



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

Allianz Yaşam ve Emeklilik Anonim Şirketi

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 Anonim Şirketi

10 March 2017

*This report contains 2 pages of independent
auditors' report and 79 pages of financial statements
together with their explanatory notes.*



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

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

Report on the Financial Statements

We have audited the accompanying unconsolidated balance sheet of Allianz Yaşam ve Emeklilik 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 Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Allianz Yaşam ve Emeklilik Anonim Şirketi as at 31 December 2016 and its financial performance and 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


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

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

İstanbul, 10 March 2017



Taylan TÜRKÖLMEZ
General Manager



Ahmet Faruk YEGÜL
Financial Affairs Director



Ersin PAK
Chief Financial Officer



Birsen ÖZTÜRK KIRÇAL
Actuary

Allianz Yaşam ve Emeklilik Anonim Şirketi
Balance Sheet As at 31 December 2016

(Currency: Turkish Lira (TL))

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

ASSETS			
I- Current Assets	Notes	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
A- Cash and Cash Equivalents	14	540,763,121	391,714,965
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	468,497,984	318,731,490
4- Cheques Given and Payment Orders		-	-
5- Bank Guaranteed Credit Card Receivables With Maturity Less Than Three Months	14	72,265,137	72,983,475
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Financial Investments with Risks on Policyholders	11	643,048,889	638,803,991
1- Available-for-Sale Financial Assets	11	350,799,827	326,440,412
2- Held to Maturity Investments		-	-
3- Financial Assets Held for Trading	11	608,451	350,975
4- Loans		-	-
5- Provision for Loans		-	-
6- Financial Investments with Risks on Saving Life Policyholders	11	291,640,611	312,012,604
7- Company's Own Equity Shares		-	-
8- Diminution in Value of Financial Investments		-	-
C- Receivables from Main Operations		74,708,326	57,656,241
1- Receivables from Insurance Operations	12	44,548,446	24,443,778
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited to Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders	2,8,12	3,112,195	2,802,468
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Operations	12,18	27,047,685	30,409,995
9- Doubtful Receivables from Main Operations	12	122,944	32,194
10- Provision for Doubtful Receivables from Main Operations	12	(122,944)	(32,194)
D- Due from Related Parties		55,377	8,068
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	55,377	8,068
7- Rediscount on Receivables from Related Parties		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties		-	-
E- Other Receivables		278,600	1,757,134
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given		-	-
4- Other Miscellaneous Receivables	12	278,600	1,757,134
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
F- Prepaid Expenses and Income Accruals	17	20,172,416	19,076,655
1- Deferred Acquisition Costs	17	13,459,381	10,945,906
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	214,345
4- Other Prepaid Expenses	2,14,17	6,713,035	7,916,404
G- Other Current Assets		28,733	14,648
1- Stocks to be Used in the Following Months		-	-
2- Prepaid Taxes and Funds	12	1,876	1,876
3- Deferred Tax Assets		-	-
4- Job Advances		710	-
5- Advances Given to Personnel	12	26,147	12,772
6- Inventory Count Differences		-	-
7- Other Miscellaneous Current Assets		-	-
8- Provision for Other Current Assets		-	-
I- Total Current Assets		1,279,055,462	1,109,031,702

The accompanying notes are an integral part of these financial statements

Allianz Yaşam ve Emeklilik Anonim Şirketi
Balance Sheet As at 31 December 2016

(Currency: Turkish Lira (TL))

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

ASSETS			
	Notes	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
II- Non-Current Assets			
A- Receivables from Main Operations			
		8.130.865.487	6.778.078.243
1- Receivables from Insurance Operations		-	-
2- Provision for Receivables from Insurance Operations		-	-
3- Receivables from Reinsurance Operations		-	-
4- Provision for Receivables from Reinsurance Operations		-	-
5- Cash Deposited for Insurance and Reinsurance Companies		-	-
6- Loans to the Policyholders		-	-
7- Provision for Loans to the Policyholders		-	-
8- Receivables from Individual Pension Business	12	8.130.865.487	6.778.078.243
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			
		30.274	19.774
1- Finance Lease Receivables		-	-
2- Unearned Finance Lease Interest Income		-	-
3- Deposits and Guarantees Given	12	30.274	19.774
4- Other Miscellaneous Receivables		-	-
5- Rediscount on Other Miscellaneous Receivables		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables		-	-
D- Financial Assets			
	9	631.834	631.834
1- Investments in Equity Shares	9	7.014.748	7.014.748
2- Investments in Associates		-	-
3- Capital Commitments to Associates		-	-
4- Investments in Subsidiaries		-	-
5- Capital Commitments to Subsidiaries		-	-
6- Investments in Joint Ventures		-	-
7- Capital Commitments to Joint Ventures		-	-
8- Financial Assets and Financial Investments with Risks on Policyholders		-	-
9- Other Financial Assets		-	-
10- Impairment in Value of Financial Assets	9	(6.382.914)	(6.382.914)
E- Tangible Assets			
	6	21.482.142	82.186.224
1- Investment Property	6	4.140.000	4.118.368
2- Impairment on Investment Property		-	-
3- Owner Occupied Property	6	-	60.672.000
4- Machinery and Equipments		-	-
5- Furniture and Fixtures	6	19.082.825	19.533.089
6- Motor Vehicles	6	205.652	213.814
7- Other Tangible Assets (Including Leasehold Improvements)	6	11.521.208	20.699.117
8- Tangible Assets Acquired Through Finance Leases	6	-	243.424
9- Accumulated Depreciation	6	(13.467.543)	(23.293.588)
10- Advances Paid for Tangible Assets (Including Construction in Progress)		-	-
F- Intangible Assets			
	8	4.786.192	2.587.521
1- Rights	8	14.820.495	11.052.062
2- Goodwill		-	-
3- Pre-operating Expenses		-	-
4- Research and Development Costs		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortization	8	(10.034.303)	(8.464.541)
8- Advances Paid for Intangible Assets		-	-
G-Prepaid Expenses and Income Accruals			
		8.684.066	10.815.852
1- Deferred Acquisition Costs		-	-
2- Income Accruals		-	-
3- Other Prepaid Expenses	2, 14, 17	8.684.066	10.815.852
H-Other Non-Current Assets			
	21	8.613.626	-
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	8.613.626	-
6- Other Miscellaneous Non-Current Assets		-	-
7- Amortization on Other Non-Current Assets		-	-
8- Provision for Other Non-Current Assets		-	-
II- Total Non-Current Assets			
		8.175.093.621	6.874.319.448
TOTAL ASSETS			
		9.454.149.083	7.983.351.150

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

Allianz Yaşam ve Emeklilik Anonim Şirketi
Balance Sheet As at 31 December 2016

(Currency: Turkish Lira (TL))

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

LIABILITIES			
	Notes	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
III- Short-Term Liabilities			
A- Financial Liabilities	20	75,600,069	75,117,725
1- Borrowings from Financial Institutions		-	-
2- Finance Lease Payables		-	46,429
3- Deferred Leasing Costs		-	(18,063)
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	75,600,069	75,089,359
B- Payables Arising from Main Operations	19	98,514,029	74,512,332
1- Payables Arising from Insurance Operations	19	12,338,735	2,285,063
2- Payables Arising from Reinsurance Operations		-	-
3- Cash Deposited by Insurance and Reinsurance Companies		-	-
4- Payables Arising from Individual Pension Business	18,19	86,100,479	72,227,269
5- Payables Arising from Other Main Operations	19	74,815	-
6- Discount on Payables from Other Main Operations		-	-
C-Due to Related Parties	19,45	6,050,823	7,403,804
1- Due to Shareholders	45	-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		43,641	65,861
6- Due to Other Related Parties	45	6,007,182	7,337,943
D- Other Payables	19	6,333,610	8,455,618
1- Deposits and Guarantees Received		-	-
2- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables	19	6,333,610	8,455,618
4- Discount on Other Miscellaneous Payables		-	-
E-Insurance Technical Provisions	17	133,795,078	112,253,051
1- Reserve for Unearned Premiums - Net	17	31,574,192	25,858,266
2- Reserve for Unexpired Risks- Net		-	-
3- Life Mathematical Provisions - Net	17	49,861,241	41,896,920
4- Provision for Outstanding Claims - Net	17	51,301,821	43,472,742
5- Provision for Bonus and Discounts – Net	17	1,057,824	1,025,123
6- Provision for Life Policies at Insured's Risk-Net		-	-
7- Other Technical Provisions – Net		-	-
F- Provisions for Taxes and Other Similar Obligations	19	15,826,952	13,281,110
1- Taxes and Funds Payable		4,613,610	3,257,924
2- Social Security Premiums Payable		2,922,398	1,282,452
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Similar Payables		-	-
5- Corporate Tax Payable	19	41,777,480	35,440,652
6- Prepaid Taxes and Other Liabilities Regarding Current Period Profit	19	(33,486,536)	(26,699,918)
7- Provisions for Other Taxes and Similar Liabilities		-	-
G- Provisions for Other Risks	23	43,713,889	33,142,529
1- Provision for Employee Termination Benefits		-	-
2- Provision for Pension Fund Deficits		-	-
3- Provisions for Costs	23	43,713,889	33,142,529
H- Deferred Income and Expense Accruals	19	486,667	261,905
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income	19	486,667	261,905
I- Other Short-Term Liabilities		-	-
1- Deferred Tax Liabilities		-	-
2- Inventory Count Differences		-	-
3- Other Various Short Term Liabilities		-	-
III – Total Short-Term Liabilities		380,321,117	324,428,074

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

Allianz Yaşam ve Emeklilik Anonim Şirketi
Balance Sheet As at 31 December 2016

(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
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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		8,130,865,487	6,778,078,243
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	19	8,130,865,487	6,778,078,243
5- Payables Arising from Other Operations		-	-
6- Discount on Payables from Other Operations		-	-
C- Due to Related Parties		-	-
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		-	-
D- Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Medical Treatment Payables to Social Security Institution		-	-
3- Other Miscellaneous Payables		-	-
4- Discount on Other Miscellaneous Payables		-	-
E-Insurance Technical Provisions	17	515,136,376	517,962,618
1- Reserve for Unearned Premiums - Net		-	-
2- Reserve for Unexpired Risks - Net		-	-
3- Life Mathematical Provisions - Net	17	503,287,276	498,883,591
4- Provision for Outstanding Claims - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Provision for Life Policies at Insured's Risk-Net		-	-
7- Other Technical Provisions - Net	17	11,849,100	19,079,027
F-Other Liabilities and Relevant Accruals	23	4,804,702	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
3- Other Liabilities and Expense Accruals	23	4,804,702	-
G- Provisions for Other Risks	23	12,490,476	11,913,573
1- Provisions for Employment Termination Benefits	23	12,490,476	11,913,573
2- Provisions for Employee Pension Funds Deficits		-	-
H-Deferred Income and Expense Accruals		892,222	214,286
1- Deferred Commission Income		-	214,286
2- Expense Accruals		-	-
3- Other Deferred Income		892,222	-
I- Other Long-Term Liabilities		8,831,883	12,746,251
1- Deferred Tax Liabilities	21	-	2,419,007
2- Other Long-Term Liabilities	47	8,831,883	10,327,244
IV- Total Long-Term Liabilities		8,673,021,146	7,320,914,971

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

Allianz Yaşam ve Emeklilik Anonim Şirketi
Balance Sheet As at 31 December 2016

(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
and Related Disclosures and Footnotes
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EQUITY			
V- Equity	Notes	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
A- Paid in Capital		58,000,000	58,000,000
1- (Nominal) Capital	2.13,15	58,000,000	58,000,000
2- Unpaid Capital		-	-
3- Positive Capital Restatement Differences		-	-
4- Negative Capital Restatement Differences		-	-
5- Unregistered Capital		-	-
B- Capital Reserves		330,479	38,680,384
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	330,479	38,680,384
C- Profit Reserves		120,547,125	78,883,816
1- Legal Reserves	15	46,821,417	37,111,417
2- Statutory Reserves		-	-
3- Extraordinary Reserves	15	75,230,964	43,237,198
4- Special Funds		-	-
5- Revaluation of Financial Assets	11,15	(1,505,256)	(1,464,799)
6- Other Profit Reserves		-	-
D- Retained Earnings	15	59,629,342	20,409,660
1- Retained Earnings	15	59,629,342	20,409,660
E- Accumulated Losses		-	-
1- Accumulated Losses		-	-
F-Net Profit for the Period		162,299,874	142,034,245
1- Net Profit for the Year		155,288,202	141,703,766
2- Net Loss for the Year		-	-
3- Net Profit for the Period not Subject to Distribution		7,011,672	330,479
V- Total Equity		400,806,820	338,008,105
TOTAL EQUITY AND LIABILITIES		9,454,149,083	7,983,351,150

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

Allianz Yaşam ve Emeklilik Anonim Şirketi
Statement of Income
For the Year Ended 31 December 2016
(Currency: Turkish Lira (TL))

*Convenience Translation of Financial Statements
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TECHNICAL SECTION	Notes	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
A- Non-Life Technical Income		5,086,033	8,265,398
1- Earned Premiums (Net of Reinsurer Share)		5,005,207	7,815,846
1.1- Written Premiums (Net of Reinsurer Share)	17	4,975,403	7,858,165
1.1.1- Written Premiums, gross	5,17	5,004,542	7,889,013
1.1.2- Written Premiums, ceded	5,10,17	(29,139)	(30,848)
1.1.3- Written Premiums, SSI share		-	-
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	5,17,29	29,804	(42,319)
1.2.1- Reserve for Unearned Premiums, gross	17	29,804	(42,319)
1.2.2- Reserve for Unearned Premiums, ceded		-	-
1.2.3- Reserve for Unearned Premiums, SSI share		-	-
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.3.1- Reserve for Unexpired Risks, gross		-	-
1.3.2- Reserve for Unexpired Risks, ceded		-	-
2- Investment Income - Transferred from Non-Technical Section		80,826	449,552
3- Other Technical Income (Net of Reinsurer Share)		-	-
3.1- Other Technical Income, gross		-	-
3.2- Other Technical Income, ceded		-	-
4- Accrued Salvage and Subrogation Income		-	-
B- Non-Life Technical Expense		(9,468,061)	(8,132,075)
1- Incurred Losses (Net of Reinsurer Share)	17	(705,204)	(733,570)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(484,513)	(565,363)
1.1.1- Claims Paid, gross	5,17	(484,513)	(597,139)
1.1.2- Claims Paid, ceded	5	-	31,776
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(220,691)	(168,207)
1.2.1- Change in Provisions for Outstanding Claims, gross	5,17	(220,691)	(168,207)
1.2.2- Change in Provisions for Outstanding Claims, ceded	5,10,17	-	-
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
2.1- Provision for Bonus and Discounts, gross		-	-
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Other Technical Reserves (Net of Reinsurer Share and Less the Amounts Carried Forward)		(36,350)	(58,096)
4- Operating Expenses	32	(7,634,347)	(4,330,652)
5- Change in Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)		(1,092,160)	(3,009,757)
5.1- Mathematical Provisions		(1,092,160)	(3,009,757)
5.2- Mathematical Provisions, ceded		-	-
6- Other Technical Expense		-	-
6.1- Other Technical Expense, gross		-	-
6.2- Other Technical Expense, ceded		-	-
C- Net Technical Income-Non-Life (A – B)	5	(4,382,028)	133,323
D- Life Technical Income		447,392,522	453,415,907
1- Earned Premiums (Net of Reinsurer Share)		392,899,929	386,290,951
1.1- Written Premiums (Net of Reinsurer Share)	17	398,645,659	391,383,884
1.1.1- Written Premiums, gross	5,17	452,028,563	432,827,160
1.1.2- Written Premiums, ceded	5,10,17	(53,382,904)	(41,443,276)
1.2- Change in Reserve for Unearned Premiums (Net of Reinsurer Shares and Less the Amounts Carried Forward)	5,17,29	(5,745,730)	(5,092,933)
1.2.1- Reserve for Unearned Premiums, gross	17	(5,608,276)	(4,909,326)
1.2.2- Reserve for Unearned Premiums, ceded	10,17	(137,454)	(183,607)
1.3- Change in Reserve for Unexpired Risks (Net of Reinsurer Share and Less the Amounts Carried Forward)		-	-
1.3.1- Reserve for Unexpired Risks, gross		-	-
1.3.2- Reserve for Unexpired Risks, ceded		-	-
2- Investment Income	5	52,319,851	65,706,154
3- Unrealized Gains on Investments		-	-
4- Other Technical Income (Net of Reinsurer Share)	5	2,172,742	1,418,802
4.1- Other Technical Income, gross	5	2,172,742	1,418,802
4.2- Other Technical Income, ceded		-	-
5- Accrued Salvage and Subrogation Income		-	-

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

Allianz Yaşam ve Emeklilik Anonim Şirketi
Statement of Income
For the Year Ended 31 December 2016
(Currency: Turkish Lira (TL))

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

	Notes	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
I-TECHNICAL SECTION			
E- Life Technical Expense		(325,421,170)	(339,228,100)
1- Incurred Losses (Net of Reinsurer Share)	17	(135,613,583)	(121,463,831)
1.1- Claims Paid (Net of Reinsurer Share)	17,29	(128,005,195)	(107,981,922)
1.1.1- Claims Paid, gross	5,17	(144,824,392)	(120,466,257)
1.1.2- Claims Paid, ceded	5,10,17	16,819,197	12,484,335
1.2- Change in Provisions for Outstanding Claims (Net of Reinsurer Share and Less the Amounts Carried Forward)	17,29	(7,608,388)	(13,481,909)
1.2.1- Change in Provisions for Outstanding Claims, gross	5,17	(7,568,785)	(15,711,323)
1.2.2- Change in Provisions for Outstanding Claims, ceded	5,10,17	(39,603)	2,229,414
2- Change in Provision for Bonus and Discounts (Net of Reinsurer Share and Less the Amounts Carried Forward)	5	(32,701)	(128,791)
2.1- Provision for Bonus and Discounts, gross	5	(32,701)	(128,791)
2.2- Provision for Bonus and Discounts, ceded		-	-
3- Change in Life Mathematical Provisions (Net of Reinsurer Share and Less the Amounts Carried Forward)	5,29	(11,275,846)	(52,841,617)
3.1- Change in Life Mathematical Provisions, gross	5	(11,275,846)	(52,841,617)
3.1.1- Actuarial Mathematical Provisions	5	(11,275,846)	(52,841,617)
3.1.2- Profit Sharing Provisions (Provisions for Policies Investment Risks of Which Belong to Life Insurance Policyholders)		-	-
3.2- Change in Life 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	(2,646,564)	(2,495,555)
5- Operating Expenses	5,32	(173,598,941)	(158,374,260)
6- Investment Expenses	5	(2,253,535)	(3,924,046)
7- Unrealized Losses on Investments		-	-
8- Investment Income Transferred to the Non-Life Technical Section		-	-
F- Net Technical Income- Life (D – E)	5	121,971,352	114,187,807
G- Pension Business Technical Income	5	162,090,928	150,980,191
1- Fund Management Income	5	125,306,182	104,107,304
2- Management Fee	5	15,956,205	15,511,118
3- Entrance Fee Income	5	14,999,658	24,230,972
4- Management Expense Charge in case of Suspension	5	4,074,151	5,419,553
5- Income from Individual Service Charges		-	-
6- Increase in Value of Capital Allowances Given as Advance		-	7,079
7- Other Technical Expense	5	1,754,732	1,704,165
H- Pension Business Technical Expense		(152,487,554)	(139,541,027)
1- Fund Management Expense	5	(12,928,734)	(10,456,331)
2- Decrease in Value of Capital Allowances Given as Advance		-	(3,708)
3- Operating Expenses	5,32	(128,640,540)	(119,858,704)
4- Other Technical Expenses	5	(9,690,474)	(5,399,406)
5- Penalty Payment		(1,227,806)	(3,822,878)
I- Net Technical Income - Pension Business (G – H)	5	9,603,374	11,439,164

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

Allianz Yaşam ve Emeklilik Anonim Şirketi
Statement of Income
For the Year Ended 31 December 2016
(Currency: Turkish Lira (TL))

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

	Notes	Audited Current Period 31 December 2016	Audited Prior Period 31 December 2015
I-NON-TECHNICAL SECTION			
C- Net Technical Income – Non-Life (A-B)		1,318,471	133,323
F- Net Technical Income – Life (D-E)		120,338,578	114,187,807
I - Net Technical Income – Pension Business (G-H)		5,535,649	11,439,164
J- Total Net Technical Income (C+F+I)		127,192,698	125,760,294
K- Investment Income	5	104,590,735	133,638,662
1- Income from Financial Assets		59,067,307	24,292,054
2- Income from Disposal of Financial Assets		-	1,381
3- Valuation of Financial Assets		18,758,330	22,558,245
4- Foreign Exchange Gains		18,685,033	59,997,466
5- Income from Associates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income from Property, Plant and Equipment		7,040,948	4,670,501
8- Income from Derivative Transactions		1,039,117	22,119,015
9- Other Investments		-	-
10- Income Transferred from Life Section		-	-
L- Investment Expense	5	(31,418,914)	(80,365,750)
1- Investment Management Expenses (inc. interest)		-	-
2- Diminution in Value of Investments		-	-
3- Loss from Disposal of Financial Assets		(525,618)	(655)
4- Investment Income Transferred to Non-Life Technical Section		(80,826)	-
5- Loss from Derivative Transactions		-	(32,615,204)
6- Foreign Exchange Losses		(13,941,218)	(31,928,779)
7- Depreciation and Amortization Expenses		(6,856,532)	(6,001,805)
8- Other Investment Expenses		(10,014,720)	(9,819,307)
M- Income and Expenses From Other and Extraordinary Operations	5	3,712,835	(1,558,309)
1- Provisions	47	(7,791,746)	(1,510,767)
2- Rediscounts		-	-
3- Specified Insurance Accounts		-	-
4- Monetary Gains and Losses		-	-
5- Deferred Taxation (Deferred Tax Assets)	35	11,157,343	364,635
6- Deferred Taxation (Deferred Tax Liabilities)		-	-
7- Other Income		787,683	346,240
8- Other Expenses and Losses		(252,695)	(305,059)
9- Prior Year's Income		-	-
10- Prior Year's Expenses and Losses		(187,750)	(453,358)
N- Net Profit for the Year		162,299,874	142,034,245
1- Profit for the Year		204,077,354	177,474,897
2- Corporate Tax Provision and Other Fiscal Liabilities	35	(41,777,480)	(35,440,652)
3- Net Profit for the Year		162,299,874	142,034,245
4- Monetary Gains and Losses		-	-

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

Allianz Yaşam ve Emeklilik Anonim Şirketi
Statement of Cash Flows
For the Year Ended 31 December 2016
(Currency: Turkish Lira (TL))

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

	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		486,016,790	456,281,887
2. Cash provided from reinsurance activities		-	-
3. Cash provided from individual pension business		2,247,926,009	2,009,320,937
4. Cash used in insurance activities		(444,660,664)	(410,337,850)
5. Cash used in reinsurance activities		-	-
6. Cash used in individual pension business		(2,225,154,842)	(1,994,490,013)
7. Cash provided by operating activities		64,127,293	60,774,961
8. Interest paid		-	-
9. Income taxes paid		(42,112,675)	(30,903,910)
10. Other cash inflows		9,377,069	16,968,883
11. Other cash outflows		(12,694,043)	(55,989,757)
12. Net cash provided by operating activities		18,697,644	(9,149,823)
B. Cash flows from investing activities		-	
1. Proceeds from disposal of tangible assets		72,681,411	1,050,562
2. Acquisition of tangible assets	6,7,8	(7,997,970)	(18,119,715)
3. Acquisition of financial assets	11	(164,881,834)	(261,723,982)
4. Proceeds from disposal of financial assets	11	250,617,855	181,315,677
5. Interests received		787,682	102,777,752
6. Dividends received		-	-
7. Other cash inflows		8,080,065	24,092,971
8. Other cash outflows		(6,985,036)	(11,384,402)
9. Net cash provided by investing activities		152,302,173	18,008,863
C. Cash flows from financing activities		-	
1. Equity shares issued		-	-
2. Cash provided from loans and borrowings		-	-
3. Finance lease payments		-	-
4. Dividends paid	45	(100,000,000)	(86,000,000)
5. Other cash inflows		-	-
6. Other cash outflows		(585,727)	(179,888)
7. Net cash provided by financing activities		(100,585,727)	(86,179,888)
D. Effect of currency differences on cash and cash equivalents		2,877,187	2,696,544
E. Net increase in cash and cash equivalents		73,291,277	(74,624,304)
F. Cash and cash equivalents at the beginning of the year	14	145,674,504	220,298,808
G. Cash and cash equivalents at the end of the year	14	218,965,781	145,674,504

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

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

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

Audited Statement of Changes in Equity - 31 December 2015												
	Notes	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustments	Legal Reserves	Extraordinary Reserves	Other Reserves and Retained Earnings	Net Profit / (Loss) for the Year	Retained Earnings	Total
I - Balance at the end of the previous year – 31 December 2014		58,000,000	-	3,258,259	-	-	26,639,993	26,959,868	58,262,950	93,923,169	19,905,180	286,949,419
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
B- Purchase of own shares		-	-	-	-	-	-	-	-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-	-	-	-	(756,981)	-	504,480	(252,501)
D- Change in the value of financial assets		-	-	(4,723,058)	-	-	-	-	-	-	-	(4,723,058)
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the year		-	-	-	-	-	-	-	-	142,034,245	-	142,034,245
I – Other Reserves and Transfers from Retained Earnings		-	-	-	-	-	10,471,424	17,038,092	(18,825,585)	(8,683,931)	-	-
J- Dividends paid		-	-	-	-	-	-	(760,762)	-	(85,239,238)	-	(86,000,000)
II - Balance at the end of the year – 31 December 2015		58,000,000	-	(1,464,799)	-	-	37,111,417	43,237,198	38,680,384	142,034,245	20,409,660	338,008,105
Audited Statement of Changes in Equity - 31 December 2016												
	Notes	Paid-in Capital	Own Shares of the Company	Revaluation of Financial Assets	Inflation Adjustments	Currency Translation Adjustments	Legal Reserves	Extraordinary Reserves	Other Reserves and Retained Earnings	Net Profit / (Loss) for the Year	Retained Earnings	Total
I - Balance at the end of the previous year – 31 December 2015		58,000,000	-	(1,464,799)	-	-	37,111,417	43,237,198	38,680,384	142,034,245	20,409,660	338,008,105
A- Capital increase		-	-	-	-	-	-	-	-	-	-	-
B- Purchase of own shares		-	-	-	-	-	-	-	-	-	-	-
C- Gains or losses that are not included in the statement of income		-	-	-	-	-	-	-	-	-	539,298	539,298
D- Change in the value of financial assets		-	-	(40,457)	-	-	-	-	-	-	-	(40,457)
E- Currency translation adjustments		-	-	-	-	-	-	-	-	-	-	-
F- Other gains or losses		-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustment differences		-	-	-	-	-	-	-	-	-	-	-
H- Net profit for the year		-	-	-	-	-	-	-	-	162,299,874	-	162,299,874
I – Other Reserves and Transfers from Retained Earnings		-	-	-	-	-	9,710,000	31,993,766	(38,349,905)	(42,034,245)	38,680,384	-
J- Dividends paid		-	-	-	-	-	-	-	-	(100,000,000)	-	(100,000,000)
II - Balance at the end of the year – 31 December 2016		58,000,000	-	(1,505,256)	-	-	46,821,417	75,230,964	330,479	162,299,874	59,629,342	400,806,820

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

Allianz Yaşam ve Emeklilik Anonim Şirketi
Statement of Profit Distribution
For the Year Ended 31 December 2016
(Currency: Turkish Lira (TL))

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

	Notes	Current Period 31 December 2016	Prior Period 31 December 2015
I. DISTRIBUTION OF THE PROFIT FOR THE YEAR			
1.1. CURRENT PERIOD PROFIT/(LOSS)		192,920,011	177,110,262
1.2. TAXES AND DUTIES PAYABLE		30,620,137	35,076,017
1.2.1. Corporate Tax (Income Tax)		41,777,480	35,440,652
1.2.2. Income Tax Deductions		-	-
1.2.3. Other Taxes and Legal Duties		(11,157,343)	(364,635)
A CURRENT PERIOD PROFIT/(LOSS) (1.1 - 1.2)		162,299,874	142,034,245
1.3. ACCUMULATED LOSSES (-)		-	-
1.4. FIRST LEGAL RESERVES (-)		-	-
1.5. OTHER STATUTORY RESERVES (-)		-	(330,479)
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5)]		-	141,703,766
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	(2,900,000)
1.6.1. To owners of ordinary shares		-	(2,900,000)
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 (-)		-	(97,100,000)
1.9.1. To owners of ordinary shares		-	(97,100,000)
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 (-)		-	(9,710,000)
1.11. STATUTORY RESERVES(-)		-	-
1.12. EXTRAORDINARY RESERVES		-	(31,993,766)
1.13. OTHER RESERVES		-	-
1.14. SPECIAL FUNDS		-	-
II. DISTRIBUTION OF RESERVES			
2.1. APPROPRIATED RESERVES		-	-
2.2. SECOND LEGAL RESERVES (-)		-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1. To owners of ordinary shares		-	-
2.3.2. To owners of privileged shares		-	-
2.3.3. To owners of redeemed shares		-	-
2.3.4. To holders of profit sharing bonds		-	-
2.3.5. To owners of Profit and Loss Participation Certificates		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. EARNINGS PER SHARE		0.2798	0.2448
3.1. TO OWNERS OF ORDINARY SHARES		0.2798	0.2448
3.2. TO OWNERS OF ORDINARY SHARES (%)		27.98	24.48
3.3. TO OWNERS OF PRIVILEGED SHARES		-	-
3.4. TO OWNERS OF PRIVILEGED SHARES (%)		-	-
IV. DIVIDEND PER SHARE		-	0.1724
4.1. TO OWNERS OF ORDINARY SHARES		-	0.1724
4.2. TO OWNERS OF ORDINARY SHARES (%)		-	17.24
4.3. TO THE PRIVILEGED SHAREHOLDERS		-	-
4.4. TO THE PRIVILEGED SHAREHOLDERS (%)		-	-

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

Allianz Yaşam ve Emeklilik Anonim Şirketi

Notes to the Financial Statements

As at 31 December 2016

(Currency: Turkish Lira (TL))

1 General information

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

As at 31 December 2016, the ultimate parent of Allianz Yaşam ve Emeklilik A.Ş. (“the Company”) is Allianz SE.

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

The Company was registered in İstanbul and the address of the Company’s registered office is Allianz Tower, Küçükbakkalköy Mah. Kayışdağ Cad. No. 1 34750 Ataşehir / İstanbul.

1.3 Business of the Company

The main operation of the Company is to act in private pension fund system and, as a result of this activity, to prepare private pension contracts, to fulfill all transactions defined in the laws and regulations related with pension funds, and also to issue all kinds of group and individual life and personal accident policies in Turkey and foreign countries and to perform all related reinsurance transactions.

The title of the Company has been changed as Allianz Yaşam ve Emeklilik Anonim Şirketi on 3 October 2013 after 80% share of the Company has been purchased by Allianz Sigorta A.Ş. in 2013.

The title of the Company, which was the former Yapı Kredi Yaşam Sigorta A.Ş. has been changed as Yapı Kredi Emeklilik A.Ş. on 30 December 2002. The articles of association of the Company have been changed by the written approval number of 81316 dated 20 December 2002 of the Undersecretariat of Treasury and the initial authorization number of 10919 dated 20 December 2002 of the Ministry of Trade and Industry. As regards the amendment, the Company has been entitled to act in private pension fund system, to issue private pension fund contracts and to fulfill all transactions defined in the laws and regulations related with pension funds.

1.4 Description of the main operations of the Company

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

1 General information (continued)

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

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

	31 December 2016	31 December 2015
Top management personnel	5	5
Other personnel	746	769
Total	751	774

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 4,147,030 (31 December 2015: TL 3,221,666).

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

All investment income that is generated by investments compensating life technical provisions, is transferred from non-technical to technical part of the income statement. Other investment income is classified under non-technical part. Principals and procedures of the distribution key used in financial statements has been amended by the Undersecretariat of Treasury with the communique number 2010/9 which is in force starting from 1 January 2011. According to the amendment, operating expenses transferred to technical section are distributed to pension and insurance sections according to arithmetical average of in force policies and pension contracts ratio at the end of each period in last 3 years together with produced contributions and earned premiums in the last 3 years. The expenses allocated to insurance part are distributed to life and non-life parts by considering the average of ratio of policies produced in last 3 years with total number of policies produced, ratio of gross written premium in last 3 years with total gross written premium and ratio of amount of number of notified claims in last 3 years with total number of notified claims calculated for each part.

The Company has common expenses with Allianz Sigorta 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 Sigorta A.Ş. in which principles to determine sharing of common expenses is outlined. In accordance with this contract, the parties share common expenses due to functional and operational activities among themselves based on "Activity Based Costing System".

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

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

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

Trade Name of the Company : Allianz Yaşam ve Emeklilik Anonim Şirketi

Registered Address of the Head Office : Allianz Tower Küçükbakkalköy Mahallesi
Kayışdağı Caddesi No:1
Ataşehir/İstanbul

The Web Page of the Company : www.allianzyasamemeklilik.com.tr

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

1 General information *(continued)*

1.10 Subsequent events

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

2 Significant accounting policies

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 within the framework of “Communiqué Related to the Financial Reporting of Insurance, Reinsurance, and Individual Pension Companies”, the Article 18 of Insurance Law, and other accounting and financial reporting principles, statements and guidance (collectively “the Reporting Standards”) as promulgated by the Undersecretariat of Treasury in accordance with the current regulations.

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

Additional paragraph for convenience translation to English

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

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

Accounting in hyperinflationary countries

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

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

Other accounting policies

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

2 Significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.3 Functional and reporting currency

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

2.1.4 Rounding level of the amounts presented in the financial statements

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

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

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

2.1.6 Changes in accounting policies

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

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

2.1.7 Changes in accounting estimates

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

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

2 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 Undersecretariat of Treasury in the Official Gazette dated 31 December 2008 and numbered 27097 ("the Circular for Consolidation") requires that insurance, reinsurance and individual pension companies issue consolidated financial statements starting from 31 March 2009. Consolidation is not performed due to the Company has no subsidiary.

2.3 Segment reporting

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

2.4 Foreign currency transactions

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

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

2.5 Tangible assets

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

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 deducted against the funds in the equity; and all other decreases are reflected 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 unlimited useful 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.

2 Significant accounting policies (continued)

2.5 Tangible assets (continued)

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

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

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

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

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

Tangible assets	Estimated useful lives (years)	Depreciation rates (%)
Property held for own use	50	2
Furniture and fixtures	3-15	7-33
Tangible assets acquired via financial leases	3-5	20-33
Other tangible assets (including special costs)	3	33

If there are indicators of impairment on tangible assets except for land and buildings, a review is made in order to determine possible impairment and as a result of this review, if an asset's carrying amount is greater than its estimated recoverable amount, the asset's carrying amount is deducted immediately to its recoverable amount by accounting for an impairment provision. Gains and losses on disposals of property and equipment are included in other operational income and expenses accounts. The Company has not accounted for an impairment provision for the tangible assets as of 31 December 2016 (31 December 2015: None).

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. Valuation surplus amounts can be transferred to the undistributed profits.

2.6 Investment property

The buildings of the Company held for the purpose of receiving rent or an increase in value or both instead of being used in the operations of the Company or being sold within the normal business course are classified as investment properties.

The investment properties are carried at initial acquisition cost by adding transaction costs.

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 Significant accounting policies (continued)

2.7 Intangible Assets

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

Intangible assets are amortized over cost values 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, a contractual right to receive cash or another financial asset from another entity; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity.

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

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

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

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

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

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

2 Significant accounting policies (continued)

2.8 Financial Assets (continued)

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

Special instruments

Loans to the policyholders are the securitized loans that are used by the policyholders with the security of their life insurance policy that have made premium payments throughout the period that is determined by the technical bases related to certified tariffs of life insurance (this period is minimum 3 years according to general conditions of life insurance). Policy loans are accounted at their fair value in the balance sheet and followed from their values determined by applying interest on, by considering impairment provision if any. Since 100% cash guarantees are received for policy loans, Company does not account any impairment for its policy loans.

Interest income from policy loans and the foreign currency gains and losses are also taken into account in the mathematical reserve and profit share calculations and changes in these accounts are classified in the change in the life mathematical reserves account under the Life Branch Technical Income and Expense in the income statement.

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

When such investments are classified as available-for-sale financial assets, for foreign currency and Turkish Lira investments, 5% of the difference between the fair values and amortized costs calculated by using effective interest method are recorded under equity and the remaining 95% are recorded as 'insurance technical provisions – other technical provisions'. As at 31 December 2016, At the rate of 95% of the difference between fair values and amortized costs of those foreign-currency assets backing liabilities and the difference between fair values and amortized costs of those domestic-currency assets amounting TL (2,677,076) (31 December 2015: TL 7,235,765) (Note 17) is recorded under other technical provisions - as unrealized gains/losses from financial investments with risks on life insurance policyholders classified available-for-sale.

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

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

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

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

Derecognition

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

2 Significant accounting policies (continued)

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

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

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

Impairment on tangible and intangible assets

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

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

2.10 Derivative financial instruments

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

As at 31 December 2016, the Company recognised TL 1,039,117 investment income, TL 32,615,204 investment expense from derivative transactions (31 December 2015: TL 22,119,015 investment income and TL 32,615,204 investment expense).

2.11 Offsetting of financial assets

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

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

2 Significant accounting policies (continued)

2.12 Cash and cash equivalents

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

2.13 Share Capital

As at 31 December 2016, the shareholder having direct or indirect control over the Company is Allianz Sigorta A.Ş., holding 80.00% of the outstanding shares of the Company. Other shareholder having direct or indirect control over the Company is Yapı Kredi Finansal Kiralama A.O. having 19.93% of the outstanding shares.

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

Name	31 December 2016		31 December 2015	
	Nominal Value of the Shares (TL)	Percentage (%)	Nominal Value of the Shares (TL)	Percentage (%)
Allianz Sigorta A.Ş.	46,400,000	80.00%	46,400,000	80.00%
Yapı Kredi Finansal Kiralama A.O.	11,557,472	19.93%	11,557,472	19.93%
Other	42,528	0.07%	42,528	0.07%
Paid-in Capital	58,000,000	100%	58,000,000	100%

As of 1 October 2014, all assets and liabilities of Yapı Kredi Sigorta A.Ş. are acquired by Allianz Sigorta A.Ş. with the decision taken by Extraordinary General Assembly of Yapı Kredi Sigorta A.Ş. dated 19 September 2014 and this decision is announced in Commercial Registry Gazette No. 8668 dated 8 October 2014.

Sources of the capital increases during the period

None.

Privileges on common shares representing share capital

None.

Registered capital system in the Company

None.

Repurchased own shares by the Company

None.

2.14 Insurance and investment contracts - classification

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

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

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

2 Significant accounting policies (continued)

2.14 Insurance and investment contracts - classification (continued)

Risk policies

Fixed-term Life Insurance

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

Credit protection insurance

Credit Protection Insurance is an insurance that provides guarantee against the risks that the policyholder may encounter (the risks related with the death, disability, involuntary unemployment, temporary disability for service and daily hospital coverage) throughout the period the credit is used. These products are marketed in order to service the credit debt in case of the realization of the risk in the period of the credit. Therefore, the debtor and the family of the credit holder are financially protected. Credit Protection Insurance products are risk products that do not have any paid up value and are sold only death coverage (credit life) or death coverage along with additional coverage of disability, involuntary unemployment, temporary disability for service and daily hospital coverage (payment protection). The age limit is between 18 and 70 (the period and age cannot exceed 70) premium amount changes according to the risk assessment based on age, sex and health risk assessment. Insurance guarantees can be arranged as fixed or diminishing and premium payments are made in the first year of the insurance. This product is sold only through the branches of Yapı ve Kredi Bankası A.Ş.

Personal accident insurance

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

Saving policies

Saving life insurance

Saving Life insurance products are investment policies of minimum 10 years. The savings at the end of a minimum period of 10 years are paid to the policyholder. These insurances cover death risks as well as additional risk such as disability, critical disease, accidental death, and accidental death in public transportation. Guaranteed amounts are determined as multiple amounts of the monthly insurance premium. The age limit is usually between 18 and 65, and the premium amounts changes according to the risk assessment based on age, sex and health risk assessment. If the return on saving policies exceeds the technical interest guaranteed, the policyholders benefit from the profit share.

The Company classifies and recognizes all of the saving life insurance contracts as insurance contract within the framework of insurance legislation in force.

2 Significant accounting policies (continued)

2.14 Insurance and investment contracts - classification (continued)

Annuity Products

The Company offers lifelong annuity products and annuity products with guaranteed periods for beneficiary clients willing to receive payments periodically instead of a bulk compensatory payment. The annual income calculation for lifelong products are made by considering the real age and for annuity products with guaranteed periods, the insurance period is taken into account during the calculation as there is no probability of life or death.

Individual pension contracts

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

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

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

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

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

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

Commission expenses incurred for pension fund operations are accounted for under operating expenses for pension funds account balance. The Company, defers the commissions paid for issuing the private pension contracts in the context of TAS 18 "Revenue" and TAS 39 "Financial Instruments: Recognition and Measurement" with the condition of not exceeding the total guaranteed income from these contracts and by considering the expected period of time to secure this income. As of 31 December 2016, the Company has calculated deferred commission expense amounting to TL 11,391,700 (31 December 2015: TL 13,781,737) and booked TL 6,577,636 (31 December 2015: TL 7,592,468) of this amount under the current asset in other deferred expense, and the remaining amount of TL 4,814,064 (31 December 2015: TL 6,189,269) under non-current assets in other non-current deferred expense. The change in deferred commission expense based on private pension agreements is accounted in the income statement under the other technical income.

2 Summary of significant accounting policies (continued)

2.14 Insurance and investment contracts- classification (continued)

The entrance fee income account includes the accrued balance when the participants enter the private pension system for the first time or when they open a new private pension account, not exceeding the monthly minimum wage at the date the private pension agreement is signed. In the Company's private pension plans, half of the entrance fee is collected within the first year of the contract and is recorded as income. The collection of the other half is deferred till the date the participants leave the private pension system or make a demand for transfer to another company within 10 years. Nonetheless, based on the entrance fee amount collected at the beginning, the Company contributes a continuity (loyalty) award (for TL contracts, the deferred portion of the entrance fee is increased with the inflation rate), amounting to the deferred portion of the entrance fee which is fixed for foreign currency denominated contracts and the deferred portion of the entrance fee increased with the inflation for TL contracts, to the private pension account of the participants on the condition that the participants hold their private pension account in the Company for 10 years without interruption. As of 31 December 2016, the Company has calculated a provision amounting to TL 8,831,883 (31 December 2015: TL 10,327,244) for its liability regarding the loyalty bonus on contractual basis and accounted for this provision in the financial statements under other non-current liabilities. In order to calculate this provision, the Company has developed a model to measure the probability of participants to keep their private pension account in the Company for 10 years and accounts for the probable amount in the financial statements by discounting it to present value. The change in this financial liability is booked in other technical expenses under the expenses from private pension operations account in the income statement. For contracts issued after 9 August 2008, loyalty bonus is given when the participants are entitled to pension therefore the calculation of this provision for contracts issued after this date is made over the probability of the participants to keep their pension accounts in the Company until the date of their eligibility to pension.

The return on capital advances injected to newly established pension funds, representing the positive fair value change in the newly established pension funds, are recorded to income as interest on capital advances given to pension funds.

Reinsurance agreements

Reinsurance agreements are the agreements the agreed by the Company and Reinsurance Company for the loss which may occur in one or more insurance agreement signed by the Company, and those meet all conditions to be classified as insurance contract and those whose costs are paid. The Company transfers partly the risks taken such as death, disability, involuntary unemployment, temporary capacity, insurance of daily hospital benefits, accidental death/disability, critical illness, accidental death in public transportation to reinsurance companies. The Company has reinsurance agreements for the life policies differentiated on product basis which are generally surplus, quota share/surplus and excess of loss structured. As for the catastrophic claims, the Company adopted a structure with TL 200,000,000 capacity formed of three layers. (31 December 2015: 200,000,000)

2.15 Insurance contracts and investment contracts with discretionary participation feature

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

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

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

2 Summary of significant accounting policies *(continued)*

2.16 Investment contracts without DPF

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

2.17 Liabilities

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

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

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

2.18 Income Tax

Corporate Tax

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

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

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

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. As at 31 December 2016 and 2015, Company has no deductible tax losses

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.

2 Summary of significant accounting policies (continued)

2.18 Income Tax (continued)

Deferred taxes

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

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

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

Transfer pricing

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

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

2.19 Employee termination benefits

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

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

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

	31 December 2016	31 December 2015
Net discount rate	2.80%	2.55%
Expected rate of salary/limit increase	8.50% / 7.00%	9.25 / 7.75%
Estimated voluntarily leave rate (Head Office) (*)	1.25% – 15%	1.25 – 15%
Estimated voluntarily leave rate (Sales Personnel) (*)	1% – 18.50%	1 – 21.50%

(*) The Company has revised calculation of voluntary leave rate which is considered in the reserve for indemnities. The proportion of voluntary leave has been calculated with consideration of past years' experiences and future benefits.

2 Summary of significant accounting policies *(continued)*

2.19 Employee termination benefits *(continued)*

The specified expected rate of salary/limit increase is defined according to inflation estimation of Central Bank of Turkish Republic.

Other benefits

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

2.20 Provisions

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

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

2.21 Revenue recognition

Written premiums

Written premiums represent premiums of the cancelled policies which were written during the year net of taxes. As disclosed in Note 2.24, premium income is recognised in the financial statements on accrual basis by allocating the unearned premium reserve over written risk premiums. The premium written for life insurance policies with maturities over one year consists of income accrued for payments with maturities within the current year. The premium written for policies with maturities less than one year covers the total premium of the relevant period. As a Company policy, in circumstances where the premiums related with the life branch are not collected, if no response is received after the termination of the notification period, the policy is cancelled within the period prescribed and the cancellation is accounted for in the records of the Company

Reinsurance commissions

Commission income for ceded premiums to reinsurance companies are recorded on an accrual basis over the period, and classified in the technical section of the income statement under operating expenses.

Interest income and expense

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

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

2 Summary of significant accounting policies (continued)

2.21 Revenue recognition (continued)

Trading income/expense

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

Dividends

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

Income from pension business

The entrance fee income account includes the accrued balance when the participants enter the private pension system for the first time or when they open a new private pension account, not exceeding the monthly minimum wage (half of monthly amount for contracts issued after 9 August 2008) at the date the private pension agreement is signed. In the Company's private pension plans, half of the entrance fee is collected within the first year of the contract and is recorded as income. The collection of the other half is deferred till the date the participants leave the private pension system or make a demand for transfer to another company within 10 years (5 years for contracts issued after 9 August 2008). For contracts issued in TL before 9 August 2008, if the participant leaves the system before 10 years, the other deferred half of the entrance fee is collected by increasing the amount with the inflation rate and booked as income. For new contracts issued after 9 August 2008, if the participant leaves the system before 5 years the deferred other half of the entrance fee is collected from the participant without being increased with the inflation rate and is booked as income.

On the other hand, for contracts issued before 9 August 2008, based on the entrance fee amount collected at the beginning, the Company contributes a continuity (loyalty) award, amounting to the deferred portion of the entrance fee which is fixed for foreign currency denominated contracts and the deferred portion of the entrance fee increased with the inflation for TL contracts, to the private pension account of the participants on the condition that the participants hold their private pension account in the Company for 10 years without interruption. For contracts issued after 9 August 2008; the entrance fee received is transferred to the account of the participants, by increasing the amount with the inflation rate for contracts in TL, on the condition that the participants hold their private pension account in the Company until retirement.

2.22 Leasing transactions

Leases in which a significant portion of the risks and rewards of ownership are retained by the lesser are classified as financial leases while other leases are classified as operational leases.

Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. The liability to lessor is classified as the leasing payables in the balance sheet. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost except for capitalised portion is charged to the income statement.

The payment of the operational lease is charged to the income statement on a straight-line basis over the lease period (The incentives received or to be received from the lessor and payments made to intermediaries to acquire the lease contract are also charged to the income statement on a straight-line basis over the lease period). As of 31 December 2016, the Company's outstanding lease liability is TL 4,054,543 and EUR 2,035,633 (31 December 2015: TL 2,410, USD 179,17,206, EUR 1,950,595).

2 Summary of significant accounting policies (continued)

2.23 Dividend distribution

A liability for dividend payments is recognised as in the Company's financial statements in the period in which the dividends are declared as a component of dividend distribution decision.

2.24 Reserve for unearned premiums

In accordance with the Technical Reserves Regulation, reserve for unearned premiums, the accrued premiums without any commission or other deduction for current insurance contracts consist of accounting period or deferred period on the daily gross basis.

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

2.25 Deferred commission expense and income

In accordance with the 5. Article of "Communiqué on Amendments to the Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves", the commissions paid to intermediaries provided that productions incurred, commissions received from the premium ceded, the prepaid amounts of non-proportional reinsurance agreements and the corresponding future term(s) of variable costs and supporting services related to preparation of tariffs and insurance contracts for the production and sale recognized under deferred income and expenses and other related accounts. Gains and losses from aforementioned items recognized as net at deferred income and losses account on the balance sheet and at operation expenses on the statement of income, respectively. Income and expenses from private pension agreements (including commissions) are disclosed in Notes 2.21 and 2.25.

Furthermore, the Company is not subject the guarantee premiums costs of the policies that have mathematical reserves as deferred income account within the framework of the "Industry-Specific Declaration about the Changes on the Regulation of Technical Reserves Assets Invested by Insurance and Reinsurance Companies and Pension Funds" numbered 2010/29 and dated 20 September 2010. As of 31 December 2016 the Company deferred insurance expenditure amounting to TL 3,674,590 in which TL 592 is related to Personal Accident Insurance branch (31 December 2015: TL 2,904,857).

2.26 Reserve for unexpired risks

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

2 Summary of significant accounting policies (continued)

2.26 Reserve for unexpired risks (continued)

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

In accordance with the Circular No. 2010/12 dated 20 September 2010 of the Turkish Treasury, in order to eliminate the misleading effect of the revised calculation of outstanding claims reserves, reserve for unexpired risks is calculated with the revised outstanding claims reserve for the opening balance.

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.

2.27 Provision for outstanding claims

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

Change in measurement of technical reserves became effective as at 30 September 2010 according to the Turkish Treasury Circular which were published as "Communiqué on Amendments to Communiqué on Technical Reserves" in Official Gazette dated 28 July 2010 and numbered 27655. Communiqué on technical reserves and circulars issued by Turkish Treasury brings essential changes into effect on measurement of technical reserves and accounting of income from salvage and subrogation. In summary, it is aimed to align Communiqué on Technical Reserves with methodological changes on Actuarial Chain ladder method, to include matters which were declared before through circulars and sector announcements to the communiqué. The Turkish Treasury issued the Circulars numbered 2010/12, 2010/13, 2010/14 and the sector announcement numbered 2010/29 which became effective as at 31 December 2010 in order to clarify uncertainties on measurement of technical reserves and accounting of income from salvage and subrogation.

Additional amendments effective from 30 June 2012 are issued in the "Communiqué on Amendments to the Communiqué on Technical Reserves for Insurance, Reinsurance and Pension Companies and the Related Assets That Should Be Invested Against Those Technical Reserves" in 28356 numbered and 17 July 2012 dated Official Gazette. Test IBNR method ceased in the calculation of provision for outstanding claims. In accordance with the previous communiqués and sector announcements companies should perform actuarial chain ladder method for the non-life insurance branches engaged more than five years and had sufficient data. Upon issuance the Circular on Outstanding Claims Reserve numbered 2014/16 issued by the Turkish Treasury, the Circulars numbered 2010/12, 2010/14 and 2010/16 are repealed. In accordance with the aforementioned Circular numbered 2014/16, IBNR calculation can be made with the other methods by the companies if the calculation method rests upon actuarial basis and amount obtained from this method is greater than the amount calculated by the Actuarial Chain Ladder Method. In this context, Company maintains to calculate IBNR amount according to the repealed Circulars numbered 2010/12 and 2010/14.

2 Summary of significant accounting policies (continued)

2.27 Provision for outstanding claims (continued)

According to the circulars numbered 2010/14 and 2010/16 dated 20 September 2010 and 18 September 2010 issued by the Turkish Treasury, average annual guarantee should be taken into consideration when calculating the incurred but not reported claims (IBNR) of the products whose guarantees are variable during the year such as decreasing secured credit life, variable annual life guaranteed and education insurance etc. whereas total death and additional guarantees should be considered in calculating the IBNR amount of the other products. The Company's actuary determines how additional guarantees are considered in calculating the amount of average annual guarantees. Accordingly, all collateral amounts is included to calculation. Addition collaterals multiple by risk rates determined by the actuary of the company and adds to average collateral. As at 31 December 2016, the actuary of the Company calculates average guarantees amounting TL 11,497,710,305 (31 December 2015: TL 10,829,134,780). As at 31 December 2016, the Company has provided for IBNR, net off ceded amounting TL 8,697,304 (31 December 2015: TL 8,177,643).

In addition to IBNR which is recognised as mentioned above, the Company recognised additional IBNR amounting TL 2,887,613 (31 December 2015: TL 2,771,842) for decedent but not reported claims which is taken from Insurance Information and Monitoring Center.

According to the Communiqué on Technical Reserves; provision for the outstanding claims of the period cannot be less than the result of the actuarial chain ladder method determined by Turkish Treasury. In accordance with temporary code of Communiqué on Technical Provisions, companies can consider 80% of amount held for actuarial chain ladder method in 2010 and 90% in 2011. As at 31 December 2016, the Company has not provided additional provision for outstanding claims according to actuarial chain ladder method (31 December 2015: None).

In Personal Accident Insurance branch, the Company calculated outstanding claim reserve for IBNR via the technique that stated at Article No:6 of "Technical Reserves and Assets for Investing Reserves of Insurance, Reinsurance and Pension Funds Companies" due to the low number of claims (20 claims in 8 years). In this calculation, the figures of end of accounting periods that covers last 12 months were taken into as gross. Claims that occurred before but reported after these dates are considered as IBNR claims amount. While the calculation of the IBNR claims reserves, the Company take into considerations weighted averages of the amounts outstanding IBNR reserves of past 5 years and more; deducted the withdrawal, salvage and similar gains, and dividing the related each year's written premiums. The current years IBNR amount is calculated by multiplying the weighted average that found as stated above and total of 12 months before the current period. In this framework the Company made provision amounting to TL 409,507 (31 December 2015: TL 106,739) for Personal Accident Insurance branch. Outstanding claims reserve amount is updated in the end of every period and additional provision amount is provided for claim files with inadequate provisions. The Company did not make a provision for outstanding claims adequacy as of 31 December 2016 (31 December 2015: None).

2 Summary of significant accounting policies (continued)

2.28 Life mathematical and profit share reserves

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

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

ii) Profit share reserves consist of the income obtained from assets in relation to reserves provided for the obligations for the policyholders and beneficiaries in contracts for which the Company has committed to distribute profit shares; the guaranteed portion, not to exceed the technical interest income calculated based on the profit share distribution system prescribed in the approved technical principles of profit share and prior years' accumulated profit share reserves

2.29 Equalization reserve

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

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

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

As of 31 December 2016, the Company made provision for life branch amounting TL 14,285,070 (31 December 2015: TL 11,638,506) (Note 17). In Personal Accident Insurance branch, for the policies started a new sale and for the policies covering the earthquake risk stated in the section 6, article f of the Personal Accident Insurance General Terms, equalization reserve is calculated by taking into consideration 12% of earthquake premiums stated in the technical tariff. The Company has made an equalization reserve provision TL 241,106 as at 31 December 2016 (31 December 2015: TL 204,756) (Note 17).

2 Summary of significant accounting policies (continued)

2.30 Bonus and rebate provisions

The bonus and rebate provisions are the amount that has to be made provision if the Company commits to pay bonus and rebate to policyholders' life policies in force regardless of renewal of the related policies. According to Insurance Law Article No.16, if the Company decides to apply bonus or discount operations, the amount must be allocated for insured person or beneficiaries regarding to technical results of the current year. As at 31 December 2016, the Company made provisions for bonus and rebates amounting to TL 1,057,824 (31 December 2015: TL 1,025,123). At the end of each term, the Company makes calculation over claim and earned premium based on group life policies that profit participation agreement is made and to be prudent the Company has continued to calculate bonus and rebate provisions in this way for the related group life policies that have high probability of renewal.

2.31 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.

2.32 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.

2.33 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.

2.34 New standards and interpretations not yet adopted

There are a number of new standards, updates related to the existing standards and interpretations which are not adopted in the preparation of the accompanying financial statements and have not yet entered into force for the accounting period 31 December 2016. The new standards and updates to standards is not expected to have material effect on the financial statements except for TFRS 9.

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

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

TFRS 9 Financial Instruments: Recognition and Measurement

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

2 Summary of significant accounting policies *(continued)*

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

IFRS 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 IFRS 9, IFRS 7 and IAS 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.

2 Summary of significant accounting policies (continued)

2.34 New standards and interpretations not yet adopted (continued)

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

IFRS 16 Leases

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

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

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

Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative

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

Amendments to IAS 12 Income Taxes– Recognition of Deferred Tax Assets for Unrealized Losses

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

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

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

2 Summary of significant accounting policies (continued)

2.34 New standards and interpretations not yet adopted (continued)

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

IAS 40 – Transfers of Investment Property

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

Improvements to IFRSs

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

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 1 “First Time Adoption of International Financial Reporting Standards”

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

IFRS 12 “Disclosure of Interests in Other Entities”

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

IAS 28 “Investments in Associates and Joint Ventures”

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

3 Critical Accounting estimates and judgements in applying accounting policies

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

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

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

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

Note 4.1 – Management of insurance risk

Note 4.2 – Management of financial risk

Note 10 – Reinsurance assets/liabilities

Note 11 – Financial assets

Note 12 – Loans and receivables

Note 17 – Insurance liabilities and reinsurance assets

Note 18 – Investment contract liabilities

Note 19 – Trade and other liabilities, deferred income

Note 21 – Deferred income taxes

4 Management of insurance and financial risk

4.1 Management of insurance risk

Insurance risk

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

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

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

- In individual insurance, health declarations and reports under consideration of policyholder's age and insurance coverage,
- In group insurance, the number of person in group and health declarations and reports depending policyholder's compulsory or facultative,
- In pricing, the information about charging sur-premium based on the health condition of the policyholder's, addition of condition to be added to the contract or the deduction or the rejection of the coverage,
- In high coverage, in additions to the health documents, the documents about the financial position of the insured.

Numbers and amounts of collateral types given by the company are presented table below. The Company management believes that there is a sufficient distribution in numbers and amounts.

	31 December 2016		31 December 2015	
	Coverage Amount (TL)	Number	Coverage Amount (TL)	Number
Death	39,395,565,605	2,891,412	37,587,926,806	2,990,769
Death due to accident	17,059,576,597	99,526	13,489,603,869	97,654
Disability due to accident	36,566,635,126	2,641,706	30,023,615,805	2,251,428
Disability due to illness	31,616,467,827	2,607,888	25,911,325,249	2,217,611
Critical illness	3,031,856,674	18,427	2,930,693,198	21,231
Accident (public transit)	1,883,015,746	6,123	1,596,567,043	5,775
Unemployment and Accident & Illness	709,719,037	913,073	649,713,444	836,388

4 Management of insurance and financial risk (continued)

4.1 Management of insurance risk (continued)

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

Mortality risk

The Company is subject to mortality risk if the actual death claims are higher than expected death rates in the mortality tables used for pricing of the policies. The Company uses the appropriate mortality table for each product. The Company uses the CSO 53-58, CSO 80 or CSO 2001 mortality tables while pricing the life insurance agreements

Technical interest rate risk

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

Reinsurance companies

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

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

Reinsurer	Grade	Rating Company	Main Shareholder	Center of Operations	Direct/Indirect Ownership
Allianz SE	A+	AM BEST	Allianz Grup	Germany	Yes
CARDIF TÜRKİYE	NR	AM BEST	BNP Paribas Cardif	France	None

4.2 Management of financial risk

Introduction and overview

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

- credit risk
- liquidity risk
- market risk

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

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

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 investments with risks on life insurance policyholders
- premium receivables from policyholders
- receivables from intermediaries (agencies)
- receivables from reinsurance companies related to claims paid and commissions accrued
- reinsurance shares of insurance liabilities
- due from related parties
- other receivables
- prepaid taxes and funds

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

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

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

	31 December 2016	31 December 2015
Financial assets and financial investments with risks on policyholders (Note 11)	643,048,889	638,453,106
Cash and cash equivalents (Note 14)	540,763,121	391,714,965
Receivables from main operations (Note 12) ^(*)	47,660,641	27,246,246
Reinsurer share in provision for outstanding claims (Note 10), (Note 17)	9,568,610	9,608,213
Due from related parties (Note 12)	55,377	8,068
Other receivables (Note 12)	308,874	1,776,908
Prepaid taxes and funds (Note 12)	1,876	1,876
Toplam	1,241,407,388	1,068,809,382

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

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

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

	31 December 2016		31 December 2015	
	Gross Amount	Provision	Gross Amount	Provision
Not past due	37,215,750	-	25,074,555	-
Past due 0-30 days	2,333,472	-	1,102,553	-
Past due 31-60 days	1,177,366	-	724,907	-
Past due 61-180 days	3,760,406	-	341,073	-
Past due 181-365 days	3,173,382	-	3,158	-
More than one year	123,209	(122,944)	32,194	(32,194)
Total	47,783,585	(122,944)	27,278,440	(32,194)

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

Liquidity risk

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

Management of the Liquidity Risk

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

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

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

31 December 2016	Carrying Value	Up to 3 month	3 months to 1 year	1 year to 5 years	Over 5 years
Cash and cash equivalents	540,763,121	540,763,121	-	-	-
Financial assets and financial investments with risks on policyholders	643,048,889	105,622,494	85,274,824	249,457,221	202,694,350
Receivables from main operations	8,205,573,813	29,411,913	45,296,413	-	8,130,865,487
Due from related parties	55,377	55,377	-	-	-
Prepaid taxes and funds	1,876	1,876	-	-	-
Advance payments to personnel	26,147	26,147	-	-	-
Other receivables	308,874	-	278,600	30,274	-
Total monetary assets	9,389,778,097	675,880,928	130,849,837	249,487,495	8,333,559,837
Financial Payables	75,600,069	75,600,069	-	-	-
Payables arising from main operations	8,229,379,516	98,283,101	230,928	-	8,130,865,487
Due to related parties	6,050,823	6,050,823	-	-	-
Other liabilities	6,333,610	6,333,610	-	-	-
Insurance technical provisions (*)	51,301,821	15,853,195	20,795,313	14,653,313	-
Life mathematical provisions	553,148,517	17,756,883	32,104,358	275,380,296	227,906,980
Provisions for taxes and other similar obligations	15,826,952	15,826,952	-	-	-
Provisions for other risks	61,009,067	43,713,889	-	17,295,178	-
Total monetary liabilities	8,998,650,375	279,418,522	53,130,599	307,328,787	8,358,772,467
31 December 2015	Carrying Value	Up to 3 month	3 months to 1 year	1 year to 5 years	Over 5 years
Cash and cash equivalents	391,714,965	391,714,965	-	-	-
Financial assets and financial investments with risks on policyholders	638,803,991	40,198,470	142,224,096	266,652,024	189,729,401
Receivables from main operations	6,835,734,484	3,942,258	53,713,983	-	6,778,078,243
Due from related parties	8,068	8,068	-	-	-
Prepaid taxes and funds	1,876	1,876	-	-	-
Other receivables	1,776,908	-	1,757,134	19,774	-
Total monetary assets	7,868,040,292	435,865,637	197,695,213	266,671,798	6,967,807,644
Financial payables	75,117,725	75,117,725	-	-	-
Payables arising from main operations	6,852,590,575	74,053,970	458,362	-	6,778,078,243
Due to related parties	7,403,804	7,403,804	-	-	-
Other liabilities	8,455,618	8,455,618	-	-	-
Insurance technical provisions (*)	43,472,742	14,491,969	16,512,725	12,468,048	-
Life mathematical provisions	540,780,511	12,850,409	29,046,511	291,790,986	207,092,605
Provisions for taxes and other similar obligations	13,281,110	13,281,110	-	-	-
Provisions for other risks	45,056,102	33,142,529	-	11,913,573	-
Total monetary liabilities	7,586,158,187	238,797,134	46,017,598	316,172,607	6,985,170,848

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

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk

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

Currency risk

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

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

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

31 December 2016	US Dollar	Euro	Other Currencies	Total
Cash and cash equivalents	23,620,518	19,876,755	2,770	43,500,043
Financial assets and financial investments with risks on policyholders	125,911,089	19,708,294	-	145,619,383
Receivables from main operations	10,311,472	1,017,158	-	11,328,630
Total assets in foreign currency	159,843,079	40,602,207	2,770	200,448,056
Payables from Main Operations	1,003,475	10,914	-	1,014,389
Insurance technical provisions	152,720,615	20,211,621	-	172,932,236
Total liabilities in foreign currency	153,724,090	20,222,535	-	173,946,625
Balance sheet position	6,118,989	20,379,672	2,770	26,501,431

31 December 2015	US Dollar	Euro	Other Currencies	Total
Cash and cash equivalents	18,350,968	1,796,350	-	20,147,318
Financial assets and financial investments with risks on policyholders	144,797,582	20,597,482	-	165,395,064
Receivables from main operations	6,976,806	802,154	-	7,778,960
Total assets in foreign currency	170,125,356	23,195,986	-	193,321,342
Insurance technical provisions	155,981,254	21,893,701	-	177,874,955
Total liabilities in foreign currency	155,981,254	21,893,701	-	177,874,955
Balance sheet position	14,144,102	1,302,285	-	15,446,387

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

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the buying exchange rates announced by Central Bank of the Republic of the Turkey (“CBRT”) ruling at 31 December 2015. Only life mathematical provisions and loans to the policyholders are measured at rates disclosed on the face of policies.

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	569,383	611,899	1,375,472	1,414,579
Euro	2,033,438	2,037,967	126,594	130,228
Other	277	277	-	-
Total, net	2,603,098	2,650,143	1,502,066	1,544,807

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

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Exposure to interest rate risk

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

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

	31 December 2016	31 December 2015
Financial assets:		
<i>Financial assets with fixed interest rates</i>		
Cash at banks (Note 14)	463,610,720	317,739,290
Available-for-sales financial assets – Government bonds (Note 11)	277,032,660	275,850,915
Available-for-sales financial assets – Private sector bonds (Note 11)	48,298,768	30,382,974
Financial investments with risks on life insurance policyholders – Available-for-sale financial assets – government bonds (Note 11)	118,664,984	122,879,135
Financial investments with risks on life insurance policyholders – Available-for-sale financial assets – private sector bonds (Note 11)	15,395,576	19,258,782
Financial investments with risks on life insurance policyholders – Available-for-sale financial assets – Eurobonds (Note 11)	145,619,383	165,395,064
Financial investments with risks on life insurance policyholders – Time Deposit (Note 11)	11,960,668	4,479,623
<i>Financial assets with floating interest rates</i>		
Available-for-sales financial assets – Government bonds (Note 11)	25,468,399	20,206,523
Financial liabilities with fixed interest rates:		
Funds from repurchase transactions (Note 20)	75,600,069	75,089,359

Interest rate sensitivity of the financial instruments

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

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Interest rate sensitivity of financial instruments (continued)

31 December 2016	Statement of income		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial investments with risks on life insurance policyholders – Available-for-sale financial assets	-	-	(586,991)	640,118
Available-for-sale financial assets	189,697	(184,394)	(4,267,909)	4,425,228
Total, net	189,697	(184,394)	(4,854,900)	5,065,346

31 December 2015	Statement of income		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Financial investments with risks on life insurance policyholders – Available-for-sale financial assets	-	-	(560,691)	405,400
Available-for-sale financial assets	160,184	(162,990)	(4,941,258)	1,792,727
Total, net	160,184	(162,990)	(5,501,949)	2,198,127

Fair value information

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

The Company has classified its marketable securities as available-for-sale, and financial investments with risks on life insurance policyholders as available-for-sale. Available-for-sale financial assets are measured at their fair values based on their quoted prices or fair value information obtained from brokers in the accompanying financial statements.

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

Classification relevant to fair value information

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

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

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

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

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Classification relevant to fair value information (continued)

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

	31 December 2016			
	Level 1	Level 2	Level 3	Total
Investment properties (Note 6)	-	-	4,140,000	4,140,000
Financial assets:				
Available-for-sale financial assets (Note 11)	302,501,059	48,298,768	-	350,799,827
Financial assets held for trading	608,451	-	-	608,451
Financial investments classified as financial assets with risks exposed to policy holders (Note 11)	264,284,367	15,395,576	-	279,679,943
Receivables from individual pension operations – receivables from clearing house on behalf of the participants (Note 18)	8,130,865,487	-	-	8,130,865,487
Total financial assets	8,698,259,364	63,694,344	4,140,000	8,766,093,708
Financial liabilities:				
Payables arising from individual pension – payables to participants (Note 18)	8,130,865,487	-	-	8,130,865,487
Total financial liabilities	8,130,865,487	-	-	8,130,865,487

	31 December 2015			
	Level 1	Level 2	Level 3	Total
Investment properties (Note 6)	-	-	4,118,368	4,118,368
Property held for own use (Note 6)	-	-	60,672,000	60,672,000
Financial assets:				
Available-for-sale financial assets (Note 11)	296,057,438	30,382,974	-	326,440,412
Financial assets held for trading	350,975	-	-	350,975
Financial investments classified as financial assets with risks exposed to policy holders (Note 11)	288,274,199	19,258,782	-	307,532,981
Receivables from individual pension operations – receivables from clearing house on behalf of the participants (Note 18)	6,778,078,243	-	-	6,778,078,243
Total financial assets	7,362,760,855	49,641,756	64,790,368	7,477,192,979
Financial liabilities:				
Payables arising from individual pension – payables to participants (Note 18)	6,778,078,243	-	-	6,778,078,243
Total financial liabilities	6,778,078,243	-	-	6,778,078,243

4 Management of insurance and financial risk (continued)

4.2 Management of financial risk (continued)

Market risk (continued)

Level 2, financial assets available-for-sale financial assets reflected to unconsolidated financial statements at market prices determined using amortized cost values of similar products because lack of current up-to-date market prices.

Level 3, the held for use and investment properties at fair value, identified at the appraisal reports prepared by the independent valuation companies according to the discounted cash flow and comparative other methods. The Company has begun to disclose held for use and investment properties at fair value in the financial statements amending the account policies whereas presenting properties at historical cost. Therefore, the reconciliation movement of the beginning and period-end balances is not presented for the buildings classified as Level 3 property.

	31 Aralık 2016	31 Aralık 2015
Begging of period fair value computations	64,790,368	63,017,000
<i>Total Gain or Loss</i>		
-Recognized in profit or loss	21,632	1,773,368
-Recognized in other comprehensive income	(60,672,000)	-
End of period fair valua computations	4,140,000	64,790,368

Capital management

The Company's capital management policies include the following:

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

With respect to the 19 January 2008 dated and 26761 numbered "Communiqué Related to Capital Adequacy Measurement and Evaluation of Insurance, Reinsurance and Individual Pension Companies" issued by the Undersecretariat of Treasury, the required equity amount as at 31 December 2016 is TL 129,744,376 (31 December 2015: TL 123,378,853).

<i>Gains and losses recognized in the statement of income:</i>	31 December 2016	31 December 2015
Unrealized gains and losses transferred from equity to statement of income due to disposal of available-for-sale financial assets with risks exposed to policy holders (<i>Note 15</i>)	99,794	7,439,472
Interest income from debt securities	58,005,266	39,439,500
Gains incurred due from selling of financial assets	2,365,589	6,007,461
Unrealized gains and losses transferred from equity to statement of income due to disposal of available-for-sale financial assets, company's own portfolio (<i>Note 15</i>)	(1,086,182)	68,803
Foreign exchange gains	46,289,967	94,834,714
Interest income from time deposits	43,156,087	24,765,350
Income from derivative financial instruments	1,039,117	22,119,015
Investment income	149,869,638	194,674,315
Loss from derivative financial instruments	-	(32,615,204)
Foreign exchange losses	(15,244,424)	(35,853,480)
Interest expense to overnight repo	(7,321,795)	(7,514,747)
Other investment expense	(4,249,698)	(2,304,560)
Investment expense	(26,815,917)	(78,287,991)
Financial gains and losses recognized in the statement of income, net	123,053,721	116,386,324

5 Segment reporting

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

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

Business segments:

31 December 2016	Life	Pension	Personel Accident	Undistributed	Total
Written premiums, gross	452,028,563	-	5,004,542	-	457,033,105
Written premiums, ceded	(53,382,904)	-	(29,139)	-	(53,412,043)
Fees and commission income (Note 32)	25,654,294	-	-	-	25,654,294
Change in reserve for unearned premiums, net	(5,745,730)	-	29,804	-	(5,715,926)
Claims paid, gross	(144,824,392)	-	(484,513)	-	(145,308,905)
Claims paid, ceded	16,819,197	-	-	-	16,819,197
Change in insurance contract liabilities, gross	(21,523,896)	-	(1,349,201)	-	(22,873,097)
Change in insurance contract liabilities, ceded	(39,603)	-	-	-	(39,603)
Fund management fees	-	125,306,182	-	-	125,306,182
Management fees	-	20,030,356	-	-	20,030,356
Entrance fee income	-	14,999,658	-	-	14,999,658
Fund management expense	-	(12,928,734)	-	-	(12,928,734)
Commission expenses (Note 32)	(159,368,314)	(38,680,955)	(2,164,537)	-	(200,213,806)
Investment income	52,319,851	-	80,826	104,590,735	156,991,412
Investment expense	(2,253,535)	-	-	(31,418,914)	(33,672,449)
Operating expense	(39,884,921)	(89,959,585)	(5,469,810)	-	(135,314,316)
Other income/(expense)	2,172,742	(9,163,548)	-	3,712,835	(3,277,971)
Profit before taxes	121,971,352	9,603,374	(4,382,028)	76,884,656	204,077,354
Corporate tax expense	-	-	-	(41,777,480)	(41,777,480)
Net profit/loss for the period	121,971,352	9,603,374	(4,382,028)	35,107,176	162,299,874
Other segment information:					
Depreciation expenses (*)	-	-	-	(5,286,770)	(5,286,770)
Amortization expenses (*)	-	-	-	(1,569,762)	(1,569,762)

5 Segment reporting (continued)

Business segments (continued)

31 December 2015	Life	Pension	Personel Accident	Undistributed	Total
Written premiums, gross	432,827,160	-	7,889,013	-	440,716,173
Written premiums, ceded	(41,443,276)	-	(30,848)	-	(41,474,124)
Fees and commission income (Note 32)	19,346,627	-	-	-	19,346,627
Change in reserve for unearned premiums, net	(5,092,933)	-	(42,319)	-	(5,135,252)
Claims paid, gross	(120,466,257)	-	(597,139)	-	(121,063,396)
Claims paid, ceded	12,484,335	-	31,776	-	12,516,111
Change in insurance contract liabilities, gross	(71,177,286)	-	(3,236,060)	-	(74,413,346)
Change in insurance contract liabilities, ceded	2,229,414	-	-	-	2,229,414
Fund management fees	-	104,107,304	-	-	104,107,304
Management fees	-	20,930,671	-	-	20,930,671
Entrance fee income	-	24,230,972	-	-	24,230,972
Fund management expense	-	(10,456,331)	-	-	(10,456,331)
Commission expenses (Note 32)	(143,702,252)	(40,219,598)	(1,531,552)	-	(185,453,402)
Investment income	65,706,154	-	449,552	133,638,662	199,794,368
Investment expense	(3,924,046)	-	-	(80,365,750)	(84,289,796)
Operating expense	(34,018,635)	(79,639,106)	(2,799,100)	-	(116,456,841)
Other income/(expense)	1,418,802	(7,514,748)	-	(1,558,309)	(7,654,255)
Profit before taxes	114,187,807	11,439,164	133,323	51,714,603	177,474,897
Corporate tax expense	-	-	-	(35,440,652)	(35,440,652)
Net profit/loss for the period	114,187,807	11,439,164	133,323	16,273,951	142,034,245
Other segment information:					
Depreciation expenses	-	-	-	(4,510,123)	(4,510,123)
Amortization expenses	-	-	-	(1,491,682)	(1,491,682)

6 Tangible Assets

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

	1 January 2016	Additions	Disposals	Transfers	Valuation	31 December 2016
Cost:						
Investment property (Note 7)	4,118,368	-	-	-	21,632	4,140,000
Property held for own use	60,672,000	-	(60,672,000)	-	-	-
Furniture and Fixtures	19,533,089	3,290,805	(3,741,069)	-	-	19,082,825
Motor vehicles	213,814	-	(8,162)	-	-	205,652
Other tangible assets (including special costs)	20,699,117	938,732	(10,116,641)	-	-	11,521,208
Tangible assets acquired through finance leases	243,424	-	(243,424)	-	-	-
	105,479,812	4,229,537	(74,781,296)	-	21,632	34,949,685
Accumulated depreciation:						
Investment property	-	-	-	-	-	-
Property held for own use	1,513,647	-	(1,513,647)	-	-	-
Furniture and fixtures	10,480,331	2,996,636	(3,623,026)	-	-	9,853,941
Motor vehicles	25,151	41,130	(8,161)	-	-	58,120
Other tangible assets (including special costs)	11,171,560	2,212,413	(9,828,491)	-	-	3,555,482
Tangible assets acquired through finance leases	102,899	36,591	(139,490)	-	-	-
	23,293,588	5,286,770	(15,112,815)	-	-	13,467,543
Net Book Value	82,186,224					21,482,142

(*)The Company has sold five floors of Levent Yapı Kredi Plaza at a price of TL 66,170,025 on January 13, 2016 through a Board Resolution which took place on 6 January 2016 and numbered 2016/02.

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

	1 January 2015	Additions	Disposals	Transfers	Valuation	31 December 2015
Cost:						
Investment property (Note 7)	2,345,000	-	(1,050,000)	-	2,823,368	4,118,368
Property held for own use	60,672,000	-	-	-	-	60,672,000
Furniture and fixtures	12,940,420	7,004,094	(411,425)	-	-	19,533,089
Motor vehicles	8,161	205,653	-	-	-	213,814
Other tangible assets (including special costs)	11,676,842	9,022,275	-	-	-	20,699,117
Tangible assets acquired through finance leases	243,424	-	-	-	-	243,424
	87,885,847	16,232,022	(1,461,425)	-	2,823,368	105,479,812
Accumulated depreciation:						
Investment property	-	-	-	-	-	-
Property held for own use	-	1,513,647	-	-	-	1,513,647
Furniture and fixtures	8,884,043	2,007,150	(410,862)	-	-	10,480,331
Motor vehicles	8,161	16,990	-	-	-	25,151
Other tangible assets (including special costs)	10,123,834	1,047,726	-	-	-	11,171,560
Tangible assets acquired through finance leases	54,214	48,685	-	-	-	102,899
	19,070,252	4,634,198	(410,862)	-	-	23,293,588
Net Book Value	68,815,595					82,186,224

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

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

There is no finance lease payment in the current period. (31 December 2015: None).

7 Investment properties

Investment properties in the period between 1 January and 31 December 2016 is presented below:

	31 December 2016		
	Net Book Value	Date of appraisal	Appraisal value
Kadıköy Bina	4,140,000	31 December 2016	4,140,000
Net Book Value (Note 6)	4,140,000		4,140,000

The fair values of the Company's investment properties are determined according to the expertise reports prepared by licensed real estate valuation companies. In the circumstances, at which the fair value of the investment properties is lower than the costs adjusted for inflation, the differences are accounted for by booking impairment. The Company does not have impairment for its investment properties as at 31 December 2016 and 2015.

The Company has no rent income from these investment properties for the year 2016 (31 December 2015: None). According to the valuation report, dated 31 December 2016 the fair value of the investment properties is determined as TL 4,140,000.

There are no pledges on the Company's investment properties.

8 Intangible assets

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

	1 January 2016	Addition	Disposal	31 December 2016
<i>Cost:</i>				
Rights	11,052,062	3,768,433	-	14,820,495
	11,052,062	3,768,433	-	14,820,495
<i>Accumulated amortization:</i>				
Rights	8,464,541	1,569,762	-	10,034,303
	8,464,541	1,569,762	-	10,034,303
Net book value	2,587,521	2,198,671		4,786,192

Movements in intangible assets in the period between 1 January and 31 December 2015 are presented below:

	1 January 2015	Addition	Disposal	31 December 2015
<i>Cost:</i>				
Rights	9,164,369	1,887,693	-	11,052,062
	9,164,369	1,887,693	-	11,052,062
<i>Accumulated mortization:</i>				
Rights	6,950,690	1,513,851	-	8,464,541
	6,950,690	1,513,851	-	8,464,541
Net book value	2,213,679	373,842		2,587,521

9 Investments in associates

	31 December 2016			31 December 2015		
	Indexed Value	Book Value	Participation rate %	Indexed Value	Book Value	Participation rate %
Çimsataş A.Ş.	368,613	368,613	0.01%	368,613	368,613	0.01%
Emeklilik Gözetim Merkezi	263,221	263,221	5.56%	263,221	263,221	5.56%
Çukurova Çelik End. A.Ş.	6,382,914	-	0.04%	6,382,914	-	0.04%
Investments in associates, net	7,014,748	631,834		7,014,748	631,834	

Name	Total Asset	Total Equity	Retained earnings	Profit for the period	Unaudited/ Audited	Period
Çimsataş A.Ş.	261,058	35,414,385	-	1,797,013	Unaudited	31 December 2016
Emeklilik Gözetim Merkezi	13,833,551	7,295,481	-	107,597	Unaudited	31 December 2016
Çukurova Çelik End. A.Ş.	2,456,898,576	1,894,281,740	-	4,464,135	Unaudited	31 December 2016

The company has no bonus share in the current period because of increase in capital from internal sources for associates and subsidiaries.

The Company has been reserved impairment for Çukurova Çelik End. A.Ş. over total cost from past periods.

10 Reinsurance assets and liabilities

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

Reinsurance assets	31 December 2016	31 December 2015
Receivables from reinsurers (Note 12)	25,999,274	14,472,828
Provision for outstanding claims, ceded (Note 4.2), (Note 17)	9,568,610	9,608,213
Reserve for unearned premiums, ceded (Note 17)	1,152,213	1,289,667
Total	36,720,097	25,370,708

There is not any impairment losses recognized for reinsurance assets.

Reinsurance liabilities	31 December 2016	31 December 2015
Payables to the reinsurers related to premiums written (Note 19)	3,820,148	71,155
Total	3,820,148	71,155

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)	(53,412,043)	(41,474,124)
Reserve for unearned premiums, ceded at the beginning of the period (Note 17)	(1,289,667)	(1,511,110)
Reserve for unearned premiums, ceded at the end of the period (Note 17)	1,152,213	1,289,667
Premiums earned, ceded (Note 17)	(53,549,497)	(41,695,567)
Claims paid, ceded during the period (Note 17)	16,819,197	12,516,111
Provision for outstanding claims, ceded at the beginning of the period (Note 17)	(9,608,213)	(7,378,799)
Provision for outstanding claims, ceded at the end of the period (Note 17)	9,568,610	9,608,213
Claims incurred, ceded (Note 17)	16,779,594	14,745,525
Total, net	(36,769,903)	(26,950,042)

11 Financial assets

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

Financial assets and financial investments with risk on policyholder	31 December 2016	31 December 2015
Available-for-sale financial assets Company's own portfolio	350,799,827	326,440,412
Financial assets held for trading (*)	608,451	350,975
Financial investments with risks on life policyholders	291,640,611	312,012,604
Total	643,048,889	638,803,991

(*) As at 31 December 2016 and 2015, the amount of financial assets held for trading consists from the result of Company's derivative instruments valuation.

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

	31 December 2016			
	Nominal value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds – TL	297,200,000	292,375,383	302,501,059	302,501,059
Private sector bonds – TL	48,600,000	46,187,399	48,298,768	48,298,768
Total available-for-sale financial assets, Company's own portfolio		338,562,782	350,799,827	350,799,827

	31 December 2015			
	Nominal value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds – TL	292,200,000	287,071,373	296,057,438	296,057,438
Private sector bonds – TL	30,000,000	28,488,681	30,382,974	30,382,974
Total available-for-sale financial assets, Company's own portfolio		315,560,054	326,440,412	326,440,412

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

	31 December 2016			
	Nominal value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds – TL	126,615,000	126,840,744	118,664,984	118,664,984
Private sector bonds – TL	15,000,000	13,523,700	15,395,576	15,395,576
Eurobonds issued by The Turkish Government	133,694,776	52,344,722	145,619,383	145,619,383
Financial investments with risks on life policyholders classified as Available-for-sale financial assets		192,709,166	279,679,943	279,679,943
Bank deposits	11,957,599	11,957,599	11,960,668	11,960,668
Financial investments with risks on life policyholders classified as loans and receivables		11,957,599	11,960,668	11,960,668
Total Financial investments with risks on life insurance policyholders		204,666,765	291,640,611	291,640,611

11 Financial assets (continued)

	31 December 2015			
	Nominal value	Cost	Fair value	Carrying value
<i>Debt instruments:</i>				
Government bonds – TL	132,815,000	128,294,621	122,879,135	122,879,135
Private sector bonds – TL	19,550,000	16,710,930	19,258,782	19,258,782
Eurobonds issued by The Turkish Government	145,629,715	69,395,982	165,395,064	165,395,064
Financial investments with risks on life policyholders classified as Available-for-sale financial assets		214,401,533	307,532,981	307,532,981
Bank deposits	4,478,910	4,478,910	4,479,623	4,479,623
Financial investments with risks on life policyholders classified as loans and receivables		4,478,910	4,479,623	4,479,623
Total Financial investments with risks on life insurance policyholders		218,880,443	312,012,604	312,012,604

The Company's all debt instruments presented above are traded in active markets.

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

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

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

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

Year	Change in value increase/(decrease)	Total increase/ (decrease) in value
31 December 2016	(40,457)	(1,505,256)
31 December 2015	(4,723,059)	(1,464,799)
31 December 2014	5,675,576	3,258,259

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

	31 December 2016			
	Nominal value	Cost	Fair value	Carrying value
Available-for-sale financial assets	78,034,205	76,295,735	78,694,489	78,694,489
Total		76,295,735	78,694,489	78,694,489

	31 December 2015			
	Nominal value	Cost	Fair value	Carrying value
Available-for-sale financial assets	78,695,293	77,684,251	86,646,386	86,646,386
Total		77,684,251	86,646,386	86,646,386

11 Financial assets (continued)

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

	31 December 2016		
	Company's portfolio	FIRLIP	Total
	Available-for-sale financial assets	Available-for-sale financial assets	
Balance at the beginning of the period	326,440,412	307,532,981	633,973,393
Unrealized exchange differences on financial assets	-	25,495,368	25,495,368
Acquisitions during the period	123,182,009	41,699,825	164,881,834
Disposals (either sold or settled)	(166,055,362)	(84,562,493)	(250,617,855)
Change in the fair value of financial assets (Note 4.2, 15)	(615,024)	(13,174,714)	(13,789,738)
Change in amortised costs of the financial assets	67,847,792	2,688,976	70,536,768
Balance at the ending of the period	350,799,827	279,679,943	630,479,770

	31 December 2015		
	Company's portfolio	FIRLIP	Total
	Available-for-sale financial assets	Available-for-sale financial assets	
Balance at the beginning of the period	210,258,153	337,662,886	547,921,039
Unrealized exchange differences on financial assets	-	45,711,426	45,711,426
Acquisitions during the period	232,581,801	29,142,181	261,723,982
Disposals (either sold or settled)	(112,040,269)	(69,275,408)	(181,315,677)
Change in the fair value of financial assets (Note 4.2, 15)	(4,462,490)	(26,998,413)	(31,460,903)
Change in amortised costs of the financial assets	103,217	(8,709,691)	(8,606,474)
Balance at the ending of the period	326,440,412	307,532,981	633,973,393

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

	31 December 2016			
	Nominal Value	Cost	Fair Value	Carrying Value
Financial investments with risks on life insurance policyholders – Debt securities (Note 17)	146,930,000	163,108,925	247,655,678	247,655,678
Available-for-sale financial assets (Note 17)	83,030,000	84,565,747	84,467,459	84,467,459
Total		247,674,672	332,123,137	332,123,137

	31 December 2015			
	Nominal Value	Cost	Fair Value	Carrying Value
Financial investments with risks on life insurance policyholders – Debt securities (Note 17)	274,280,933	195,024,479	284,333,020	284,333,020
Available-for-sale financial assets (Note 17)	57,030,000	57,742,332	58,514,082	58,514,082
Total		252,766,811	342,847,102	342,847,102

12 Loans and receivables

	31 December 2016	31 December 2015
Receivables from main operations (<i>Note 4.2</i>)	8,205,573,813	6,835,734,484
Due from related parties (<i>Note 4.2</i>), (<i>Note 45</i>)	55,377	8,068
Prepaid taxes and funds	1,876	1,876
Advances given to personnel	26,147	12,772
Other receivables (<i>Note 4.2</i>)	308,874	1,776,908
Total	8,205,966,087	6,837,534,108
Short-term receivables	75,070,326	59,436,091
Middle and long-term receivables	8,130,895,761	6,778,098,017
Total	8,205,966,087	6,837,534,108

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

	31 December 2016	31 December 2015
Receivables from policyholders and agencies	18,549,172	9,970,950
Receivables from reinsurance companies (<i>Note 10</i>)	25,999,274	14,472,828
Total receivables from main operations, net	44,548,446	24,443,778
Receivables from individual pension operations (<i>Note 18</i>)	8,157,913,172	6,808,488,238
Loans to the policyholders (<i>Note 4.2</i>)	3,112,195	2,802,468
Doubtful receivables from main operations (<i>Not 4.2</i>)	122,944	32,194
Provisions for receivables from insurance and pension operations (<i>Not 4.2</i>)	(122,944)	(32,194)
Receivables from main operations, net	8,205,573,813	6,835,734,484

Mortgages and collaterals obtained for receivables are disclosed as follows.

	31 December 2016	31 December 2015
Real estate pledges	154,700	158,250
Letters of guarantees	12,602,344	12,412,952
Other	1,142,967	546,081
Total	13,900,011	13,117,283

Doubtful provisions for overdue receivables and receivables not due yet

- Receivables under legal or administrative follow up (due): TL 122,944 (31 December 2015: 32,194).
- Provision for premium receivables (due): None (31 December 2015: None).

The related party transactions of the Company are presented in *Note 45 – Related party transactions* in detail. The receivables and payables denominated in foreign currencies and detailed analyses of foreign currency balances are presented in *Note 4.2 – Financial risk management*.

13 Derivative financial instruments

As at 31 December 2016, the Company recognized net loss from derivative financial instruments amounting TL 1,039,117 (31 December 2015: 10,496,189 income).

14 Cash and cash equivalents

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

	31 December 2016		31 December 2015	
	At the end of the period	At the beginning of the period	At the end of the period	At the beginning of the period
Bank deposits	468,497,984	318,731,490	318,731,490	322,632,667
Bank guaranteed credit card receivables with maturity less than three months	72,265,137	72,983,475	72,983,475	65,247,322
Cash and cash equivalents in the balance sheet	540,763,121	391,714,965	391,714,965	387,879,989
Blocked amounts	(319,897,502)	(244,361,302)	(244,361,302)	(165,347,248)
Interest accruals on bank deposits	(1,899,838)	(1,679,159)	(1,679,159)	(2,233,933)
Cash and cash equivalents presented in the statement of cash flows	218,965,781	145,674,504	145,674,504	220,298,808

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

	31 December 2016	31 December 2015
Foreign currency denominated bank deposits		
- time deposits	43,489,028	20,048,470
- demand deposits	11,015	98,848
Bank deposits in Turkish Lira		
- time deposits	420,121,692	297,690,820
- demand deposits	4,876,249	893,352
Cash at banks	468,497,984	318,731,490

As at 31 December 2016, Company has a blocked bank deposit amount of TL 319,897,502 in the sake of undersecretariat of treasury (31 December 2015: TL 245,580,904) (Note 17).

Time deposits are comprised of deposits with maturity less than 3 months. Interest rate for TL time deposits is between 8.25-12.00% (31 December 2015: 12- 14.10%), 1.10-3.60 % for foreign currency time deposits (31 December 2015: 1.40 - 1.90%).

15 Equity

Paid in Capital

As at 31 December 2016 and 2015, the authorized nominal share capital of the Company is TL 58,000,000 and the share capital of the Company consists of 580.000.000 issued shares with TL 0.1 nominal value each.

There are not any privileged shares of the Company.

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

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

As at 31 December 2016, the shareholder having direct or indirect control over the shares of the Company was Allianz Sigorta A.Ş. has 80.0% of outstanding shares. Yapı Kredi Finansal Kiralama A.O. has 19.0% outstanding share is other qualified shareholder of the Company.

Legal Reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code. The Turkish Commercial Code stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the Turkish Commercial Code, the legal reserves can not be distributed unless they exceed 50% of paid-in share capital. The legal reserves can only be used to offset losses in the case of depletion of legal reserves.

Movements of legal reserves are presented below:

	31 December 2016	31 December 2015
Legal reserves at the beginning of the period	37,111,417	26,639,993
Distribution of profit for the period (<i>Note 38</i>)	9,710,000	8,760,007
Subsidiary sales income fund	-	1,711,417
Legal reserves at the end of the period	46,821,417	37,111,417

Extraordinary Reserves

Movement of extraordinary reserves are presented below:

Extraordinary Reserves	31 December 2016	31 December 2015
Extraordinary reserves at the beginning of the period	43,237,198	26,959,868
Reserve used for capital increase	31,993,766	17,038,092
Distribution of profit for the period (<i>Note 38</i>)	-	(760,762)
Extraordinary reserves at the end of the period	75,230,964	43,237,198

Actuarial gain/loss

As at 31 December 2016, the Company has actuarial loss amounting 3,127,494 (31 December 2015: TL 3,666,792 actuarial loss) after distribution of expense and deferred tax recognised under retained earnings in financial statements.

15 Equity (continued)

Other Equity Reserves

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

	31 December 2016	31 December 2015
Revaluation funds of property held for own use ^(*)	-	38,680,384
Tax-exempt subsidiaries and gain on fixed asset disposal	330,479	-
Other equity reserves	330,479	38,680,384

^(*)In accordance with the resolution taken in the Ordinary General Meeting held on January 6, 2016 and numbered 2016/02, the revaluation fund amounting to TL 38,680,384 belonging to Levent Yapı Kredi Plaza building, which was sold on January 13, 2016, has been transferred to retained earnings from other capital reserves.

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.

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. The exempted profit can not be transferred to another account nor be withdrawn unless it is in any other account, except for the addition to the capital within five years. As at 31 December 2016, the amount of TL 330,479 for the year 2015 and the amount of TL 7,011,672 for the year 2016 which are the realized exemption gains from the sale of both subsidiaries and fixed assets, are classified as other equity reserves.

15 Equity (continued)

Revaluation of financial assets

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

	31 December 2016	31 December 2015
Fair value reserves at the beginning of the period	(1,464,799)	3,258,259
Change during the period		
The effect of changes in foreign exchange rates on unrealized gains and losses, recognized due to change in the fair values of available-for-sale financial assets backing long term investment contracts	113,597	279,491
Change in unrealized gains and losses due to changes in the fair values of available-for-sale financial assets backing long term investment contracts (Note 4.2), (Note 11)	(13,174,714)	(26,998,413)
Change in unrealized gains and losses due to changes in the fair values of available-for-sale financial assets backing long term investment contracts, policyholders' portion	12,515,975	25,648,493
Change in unrealized gains and losses from available-for-sale financial assets, company's own portfolio (Note 4.2) (Note 11)	(615,024)	(4,462,490)
Deferred and corporate tax effect	254,752	1,162,482
Disposals during the year:		
Unrealized gains and losses transferred from equity to statement of income due to disposal of available-for-sale financial assets backing long term investment contracts (Note 4.2)	99,794	7,439,472
Unrealized gains and losses transferred from equity to statement of income due to disposal of available-for-sale financial assets with risks on saving life policyholders, policyholders' portion	(104,781)	(7,811,445)
Unrealized gains and losses transferred from equity to statement of income of available-for-sale financial assets, company's own portfolio	1,086,182	(68,803)
Deferred and corporate tax effect	(216,238)	88,155
Fair value reserves at the end of the year	(1,505,256)	(1,464,799)

16 Other reserves and equity component of DPF

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

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

17 Insurance liabilities and reinsurance assets

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

	31 December 2016	31 December 2015
Reserve for unearned premiums, gross	32,726,405	27,147,933
Reserve for unearned premiums, ceded (Note 10)	(1,152,213)	(1,289,667)
Reserves for unearned premiums, net	31,574,192	25,858,266
Life mathematical provisions, gross	553,148,517	540,780,511
Life mathematical provisions	553,148,517	540,780,511
Provision for outstanding claims, gross	60,870,431	53,080,955
Provision for outstanding claims, ceded (Note 4.2) (Note 10)	(9,568,610)	(9,608,213)
Provision for outstanding claims, net	51,301,821	43,472,742
Provision for bonus and discounts – net	1,057,824	1,025,123
Unrealized gains and losses due to changes in the fair values of available-for-sale financial assets backing long term investment contracts, policyholders' portion (Note 2.8)	(2,677,076)	7,235,765
Equalization provision – net	14,526,176	11,843,262
Other technical provisions, net	11,849,100	19,079,027
Total insurance technical provisions, net	648,931,454	630,215,669
Short-term	133,795,078	112,253,051
Medium and long-term	515,136,376	517,962,618
Total insurance technical provisions, net	648,931,454	630,215,669

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

	31 December 2016		
	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the period	27,147,933	(1,289,667)	25,858,266
Premium written during the period	457,033,105	(53,412,043)	403,621,062
Premiums earned during the period	(451,454,633)	53,549,497	(397,905,136)
Reserve for unearned premiums at the end of the period	32,726,405	(1,152,213)	31,574,192

17 Insurance liabilities and reinsurance assets (continued)

Reserve for unearned premiums	31 December 2015		
	Gross	Ceded	Net
Reserve for unearned premiums at the beginning of the period	22,234,124	(1,511,110)	20,723,014
Premium written during the period	440,716,173	(41,474,124)	399,242,049
Premiums earned during the period	(435,802,364)	41,695,567	(394,106,797)
Reserve for unearned premiums at the end of the period	27,147,933	(1,289,667)	25,858,266

Provision for outstanding claims	31 December 2016		
	Gross	Ceded	Net
Provision for outstanding claims at the beginning of the period	53,080,955	(9,608,213)	43,472,742
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	153,098,381	(16,779,594)	136,318,787
Claims paid during the period	(145,308,905)	16,819,197	(128,489,708)
Provision for outstanding claims at the end of the period	60,870,431	(9,568,610)	51,301,821

Provision for outstanding claims	31 December 2015		
	Gross	Ceded	Net
Provision for outstanding claims at the beginning of the period	37,201,425	(7,378,799)	29,822,626
Claims reported during the period and changes in the estimations of provisions for outstanding claims provided at the beginning of the period	136,942,926	(14,745,525)	122,197,401
Claims paid during the period	(121,063,396)	12,516,111	(108,547,285)
Provision for outstanding claims at the end of the period	53,080,955	(9,608,213)	43,472,742

Claim development tables

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

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

17 Insurance liabilities and reinsurance assets (continued)**Claims development tables (continued)**

31 December 2016								
Accident year	Before 2010	2011	2012	2013	2014	2015	2016	Total
Accident year	2,021,940	14,271,031	18,935,192	25,972,601	32,448,269	40,100,889	55,265,126	55,265,126
1 year later	2,115,915	17,285,518	21,907,885	29,506,310	39,835,624	46,335,108	-	46,335,108
2 years later	3,145,787	17,506,810	22,083,338	29,921,554	40,350,740	-	-	40,350,740
3 years later	3,506,895	17,573,075	22,172,638	30,333,692	-	-	-	30,333,692
4 years later	3,598,290	17,663,189	22,599,309	-	-	-	-	22,599,309
5 years later	33,886,577	17,666,265	-	-	-	-	-	51,552,842
Current estimate of cumulative claims	33,886,577	17,666,265	22,599,309	30,333,692	40,350,740	46,335,108	55,265,126	246,436,817
Cumulative payments up to date	33,712,667	17,442,909	22,228,800	28,629,671	37,350,381	41,354,908	38,286,692	219,006,028
Provisions recognized in financial tables	173,910	223,356	370,509	1,704,021	3,000,359	4,980,200	16,978,434	27,430,789
Total gross outstanding claim provision presented in the financial statements at the end of the period (*)								27,430,789

31 December 2016								
Accident year	Before 2010	2011	2012	2013	2014	2015	2016	Total
Accident year	(1,996,928)	11,468,882	14,249,524	17,853,379	23,287,310	28,746,714	38,357,843	38,357,843
1 year later	(1,935,214)	13,715,412	15,996,003	20,305,468	28,574,371	33,288,314	-	33,288,314
2 years later	(907,144)	13,921,157	16,163,083	20,633,258	28,949,998	-	-	28,949,998
3 years later	(1,080,338)	13,913,294	16,249,575	20,896,866	-	-	-	20,896,866
4 years later	(1,087,850)	13,997,710	16,512,645	-	-	-	-	16,512,645
5 years later	29,184,169	13,999,022	-	-	-	-	-	43,183,191
Current estimate of cumulative claims	29,184,169	13,999,022	16,512,645	20,896,866	28,949,998	33,288,314	38,357,843	181,188,857
Cumulative payments up to date	29,010,259	13,851,921	16,307,624	19,746,860	26,681,295	29,457,637	25,782,691	160,838,287
Provisions recognized in financial tables	173,910	147,101	205,021	1,150,006	2,268,703	3,830,677	12,575,152	20,350,570
Total net outstanding claim provision presented in the financial statements at the end of the period (*)								20,350,570

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

17 Insurance liabilities and reinsurance assets (continued)

Claims development tables (continued)

31 December 2015								
Accident year	Before 2009	2010	2011	2012	2013	2014	2015	Total
Accident year	18,359,963	11,877,988	14,277,232	19,561,755	26,647,034	32,932,669	42,710,313	42,710,313
1 year later	18,476,265	13,517,335	17,298,724	22,517,922	30,144,228	40,469,416	-	40,469,416
2 years later	18,543,792	13,739,114	17,509,450	22,685,501	30,583,256	-	-	30,583,256
3 years later	18,599,456	13,792,325	17,575,715	22,774,688	-	-	-	22,774,688
4 years later	19,654,222	13,829,119	17,662,932	-	-	-	-	17,662,932
5 years later	19,936,628	13,831,245	-	-	-	-	-	33,767,873
Current estimate of cumulative claims	19,936,628	13,831,245	17,662,932	22,774,688	30,583,256	40,469,416	42,710,313	187,968,478
Cumulative payments up to date	19,757,223	13,822,217	17,418,608	21,781,919	28,137,160	36,167,477	27,226,068	164,310,672
Provisions recognized in financial tables	179,405	9,028	244,324	992,769	2,446,096	4,301,939	15,484,245	23,657,806
Total gross outstanding claim provision presented in the financial statements at the end of the period (*)								23,657,806

31 December 2015								
Accident year	Before 2009	2010	2011	2012	2013	2014	2015	Total
Accident year	15,941,952	10,711,845	11,475,108	14,491,142	18,003,796	23,316,674	30,446,528	30,446,528
1 year later	16,017,672	11,957,060	13,731,944	16,027,798	20,344,247	28,656,932	-	28,656,932
2 years later	16,074,380	12,157,396	13,927,124	16,186,720	20,687,278	-	-	20,687,278
3 years later	16,130,044	12,208,807	13,931,493	16,273,100	-	-	-	16,273,100
4 years later	16,650,508	12,245,601	14,013,010	-	-	-	-	14,013,010
5 years later	16,834,006	12,247,727	-	-	-	-	-	29,081,733
Current estimate of cumulative claims	16,834,006	12,247,727	14,013,010	16,273,100	20,687,278	28,656,932	30,446,528	139,158,581
Cumulative payments up to date	16,654,601	12,238,699	13,834,548	16,039,549	19,380,783	25,808,023	18,908,629	122,864,832
Provisions recognized in financial tables	179,405	9,028	178,462	233,551	1,306,495	2,848,909	11,537,899	16,293,749
Total net outstanding claim provision presented in the financial statements at the end of the period (*)								16,293,749

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

17 Insurance liabilities and reinsurance assets (continued)

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

	31 December 2016		31 December 2015	
	Should be placed (**)	Placed (*)	Should be placed (**)	Placed (*)
<i>Life:</i>				
Bank deposits (Note 11)	-	318,387,734	-	244,361,302
Financial assets ^(*)	-	320,126,433	-	342,782,028
Total	595,684,047	638,514,166	584,064,850	587,143,330
<i>Non Life:</i>				
Bank deposits (Note 11)	-	1,509,768	-	1,219,602
Financial assets ^(*)	-	12,105,000	-	-
Total	11,464,561	13,614,768	168,604	1,219,602
Total	607,148,608	652,128,934	584,233,454	588,362,932

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

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

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

	31 December 2016		31 December 2015	
	Number of policyholders	Life mathematical provisions	Number of policyholders	Life mathematical provisions
Additions during the period	1,279,744	106,013,222	1,500,641	139,623,223
Disposals during the period	1,383,588	93,645,216	1,157,551	83,766,460
Current	2,993,109	553,148,517	3,096,953	540,780,511

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

	31 December 2016			31 December 2015		
	Number of Contracts	Gross Premium	Net Premium	Number of Contracts	Gross Premium	Net Premium
Individual	19,364	18,346,398	13,016,297	17,960	12,215,807	8,262,691
Group	1,260,380	356,241,373	238,267,921	1,482,681	348,727,257	231,243,878
Total	1,279,744	374,587,771	251,284,218	1,500,641	360,943,064	239,506,569

17 Insurance liabilities and reinsurance assets (continued)**Distribution of mathematical reserves for life insurance policyholders who left the Company's portfolio as individual or group during the period**

	31 December 2016			31 December 2015				
	Number of contracts	Gross premium	Net premium	Mathematical reserves	Number of contracts	Gross premium	Net premium	Mathematical reserves
Individual	18,166	2,188,396	1,913,172	63,215,897	22,463	2,920,991	2,507,407	68,755,172
Group	1,365,422	30,553,261	17,577,883	30,429,319	1,135,088	21,422,710	11,749,077	15,011,288
Total	1,383,588	32,741,657	19,491,055	93,645,216	1,157,551	24,343,701	14,256,484	83,766,460

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

	31 December 2016	31 December 2015
Life mathematical provision at the beginning of the period, gross	540,780,511	484,923,748
Written premiums during the period (saving life policies)	11,931,165	14,356,068
Expense deductions	(921,446)	(1,185,710)
Risk premiums	(1,623,721)	(1,905,913)
Commission expense	(6,384)	(13,487)
Disposals during the period	(93,645,216)	(83,766,460)
Investment income	45,481,413	57,281,967
Increase in risk policies	51,152,195	71,090,298
Life mathematical provision at the end of the period, gross	553,148,517	540,780,511

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

	31 December 2016	31 December 2015
US Dollar:	8.07%	10.98%
Euro:	5.13%	6.04%
TL1:	9.05%	9.13%
TL2:	8.95%	8.95%
TL3:	8.23%	8.60%

Deferred commission expenses

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

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

	31 December 2016	31 December 2015
Deferred commission expenses	9,784,789	8,041,047
Other deferred acquisition expenses	3,674,592	2,904,859
Deferred acquisition expenses	13,459,381	10,945,906

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	8,041,047	6,357,737
Commissions accrued during the period	163,276,593	146,917,114
Commissions expensed during the period (Note 32)	(161,532,851)	(145,233,804)
Deferred commission expenses at the end of the period	9,784,789	8,041,047

18 Insurance liabilities and reinsurance assets (continued)**Individual pension business**

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

	31 December 2016	31 December 2015
Receivables from clearing house on behalf of the participants	8,130,865,487	6,778,078,243
Receivables from participants (fund management)	11,362,426	9,543,766
Receivables from participants (entrance fee)	15,685,259	20,866,229
Receivables from individual pension operations, net (Note 12)	8,157,913,172	6,808,488,238

	31 December 2016	31 December 2015
Payables to participants	8,130,865,487	6,778,078,243
Participants temporary account	80,900,774	70,441,329
Payables to clearing house	2,501,313	1,432,442
Payables to Pension Monitoring Center	357,173	-
Payables to portfolio management company	2,341,219	353,498
Individual pension business liabilities (Note 19)	8,216,965,966	6,850,305,512

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

	31 December 2016 Unit price	31 December 2015 Unit price
Esnek Emeklilik Yatırım Fonu	0.05825	0.05319
Gelir Amaçlı Birinci Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	0.05489	0.04679
Büyüme Amaçlı Hisse Senedi Emeklilik Yatırım Fonu	0.07213	0.06378
Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	0.05277	0.04880
Para Piyasası Emanet Likit Esnek Emeklilik Yatırım Fonu	0.03049	0.02821
Para Piyasası Likit Esnek Emeklilik Yatırım Fonu	0.04091	0.03732
İkinci Esnek Emeklilik Yatırım Fonu	0.05046	0.04058
İkinci Esnek Grup Emeklilik Yatırım Fonu	0.04170	0.03426
Birinci Esnek Grup Emeklilik Yatırım Fonu	0.05692	0.05087
Gelir Amaçlı İkinci Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	0.02604	0.02256
Gelir Amaçlı Kamu Borçlanma Araçları Grup Emeklilik Yatırım Fonu	0.02354	0.02170
Büyüme Amaçlı Esnek Emeklilik Yatırım Fonu	0.01527	0.01340
Pera A Esnek Grup Emeklilik Yatırım Fonu	0.01770	0.01546
Pera H Esnek Grup Emeklilik Yatırım Fonu	0.01652	0.01471
Pera Y Esnek Grup Emeklilik Yatırım Fonu	0.01701	0.01517
Koç İştirak Endeksi Emeklilik Yatırım Fonu	0.02335	0.01933
BİST Temettü Endeksi Emeklilik Yatırım Fonu	0.01508	0.01338
Gelir Amaçlı Esnek Emeklilik Yatırım Fonu	0.01464	0.01329
Altın Emeklilik Yatırım Fonu	0.01433	0.01099
Standart Emeklilik Yatırım Fonu	0.01248	0.01136
Katkı Emeklilik Yatırım Fonu	0.01248	0.01135
Unilever Gelir Amaçlı Grup Esnek Emeklilik Yatırım Fonu	0.01249	0.01120
Unilever Büyüme Amaçlı Grup Esnek Emeklilik Yatırım Fonu	0.01333	0.01222
Esnek Fon Sepeti Emeklilik Yatırım Fonu	0.01054	0.00957
Ata Finans Büyüme Amaçlı Grup Esnek Emeklilik Yatırım Fonu	0.01087	0.00978
Ata Finans Gelir Amaçlı Grup Esnek Emeklilik Yatırım Fonu	0.01097	0.01012
Allianz Hayat ve Emeklilik Para Piyasası Emanet Likit Kamu Emeklilik Yatırım	0.03241	0.03003
Allianz Hayat ve Emeklilik Para Piyasası Likit Kamu Emeklilik Yatırım Fonu	0.04009	0.03688
Allianz Hayat ve Emeklilik Büyüme Amaçlı Hisse Senedi Emeklilik Yatırım Fonu	0.06179	0.05485
Allianz Hayat ve Emeklilik Gelir Amaçlı Kamu Dış Borçlanma Araçları Emeklilik	0.05568	0.04778
Allianz Hayat ve Emeklilik Katkı Emeklilik Yatırım Fonu	0.01227	0.01125
Allianz Hayat ve Emeklilik Standart Emeklilik Yatırım Fonu	0.01170	0.01086

“Allianz Yaşam ve Emeklilik A.Ş. Ata Finans Büyüme Amaçlı Grup Esnek Emeklilik Yatırım Fonu” and “Allianz Yaşam ve Emeklilik A.Ş. Ata Finans Gelir Amaçlı Grup Esnek Emeklilik Yatırım Fonu” are permitted to establishment and decided to registered positively the demand of fund shares to Assembly on 27 february 2015 dated and numbered 2015/5 of Capital Market Bulletin.

18 Investment contract liabilities (continued)**Individual pension business (continued)**

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

	31 December 2016			
	Participation certificates in circulation		Participation certificates in portfolio	
	Number	Amount	Number	Amount
Esnek Emeklilik Yatırım Fonu	31,715,117,978	1,847,121,061	68,284,882,022	3,977,730,948
Gelir Amaçlı Birinci Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	15,994,686,526	882,630,017	12,690,338,474	696,585,369
Büyüme Amaçlı Hisse Senedi Emeklilik Yatırım Fonu	4,208,243,665	302,201,922	5,791,756,335	417,765,176
Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	24,307,970,876	1,281,710,688	75,692,029,124	3,994,041,301
Para Piyasası Emanet Likit Esnek Emeklilik Yatırım Fonu	369,041,538	11,246,172	19,630,958,462	598,606,816
Para Piyasası Likit Esnek Emeklilik Yatırım Fonu	8,754,017,846	357,899,266	11,245,982,154	460,095,622
İkinci Esnek Emeklilik Yatırım Fonu	7,012,233,793	357,147,735	2,987,766,207	150,756,707
İkinci Esnek Grup Emeklilik Yatırım Fonu	1,246,117,542	52,240,571	98,753,882,458	4,117,938,145
Birinci Esnek Grup Emeklilik Yatırım Fonu	3,422,889,628	194,579,185	96,577,110,372	5,497,169,122
Gelir Amaçlı İkinci Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	2,397,796,875	62,395,330	97,602,203,125	2,541,463,767
Gelir Amaçlı Kamu Borçlanma Araçları Grup Emeklilik Yatırım Fonu	7,084,126,585	166,654,078	92,915,873,415	2,186,775,081
Büyüme Amaçlı Esnek Emeklilik Yatırım Fonu	15,688,831,667	239,396,272	84,311,168,333	1,287,262,918
Pera A Esnek Grup Emeklilik Yatırım Fonu	808,011,631	14,273,689	99,191,988,369	1,755,698,194
Pera H Esnek Grup Emeklilik Yatırım Fonu	382,484,884	6,325,370	99,617,515,116	1,645,482,115
Pera Y Esnek Grup Emeklilik Yatırım Fonu	822,588,965	14,007,532	99,177,411,035	1,686,710,229
Koç İştirak Endeksi Emeklilik Yatırım Fonu	12,643,368,559	291,079,474	87,356,631,441	2,039,602,631
BİST Temettü Endeksi Emeklilik Yatırım Fonu	2,756,348,664	41,536,099	97,243,651,336	1,466,434,262
Gelir Amaçlı Esnek Emeklilik Yatırım Fonu	59,604,159,131	872,339,094	40,395,840,869	591,354,714
Altın Emeklilik Yatırım Fonu	9,575,483,216	136,450,636	90,424,516,784	1,296,054,599
Standart Emeklilik Yatırım Fonu	4,096,065,586	51,090,056	95,903,934,414	1,196,497,486
Katkı Emeklilik Yatırım Fonu	65,209,088,087	813,754,787	934,790,911,913	11,666,190,581
Unilever Gelir Amaçlı Grup Esnek Emeklilik Yatırım Fonu	1,127,268,050	14,069,433	98,872,731,950	1,234,623,804
Unilever Büyüme Amaçlı Grup Esnek Emeklilik Yatırım Fonu	4,703,104,346	62,527,772	95,296,895,654	1,270,688,807
Esnek Fon Sepeti Emeklilik Yatırım Fonu	945,301,972	9,945,160	99,054,698,028	1,044,036,517
Ata Finans Büyüme Amaçlı Grup Esnek Emeklilik Yatırım Fonu	237,038,009	2,570,203	99,762,961,991	1,084,024,345
Ata Finans Gelir Amaçlı Grup Esnek Emeklilik Yatırım Fonu	92,458,403	1,013,529	99,907,541,597	1,096,385,361
Allianz Hayat ve Emeklilik Para Piyasası Emanet Likit Kamu Emeklilik Yatırım Fonu	-	-	4,000,000,000	129,632,000
Allianz Hayat ve Emeklilik Para Piyasası Likit Kamu Emeklilik Yatırım Fonu	169,610,718	6,795,114	1,830,389,282	73,374,815
Allianz Hayat ve Emeklilik Büyüme Amaçlı Hisse Senedi Emeklilik Yatırım Fonu	36,389,559	2,232,208	963,610,441	59,538,598
Allianz Hayat ve Emeklilik Gelir Amaçlı Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	599,169,093	33,431,239	400,830,907	22,316,662
Allianz Hayat ve Emeklilik Katkı Emeklilik Yatırım Fonu	168,930,734	2,070,584	831,069,266	10,194,727
Allianz Hayat ve Emeklilik Standart Emeklilik Yatırım Fonu	11,226,493	131,214	988,773,507	11,567,661
Total		8,130,865,487		55,306,599,080

18 Investment contract liabilities (continued)**Individual pension business (continued)**

	31 December 2015			
	Participation certificates in circulation		Participation certificates in portfolio	
	Number	Amount	Number	Amount
Esnek Emeklilik Yatırım Fonu	32,215,070,364	1,716,802,880	67,784,929,636	3,605,751,547
Gelir Amaçlı Birinci Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	13,097,791,603	610,836,767	15,587,233,397	729,279,889
Büyüme Amaçlı Hisse Senedi Emeklilik Yatırım Fonu	4,663,671,747	303,288,486	5,336,328,253	340,367,025
Gelir Amaçlı Kamu Borçlanma Araçları Emeklilik Yatırım Fonu	25,936,183,332	1,263,870,214	74,063,816,668	3,614,462,381
Para Piyasası Emanet Likit Esnek Emeklilik Yatırım Fonu	619,363,050	17,453,651	19,380,636,950	546,708,388
Para Piyasası Likit Esnek Emeklilik Yatırım Fonu	9,316,496,605	347,337,626	10,683,503,395	398,751,081
İkinci Esnek Emeklilik Yatırım Fonu	6,881,503,715	279,549,263	3,118,496,285	126,545,461
İkinci Esnek Grup Emeklilik Yatırım Fonu	1,059,539,992	36,184,334	98,940,460,008	3,389,502,279
Birinci Esnek Grup Emeklilik Yatırım Fonu	3,634,831,339	185,716,913	96,365,168,661	4,901,710,669
Gelir Amaçlı İkinci Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	1,834,125,624	41,399,806	98,165,874,376	2,214,818,458
Gelir Amaçlı Kamu Borçlanma Araçları Grup Emeklilik Yatırım Fonu	7,525,077,006	163,030,793	92,474,922,994	2,006,983,254
Büyüme Amaçlı Esnek Emeklilik Yatırım Fonu	14,669,885,855	199,394,685	85,330,114,145	1,143,679,520
Pera A Esnek Grup Emeklilik Yatırım Fonu	2,874,880,421	44,499,051	97,125,119,579	1,501,360,098
Pera H Esnek Grup Emeklilik Yatırım Fonu	1,452,134,626	21,339,942	98,547,865,374	1,449,442,004
Pera Y Esnek Grup Emeklilik Yatırım Fonu	2,865,031,327	43,590,218	97,134,968,673	1,473,731,745
Koç İştirak Endeksi Emeklilik Yatırım Fonu	8,855,388,051	173,966,588	91,144,611,949	1,761,460,771
BİST Temettü Endeksi Emeklilik Yatırım Fonu	2,628,257,655	35,877,496	97,371,742,345	1,302,833,913
Gelir Amaçlı Esnek Emeklilik Yatırım Fonu	40,282,714,422	534,788,055	59,717,285,578	793,344,139
Altın Emeklilik Yatırım Fonu	4,790,356,581	52,780,149	95,209,643,419	1,046,163,562
Standart Emeklilik Yatırım Fonu	2,483,121,348	28,226,563	97,516,878,652	1,108,181,809
Katkı Emeklilik Yatırım Fonu	50,201,609,420	569,696,332	949,798,390,580	10,784,010,927
Unilever Gelir Amaçlı Grup Esnek Emeklilik Yatırım Fonu	1,278,249,664	14,308,727	98,721,750,336	1,105,683,604
Unilever Büyüme Amaçlı Grup Esnek Emeklilik Yatırım Fonu	4,861,443,567	59,781,172	95,138,556,433	1,162,117,467
Esnek Fon Sepeti Emeklilik Yatırım Fonu	245,289,262	2,367,188	99,754,710,738	954,353,318
Ata Finans Büyüme Amaçlı Grup Esnek Emeklilik Yatırım Fonu	123,196,718	1,215,828	99,876,803,282	977,094,767
Ata Finans Gelir Amaçlı Grup Esnek Emeklilik Yatırım Fonu	59,883,854	607,701	99,940,116,146	1,011,693,796
Allianz Hayat ve Emeklilik Para Piyasası Emanet Likit Kamu Emeklilik Yatırım Fonu	32,686,354	980,362	3,967,313,646	119,118,592
Allianz Hayat ve Emeklilik Para Piyasası Likit Kamu Emeklilik Yatırım Fonu	163,301,141	6,015,851	1,836,698,859	67,742,964
Allianz Hayat ve Emeklilik Büyüme Amaçlı Hisse Senedi Emeklilik Yatırım Fonu	29,734,064	1,661,004	970,265,936	53,214,235
Allianz Hayat ve Emeklilik Gelir Amaçlı Kamu Dış Borçlanma Araçları Emeklilik Yatırım Fonu	431,216,505	20,529,787	568,783,495	27,177,044
Allianz Hayat ve Emeklilik Katkı Emeklilik Yatırım Fonu	87,186,597	979,977	912,813,403	10,264,587
Allianz Hayat ve Emeklilik Standart Emeklilik Yatırım Fonu	76,720	833	999,923,280	10,861,167
Toplam		6,778,078,243		49,738,410,461

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

	31 December 2016			31 December 2015		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	110,028	353,125,366	353,106,206	161,703	388,393,859	385,337,620
Group	45,184	76,244,375	76,197,492	67,503	95,272,263	94,997,030
Total	155,212	429,369,741	429,303,698	229,206	483,666,122	480,334,650

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

	31 December 2016			31 December 2015		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	1,504	38,938,119	38,938,119	873	24,774,519	24,755,374
Group	368	8,387,161	8,387,095	454	13,150,681	13,149,871
Total	1,872	47,325,280	47,325,214	1,327	37,925,200	37,905,245

18 Investment contract liabilities (continued)**Individual pension business (continued)****Distribution of individual and group participants and their gross and net contributions which were transferred from life insurance portfolio during the period**

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

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

	31 December 2016			31 December 2015		
	Number of contracts	Gross contributions	Net contributions	Number of contracts	Gross contributions	Net contributions
Individual	79,023	811,735,047	796,495,061	46,483	521,116,713	509,571,816
Group	47,986	399,280,203	397,819,579	31,984	236,273,216	235,206,203
Total	127,009	1,211,015,250	1,194,314,640	78,467	757,389,929	744,778,019

19 Trade and other payables, deferred income

	31 December 2016	31 December 2015
Payables arising from main operations	8,229,379,516	6,852,590,575
Other various payables	6,333,610	8,455,618
Short/long term deferred income and expense accruals	486,667	261,905
Provisions for taxes and other similar obligations	15,826,952	13,281,110
Due to related parties (Note 45)	6,050,823	7,403,804
Total	8,258,077,568	6,881,993,012
Short term liabilities	127,212,081	103,914,769
Long term liabilities	8,130,865,487	6,778,078,243
Total	8,258,077,568	6,881,993,012

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

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

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

	31 December 2016	31 December 2015
Payables to reinsurers (Note 10)	3,820,148	71,155
Payables to agencies	8,287,659	1,755,547
Payables to policyholders	230,928	458,361
Total payables arising from insurance operations	12,338,735	2,285,063
Payables arising from individual pension business (Note 18)	8,216,965,966	6,850,305,512
Other payables arising from main operations	74,815	-
Payables arising from main operations	8,229,379,516	6,852,590,575

19 Trade and other payables, deferred income (continued)

Corporate tax provision and prepaid taxes are disclosed below:

	31 December 2016	31 December 2015
Corporate tax	41,777,480	35,440,652
Prepaid taxes during the period	(33,486,536)	(26,699,918)
Corporate tax payable/(Prepaid corporate tax), net	8,290,944	8,740,734

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

None.

20 Financial liabilities

As at 31 December 2016, the Company has TL 75,600,069 financial liabilities from repo transactions. (31 December 2015: TL 75,089,359 financial liabilities from repo transactions and TL 28,366 financial liabilities from leasing). As at 31 December 2016, the repurchase agreements' maturity are between 2 January 2017 and 6 January 2017 (31 December 2015: 4 January 2016 to 12 February 2016) and the interest rate is between 10.60% and 11.00%. (31 December 2015: % 10.70 to % 10.75)

21 Deferred taxes

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

	31 December 2016	31 December 2015
	Deferred tax assets/(liabilities)	Deferred tax assets/(liabilities)
Increase in revaluation of property held for own use	-	(9,670,096)
Provision for unused vacation pay liability and employee termination benefits	3,098,309	2,802,674
Financial liability due to pension agreements	1,766,377	2,065,450
Deferred acquisition costs for pension contracts	(2,278,341)	(2,756,347)
Equalisation provision	2,905,235	2,368,652
Expense provisions	7,219,884	4,225,452
Tangible and intangible assets	(2,172,248)	(1,801,858)
Actuarial gain/loss	781,874	916,698
Provision for management personnel bonus	191,036	39,375
Difference in valuation of financial assets	(2,444,979)	(189,348)
Provision for bonus and discounts	211,565	205,025
Increase in revaluation of investment property	(665,086)	(660,760)
Integration provision	-	36,076
Deferred tax assets, net	8,613,626	(2,419,007)

22 Retirement benefit obligations

None.

23 Provision for other liabilities and charges

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

	31 December 2016	31 December 2015
Provision for premiums	7,112,441	7,536,663
Provision for commissions	26,897,126	21,110,983
Provision for fund management expense	2,121,617	1,376,281
Provision for Restructring expenses	1,485,298	-
Provision for vacations	2,553,114	2,325,967
Provision for other expenses	2,579,813	330,296
Provisions for lawsuits against the Company	964,480	462,339
Provisions for costs	43,713,889	33,142,529
Provision for Restructring expenses	4,804,702	-
Provision for employee termination benefits	12,490,476	11,913,573
Total provisions for other risks	61,009,067	45,056,102

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	11,913,573	10,458,001
Interest cost	1,176,259	789,661
Service cost	1,255,420	1,173,048
Payments during the period	(1,341,839)	(1,053,607)
Payment/benefit containment/loss due to termination (gain)	161,185	230,843
Actuarial gain	(674,122)	315,627
Provision for employee termination benefits at the end of the period	12,490,476	11,913,573

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 1,485,298 (31 December 2015: None) short term and TL 4,804,702 (31 December 2015: None) long term expense provisions are accounted.

24 Net insurance premium revenue

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

25 Fee revenues

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

The details of fees from individual pension investment funds and individual pension participants are presented in the accompanying statement of income. For the year ended 31 December 2016, fees charged to life insurance policyholders amounts to TL 913,604 (31 December 2015: TL 1,239,368).

26 Investment income

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

27 Net realized gains and 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 are presented in Note 4.2 - *Financial Risk Management*.

29 Insurance rights and claims

	31 December 2016		31 December 2015	
	Life	Non-Life	Life	Non-Life
Claims paid, net off ceded	(128,005,195)	(484,513)	(107,981,922)	(565,363)
Change in provision for outstanding claims, net off ceded	(7,608,388)	(220,691)	(13,481,909)	(168,207)
Change in reserve for unearned premium, net off ceded	(5,745,730)	29,804	(5,092,933)	(42,319)
Change in equalization provision	(2,646,564)	(36,350)	(2,495,555)	(58,096)
Change in life mathematical provisions	(11,275,846)	(1,092,160)	(52,841,617)	(3,009,757)
Total changes in life mathematical provisions recognized in the statement of income	(155,281,723)	(1,803,910)	(181,893,936)	(3,843,742)

30 Investment contract benefits

None.

31 Other expenses

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

32 Expenses by nature

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

	31 December 2016			
	Life	Non-life	Pension	Total
Commission expenses (Note 17)	(159,368,314)	(2,164,537)	(38,680,955)	(200,213,806)
Employee benefit expenses (Note 33)	(21,595,800)	(3,271,292)	(53,801,518)	(78,668,610)
Commission income from reinsurers (Note 10)	25,654,294	-	-	25,654,294
Management expenses	(8,697,016)	(1,317,408)	(21,666,837)	(31,681,261)
Marketing and sales expenses	(4,477,793)	(678,288)	(11,155,506)	(16,311,587)
Expenses for services received	(1,338,952)	(202,822)	(3,335,724)	(4,877,498)
Other expenses	(4,545,293)	-	-	(4,545,293)
Deferred acquisition expenses	769,933	-	-	769,933
Total	(173,598,941)	(7,634,347)	(128,640,540)	(309,873,828)

	31 December 2015			
	Life	Non-life	Pension	Total
Commission expenses (Note 17)	(143,702,252)	(1,531,552)	(40,219,598)	(185,453,402)
Employee benefit expenses (Note 33)	(18,838,393)	(1,737,404)	(49,432,055)	(70,007,852)
Commission income from reinsurers (Note 10)	19,346,627	-	-	19,346,627
Management expenses	(7,442,180)	(686,368)	(19,528,324)	(27,656,872)
Marketing and sales expenses	(3,079,724)	(284,033)	(8,081,213)	(11,444,970)
Expenses for services received	(989,904)	(91,295)	(2,597,514)	(3,678,713)
Other expenses	(4,404,747)	-	-	(4,404,747)
Deferred Acquisition expenses	736,313	-	-	736,313
Total	(158,374,260)	(4,330,652)	(119,858,704)	(282,563,616)

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			Total
	Life	Non-Life	Pension	
Wages and salaries	(13,590,756)	(2,058,702)	(33,858,586)	(49,508,044)
Employer's share in social security premiums	(2,356,234)	(356,918)	(5,870,076)	(8,583,228)
Bonus, premium and commissions	(329,868)	(49,968)	(821,798)	(1,201,634)
Employee termination benefits and unused vacation expenses	(614,304)	(93,054)	(1,530,413)	(2,237,771)
Restructing expenses	(453,298)	(68,665)	(1,129,300)	(1,651,263)
Other benefits	(4,251,340)	(643,985)	(10,591,345)	(15,486,670)
Total (Note 32)	(21,595,800)	(3,271,292)	(53,801,518)	(78,668,610)

	31 December 2015			Total
	Life	Non-Life	Pension	
Wages and salaries	(11,942,926)	(1,101,457)	(31,338,308)	(44,382,691)
Employer's share in social security premiums	(2,036,018)	(187,775)	(5,342,524)	(7,566,317)
Bonus, premium and commissions	(269,035)	(24,812)	(705,949)	(999,796)
Employee termination benefits and unused vacation expenses	(367,006)	(33,848)	(963,025)	(1,363,879)
Other benefits	(4,223,408)	(389,512)	(11,082,249)	(15,695,169)
Total (Note 32)	(18,838,393)	(1,737,404)	(49,432,055)	(70,007,852)

34 Financial costs

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

35 Income taxes

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

	31 December 2016	31 December 2015
Provision for corporate tax:		
Provision for corporate taxes	(41,777,480)	(35,440,652)
Deferred taxes:		
Arising from origination (+)/ reversal (-) of taxable temporary differences	11,157,343	364,635
Total income tax expense recognized in profit or loss		
Provision for corporate tax:	(30,620,137)	(35,076,017)

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

	31 December 2016		31 December 2015	
	Profit before taxes	Tax rate (%)	116,058,048	Tax rate (%)
Tax calculated at the statutory tax rate of the Company	(38,584,002)	(20.00)	(35,422,052)	(20.00)
Non-deductible expenses	(398,858)	(0.21)	(142,532)	(0.08)
Current year losses for which no deferred taxes recognised	8,227,065	4.26	66,096	0.04
Other	135,658	0.07	422,471	0.24
Total tax expense recognized in profit or loss	(30,620,137)	(15.87)	(35,076,017)	(20.00)

36 Net foreign exchange gains

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

37 Earnings per share

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

	31 December 2016	31 December 2015
Net profit for the year	162,299,874	142,034,245
Weighted average number of shares	580,000,000	580,000,000
Earnings per share – TL	0.2798	0.2448

38 Dividends per share

The Company decided to distribute gross dividend amount of TL 142,034,245 in accordance with the General Assembly Meeting held on 30 March 2016 after deducting general legal reserves amount in compliance with 519. article of Turkish Commercial Code as well as the extraordinary reserves. TL 100,000,000 total gross dividend is decided to pay. It has been decided that the extraordinary reserve balance of the year 2015 should be set aside.

39 Cash generated from operations

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

40 Convertible bonds

None.

41 Redeemable preference shares

None.

42 Contingencies

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

	31 December 2016	31 December 2015
Outstanding claims lawsuits against the Company	6,741,042	2,738,443
Personnel lawsuits against the Company	948,135	289,564
Premium refund lawsuits against the Company	146,007	21,709
Other lawsuits against the Company	363,000	74,557
Total	8,198,184	3,124,273

43 Commitments

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

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

TL commitments	31 December 2016	31 December 2015
Less than 1 year	1,464,349	784,803
More than 1 year less than 5 years	2,451,381	1,432,683
More than 5 years	138,813	192,693
Total of minimum rent payments	4,054,543	2,410,179

US Dollar commitments	31 December 2016	31 December 2015
Less than 1 year	-	17,206
More than 1 year less than 5 years	-	-
More than 5 years	-	-
Total of minimum rent payments	-	17,206

Euro commitments	31 December 2016	31 December 2015
Less than 1 year	1,894,737	1,950,595
More than 1 year less than 5 years	140,896	-
More than 5 years	-	-
Total of minimum rent payments	2,035,633	1,950,595

44 Business combinations

None.

45 Related party transactions

Allianz SE, Koç Holding, Unicredit and their subsidiaries and top managements are defined as related parties of the Company. The related party balances as at 31 December 2016 and 2015 are as follows:

	31 Aralık 2016	31 Aralık 2015
Yapı ve Kredi Bankası A.Ş.	60,593,909	58,230,695
Bank deposits	60,593,909	58,230,695

	31 Aralık 2016	31 Aralık 2015
Allianz Hayat ve Emeklilik A.Ş.	47,386	-
Yapı Kredi Yatırım A.Ş.	1,299	1,299
Yapı Kredi Portföy Yönetimi A.Ş.	4,970	4,970
Yapı Kredi Factoring A.Ş.	1,722	1,722
Magdeburger Sigorta A.Ş.	-	34
Beykoz Gayrimenkul Yatırım İnş. Tur. San. ve Tic.A.Ş.	-	43
Receivables from related party (Not 12)	55,377	8,068

	31 Aralık 2016	31 Aralık 2015
Allianz SE	1,302,633	43,209
Payables from main operations	1,302,633	43,209

Allianz Sigorta A.Ş.	5,049,161	7,044,852
Allianz SE	940,708	7,625
Allianz Hayat ve Emeklilik A.Ş.	-	270,262
Allianz Managed Operations & Services	17,313	15,204
Payables from related party	6,007,182	7,337,943

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

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

There are no liabilities like guarantee, commitments and loans on behalf of shareholders, subsidiaries and joint ventures.

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

	31 Aralık 2016	31 Aralık 2015
Allianz SE	5,801,592	92,458
Claims paid	5,801,592	92,458
Allianz SE	1,281,400	819,835
Ceded premiums	1,281,400	819,835
Yapı Kredi Portföy A.Ş.	11,557,774	9,656,733
Commissions paid	11,557,774	9,656,733

45 Related party transactions (continued)

	31 Aralık 2016	31 Aralık 2015
Allianz Sigorta A.Ş.	-	1,161,356
Allianz Hayat ve Emeklilik A.Ş.	-	272,384
YKS Tesis Yönetim Hiz. A.Ş.	928	30,034
Rent income	928	1,463,774
Allianz Sigorta AŞ	96,592	218,379
Beykoz Gayrimenkul Yatırım İnş.Tur.San.ve Tic.A.Ş.	5,519,963	1,806,973
Yapı Kredi Bankası	369,656	664,942
Rent expense	5,986,211	2,690,294
	31 Aralık 2016	31 Aralık 2015
Allianz Sigorta A.Ş.	80,000,000	68,800,000
Yapı Kredi Finansal Kiralama A.O	19,926,675	17,136,941
Yapı Kredi Factoring A.Ş.	36,315	31,231
Yapı Kredi Yatırım Menkul Değerler A.Ş.	36,308	31,225
Yapı ve Kredi Bankası A.Ş.	702	603
Dividend paid	100,000,000	86,000,000

46 Subsequent events

In accordance with the "Act on Amendment of the Private Pension Savings and Investment System Law" published in the Official Gazette dated 25 August 2016 and numbered 29812, the Company has been involved in the practice of automatically participating in the individual pension system and completed the transition from 1 January 2017. As of the reporting date, the Company has completed the establishment of 2 individual pension funds in accordance with the relevant legal regulations.

47 Other

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

They are presented in the related notes above.

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

None.

Subrogation recorded in "Off-Balance Sheet Accounts"

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

Real rights on immovable and their values

None.

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

None.

For the years ended 31 December 2016 and 2015, detail of the provision expenses are as follow:

	31 December 2016	31 December 2015
Restructring provision expense	(6,290,000)	-
Change in provision for employee termination	(1,251,025)	(1,229,401)
Change in provision for vacation	(227,147)	(495,166)
Change in other provision expense	(23,574)	213,800
Provision expense	(7,791,746)	(1,510,767)