,400,148	1,988,742
Provision for agency performance commission	2,039,853	1,477,202
Provision for receivables of insurance activities	1,375,918	941,455
Provisions for management premiums	1,301,283	1,598,571
Provision for unrecorded liabilities	-	1,376,589
Provision for receivables of reinsurance activities	1,906,140	2,162,682
Provision for unexpired risks	845,439	237,525
Valuation differences in financial assets	11,479	163,696
Additional incurred but not reported claims provision	-	8,613,726
Valuation of tangible assets	(7,588,945)	(7,991,420)
Difference in depreciation methods on tangible and intangible assets	(5,223,715)	(2,685,675)
Other temporary differences	3,894,199	1,270,199
Deferred tax assets, net	**31,247,312**	**32,000,297**

22 Retirement benefit obligations

None.

23 Provisions 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 agency commissions	12,405,913	15,724,711
Provision for management commions	30,612,285	38,616,195
Provision for unused vacations	7,767,117	6,551,708
Provision for law suit and court expense	9,073,806	5,044,233
Provision for restructring expenses	3,791,419	-
Provision for agency promotions	1,302,597	2,675,000
Provision for rewards and cost sharing	402,684	400,000
Provision for unrecorded liabilities	210,643	56,714
Other	584,913	903,594
Maliyet giderleri karşılığı	**66,151,377**	**69,972,155**
Provision for employee benefits	22,622,074	21,050,490
Provision for restructring expenses	12,040,699	-
Total provision	**100,814,150**	**91,022,645**

(Currency: Turkish Lira (TL))

23 Provisions for other liabilities and charges *(continued)*

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	21,050,490	19,633,436
Interest cost	2,033,101	1,449,605
Service cost	2,194,793	1,957,091
Payments during the period	(1,954,884)	(2,936,199)
Payment/ cutting benefits/ profit (loss) from severance	248,354	563,951
Actuarial difference	(949,780)	382,606
Provision for employee termination benefits at the end of the period	**22,622,074**	**21,050,490**

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 3,791,419 (31 December 2015: None) short term and TL 12,040,699 (31 December 2015: None) long term expense provisions are accounted.

24 Net insurance premium income

Net Insurance premium income is detailed in the accompanying statement of income.

25 Fee revenue

None.

26 Investment income

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

27 Net realized gains on financial assets

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

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 is presented in Note 4.2 – *Financial Risk Management*.

29 Insurance rights and claims

	31 December 2016	31 December 2015
Claims paid, net off reinsurers' share	(2,295,232,795)	(1,774,160,830)
Changes in provision for outstanding claims, net off reinsurers' share	(755,504,008)	(383,176,924)
Changes in reserve for unearned premiums, net off reinsurers' share	(697,019,024)	(501,814,271)
Change in equalization provisions, net off reinsurers' share	(10,665,621)	(9,904,531)
Change in unexpired risks provisions, net off reinsurers' share	(3,039,567)	(1,187,627)
Total	**(3,761,461,015)**	**(2,670,244,183)**

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.

(Currency: Turkish Lira (TL))

32 Expense by nature

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

	31 December 2016	**31 December 2015**
Commission expenses *(Note 17)*	(704,633,239)	(489,506,680)
Employee benefit expense *(Note 33)*	(195,083,741)	(178,913,673)
Administrative expenses	(87,492,464)	(75,934,548)
Marketing and sales expenses	(61,630,023)	(42,277,816)
Expenses for services received	(13,455,478)	(11,523,374)
Commission income from reinsurers *(Note 10)*	95,135,186	85,604,725
Other expenses	(29,981,729)	(24,042,483)
Total	**(997,141,488)**	**(736,593,849)**

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	**31 December 2015**
Wages and salaries	(105,078,213)	(99,366,066)
Other fringe benefits	(37,685,916)	(26,752,991)
Premium and sales commissions	(25,471,353)	(22,423,150)
Employer’s share in social security premiums	(9,346,999)	(16,865,701)
Severance, termination benefits and unused provision expense	(724,946)	(2,669,826)
Other	(16,776,314)	(10,835,939)
Total *(Note 32)*	**(195,083,741)**	**(178,913,673)**

34 Finance 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.

(Currency: Turkish Lira (TL))

35 Income tax expense

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

	31 December 2016	31 December 2015
Total tax expense recognized in profit or loss		
Corporate tax of net profit for the period	(66,540,371)	(24,893,498)
Deferred tax of net profit for the period	(6,615,986)	(1,708,733)
Total tax expense recognized in equity		
Corporate tax recognized in equity	3,943,384	14,734,778
Deferred tax recognized in equity	5,863,002	15,322,132
Total tax expense	**(63,349,971)**	**3,454,679**

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 31 December 2016 and 2015 is as follows:

	31 December 2016		31 December 2015	
Profit before taxes	**449,311,988**	**Tax rate (%)**	**259,925,046**	**Tax rate (%)**
Tax calculated at the statutory tax rate of the Company	89,862,398	20.00	51,985,010	20.00
Current year losses for which no deferred taxis recognised	(18,893,346)	(4.20)	(28,169,446)	(10.84)
Non-deductible expenses	2,187,305	0.49	2,786,667	1.07
Total income tax expense reflected in the statement of income	**73,156,357**	**16.29**	**26,602,231**	**10.23**

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 for the period into weighted average number of shares of the Company.

	31 December 2016	31 December 2015
Net income for the period	376,155,631	233,322,815
Weighted average number of shares	52,914,756,400	52.914.756.400
Earnings per share (TL)	0.007109	0.004409

38 Dividend per share

In accordance with the resolution taken unanimously in the ordinary General Meeting held on 30 March 2016, As a result of the activities of the Company in the year 2015, TL 11,666,141 general legal reserves and TL 72,047,230 non-distribution real estate sales profit were allocated from the after-tax profit of TL 233,322,815 for the year 2015 and net profit for 2015 amounting to TL 113,800,000 is decided to distribute and the remaining profit is transferred to extraordinary reserves according to the Turkish Commercial Law (article: 519).

39 Cash generated from operations

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

40 Convertible bonds

None.

(Currency: Turkish Lira (TL))

41 Redeemable preference shares

None.

42 Contingencies

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

	31 December 2016	31 December 2015
Outstanding claims litigations against the Company (*)	919,744,529	784,695,940
Labor litigations against the Company	3,054,069	2,519,546
Total	**922,798,598**	**787,695,940**

(*) Outstanding claims provision and the movement table of outstanding claims provision is disclosed in *Note 17 – Insurance liabilities and reinsurance assets*. Net amount of the related provisions is TL 741,590,593 (31 December 2015 TL 613,570,964).

As a result of the review carried out by the Ministry of Finance, the Tax Inspection Board, the tax penalty fine of TL 1,275,773 for the year 2009 and TL 1,876,748 for the year 2009 were notified to the Company on December 8, 2014 and December 26, 2014, respectively, as the reason that the sovtage transactions were not subject to bank and insurance transaction tax. As of January 16, 2015 and January 26, 2015, Company was additionally notified tax penalties amounting to TL 8,821,282,68 and TL 13,231,924 for the periods 2010, 2011 and 2012. The Company has used the facilities identified in the "Regulation on Restructuring Certain Receivables" number 6736, which was published in the Official Gazette dated August 19, 2016 and entered into force. Within this scope, the Company has terminated the tax assessment by paying TL 5,815,421 as of November 30, 2016.

43 Commitments

The details of the guarantees which are given by the Company in favor or the Turkish Treasury for insurance operations are presented in Note 17.

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

TL commitments	31 December 2016	31 December 2015
Less than 1 year	2,684,177	2,693,017
More than 1 year and less than 5 years	5,309,637	5,783,186
More than 5 years	2,560,938	3,127,000
Total minimum rent payments	**10,554,752**	**11,603,203**

(Currency: Turkish Lira (TL))

43 Commitments *(continued)*

Euro commitments	**31 December 2016**	**31 December 2015**
Less than 1 year	5,313,823	5,321,988
More than 1 year and less than 5 years	-	-
Total minimum rent payments	**5,313,823**	**5,321,988**

44 Business combination

According to the Company's Extraordinary General Meeting held on 19 September 2014, it has been decided to merge with Yapı Kredi Sigorta Anonim Şirketi under Allianz Sigorta Anonim Şirketi whereby all assets and liabilities of Yapı Kredi Sigorta Anonim Şirketi shall be transferred to Allianz Sigorta Anonim Şirketi as of 1 October 2014. Allianz Sigorta Anonim Şirketi announced this legal merger in the Trade Registry Gazette No. 8668 dated 8 October 2014. The accompanying financial statements have been prepared in accordance with merger as mentioned in *Note 2*.

45 Related party transactions

Allianz SE holding 64.39% of the outstanding shares, Allianz Europe B.V. holding 31.82% and Tokio Marine and Nichido Fire Insurance Co. Ltd. holding 3.79% of the Company and the groups having direct control over those companies and the affiliates and associates of those groups are referred to related parties of the Company in the accompanying financial statements.

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

	31 December 2016	**31 December 2015**
Allianz Yaşam Emeklilik A.Ş.	5,049,161	7,044,852
Allianz Hayat ve Emeklilik A.Ş.	1,002,317	3,897,285
Allianz SE	-	4,159,831
Other	24,432	25,884
Receivables from related parties *(Note 12)*	**6,075,910**	**15,127,852**
Allianz Russia	3,417,689	178,036
Allianz Bulgarıa	2,063,881	-
Allianz Egypt	1,583,799	28,326
Euler Hermes	826,114	824,394
Agcs & Speciality Munchen	582,562	188,940
Allianz Insurance Company Guangzhou	461,305	228,454
Allianz Cote Divorıe Assurances	303,840	-
Allianz Cornhill Insurance	201,150	201,150
Allianz Tiriac	86,936	348,081
Other	399,366	304,258
Receivables from operating activities	**9,926,642**	**2,301,639**
Allianz SE	3,472,556	-
Allianz Managed Operations & Services SE	199,023	4,465,423
Allianz Risk Consulting GMBH	28,938	-
Allianz Investment Management SE	6,825	-
Magdeburger Sigorta A.Ş.	3,013	3,643
Payables to related parties *(Note 19*	**3,710,355**	**4,469,066**

(Currency: Turkish Lira (TL))

45 Related party transactions *(continued)*

	31 December 2016	31 December 2015
Allianz Se	79,672,371	61,382,242
Agcs & Speciality Munchen	32,541,725	27,642,838
Munich Re	6,979,725	5,155,340
Allianz Risk Transfer (Dubai Branch)	2,645,680	-
Allianz Risk Transfer AG, Zurich	1,884,105	329,409
Tokio Marine Europe Ins.Ltd	620,913	769,564
AZ Global Corp.&Specialty America	571,637	433,235
AGA International AG	501,767	426,737
Allianz Pojistovna A.Ş.	399,390	-
Other	1,731,890	537,617
Payables arising from operating activities	**127,549,203**	**96,676,982**

	31 December 2016	31 December 2015
Allianz Se	73,276,268	70,181,021
Allianz Europe B.V.	36,207,270	34,680,074
Tokio Marine Nichido and Fire Insurance Co. Ltd.	4,301,258	4,119,834
Diğer	15,204	19,071
Paid Dividends	**113,800,000**	**109,000,000**

	31 December 2016	31 December 2015
Allianz Se	299,838,652	263,145,104
Agcs & Speciality Munchen	93,756,884	93,864,823
Munich Re	10,127,496	10,099,416
Allianz Rısk Transfer Ag, Zurıch	7,216,831	6,373,068
Allianz Risk Transfer (Dubai Branch)	3,899,926	-
Tokio Marıne Europe Ins.Ltd	3,752,580	2,766,297
AZ Global Corp.&Specialty America	2,304,424	1,118,415
Allianz CP General Insurance Co.Ltd	2,182,762	-
Other	5,722,129	4,008,756
Written premiums ceded	**428,801,684**	**381,375,879**

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

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

There are no guarantees, commitments, collaterals, advances or endorsements given in favor of shareholders, subsidiaries and joint ventures.

(Currency: Turkish Lira (TL))

45 Related party transactions (continued)

For the years ended 31 December 2016 and 2015, related party transactions are as follows:

	31 December 2016	31 December 2015
Allianz SE	58,427,518	51,327,118
Agcs & Speciality Munich	17,657,348	16,310,047
Munich Re	2,588,112	2,567,602
Allianz Risk Transfer (Dubai Branch)	992,464	-
Tokio Marine Nichido and Fire Insurance Co. Ltd.	793,685	603,157
Other	1,015,374	616,709
Commissions received	**81,474,501**	**71,424,633**
Allianz SE	130,060,986	113,645,055
Agcs & Speciality Munich	10,190,229	23,839,965
Allianz Risk Transfer AG, Zurich	4,926,230	-
Tokio Marine Europe Ins LTD	2,509,753	303,218
Munich Re	1,949,746	965,983
AGA International AG	862,236	623,501
Other	416,709	1,734,859
Reinsurers' share of paid claims	**150,915,889**	**141,112,581**
Beykoz Gayrimenkul Yatırım İnş. Tur. San. Ve Tic. A.Ş.	17,551,912	5,745,660
Allianz Yaşam ve Emeklilik A.Ş.	-	1,161,356
Rent expense	**17,551,912**	**6,907,016**
Allianz SE	11,317	44,536
Premium deposits interest expense	**11,317**	**44,536**
Allianz Yaşam ve Emeklilik A.Ş.	80,000,000	68,800,000
Tarsim	-	108,620
Dividend income	**80,000,000**	**68,908,620**
Allianz Yaşam ve Emeklilik A.Ş.	96,592	207,980
Allianz Hayat ve Emeklilik A.Ş.	-	172,800
Magdeburger Sigorta A.Ş.	-	12,251
Tokio Marine Nichido and Fire Insurance Co. Ltd.	-	11,080
Rent income	**96,592**	**404,111**

(Currency: Turkish Lira (TL))

46 Subbsequent events

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**.** The Company has concluded an agreement worth TL 61,000,000 VAT excluded with KSC Yapı Ticaret Limited Şirketi in related to construction process.

47 Others

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

	31 December 2016	31 Deember 2015
Assistance expenses	54,155,314	43,224,983
Other technical expenses	**54,155,314**	**43,224,983**

Total amount of each due to/from personnel items classified under "Other Receivables" and "Other Short and Long Term Payables" exceeding one percent of total assets in the balance sheet

None.

NSubrogation receivables followed under the off-balance sheet accounts

None.

Description and amount of rights in real on property

None.

Descriptive disclosure in relation to amounts and resources of income, expenses, and losses for the prior periods

As of December 31, 2016 the Company has TL 807,614 expense and loss for the prior period. (December 31, 2015: TL 216,674).

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

	31 December 2016	31 December 2015
Provision expenses for doubtful subrogation and salvage receivables	(21,604,676)	(26,736,214)
Provision for Restructring expenses	(15,349,569)	(3,013,159)
Provision expenses for doubtful receivables from main operations	(4,933,217)	-
Provision expenses for employment termination benefits (*)	(2,521,364)	1,239,843
Provision expenses for insurance premiums	(2,372,581)	(1,663,518)
Provision expenses for lawsuits and court expenses	(588,418)	(1,330,430)
Provision expenses for receivables from agencies	200,268	520,992
Provision expenses for doubtful reinsurance receivables	(415,181)	619,370
Provisions account in the statement of income	**(47,584,738)**	**(30,363,116)**

	31 December 2016	31 December 2015
Receivables from insurance activities rediscount interest income	(2,371,915)	(20,146)
Payables from insurance activities rediscount interest expense	-	3,108,348
Rediscount account	**(2,371,915)**	**3,088,202**