

**TÜRK P AND I SİGORTA A.Ş**

**CONVENIENCE TRANSLATION OF THE STATUTORY  
FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY - 31 DECEMBER 2016 AND  
THE INDEPENDENT AUDITOR'S REPORT  
(ORIGINALLY ISSUED IN TURKISH)**



**CONVENIENCE TRANSLATION OF THE INDEPENDENT  
AUDITOR'S REPORT OF TÜRK P AND I SİGORTA A.Ş.  
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016**

To the Board of Directors of Türk P and I Sigorta A.Ş.

**Report for the Financial Statements**

1. We have audited the accompanying balance sheet of Türk P and I Sigorta A.Ş. (the "Company") as of 31 December 2016 and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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

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

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



*Opinion*

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

*Reports on Other Liabilities Resulting from legislation*

5. In accordance with the 6102 the Turkish Commercial Code ("TCC") fourth paragraph of Article 402, there no important arising matters encountered that the Company's 1 January - 31 December 2016 accounting period of bookkeeping scheme is not compatible with the financial reporting provisions of the law and of the articles of incorporation.
6. According to TCC's fourth paragraph of Article 402, Board of Directors have made the required explanation and given the required documents during the audit process.

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

**ORIGINAL SIGNED IN TURKISH**

Talar Gül, SMMM  
Partner

Istanbul, 10 March 2017

**CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON  
THE FINANCIAL STATEMENTS PREPARED AS AT 31 DECEMBER 2016**

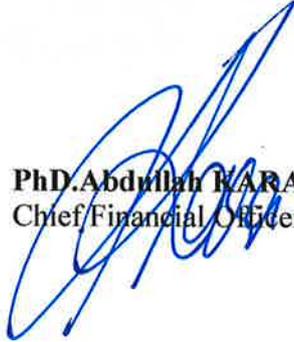
We confirm that the accompanying financial statements and notes to these financial statements as of 31 December 2016 are prepared in accordance with the accounting principles and standards as set out in the insurance legislation and in conformity with the related regulations and the Company's accounting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

**Türk P ve I Sigorta A.Ş.**

**10 March 2017**



**R.Ufuk TEKER**  
A Member of Board of  
Directors, General  
Manager



**PhD. Abdullah KARA**  
Chief Financial Officer



**Jale İNAN**  
Finance Director



**A.Korhan AKÇÖL**  
Actuary

**TÜRK P AND I SİGORTA A.Ş.**

**CONVENIENCE TRANSLATION OF THE FINANCIAL STATEMENTS  
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016**

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# TÜRK P AND I SİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2016 AND 2015

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

ASSETS	Note	Audited 31 December 2016	Audited 31 December 2015
<b>I- Current Assets</b>			
<b>A- Cash and Cash Equivalents</b>	<b>14</b>	<b>6,461,287</b>	<b>5,838,676</b>
1- Cash	2.12 and 14	6,952	3,821
2- Cheques Received		-	-
3- Banks	2.12 and 14	6,361,769	5,785,612
4- Cheques Given and Payment Orders (-)		-	-
5- Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months	2.12 and 14	92,566	49,243
6- Other Cash and Cash Equivalents		-	-
<b>B- Financial Assets and Financial Investments at Insurees' Risk</b>		-	-
1- Available for Sale Investments		-	-
2- Held to Maturity Investments		-	-
3- Trading Investments		-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Financial Assets at Life Insuree's Risk		-	-
7- Company's Shares		-	-
8- Provision for financial assets diminution in value (-)		-	-
<b>C- Receivables from Main Operations</b>	<b>12.1</b>	<b>8,223,616</b>	<b>2,827,734</b>
1- Due from Insurance Operations	12.1	8,223,616	2,827,734
2- Provision for Due from Insurance Operations (-)		-	-
3- Due from Reinsurance Operation		-	-
4- Provision for Due from Reinsurance Operations (-)		-	-
5- Premium Deposits		-	-
6- Policy Loans		-	-
7- Provision for Policy Loans (-)		-	-
8- Due from Private Pension Operations		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations (-)		-	-
<b>D- Due from Related Parties</b>		-	-
1- Due from Shareholders		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint-Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
<b>E- Other Receivables</b>		<b>356,955</b>	<b>49,534</b>
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		356,865	49,444
4- Other Miscellaneous Receivables		90	90
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
<b>F- Prepaid Expenses and Income Accruals</b>		<b>1,836,487</b>	<b>779,118</b>
1- Deferred Acquisition Costs	17	1,486,161	750,880
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses	47.1	350,326	28,238
<b>G- Other Current Assets</b>		<b>69,122</b>	<b>57,547</b>
1- Prepaid Office Supplies		13,059	-
2- Prepaid Taxes and Funds	2.18 and 35	51,728	50,007
3- Deferred Tax Assets		-	-
4- Job Advances		4,335	7,540
5- Advances to Personnel		-	-
6- Count Shortages		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
<b>I- Total Current Assets</b>		<b>16,947,467</b>	<b>9,552,609</b>

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

# TÜRK P AND I SİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2016 AND 2015

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

ASSETS	Note	Audited 31 December 2016	Audited 31 December 2015
<b>II- Non-Current Assets</b>			
<b>A- Receivables from Main Operations</b>		-	-
1- Due from Insurance Operations		-	-
2- Provision for Due from Insurance Operations (-)		-	-
3- Due from Reinsurance Operations		-	-
4- Provision for Due from Reinsurance Operations		-	-
5- Premium Deposits		-	-
6- Policy Loans		-	-
7- Provision for Policy Loans (-)		-	-
8- Due from Private Pension Operations		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations (-)		-	-
<b>B- Due from Related Parties</b>		-	-
1- Due from Shareholder		-	-
2- Due from Associates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint-Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Rediscount on Due from Related Parties (-)		-	-
8- Doubtful Receivables from Related Parties		-	-
9- Provision for Doubtful Receivables from Related Parties (-)		-	-
<b>C- Other Receivables</b>		<b>19,770</b>	<b>21,030</b>
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		19,770	21,030
4- Other Receivables		-	-
5- Rediscount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provision for Other Doubtful Receivables (-)		-	-
<b>D- Financial Assets</b>		-	-
1- Investment Securities		-	-
2- Associates		-	-
3- Capital Commitments to Associates (-)		-	-
4- Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint-Ventures		-	-
7- Capital Commitments to Joint-Ventures (-)		-	-
8- Financial Assets and Financial Investments at Insurees' Risk		-	-
9- Other Financial Assets		-	-
10- Provision for Diminution in Value (-)		-	-
<b>E- Tangible Assets</b>	<b>2.5 and 6</b>	<b>438,647</b>	<b>528,813</b>
1- Investment Properties		-	-
2- Provision for Diminution in Value of Investment Properties (-)		-	-
3- Property for Operational Usage		-	-
4- Machinery and Equipment		-	-
5- Furniture and Fixtures	6	367,424	353,131
6- Motor Vehicles		-	-
7- Other Tangible Assets (including leasehold improvements)	6	362,943	362,943
8- Leased Assets		-	-
9- Accumulated Depreciation (-)	6	(291,720)	(187,261)
10- Advances Given for Tangible Assets (including construction in progress)		-	-
<b>F- Intangibles Assets</b>	<b>2.7 and 8</b>	<b>704</b>	<b>1,827</b>
1- Rights	8	3,369	3,369
2- Goodwill		-	-
3- Start-up Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortization (-)	8	(2,665)	(1,542)
7- Advances Given for Intangible Assets		-	-
<b>G- Prepaid Expenses and Income Accruals</b>	<b>47.1</b>	-	<b>9,253</b>
1- Deferred Acquisition Costs		-	-
2- Income Accruals		-	-
3- Other Deferred Expenses	47.1	-	9,253
<b>H- Other Non-Current Assets</b>		<b>303,331</b>	<b>561,073</b>
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Prepaid Office Supplies		-	2,570
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets		303,331	558,503
6- Other Non-Current Assets	2.18, 21 ve 35	-	-
7- Other Non-Current Assets Depreciation (-)		-	-
8- Provision for Diminution in Value of Other Non-Current Assets (-)		-	-
<b>II- Total Non-Current Assets</b>		<b>762,452</b>	<b>1,121,996</b>
<b>TOTAL ASSETS (I+II)</b>		<b>17,709,919</b>	<b>10,674,605</b>

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

# TÜRK P AND I SİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2016 AND 2015

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

LIABILITIES	Note	Audited 31 December 2016	Audited 31 December 2015
<b>III- Current Liabilities</b>			
<b>A- Financial Liabilities</b>			
1- Due to Credit Institutions		-	-
2- Leasing Payables		-	-
3- Deferred Leasing Costs (-)		-	-
4- Short Term Instalments of Long Term Borrowings		-	-
5- Issued Debt Securities		-	-
6- Other Issued Debt Securities		-	-
7- Value Differences of Other Issued Debt Securities (-)		-	-
8- Other Financial Payables (Liabilities)		-	-
<b>B- Payables from Main Operations</b>	<b>4 and 19</b>	<b>5,912,566</b>	<b>4,663,977</b>
1- Payables from Insurance Operations	4 and 19	5,912,566	4,663,977
2- Payables from Reinsurance Operations		-	-
3- Premium Deposits		-	-
4- Payables from Private Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
<b>C- Due to Related Parties</b>	<b>19</b>	<b>116,883</b>	<b>2,487</b>
1- Due to Shareholders	19 and 45	912	1,578
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel	19	115,971	909
6- Due to Other Related Parties		-	-
<b>D- Other Payables</b>	<b>4, 19 and 47.1</b>	<b>42,424</b>	<b>68,861</b>
1- Deposits and Guarantees Received		-	-
2- Payable to SSI medical expense		-	-
3- Other Miscellaneous Payables	4, 19 and 47.1	42,424	68,861
4- Rediscount on Other Payables		-	-
<b>E- Insurance Technical Provisions</b>		<b>5,931,169</b>	<b>1,876,137</b>
1- Unearned Premium Reserve - Net	2.24 and 17	5,862,603	1,867,223
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserve - Net		-	-
4- Outstanding Claim Provision - Net	2.24 and 17	68,566	8,914
5- Bonus and Rebate Provision - Net		-	-
6- Other Technical Reserves - Net		-	-
<b>F- Taxes and Other Fiscal Liabilities</b>		<b>241,216</b>	<b>119,547</b>
1- Taxes and Funds Payable		166,498	90,540
2- Social Security Withholdings Payable		74,718	29,007
3- Overdue, Deferred or Restructured Taxes and Other Fiscal Liabilities		-	-
4- Other Taxes and Fiscal Liabilities		-	-
5- Corporate Tax Provision and Other Fiscal Liabilities		-	-
6- Prepaid tax and other liabilities on current year profit(-)		-	-
7- Other Taxes and Fiscal Liabilities Provision		-	-
<b>G- Provisions for Other Risks</b>		-	-
1- Provision for Employment Termination Benefits		-	-
2- Provision for Social Aid Fund Asset Shortage		-	-
3- Provision for Expense Accruals		-	-
<b>H- Deferred Income and Expense Accruals</b>		<b>868,509</b>	<b>225,142</b>
1- Deferred Commission Income	10, 17 and 19	847,741	218,688
2- Expense Accruals	19	20,768	6,454
3- Other Deferred Income		-	-
<b>I- Other Current Liabilities</b>		-	-
1- Deferred Tax Liabilities		-	-
2- Count Overages		-	-
3- Other Current Liabilities		-	-
<b>III- Total Current Liabilities</b>		<b>13,112,767</b>	<b>6,956,151</b>

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

# TÜRK P AND İ SİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2016 AND 2015

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

LIABILITIES	Note	Audited 31 December 2016	Audited 31 December 2015
<b>IV- Non-Current Liabilities</b>			
<b>A- Financial Liabilities</b>		-	-
1- Due to Credit Institutions		-	-
2- Leasing Payables		-	-
3- Deferred Leasing Costs (-)		-	-
4- Issued Debt Securities		-	-
5- Other Issued Debt Securities		-	-
6- Value Differences of Other Issued Debt Securities (-)		-	-
7- Other Financial Payables (Liabilities)		-	-
<b>B- Payables from Main Operations</b>		-	-
1- Payables from Insurance Operations		-	-
2- Payables from Reinsurance Operations		-	-
3- Premium Deposits		-	-
4- Payables from Private Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Payables from Other Operations (-)	-	-	-
<b>C- Due to Related Parties</b>		-	-
1- Due to Shareholders		-	-
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
<b>D- Other Payables</b>		-	-
1- Deposits and Guarantees Received		-	-
2- Payable to SSI medical expense		-	-
3- Other Miscellaneous Payables		-	-
4- Rediscount on Other Payables		-	-
<b>E- Insurance Technical Provisions</b>		-	-
1- Unearned Premium Reserve - Net		-	-
2- Unexpired Risks Reserve - Net		-	-
3- Mathematical Reserve - Net		-	-
4- Outstanding Claim Provision - Net		-	-
5- Bonus and Rebate Provision - Net		-	-
6- Other Technical Reserves - Net		-	-
<b>F- Other Liabilities and Related Provisions</b>		-	-
1- Other Payables		-	-
2- Overdue, Deferred or Restructured Taxes - and Other Fiscal Liabilities		-	-
3- Other Taxes and Fiscal Liabilities Provision		-	-
<b>G- Diğer Risklere İlişkin Karşılıklar</b>		<b>59,847</b>	<b>41,580</b>
1- Provision for Employment Termination Benefits	2.19 and 22	59,847	41,580
2- Provision for Social Aid Fund Asset Shortage		-	-
<b>H- Long term Deferred Income and Expense Accruals</b>		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Short term Other Deferred Income		-	-
<b>I- Other Non-Current Liabilities</b>		-	-
1- Deferred Tax Liabilities		-	-
2- Other Non-Current Liabilities		-	-
<b>IV- Total Non-Current Liabilities</b>		<b>59,847</b>	<b>41,580</b>

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

# TÜRK P AND I SİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2016 AND 2015

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

SHAREHOLDERS' EQUITY		Audited	Audited
	Note	31 December 2016	31 December 2015
<b>V- Shareholders' Equity</b>			
<b>A- Share Capital</b>	<b>2.13 and 15</b>	<b>6,000,000</b>	<b>6,000,000</b>
1- (Nominal) Capital	2.13 and 15	6,000,000	6,000,000
2- Unpaid Capital (-)		-	-
3- Adjustments to Share Capital		-	-
4- Adjustments to Share Capital (-)		-	-
5- Capital Not Yet Registered		-	-
<b>B- Capital Reserves</b>			
1- Share Premium		-	-
2- Profit from Stock Abrogation		-	-
3- Sales Profits to be Added to the Capital		-	-
4- Foreign Currency Translation Differences		-	-
5- Other Capital Reserves		-	-
<b>C- Profit Reserves</b>		<b>(43,369)</b>	<b>(40,689)</b>
1- Legal Reserves		-	-
2- Statutory Reserves		-	-
3- Extraordinary Reserves		-	-
4- Special Funds (Reserves)		-	-
5- Valuation of Financial Assets		-	-
6- Other Profit Reserves		(43,369)	(40,689)
<b>D- Retained Earnings</b>			
1- Retained Earnings		-	-
<b>E- Accumulated Deficit (-)</b>		<b>(2,282,437)</b>	<b>(1,672,629)</b>
1- Accumulated Deficit		(2,282,437)	(1,672,629)
<b>F- Net Profit for the Period</b>	<b>37</b>	<b>863,111</b>	<b>(609,808)</b>
1- Net Profit for the Period		863,111	-
2- Net Loss for the Period (-)		-	(609,808)
3- Profit not subject to Distribution		-	-
<b>V- Total Shareholders' Equity</b>		<b>4,537,305</b>	<b>3,676,874</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (III+IV+V)</b>		<b>17,709,919</b>	<b>10,674,605</b>

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

# TÜRK P AND I SİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2016 AND 2015

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

TECHNICAL PART		Note	Audited 1 January - 31 December 2016	Audited 1 January - 31 December 2015
<b>A-</b>	<b>Non-Life Technical Income</b>		<b>6,656,190</b>	<b>2,986,156</b>
1-	Earned Premiums (Net of Reinsurers' Share)	2.21 and 2.24	6,656,190	2,986,156
1.1-	Written Premiums (Net of Reinsurers' Share)	2.21 and 2.24	10,651,570	4,564,244
1.1.1-	Gross Written Premium (+)	2.21 and 2.24	24,668,720	13,867,703
1.1.2-	Reinsurers' Share of Gross Written Premium	10 and 24	(14,017,150)	(9,303,459)
1.1.3-	Premiums Ceded to SSI (-)		-	-
1.2-	Change in Unearned Premiums Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	17	(3,995,380)	(1,578,088)
1.2.1-	Unearned Premiums Reserve (-)	17	(5,490,611)	(2,661,039)
1.2.2-	Reinsurers' Share of Unearned Premiums Reserve (+)	10 and 17	1,495,231	1,082,951
1.2.3-	SSI Share of Unearned Premium Reserves (+/-)		-	-
1.3-	Change in Unexpired Risks Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		-	-
1.3.1-	Unexpired Risks Reserve (-)		-	-
1.3.2-	Reinsurers' Share of Unexpired Risks Reserve (+)		-	-
2-	Investment Income Transferred from Non-Technical Part		-	-
3-	Other Technical Income - (Net of Reinsurers' Share)		-	-
3.1-	Gross Other Technical Income (+)		-	-
3.2-	Reinsurers' Share of Other Gross Technical Income (-)		-	-
4-	Claim Recovery and Salvage Income Accruals (+)		-	-
<b>B-</b>	<b>Non-Life Technical Expense (+)</b>		<b>(6,203,465)</b>	<b>(4,269,776)</b>
1-	Incurred Claims - (Net of Reinsurer's Share)		(515,815)	(13,858)
1.1-	Paid Claims - (Net of Reinsurer's Share)		(456,163)	(4,944)
1.1.1-	Gross Paid Claims (-)		(2,743,870)	(1,092,948)
1.1.2-	Reinsurers' Share of Gross Paid Claims (+)	10	2,287,707	1,088,004
1.2-	Change in Outstanding Claims (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		(59,652)	(8,914)
1.2.1-	Outstanding Claims Provision (-)		(2,043,927)	(304,729)
1.2.2-	Reinsurers' Share of Outstanding Claims Provision (+)	10	1,984,275	295,815
2-	Change in Bonus and Rebate Provision (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		-	-
2.1-	Bonus and Rebate Provision (-)		-	-
2.2-	Reinsurers' Share of Bonus and Rebate Provision (+)		-	-
3-	Change in Other Technical Reserves (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		-	-
4-	Operating Expenses (-)	31 ve 32	(5,687,650)	(4,255,918)
5-	Change in Mathematical Reserves (Net of Reinsurer's Share and Reserves Carried Forward) (+/-)		-	-
5.1-	Mathematical Reserves (-)		-	-
5.2-	Net of Reinsurer's Share and Reserves Carried Forward (+)		-	-
6-	Other Technical Expenses (-)		-	-
6.1-	Gross Other Technical Expenses (-)		-	-
6.2-	Reinsurers' Share of Other Gross Technical Expenses (+)		-	-
<b>C-</b>	<b>Net Technical Income- Non-Life (A - B)</b>		<b>452,725</b>	<b>(1,283,620)</b>
<b>D-</b>	<b>Life Technical Income</b>			
1-	Earned Premiums (Net of Reinsurers' Share)		-	-
1.1-	Written Premiums (Net of Reinsurers' Share)		-	-
1.1.1-	Gross Written Premiums (+)		-	-
1.1.2-	Reinsurers' Share of Written Premiums (-)		-	-
1.2-	Change in Unearned Premiums Reserve (Net of Reinsurers' Share and Returned Reserve) (+/-)		-	-
1.2.1-	Unearned Premiums Reserve (-)		-	-
1.2.2-	Reinsurers' Share of Unearned Premiums Reserve (+)		-	-
1.3-	Change in Unexpired Risks Reserve (Net of Reinsurers' Share and Returned Reserve) (+/-)		-	-
1.3.1-	Unexpired Risks Reserve (-)		-	-
1.3.2-	Reinsurers' Share of Unexpired Risks Reserve (+)		-	-
2-	Life Investment Income		-	-
3-	Unrealized Investment Income		-	-
4-	Other Technical Income - (Net of Reinsurers' Share) (+/-)		-	-
4.1-	Gross Other Technical Income (+/-)		-	-
4.2-	Reinsurers' Share of Gross Other Technical Income (+/-)		-	-
5-	Claim Recovery and Salvage Income Accruals (+)		-	-
<b>E-</b>	<b>Life Technical Expense</b>			
1-	Incurred Claims - (Net of Reinsurer's Share) (+/-)		-	-
1.1-	Paid Claims (Net of Reinsurer's Share) (-)		-	-
1.1.1-	Gross Paid Claims (-)		-	-
1.1.2-	Reinsurer's Share of Gross Paid Claims (+)		-	-
1.2-	Change in Outstanding Claims (Net of Reinsurer's Share and Returned Reserve) (+/-)		-	-
1.2.1-	Outstanding Claims Provision (-)		-	-
1.2.2-	Reinsurer's Share of Outstanding Claim Provisions (+)		-	-
2-	Change in Bonus and Rebate Provision (Net of Reinsurers' Share and Returned Reserve) (+/-)		-	-
2.1-	Bonus and Rebate Provision (-)		-	-
2.2-	Reinsurers' Share of Bonus and Rebate Provision (+)		-	-
3-	Change in Mathematical Reserves (Net of Reinsurers' Share and Returned Reserve) (+/-)		-	-
3.1-	Mathematical Reserves (-)		-	-
3.1.1-	Actuarial Mathematical Reserves (+/-)		-	-
3.1.2-	Profit Share Reserve (For Permanent Life Insurance Policies)		-	-
3.2-	Reinsurers' Share of Mathematical Reserves (+)		-	-
3.2.1-	Reinsurer's Share of Actuarial Mathematical Reserves (+)		-	-
3.2.2-	Reinsurer's Share of Profit Share Reserve(for Permanent Life Insurance Policies) (+)		-	-
4-	Change in Other Technical Reserves (Net of Reinsurer's Share and Returned Reserve) (+/-)		-	-
5-	Operating Expenses (-)		-	-
6-	Investment Expenses (-)		-	-
7-	Unrealized Investment Expense (-)		-	-
8-	Investment Income Transferred to Non-Life Technical Part (-)		-	-
<b>F-</b>	<b>Net Technical Income - Life (D - E)</b>			
<b>G-</b>	<b>Private Pension Technical Income</b>			
1-	Fund Management Income		-	-
2-	Management Expense Charge		-	-
3-	Entrance Fee Income		-	-
4-	Management Expense Charge in case of Suspension		-	-
5-	Special Service Expense Charge		-	-
6-	Capital Allowance Value Increase Income		-	-
7-	Other Technical Income		-	-
<b>H-</b>	<b>Private Pension Technical Expense</b>			
1-	Fund Management Expense (-)		-	-
2-	Capital Allowance Value Decrease Expense (-)		-	-
3-	Operating Expenses (-)		-	-
4-	Other Technical Expenses (-)		-	-
<b>I-</b>	<b>Net Technical Income - Private Pension (G - H)</b>			

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

**TÜRK P AND I SİGORTA A.Ş.**

**CONVENIENCE TRANSLATION OF THE STATEMENTS OF INCOME  
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2016 AND 2015**

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

**NON-TECHNICAL PART**

	Note	Audited 1 January - 31 December 2016	Audited 1 January - 31 December 2015
<b>C- Net Technical Income-Non-Life (A-B)</b>		<b>452,725</b>	<b>(1,283,620)</b>
<b>F- Net Technical Income-Life (D-E)</b>		-	-
<b>I- Net Technical Income-Private Pension (G-H)</b>		-	-
<b>J- Total Net Technical Income (C+F+I)</b>		<b>452,725</b>	<b>(1,283,620)</b>
<b>K- Investment Income</b>		<b>2,006,355</b>	<b>2,133,944</b>
1- Income from Financial Investments	26	340,820	332,057
2- Income from Sales of Financial Investments		-	-
3- Valuation of Financial Investments	26	(7,723)	13,220
4- Foreign Exchange Gains	36	1,673,258	1,788,667
5- Income from Associates		-	-
6- Income from Subsidiaries and Joint-Ventures		-	-
7- Income from Land and Buildings		-	-
8- Income from Derivatives		-	-
9- Other Investments		-	-
10- Investment Income Transferred from Life Technical Part		-	-
<b>L- Investment Expense (-)</b>		<b>(1,260,047)</b>	<b>(1,605,518)</b>
1- Investment Management Expenses (Interest included) (-)		-	-
2- Diminution in Value of Investments (-)		-	-
3- Loss from Realization of Financial Investments (-)		-	-
4- Investment Income Transferred to Non-Life Technical Part (-)		-	-
5- Loss from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	36	(1,137,419)	(1,487,429)
7- Depreciation Expenses (-)	6	(105,582)	(101,486)
8- Other Investment Expenses (-)		(17,046)	(16,603)
<b>M- Income and Expenses from Other Operations and Extraordinary Operations (+/-)</b>		<b>(335,922)</b>	<b>145,386</b>
1- Provisions (+/-)	47.5	(14,917)	9,281
2- Rediscounts (+/-)		-	-
3- Special Insurance Account (+/-)		-	-
4- Inflation Adjustment (+/-)		-	-
5- Deferred Tax Assets (+/-)	21 and 35	-	149,183
6- Deferred Tax Liabilities Expenses (-)	21 and 35	(255,842)	-
7- Other Income		-	-
8- Other Expenses (-)	47.1	(65,163)	(13,078)
9- Prior Year's Income		-	-
10- Prior Year's Expenses (-)		-	-
<b>N- Net Profit/(Loss) for the Period</b>	<b>37</b>	<b>863,111</b>	<b>(609,808)</b>
1- Profit/(Loss) for the Period		863,111	(609,808)
2- Corporate Tax Provision and Other Fiscal Liabilities (-)		-	-
3- Net Profit/(Loss) for the Period		863,111	(609,808)
4- Inflation Adjustment		-	-

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

**TÜRK P AND I SİGORTA A.Ş.****CONVENIENCE TRANSLATION OF THE STATEMENTS OF CASH FLOWS  
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2016 AND 2015**

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

	Note	Audited 1 January - 31 December 2016	Audited 1 January - 31 December 2015
<b>A- CASH GENERATED FROM MAIN OPERATIONS</b>			
1- Cash inflows from insurance operations		18,850,344	12,569,957
2- Cash inflows from reinsurance operations		-	-
3- Cash inflows from private pension operations		-	-
4- Cash outflows from insurance operations (-)		(15,775,408)	(9,914,154)
5- Cash outflows from reinsurance operations (-)		-	-
6- Cash outflows from private pension operations (-)		-	-
<b>7- Net cash from main operations (A1+A2+A3-A4-A5-A6)</b>		<b>3,074,936</b>	<b>2,655,803</b>
8- Interest payment (-)		-	-
9- Income tax payment (-)		-	-
10- Other cash inflows		-	-
11- Other cash outflows (-)		(3,210,681)	(2,896,082)
<b>12- Net cash used in main operations</b>		<b>(135,745)</b>	<b>(240,279)</b>
<b>B- CASH FLOWS FROM INVESTING OPERATIONS</b>			
1- Sale of tangible assets		-	-
2- Tangible assets purchases (-)		(14,293)	(17,959)
3- Financial assets purchases (-)		-	-
4- Sales of financial assets		-	-
5- Interest received		340,820	332,057
6- Dividends received		-	-
7- Other cash inflows		-	-
8- Other cash outflows (-)		(17,046)	(16,603)
<b>9- Net cash from investing activities</b>		<b>309,481</b>	<b>297,495</b>
<b>C- CASH FLOWS FROM FINANCING OPERATIONS</b>			
1- Issue of shares		-	-
2- Cash flows due to the borrowings		-	-
3- Leasing payments (-)		-	-
4- Dividends paid (-)		-	-
5- Other cash inflows		-	-
6- Other cash outflows (-)		-	-
<b>7- Net cash from financing activities</b>		<b>-</b>	<b>-</b>
<b>D- EFFECT OF EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>	<b>36</b>	<b>456,598</b>	<b>463,799</b>
<b>E- Net increase in cash and cash equivalents artış</b>		<b>630,334</b>	<b>521,015</b>
<b>F- Cash and cash equivalents at the beginning of the period</b>		<b>3,825,456</b>	<b>3,304,441</b>
<b>G- Cash and cash equivalents at the end of the period (E+F)</b>	<b>2.12</b>	<b>4,455,790</b>	<b>3,825,456</b>

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

**TÜRK P AND İ SİGORTA A.Ş.**

**CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2016 AND 2015**

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

Statements of Changes in Shareholders' Equity - Audited (*)											
	Capital	Outstanding Capital Stock (-)	Valuation Increase in Assets	Capital Reserves	Foreign Currency Translation Differences	Legal Reserves	Statutory Reserves	Other Reserves and Retained Profit	Net Loss for Period (-)	Accumulated Deficit (-)	Total
<b>I- Balances as previously reported (31/12/2014)</b>	<b>6,000,000</b>	-	-	-	-	-	-	-	(1,616,940)	(55,689)	<b>4,327,371</b>
A- Capital Increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From internal resources	-	-	-	-	-	-	-	-	-	-	-
B- Treasury shares of the company	-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not recognized in the income statement	-	-	-	-	-	-	-	-	-	-	-
D- Value increase in the assets	-	-	-	-	-	-	-	-	-	-	-
E- Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-
F- Other income and losses	-	-	-	-	-	-	-	(40,689)	-	-	(40,689)
G- Inflation adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net loss for the period (-) (Note 37)	-	-	-	-	-	-	-	-	(609,808)	-	(609,808)
I- Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfers	-	-	-	-	-	-	-	-	1,616,940	(1,616,940)	-
<b>II- Balances at the period end (31/12/2015)</b> <b>(I+A+B+C+D+E+F+G+H+I+J)</b>	<b>6,000,000</b>	-	-	-	-	-	-	<b>(40,689)</b>	<b>(609,808)</b>	<b>(1,672,629)</b>	<b>3,676,874</b>

Statements of Changes in Shareholders' Equity - Audited (*)											
	Capital	Outstanding Capital Stock (-)	Valuation Increase in Assets	Capital Reserves	Foreign Currency Translation Differences	Legal Reserves	Statutory Reserves	Other Reserves and Retained Profit	Net Loss for Period (-)	Accumulated Deficit (-)	Total
<b>I- Balances as previously reported (31/12/2015)</b>	<b>6,000,000</b>	-	-	-	-	-	-	(40,689)	(609,808)	(1,672,629)	<b>3,676,874</b>
A- Capital Increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- From internal resources	-	-	-	-	-	-	-	-	-	-	-
B- Treasury shares of the company	-	-	-	-	-	-	-	-	-	-	-
C- Gain and losses not recognized in the income statement	-	-	-	-	-	-	-	-	-	-	-
D- Value increase in the assets	-	-	-	-	-	-	-	-	-	-	-
E- Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-
F- Other income and losses	-	-	-	-	-	-	-	(2,680)	-	-	(2,680)
G- Inflation adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net loss for the period (-) (Note 37)	-	-	-	-	-	-	-	-	863,111	-	863,111
I- Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfers	-	-	-	-	-	-	-	-	609,808	(609,808)	-
<b>II- Balances at the period end (31/12/2016)</b> <b>(I+A+B+C+D+E+F+G+H+I+J)</b>	<b>6,000,000</b>	-	-	-	-	-	-	<b>(43,369)</b>	<b>863,111</b>	<b>(2,282,437)</b>	<b>4,537,305</b>

(\*) Detailed explanations for the Shareholders' Equity balances are disclosed in Note 15.

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

# TÜRK P AND I SİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### 1. General information

**1.1 Name of the parent Company:** As of 31 December 2016 and 2015 share of Group A of Türk P and I Sigorta A.Ş. (“Company”) belongs to Ziraat Sigorta A.Ş., share of Group B belongs to Güneş Sigorta A.Ş., share of Group C belongs to Türkiye Halk Bankası A.Ş. and share of group D belongs to Omur Denizcilik A.Ş., Metropole Denizcilik and Ticaret Ltd. Şti. and Vitsan Denizcilik A.Ş. jointly.

According to the Board of Directors meeting dated 6 January 2015 and numbered 1, by permission of Undersecretariat of Treasury dated 23 March 2015 and numbered 71065509-301.03/9456 group C shareholder of the Company Halk Sigorta A.Ş. transferred its share to Türkiye Halk Bankası A.Ş.

**1.2 Legal residence of the Company, its legal structure, the country of incorporation and the address of its registered office:** The Company was registered on 31 December 2013 in İstanbul, and started its operations after the declaration of its articles of incorporation on the Trade Registry Gazette on 8 January 2014. The Company has obtained a certificate, in accordance with the requirements of the Insurance Legislation, in order to operate in the vessels liability branch on 18 February 2014. The registered address of the Company is Muhtittin Üstündağ Cad. No: 21 Koşuyolu Kadıköy 34718 İstanbul/Türkiye.

**1.3 Nature of operations:** The Company is operating in accordance with the Insurance Law No: 5684 and has operations in vessels liability branch.

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

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

	31 December 2016	31 December 2015
Senior Management	2	2
Other personnel	14	12
	<b>16</b>	<b>14</b>

**1.6 Total salaries and benefits paid to the chairman and members of the board of directors, general manager, general coordinator, assistant general managers and other executive management during the current period:** Total amount of wages and other benefits provided for the general managers and assistant general managers recognized as the top management of the Company is TL1,053,295 (31 December 2015: TL930,235).

**1.7 Criteria set for the allocation of investment incomes and operating expenses (personnel, management, research and development, marketing and sales, outsourcing utilities and services and other operating expenses) at financial statements:** The Company allocates the investment income and personnel, management, research and development, marketing and selling, outsourced benefits and services and other operational expenses related to the technical accounts in accordance with the Undersecretariat of Treasury’s Circular on the “Fundamentals of the Procedures and Principals of the Criteria” dated 4 January 2008 and used in Prepared Financial Statements pursuant to Insurance Uniformed Chart of Accounts and Circular Clauses No 2010/9 and dated 9 August 2010.

**1.8 Whether financial statements include only one firm or group of firms:** The financial statements include only one company (Türk P and I Sigorta A.Ş.).

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

**1.10 Events occurred after the balance sheet date:** The financial statements for the period 1 January - 31 December 2016 are signed and approved on 10 March 2017 by General Manager Ufuk Teker and Assistant General Manager Abdullah Kara under the authorization of Board of Directors. Events occurred after the balance sheet date are explained in Note 46.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016**

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

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**2. Summary of Significant Accounting Policies**

**2.1 Basis of Preparation**

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

The financial statements are prepared in accordance with the Insurance Chart of Accounts included in the communiqué issued by the Treasury regarding the Insurance Chart of Accounts and Prospects, published in the Official Gazette (No:25686) dated 30 December 2004 (Insurance Accounting System Communiqué No:1). Content and the format of the financial statements prepared and explanations and notes thereof are determined in accordance with the Communiqué on Presentation of Financial Statements published in the Official Gazette numbered 26851 dated 18 April 2008 and numbered 2012/7 and dated 31 May 2012 Notice regarding to the Presentation of the New Account Codes and Financial Statements.

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

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

Financial statements were prepared in TL denomination by taking the cost principle into consideration.

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

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

***Changes in Turkish Financial Reporting Standards:***

The company has applied the new and revised standards and interpretations issued by the Public Oversight, Accounting Standards Authority and effective on January 1, 2016 with regard to its own activity. The standards and interpretations summarized below are explained in the relevant paragraphs of the company’s financial condition and its impact on its performance.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016**

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

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

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

- Amendments to IFRS 14, “Regulatory deferral accounts”; effective from annual periods beginning on or after 1 January 2016. IFRS 14 permits first-time adopters that they can continue to reflect regulatory deferral account amounts to their financial statements according to previous GAAP. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of tariff regulation must be presented separately from other items
- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:
  - IFRS 5, ‘Non-current assets held for sale and discontinued operations’ regarding methods of disposal.
  - IFRS 7, ‘Financial instruments: Disclosures’, (with consequential amendments to IFRS 1) regarding servicing contracts.
  - IAS 19, ‘Employee benefits’ regarding discount rates.
  - IAS 34, ‘Interim financial reporting’ regarding disclosure of information.
- Amendment to IFRS 11, ‘Joint arrangements’ on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendments to IAS 16 ‘Property, plant and equipment’, and IAS 41, ‘Agriculture’, regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.
- Amendments to IAS 16 and IAS 38: “Property, plants and equipment” and “Intangible assets”, are effective from annual periods beginning on or after 1 January 2016. In accordance with these amendment, Revenue from an operation which includes using of an asset is not suitable for usage of revenue-based depreciation and amortization method, because of reflecting factors except consumption of economic benefits of the asset generally.
- Amendments to IAS 27, ‘Separate financial statements’ on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Amendments to IFRS 10, ‘Consolidated financial statements’ and IAS 28, ‘Investments in associates and joint ventures’, effective from annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture.
- IAS 1 “Amendment to IAS 1, ‘Presentation of financial statements’ on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016**

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

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

***b. Changes and standards those are published for the periods and the year starting from 31 December 2016 but have not just become effective:***

- Amendments to IAS 7 ‘Statement of cash flows’ on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the TASB’s Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- Amendments IAS 12 ‘Income Taxes’, effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. It also clarifies certain other aspects of accounting for deferred tax assets.
- Amendments to IFRS 2, ‘Share based payments’ on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.
- IFRS 9 ‘Financial instruments’, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- IFRS 15 ‘Revenue from contracts with customers’, effective from annual periods beginning on or after 1 January 2018. TFRS 15, ‘Revenue from contracts with customers’ is a converged standard from FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- Amendment to IFRS 15, ‘Revenue from contracts with customers’, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The TASB has also included additional practical expedients related to transition to the new revenue standard.
- IFRS 16 ‘Leases’, effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in TAS 17 and is a far reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The TASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the TASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016**

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

**b. Changes and standards those are published for the periods and the year starting from 31 December 2016 but have not just become effective (Continued):**

- Amendments to IFRS 4, ‘Insurance contracts’ regarding the implementation of IFRS 9, ‘Financial instruments’, effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
  - Provide all companies issuing insurance contracts with the option to account for the fluctuation that may occur when IFRS 9 is applied, in the statement of comprehensive income, rather than accounting for profit or loss, before the new insurance contract standard is published; and
  - Companies whose activities are predominantly linked to insurance will be subject to temporary exemption from IFRS 9 until 2021, as required. IFRS 9 will continue to apply the existing IAS 39 ‘Financial Instruments’ standard.
- Amendment to IAS 40, ‘Investment property’ relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards
  - IFRS 1, ‘First-time adoption of IFRS’, regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, TAS 19, and IFRS 10 effective 1 January 2018.
  - IFRS 12, ‘Disclosure of interests in other entities’ regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
  - IAS 28, ‘Investments in associates and joint ventures’ regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- IFRS Interpretation 22, ‘Foreign currency transactions and advance consideration’, effective from annual periods beginning on or after 1 January 2018. This Interpretation addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

The following standards, comments and amendments have been published by the Public Oversight, Accounting Standards Authority as public draft text:

- IFRS 9 “Financial Instruments”

The following standards, comments and amendments have not yet been published by Public Oversight, Accounting Standards Authority:

- IFRS 2 Change in share-based payments
- IFRS 15 “Revenue change from contracts made with customers
- IFRS 16 “Leasing Operations”
- IAS 7 “Changes in cash flow statements
- IAS 12 Changes in Income Taxes
- IAS 40, ‘Investment Property’
- Annual improvements for the period 2014-2016
- IFRS Comment 22, ‘Foreign currency transactions and advances
- IFRS 4 ‘Changes in Insurance Contracts

The Company will assess the effects of the above amendments on its operations and will apply them from the effective date. The application of the above standards and interpretations other than the application of IFRS 9 is expected to have no significant effect on the Company's financial statements in future periods.

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### CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

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

##### 2.2 Consolidation

The Company does not have any subsidiaries in the scope of the “Communiqué on the Preparation of the Consolidated Financial Statements of Insurance, Reinsurance and Pension Companies” published in Official Gazette dated 31 December 2008 and numbered 27097 which is effective from 31 March 2009.

##### 2.3 Segment Reporting

The Company operates only in Turkey and only in non-life insurance business, treated as a single reportable segment as of 31 December 2016 and 2015. The Company does not perform segment reporting in the scope of “IFRS 8 - Segment Reporting”, since it is not a listed company.

##### 2.4 Foreign Currency Translation

The functional currency of the Company is TL. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in equity.

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

##### 2.5 Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Since lands have an infinite life, they are not depreciated. Depreciation is calculated using the straight-line method over the estimated useful life of the tangible assets. The depreciation periods which are based on estimated useful lives of tangible assets are as follows:

Furniture and fixture	3-15 years
Leasehold improvements	5 years

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

##### 2.6 Investment Property

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

##### 2.7 Intangible Assets

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

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### CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

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

##### 2.8 Financial Assets

The Branch classifies for its financial assets as "Loans and receivables (Receivables from main operations)". Receivables from main operations are the receivables arising from insurance agreements and they are classified as financial assets in the financial statements.

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

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

The Company accounts for a provision for its receivables based on evaluations and estimations of the management. The Company sets its estimations in accordance with the risk policies and the principle of prudence by considering the structure of current receivable portfolio, financial structure of policyholders and intermediaries, non-financial data and economic conditions. The Company does not have provision for receivables as of 31 December 2016 and 2015 (Note 12).

##### 2.9 Impairment of Assets

The details about the impairment of assets are explained in the notes in which the accounting policies of the relevant assets are explained. Mortgages or guarantees on assets are explained in Note 43, provisions for receivables which are overdue and provision expenses for the period are explained in Note 47.5.

##### 2.10 Derivative Financial Instruments

None (31 December 2015: None).

##### 2.11 Offsetting Financial Instruments

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

##### 2.12 Cash and Cash Equivalents

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

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

	31 December 2016	31 December 2015
Cash (Note 14)	6,952	3,821
Banks (Note 14)	6,361,769	5,785,612
Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months (Note 14)	92,566	49,243
Less - Interest Accrual	(5,497)	(13,220)
Minus - Blocked deposits (*) (Note 43)	(2,000,000)	(2,000,000)
<b>Total Cash and Cash Equivalents</b>	<b>4,455,790</b>	<b>3,825,456</b>

(\*) The aforementioned change in blocked bank deposits is transferred from main operations in the cash flow statement into the other cash outflows.

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### CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

##### 2.13 Share Capital

As of 31 December 2016 and 2015 the capital of the company composed of A, B, C and D groups of shares and the distribution of the capital is as follow:

Name of Shareholders	Group	31 December 2016		31 December 2015	
		Share Ratio (%)	Share Amount	Share Ratio (%)	Share Amount
Omur Denizcilik A.Ş.	D	36.75	2,205,000	36.75	2,205,000
Ziraat Sigorta A.Ş.	A	16.67	1,000,000	16.67	1,000,000
Güneş Sigorta A.Ş.	B	16.67	1,000,000	16.67	1,000,000
Türkiye Halk Bankası A.Ş.	C	16.67	1,000,000	16.67	1,000,000
Metropole Denizcilik ve Ticaret Ltd. Şti.	D	7.50	450,000	7.50	450,000
Vitsan Denizcilik A.Ş.	D	5.75	345,000	5.75	345,000
<b>Total</b>		<b>100.00</b>	<b>6,000,000</b>	<b>100.00</b>	<b>6,000,000</b>

As of 31 December 2016 there are no privileges granted for the shares that represent the capital (31 December 2015: None). Other information about the Company's share capital is explained in Note 15.

##### 2.14 Insurance and Investment Contracts - Classification

Insurance contracts accepts a significant insurance risk, assuming that the policyholder is willing to compensate the policyholder for any unforeseeable event that may cause a negative impact on the policyholder. Insurance risk does not cover financial risks. All premiums received within the scope of insurance contracts are recognized as income under the written premiums account. The main insurance contracts generated by the company are vessels liability, vessel and third party liability policies and reinsurance contracts:

By vessel liability insurance all type of water vehicles are secured in case of damage, which caused by owner of the vessel to third parties. However, the damage that may occur during construction of vessels and during launch of vessels is also covered by the vessel insurance. Damage caused by fire, burning, explosion, grounding, overtightness, sitting, storm, capsizing, conflict with another ship or boat, rescue costs arising from insured risks, litigation and counting costs, hidden defects in boats and machinery, damage to the boat during loading or unloading, excursions outside the scope of the war and strike are excluded.

In vessels insurance, hull insurance are the type of insurance that protects the body, machinery and equipment of the craft against voyage, voyage, iron or during repair and maintenance.

Third party liability insurance pays compensation within the guarantee limit if the insured person is legally responsible in the case of injuries and deaths that may occur to third parties.

Contracts that have a non-financial variable that is not unique to the parties of the contractual contract and which is based on only a change in one or more of a specified interest rate, financial instrument price, commodity price, exchange rate, interest or price indices, credit rating or credit index, Contracts for making payments are classified as investment contracts.

As of the end of the reporting period, the Company does not have a contract classified as an investment contract that guarantees a predetermined risk.

##### *Reinsurance Agreements*

Reinsurance agreements are the agreements enforced by the Company and the reinsurer, in exchange for a certain compensation, to cede the losses which may occur in relation to one or more insurance policies produced by the Company.

The company has three quota share reinsurance agreements by vessel liability branch. These agreements are based on 100% damage transfer basis; The Company has 5%, 25% and 100% conservation rates regarding to coverage limits of policies. In the vessel branch there is an excess of loss reinsurance contract, in which reinsurer is responsible for a certain amount that exceeds retention amount. The company have several facultative reinsurance agreements on the basis of the insurance contract for certain risks.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016**

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

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

***Reinsurance Agreements (Continued)***

Premiums paid in excess of the loss reinsurance agreements are accounted for on an accrual basis during the related period. Premiums and claims transferred under other contracts are reflected in the records on the same basis as the income and liabilities arising from the related insurance contracts..

**2.15 Insurance Contracts and Investment Contracts with Discretionary Participation Feature**

Optional voluntary participation in insurance and investment contracts is a contract-based right to have the following additional benefits in addition to guaranteed benefits.

- (i) Candidate to constitute a substantial part of the total benefits based on the contract
- (ii) The amount and timing of the contract is in the discretion of the issuer; and
- (iii) The contract is based on the following:
  - (1) Performance of a specific pool of contracts or a specific type of contract;
  - (2) Investment income of realized and / or unrealized amount of a pool of assets held by the issuer; or
  - (3) The profit or loss of the contract issuer, the fund or any other companies.

As of the end of the reporting period, the company does not have insurance or investment contracts that have discretionary participation feature (31 December 2015: None).

**2.16 Investment Contracts without Discretionary Participation Feature**

As of the end of the reporting period, the company does not have insurance or investment contracts that have discretionary participation feature (31 December 2015: None).

**2.17 Borrowings**

None (31 December 2015: None)

**2.18 Taxes**

***Corporate Tax***

Corporate tax for 2016 is payable at a rate of 20% in Turkey (2015: 20%). Corporate tax rate is applied on tax base which is the income of the Company adjusted for certain disallowable expenses, exempt income (such as dividend income) and other deductions in accordance with tax legislation. No further tax is payable unless the profit is distributed..

Dividends paid to non-resident corporations, which have a place of business in Turkey or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax..

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance Tax is declared by 14th and is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by the corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government.

75% of profits from sale of participation shares and property which have been in assets for at least two years is exempt from corporate tax provided that these profits are added to share capital or are not withdrawn from the equity within 5 years, as prestatred in Corporate Tax Law.

According to Turkish tax legislation, tax losses on the returns can be offset against period income for up to 5 years. However, tax losses cannot be offset against retained earnings.

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

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

**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016**

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

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

***Deferred Income Tax***

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are determined using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets are accounted for to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. (Notes 21 and 35).

**2.19 Employee Benefits**

The Company accounts for its liability related to employment termination and vacation benefits accordance with “Turkish Accounting Standards Regarding Employee Benefits” (“IAS 19”). Employment termination is classified in balance sheet under the account “Provision for Employment Termination Benefits” and vacation benefits are classified in balance sheet under the account “Expense Accruals”.

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

As a result of the amendment to IAS 19, effective from annual periods beginning on or after 1 January 2013, Actuarial gain and loss that occurs from calculation regarding the liability of employee benefits shall be directly accounted for under equity. Within this context, the services and interest costs regarding the calculations of provision for employment termination benefits are accounted for under income statements and the actuarial gain and loss are accounted for under equity as “Other Profit Reserves” (Note 22).

**2.20 Provisions**

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

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

Liabilities that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity are classified as contingent liabilities and not included in the financial statements.

**2.21 Accounting for Revenues**

***Written Premiums***

Written premiums represent premiums on policies written during the year, net of cancellations. As disclosed in Note 2.24, premium income is recognized in the financial statements on accrual basis by allocating the unearned premium provision over written premiums.

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

***Reinsurance Commissions***

Commission income received in relation to ceded premiums to reinsurance companies is accrued in the related period and classified in technical part under operating expenses in the income statement. As disclosed in Note 2.24, reinsurance commission income is recognized in the financial statements on an accrual basis by allocating the deferred commission income over commissions received.

***Interest Income***

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

***Recourse and Salvage Income***

In accordance with the Circular about recourse and salvage incomes numbered 2010/13 and dated September 20, 2010; the Company can accrue income for recourse and salvage receivables up to the guarantee limit of insurance companies, if acquittance or payment receipt is received from policyholders or third parties are noticed by insurance companies. There are no recourse and salvage incomes accrued as of 31 December 2016 and 2015.

The details of the collection of salvage and salvage income collected for the period 1 January - 31 December 2016 are as follows (January 1 - December 31, 2015: None):

	<b>1 January - 31 December 2016</b>		<b>Net</b>
	<b>Gross</b>	<b>Reinsurance share</b>	
Vessel Liability	47,250	(44,887)	2,363
<b>Total</b>	<b>47,250</b>	<b>(44,887)</b>	<b>2,363</b>

**2.22 Leases**

Tangible assets acquired through finance leases are recorded in tangible assets and the obligations under finance leases arising from the lease contracts are presented under “Finance Lease Payables” account in the balance sheet. By determining the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are separated in lease periods at a fixed interest rate.

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

Payments made under operational leases are recognised as equal expenses in the statement of income over the term of the lease. As of 31 December 2016 Company does not have lease asset (31 December 2015: None).

**2.23 Dividend Distribution**

Dividend liabilities are recognized as a liability in the financial statements in the period in which the dividends are declared as a component of dividend distribution.

**2.24 Technical Provisions**

***Unearned Premium Reserve***

Unearned premium reserve is calculated on a daily basis for all policies in force as of balance sheet date for unearned portions of premium written. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12.00 noon and finish at 12.00 noon again. According to “Regulation on Technical Reserves”, unearned premium reserves and the reinsurers’ share of the unearned premium reserves of policies written are calculated and accounted as the unearned portion of the premiums and ceded premiums to reinsurers without deducting commissions or any other expenses, on an accrual and on a gross basis (Note 17).

In accordance with the Technical Reserves Regulation, the foreign exchange sales rates declared in the Official Gazette of the Turkey on the date of accrual of the relevant premium are taken into consideration in the calculation of the unearned premiums for insurance contracts.

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

***Deferred Commission Expenses and Deferred Commission Incomes***

Within the framework of the Circular numbered 2007/25 and dated 28 December 2007 published by Treasury, the unearned portion of commissions paid to agencies for the written premiums and commissions received from reinsurers for the ceded premium, are recorded as in deferred commission expenses and deferred commission income, respectively on the balance sheet, and as operating expenses on a net basis in the income statement (Note 17).

***Outstanding Claims Provision***

The Company accounts for accrued and calculated outstanding claim provision for ultimate cost of the claims incurred, but not paid in the current or prior periods or for the estimated ultimate cost if the cost is not certain yet, and for the incurred but not reported claims. Claim provisions are accounted for based on reports of experts or initial assessments of policyholders and experts, and in the related calculations claim recoveries, salvage and similar gains are not deducted.

Since the Company started its insurance activities in 2014, the projected principals in the Technical Reserves Regulation are taken into consideration in the calculations related to outstanding claims and loss reserves for the branches that have recently went into action. Within this context incurred but not reported claims reserve and outstanding claims reserve adequacy difference have been determined regarding the calculations made by the Company's actuary.

Since the Company started its insurance activities in 2014, during the calculation of incurred but not reported claims and loss amounts in the Vessel Liability Branch, the sector averages as of 30 September 2015 have been used within the judgements of the Company's actuary since the sufficient claim data has not yet originated in order to make a sound calculation according to actuary chain ladder method as indicated in the circular No. 2014/16 and dated 5 December 2014, related to "Outstanding Claims Reserve" which was went into effect on 1 January 2015. According to this: as of 30 September 2016 for water vessel liability insurance branch the ratio of total actualized but not reported provision for outstanding claims to total provision for outstanding claims multiply filed provision outstanding claims is TL913,323 as of 31 December 2016 (31 December 2015: TL221,071), according to gross realized but not reported loss provisions and current reinsurance contracts, the reinsurance share that was realized but not reported was calculated as of 31 December 2016 TL892,017 (31 December 2016: TL220,304). According to this; As of December 31, 2016, there is a net additional incurred but not reported provision amounting to TL21,306 (31 December 2015: TL767). As of December 31, 2016, there were no outstanding damages in vessels and third party liability branches. The company did not provisioned incurred but not reported provision for these two branches in accordance with the Comapny actuary.

Within the framework of the "Circular on Reduction of Net Cash Flows from Outstanding Claims" dated June 10, 2016 and issued by the Undersecretariat of Treasury, companies have the opportunity to discount the net cash flows to be generated by the provision for outstanding claims calculated in accordance with insurance legislation. The Company has not preferred to make such a change in accounting policy, as of December 31, 2016, the Company has reflected the undiscounted outstanding claims provision in its financial statements.

For the branches that have recently went into action, an outstanding claims reserve table is prepared by the Company's actuary for five years from the date that those branches first started for operation, so as to measure the adequacy of the outstanding claims reserve amounts, at the end of every each period. During the preparation of the adequacy table, all the portions of expense along with the incurred but not reported claims reserve accrued and determined on account are taken into consideration. Within this context, the ratio of the booked outstanding claims reserve to total virtually paid claim amount including all the portions of expense regarding the files subject to these reserves, shows the outstanding claims reserve adequacy ratio. In case the outstanding claims reserve adequacy ratio related to these branches would be above 100%, the adequacy ratio difference amount is found by multiplying the difference between this ratio and the 100% ratio with the current period outstanding claims reserve. The final current period booked outstanding claims reserve is calculated by adding the adequacy ratio difference amount to every each branch separately. Within this framework, as of 31 December 2015 for the branch that is subject to calculation by the actuary of the Company as a result of the outstanding claims reserve adequacy calculation, it has determined that there is no net additional outstanding claims reserve adequacy reserve exists. (Note 17).

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

***Unexpired Risk Reserve***

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected loss ratios. Expected loss ratio is calculated by dividing the incurred losses to earned premiums in accordance with the “Regulation regarding the Changes in the Calculation of Unexpired Risk Reserve” dated 13 December 2012 and numbered 2012/15 published by the Treasury. If the loss ratio calculated for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross amount and net amount is recognized as reinsurers’ share.

As of 31 December 2016, the Company did not have a reserve for continuing risks since the expected loss ratio exceeded 95% (31 December 2015: Pursuant to Technical Reserves Regulation, for the branches that have recently went into action, the unexpired risks reserve has to be calculated by the Company’s actuary until the end of the 24th month following the start of the operation. Within this framework, since the Company has started its operations in 2014, the evaluation related to unexpired risks reserve has to be booked as of 31 December 2015 and 2014 is made by the Company’s actuary, as a result of this evaluation, it has been determined that there is no need for the company to book unexpired risks reserve.).

**3. Critical Accounting Estimates and Judgments**

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

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

***Income Taxes***

Use of significant judgment is necessary in several situations, for transactions and calculations during the normal course of business which may impact the ultimate taxation amount. The Company recognizes deferred tax assets for carry forward tax losses or to be realized through future taxable income and liabilities for anticipated tax expenses based on estimates of whether additional taxes will be due. In case where the ultimate tax consequences are different from the amounts recorded currently, such differences may have an impact on the income taxes and deferred tax assets and liabilities.

As of 31 December 2016 the Company has projected that it can use all of the total accumulated tax loss amounting to TL1,583,193 (31 December 2015: TL2,838,234) by means of deducting it from its taxable profits in accordance with the best current estimates and budgets in 5 years from the date that the losses occur and reflected a deferred tax asset worth of TL316,639 (31 December 2015: TL567,647), which is calculated from the aforementioned amount, to its financial statements (Note 21).

# TÜRK P AND I SİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### 4. Management of Insurance and Financial 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/disability/morbidity 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, which the Company is a party to.

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

	31 December 2016	31 December 2015
Vessels liability	870,126,112,330	661,039,520,615
Vessel	735,987,960	-
Third party liability	14,719,443	-
<b>Total</b>	<b>870,876,819,7</b>	<b>661,039,520,615</b>

#### *Sensitivity analysis*

#### *Financial risk*

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

#### *(a) Market risk*

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

The Company is not exposed to the interest rate risk due to the changes in interest rates since it has no interest bearing assets and liabilities with floating (variable) interest rates

##### *ii. Foreign currency risk*

The Company is exposed to foreign exchange risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated assets and liabilities.

Foreign exchange gains and losses arising from foreign currency transactions are recognized in the period in which the transaction is made. At the end of the period, foreign currency asset and liability accounts were converted to TL at the end of the period by taking into account the exchange rates of the Central Bank of the Republic of Turkey and the resulting exchange differences were reflected in the records of foreign exchange gains or losses.

# TÜRK P AND I SİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### 4. Management of Insurance and Financial Risk

Details of the currency risk the company has been exposed are given in the table below:

31 December 2016	USD	Euro	GBP	Total
<b>Assets:</b>				
Cash	352	2,572	-	2,924
Banks	3,131,124	922,518	-	4,053,642
Receivables from main operations	7,386,486	690,681	38,870	8,116,037
Other receivables	257,152	-	740	257,892
<b>Total foreign currency assets</b>	<b>10,775,114</b>	<b>1,615,771</b>	<b>39,610</b>	<b>12,430,495</b>
<b>Liabilities:</b>				
Payables from main operations	5,492,471	413,784	17,893	5,924,148
Provisions for outstanding claims	47,175	-	-	47,175
Other payables	112,614	-	-	112,614
<b>Total foreign currency liabilities</b>	<b>5,652,260</b>	<b>413,784</b>	<b>17,893</b>	<b>6,083,937</b>
<b>Balance sheet position</b>	<b>5,122,854</b>	<b>1,201,987</b>	<b>21,717</b>	<b>6,346,558</b>
31 December 2015	USD	Euro	GBP	Total
<b>Assets:</b>				
Cash	-	1,330	2,195	3,525
Banks	2,383,147	-	-	2,383,147
Receivables from main operations	2,826,152	-	-	2,826,152
Other receivables	49,444	36	126	49,606
<b>Total foreign currency assets</b>	<b>5,258,743</b>	<b>1,366</b>	<b>2,321</b>	<b>5,262,430</b>
<b>Liabilities:</b>				
Payables from main operations	4,648,241	6,006	-	4,654,247
Other payables	8,147	-	-	8,147
<b>Total foreign currency liabilities</b>	<b>4,656,388</b>	<b>6,006</b>	<b>-</b>	<b>4,662,394</b>
<b>Balance sheet position</b>	<b>602,355</b>	<b>(4,640)</b>	<b>2,321</b>	<b>600,036</b>

In order to evaluate above table, TL equivalents of the related foreign currency amounts are shown.

Exchange rates used in the translation of foreign currency balances as of 31 December 2016 and 31 December 2015 are as follows:

	USD	Euro	GBP
31 December 2016	3.5192	3.7099	4.3189
31 December 2015	2.9076	3.1776	4.3007

#### Imposed Exchange risk rate

The following table summarizes the increase in equity and income statement (excluding tax effect) for the periods ended 31 December 2016 and 2015 due to the 10% gain of the TL over following currencies. This analysis is based on the assumption that all other variables remain constant. If the TL depreciates by 10 percent against the respective currencies, the effect will be reversed and the amount will be remained same.

31 December 2016	Profit/(Loss)		Shareholders Equity	
	Foreign Currency Appreciation	Foreign Currency Depreciation	Foreign Currency Appreciation	Foreign Currency Depreciation
USD Exchange rate changes by%10	512,285	(512,285)	512,285	(512,285)
Euro Exchange rate changes by%10	120,199	(120,199)	120,199	(120,199)
GBP Exchange rate changes by%10	2,172	(2,172)	2,172	(2,172)
<b>Net effect of exchange rate change</b>	<b>634,656</b>	<b>(634,656)</b>	<b>634,656</b>	<b>(634,656)</b>

# TÜRK P AND I SİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### 4. Management of Insurance and Financial Risk

31 December 2015	Profit/(Loss)		Shareholders Equity	
	Foreign Currency Appreciation	Foreign Currency Depreciation	Foreign Currency Appreciation	Foreign Currency Depreciation
USD Exchange rate changes by%10	60,236	(60,236)	60,236	(60,236)
Euro Exchange rate changes by%10	(464)	464	(464)	464
GBP Exchange rate changes by%10	232	(232)	232	(232)
<b>Net effect of exchange rate change</b>	<b>60,004</b>	<b>(60,004)</b>	<b>60,004</b>	<b>(60,004)</b>

#### iii. Price risk

The Company does not exposed to price risk since it does not have any financial assets

#### (b) Credit risk

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

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

The Company's financial assets which are subject to credit risk, except for loans and receivables, generally consist of government bonds and time and demand deposits held in banks and other financial institutions in Turkey; and such receivables are not deemed to have a high credit risk1

#### (c) Liquidity risk

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

The table below analyses the Company's financial liabilities and insurance liabilities into relevant maturity groups based on the remaining period at the balance sheet date to the expected or contractual maturity date. The amounts disclosed in the tables are the undiscounted cash flows:

#### Contractual Cash flows

31 December 2016	Up to 3 months	3 months 1 year	1 year 5 year	Over 5 years	Total
Payables to reinsurance companies	3,469,934	2,442,632	-	-	5,912,566
Payables to personnel	115,971	-	-	-	115,971
Payables to shareholders	912	-	-	-	912
Other payables	42,424	-	-	-	42,424
<b>Total</b>	<b>3,629,241</b>	<b>2,442,632</b>	<b>-</b>	<b>-</b>	<b>6,071,873</b>

#### Contractual Cash flows

31 December 2015	Up to 3 months	3 months 1 year	1 year 5 year	Over 5 years	Total
Payables to reinsurance companies	1,833,918	2,830,059	-	-	4,663,977
Payables to personnel	909	-	-	-	909
Payables to shareholders	1,578	-	-	-	1,578
Other payables	68,861	-	-	-	68,861
<b>Total</b>	<b>1,905,266</b>	<b>2,830,059</b>	<b>-</b>	<b>-</b>	<b>4,735,325</b>

## TÜRK P AND I SİGORTA A.Ş.

### CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

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

##### Expected Cash Flows

31 December 2016	Up to 3 months	3 months 1 year	1 year 1 yıl - 5 yıl	Over 5 years	Total
Provision for outstanding claims - net	428	68,138	-	-	68,566
	<b>428</b>	<b>68,138</b>	<b>-</b>	<b>-</b>	<b>68,566</b>

##### Expected Cash Flows

31 December 2015	Up to 3 months	3 months 1 year	1 year 5 year	Over 5 years	Total
Provision for outstanding claims - net	1,433	4,087	3,394	-	8,914
	<b>1,433</b>	<b>4,087</b>	<b>3,394</b>	<b>-</b>	<b>8,914</b>

##### *Fair value of the financial assets*

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

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

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

##### *Financial assets*

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

##### *Financial liabilities*

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

##### *Capital management*

Company's objectives when managing the capital are:

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

As of 31 December 2016 of financial charts preparation, Company's minimum required equity is TL4,338,244 which is calculated according to equity competence regulations as of 31 December 2016 (31 December 2015: TL3,401,665). Within this scope, as of 31 December 2016 Company's equity is TL199,061 more than minimum required equity which is determined according to related regulations (31 December 2015: TL275,209).

#### 5. Segment information

Disclosed in Note 2.3.

## TÜRK P AND I SİGORTA A.Ş.

### CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

#### 6. Property and equipment

**6.1 Depreciation and amortization expenses for the period:** TL105,582 (31 December 2015: TL 101,486).

6.1.1 Depreciation expense: TL104,459 (31 December 2015: TL100,363).

6.1.2 Redemption and depletion: TL1,123 (31 December 2015: TL1,123).

**6.2 Changes in depreciation calculation methods and effect of such changes on depreciation expenses for the year:** None (31 December 2015: None).

#### 6.3 Movements of property and equipment in the current period:

6.3.1 Cost of property and equipment purchased, manufactured or constructed: TL14,293, (31 December 2015: TL16,545).

6.3.2 Cost of property and equipment sold or used as scrap: None(31 December 2015: Yoktur).

6.3.3 Revaluation increases in the current period:

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

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

#### *Movement of tangible assets:*

	1 January 2016	Additions	Disposals	31 December 2016
<b>Costs:</b>				
Furniture and fixture	353,131	14,293	-	367,424
Leasehold improvements	362,943	-	-	362,943
<b>Total Costs</b>	<b>716,074</b>	<b>14,293</b>	<b>-</b>	<b>730,367</b>
<b>Accumulated depreciation:</b>				
Furniture and fixture	(120,893)	(68,165)	-	(189,058)
Leasehold improvements	(66,368)	(36,294)	-	(102,662)
<b>Total Accumulated depreciation</b>	<b>(187,261)</b>	<b>(104,459)</b>	<b>-</b>	<b>(291,720)</b>
<b>Net book value</b>	<b>528,813</b>			<b>438,647</b>
	1 January 2015	Additions	Disposals	31 December 2015
<b>Costs:</b>				
Furniture and fixture	336,586	16,545	-	353,131
Leasehold improvements	362,943	-	-	362,943
<b>Total Costs</b>	<b>699,529</b>	<b>16,545</b>	<b>-</b>	<b>716,074</b>
<b>Total Accumulated depreciation:</b>				
Furniture and fixture	(56,825)	(64,068)	-	(120,893)
Leasehold improvements	(30,073)	(36,295)	-	(66,368)
<b>Total Accumulated depreciation</b>	<b>(86,898)</b>	<b>(100,363)</b>	<b>-</b>	<b>(187,261)</b>
<b>Net book value</b>	<b>612,631</b>			<b>528,813</b>

There are no mortgages on the fixed assets of the Company as of 31 December 2016 and 2015.

#### 7. Investment Properties

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

# TÜRK P AND I SİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### 8. Intangible Assets

	1 January 2016	Additions	Disposals	31 December 2016
<b>Costs:</b>				
Rights	3,369	-	-	3,369
<b>Total</b>	<b>3,369</b>	<b>-</b>	<b>-</b>	<b>3,369</b>
<b>Accumulated amortization:</b>				
Rights	(1,542)	(1,123)	-	(2,665)
<b>Total</b>	<b>(1,542)</b>	<b>(1,123)</b>	<b>-</b>	<b>(2,665)</b>
<b>Net book value</b>	<b>1,827</b>			<b>704</b>
	1 January 2015	Additions	Disposals	31 December 2015
<b>Costs:</b>				
Rights	1,955	1,414	-	3,369
<b>Total</b>	<b>1,955</b>	<b>1,414</b>	<b>-</b>	<b>3,369</b>
<b>Accumulated amortization:</b>				
Rights	(419)	(1,123)	-	(1,542)
<b>Total</b>	<b>(419)</b>	<b>(1,123)</b>	<b>-</b>	<b>(1,542)</b>
<b>Net book value</b>	<b>1,536</b>			<b>1,827</b>

### 9. Investments in Associates

The Company does not have any investments in associates accounted for using the equity accounting method (31 December 2015: None).

### 10. Reinsurance Assets

#### Reinsurance Assets/ (Liabilities)

	31 December 2016	31 December 2015
Reinsurers' share of unearned premiums reserve (Note 17)	4,975,880	3,480,649
Reinsurers' share of outstanding claims provision (Note 17)	2,870,568	886,293
Deferral of commission income (Note 19)	(847,741)	(218,688)
Payables to Reinsurance companies (Net)(Note 19)	(5,783,562)	(4,663,977)

**1 January -  
31 December 2016**      **1 January -  
31 December 2015**

#### Reinsurance Income/ (Expense)

Reinsurers' share of change in unearned premiums reserve (Note 17)	1,495,231	1,082,951
Reinsurers' share in paid claims	2,287,707	1,088,004
Commissions received from reinsurers (gross)	2,291,525	511,713
Reinsurers' share of change in outstanding claims provision (Note 17)	1,984,275	295,815
Ceded premiums to reinsurers (Note 24)	(14,017,150)	(9,303,459)

## TÜRK P AND I SİGORTA A.Ş.

### CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

#### 11. Financial assets

11.1 The Company's financial assets are summarized below by measurement category in the table below:

	31 December 2016	31 December 2015
Borrowings and receivables (Note 12.1)	8,223,616	2,827,734
<b>Total</b>	<b>8,223,616</b>	<b>2,827,734</b>

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

11.3 Debt securities redeemed during the year: None (31 December 2015: None).

11.4 Market value of marketable securities and financial assets carried at cost and carrying value of marketable securities and financial assets carried at market value None (31 December 2015: None).

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

11.6 Value increase on financial assets in the last three years: None (31 December 2015: None).

11.7 - 11.9 Other information about financial assets: None (31 December 2015: None.)

#### 12. Loans and Receivables

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

	31 December 2016	31 December 2015
Receivables from intermediaries	7,631,973	2,540,835
Receivables from insurees	462,639	285,961
Receivables from insurance and reinsurance companies	129,004	-
Receivables from credit card	-	938
<b>Receivables from main operations</b>	<b>8,223,616</b>	<b>2,827,734</b>

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

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

12.3 Total mortgages and collaterals obtained for receivables: None (31 December 2015: None).

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

31 December 2016

Foreign Currency Type	Foreign Currency Amount	Exchange Rate	Amount TL
USD	2,098,911	3.5192	7,386,486
Euro	186,172	3.7099	690,681
GBP	9,000	4.3189	38,870
<b>Total</b>			<b>8,116,037</b>

## TÜRK P AND I SİGORTA A.Ş.

### CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

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

##### 31 December 2015

Foreign Currency Type	Foreign Currency Amount	Exchange Rate	Amount TL
USD	971,988	2.9076	2,826,152
<b>Total</b>			<b>2,826,152</b>

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

The aging of due from insurance operations is as follows:

	31 December 2016	31 December 2015
Overdue receivables	1,275,012	245,782
Up to 3 months	3,588,757	1,264,524
3 - 6 months	2,125,932	902,250
6 months to 1 year	1,104,911	415,178
Receivables from insurance and reinsurance companies	129,004	-
<b>Total</b>	<b>8,223,616</b>	<b>2,827,734</b>

The details of the receivables from insurees overdue but not yet become doubtful are given below:

	31 December 2016	31 December 2015
Up to 3 months	1,275,012	245,578
3 - 6 months	-	204
<b>Total</b>	<b>1,275,012</b>	<b>245,782</b>

The Company does not have doubtful receivables from main operations as of 31 December 2016 (31 December 2015: None)

#### 13. Derivative Financial Instruments

None.

#### 14. Cash and Cash Equivalents

Cash and cash equivalents that are included in the statements of cash flows for the year ended 31 December 2016 and 2015 are shown in Note 2.12 and the details of bank deposits of the Company are as follows:

	31 December 2016	31 December 2015
Cash (Note 2.12)	6,952	3,821
Banks (Note 2.12)	6,361,769	5,785,612
Bank Guaranteed Credit Card Receivables with Maturities Less than Three Months (Note 2.12)	92,566	49,243
<b>Total</b>	<b>6,461,287</b>	<b>5,838,676</b>

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### CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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#### 14. Cash and Cash Equivalents (Continued)

The details of the bank deposits of the Company are given below:

	31 December 2016	31 December 2015
Bank deposits in TL		
- demand deposits	102,630	243,826
- time deposits	2,205,497	3,158,639
	<b>2,308,127</b>	<b>3,402,465</b>
Foreign time deposits		
- demand deposits	666,496	976,543
- time deposits	3,387,146	1,406,604
	<b>4,053,642</b>	<b>2,383,147</b>
<b>Total</b>	<b>6,361,769</b>	<b>5,785,612</b>

As of 31 December 2016, time deposits amounting to TL2,000,000 is blocked in favour of the Treasury (31 December 2015: TL2,000,000) (Notes 17 and 43).

Time and demand deposits in foreign currency:

	31 December 2016			
	Foreign Currency		TL	
	Timed	Free	Timed	Free
USD	862,328	27,398	3,034,705	96,419
Euro	95,000	153,664	352,441	570,077
<b>Total</b>			<b>3,387,146</b>	<b>666,496</b>
	31 December 2015			
	Foreign Currency		TL	
	Timed	Free	Timed	Free
USD	483,768	335,859	1,406,604	976,543
<b>Total</b>			<b>1,406,604</b>	<b>976,543</b>

#### 15. Share Capital

The Company has 6,000,000 units of shares which are fully paid (31 December 2015: 6,000,000 units). Each of the Company's shares has a nominal value of 1TL and the total nominal value is TL6,000,000 (31 December 2015: TL6,000,000).

The movement of the shares at the beginning and at the end of the period is shown below

	1 January 2016		Issued		Redeemed		31 December 2016	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid in capital	6,000,000	6,000,000	-	-	-	-	6,000,000	6,000,000
<b>Total</b>	<b>6,000,000</b>	<b>6,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,000,000</b>	<b>6,000,000</b>
	1 January 2015		Issued		Redeemed		31 December 2015	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid in capital	6,000,000	6,000,000	-	-	-	-	6,000,000	6,000,000
<b>Total</b>	<b>6,000,000</b>	<b>6,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,000,000</b>	<b>6,000,000</b>

Information about movement of capital during the period is explained in Note 2.13.

## TÜRK P AND I SİGORTA A.Ş.

### CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

#### 15. Share Capital (Continued)

##### *Profit Reserves:*

As of December 31, 2016, the "other profit reserves" accounted in equity consists of actuarial losses (Notes 2.19 and 22).

The movement schedule for other profit reserves is as follows:

	2016	2015
<b>Opening balance - 1 January</b>	<b>40,689</b>	-
Actuarial losses	2,680	40,689
<b>Period End - 31 December</b>	<b>43,369</b>	<b>40,689</b>

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

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

#### 17. Insurance Liabilities and Reinsurance Assets

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

	31 December 2016	31 December 2015
Required guarantee amount to be provided for non-life branches (*)	1,900,000	1,733,333
Guarantee amount provided for non-life branches (Note 43)	2,000,000	2,000,000

(\*) Pursuant to the related regulation, the insurance companies along with the pension companies that operate in the life and personal accident branches are held liable to install the Minimum Guarantee Fund amount, equal to one third of the required equity amount as a guarantee, which is determined by the capital adequacy calculation, during the capital adequacy calculation period. However, the Minimum Guarantee Fund, cannot be less than the total of the one third of the least founding capital. Since the Minimum Guarantee Fund that the Company has calculated as of 31 December 2016 and 2015 is less than the total amount of the one third of its founding capital, the Company has determined the guarantee amount that it has to install as the total of the one third of its least founding capital.

**17.2 Number of life policies, the number and mathematical reserve amount of the life policies that enter and exit during the year and current status:** None (31 December 2015: None).

**17.3 Insurance coverage amount on a branch basis provided for non-life branches:** Disclosed in Note 4.

**17.4 Unit prices of pension funds and savings founded by the Company:** None (31 December 2015: None).

**17.5 Units and amounts of share certificates in portfolio and in circulation:** None (31 December 2015: None)

**17.6 Numbers and portfolio amounts of the individual and group pension participants entered, left, cancelled during the period and the current participants:** None (31 December 2015: None).

**17.7 Valuation methods of profit share calculation for life insurance:** None (31 December 2015: None).

**17.8 Number of units and individual/group allocation of gross/net contribution amounts of the private pension participants entered during the period:** None (31 December 2015: None).

**17.9 Number of units and individual/group allocation of gross/net contribution amounts of the private pension participants transferred from another company during the period:** None (31 December 2015: None).

**TÜRK P AND İ SİGORTA A.Ş.**

**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016**

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

**17. Insurance Liabilities and Reinsurance Assets**

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

**17.11 Number of units and individual/group allocation of gross/net contribution amounts of the private 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 2015: None).

**17.12 Number of units, gross/net premiums and individual/group allocation for life policyholders that joined the portfolio during the period:** None (31 December 2015: None).

**17.13 Number of units, gross/net premiums and individual/group allocation of mathematical reserves for life policyholders that left the portfolio during the period:** None (31 December 2015: None).

**17.14 Profit share allocation rate to the life policyholders:** None (31 December 2015: None).

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

*Outstanding claims provision:*

	<b>2016</b>		
	<b>Gross</b>	<b>Reinsurers' Share</b>	<b>Net</b>
Opening balance - 1 January	674,136	(665,989)	8,147
Paid claims	(1,372,494)	1,360,462	(12,032)
Change			
- Current period claims	1,995,844	(1,948,761)	47,083
- Prior year damages	728,325	(724,263)	4,062
<b>Closing balance reported claims - 31 December</b>	<b>2,025,811</b>	<b>(1,978,551)</b>	<b>47,260</b>
Claims incurred but not reported	913,323	(892,017)	21,306
<b>Total</b>	<b>2,939,134</b>	<b>(2,870,568)</b>	<b>68,566</b>
	<b>2015</b>		
	<b>Gross</b>	<b>Reinsurers' Share</b>	<b>Net</b>
Opening balance - 1 January	427,604	(427,604)	-
Paid claims	(43,541)	43,541	-
Change			
- Current period claims	262,754	(254,607)	8,147
- Prior year damages	27,319	(27,319)	-
<b>Closing balance reported claims - 31 December</b>	<b>674,136</b>	<b>(665,989)</b>	<b>8,147</b>
Claims incurred but not reported	221,071	(220,304)	767
<b>Total</b>	<b>895,207</b>	<b>(886,293)</b>	<b>8,914</b>

The net outstanding claims and indemnity provisions expressed in foreign currency are as follows (31 December 2015: None):

**31 December 2016**

<b>Foreign Currency Type</b>	<b>Foreign Currency Amount</b>	<b>Foreign Exchange Rate</b>	<b>Amount in TL</b>
USD	13,405	3.5192	47,175
<b>Total</b>			<b>47,175</b>

# TÜRK P AND I SİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

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

#### Unearned premium reserve:

	2016		Net
	Gross	Reinsurers' Share	
Opening balance - 1 January	5,347,872	(3,480,649)	1,867,223
Net change	5,490,611	(1,495,231)	3,995,380
<b>Closing balance - 31 December</b>	<b>10,838,483</b>	<b>(4,975,880)</b>	<b>5,862,603</b>
	2015		Net
	Gross	Reinsurers' Share	
Opening balance - 1 January	2,686,833	(2,397,698)	289,135
Net change	2,661,039	(1,082,951)	1,578,088
<b>Closing balance - 31 December</b>	<b>5,347,872</b>	<b>(3,480,649)</b>	<b>1,867,223</b>

As of 31 December 2016 the deferred commission expense and income are TL1,486,161 (31 December 2015: TL750,880) and TL847,741 (31 December 2015: TL218,688) respectively (Note 19) and placed on the balance sheet under the “Deferred Acquisition Expenses” and “Deferred Commission Income” accounts.

### 18. Investment Contract Liabilities

None (31 December 2015: None).

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

	31 December 2016	31 December 2015
Payables to reinsurance companies	5,912,566	4,663,977
<b>Payables from main operations - Short - term</b>	<b>5,912,566</b>	<b>4,663,977</b>
Payables to suppliers and other payables	42,424	68,861
<b>Other payables</b>	<b>42,424</b>	<b>68,861</b>
Payables to shareholders	912	1,578
Payables to personnel	115,971	909
<b>Payables to related parties - Short- term</b>	<b>116,883</b>	<b>2,487</b>
Deferred commission income (Note 17)	847,741	218,688
Accrued expenses	20,768	6,454
<b>Expense and income accruals for future periods</b>	<b>868,509</b>	<b>225,142</b>

Foreign currency denominated payables are as follows:

#### 31 December 2016

Foreign Currency Type	Foreign Currency Amount	Foreign Exchange Rate	Amount in TL
USD	1,560,716	3.5192	5,492,471
Euro	111,535	3.7099	413,784
GBP	4,143	4.3189	17,893
<b>Total</b>			<b>5,924,148</b>

# TÜRK P AND İ SİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

### 19. Trade and Other Payables, Deferred Income (Continued)

#### 31 December 2015

Foreign Currency Type	Foreign Currency Amount	Foreign Exchange Rate	Amount in TL
USD	1,598,652	2.9076	4,648,241
Euro	1,890	3.1776	6,006
<b>Total</b>			<b>4,654,247</b>

### 20. Borrowings

None (31 December 2015: None).

### 21. Deferred Income Tax

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

The enacted tax rate used for the calculation of deferred income tax assets and liabilities on temporary differences that are expected to be realized in the following periods under the liability method is 20% (31 December 2015: 20%).

As of 31 December 2016 and 2015 the temporary differences giving rise to deferred income tax assets and liabilities with using enacted tax rates are as follows:

Deferred income tax assets	Cumulative temporary differences		Deferred income tax assets/(liabilities)	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Accumulated financial loss	1,583,193	2,838,234	316,639	567,647
Provision for employment termination benefits (Note 22)	59,847	41,580	11,969	8,316
			<b>328,608</b>	<b>575,963</b>
<b>Deferred income tax liabilities</b>				
Tangible and Intangible assets	(126,385)	(87,299)	(25,277)	(17,460)
			<b>(25,277)</b>	<b>(17,460)</b>
<b>Net deferred income tax assets</b>			<b>303,331</b>	<b>558,503</b>

As of 31 December 2016 and 2015 the maturity distribution of the Company's deductible financial losses:

	31 December 2016	31 December 2015
31 December 2018	-	69,611
31 December 2019	729,020	1,914,450
31 December 2020	854,173	854,173
<b>Total</b>	<b>1,583,193</b>	<b>2,838,234</b>

The movement of the deferred tax assets in the period is as follows:

	2016	2015
Opening balance - 1 January	558,503	399,148
Deferred tax income (Note 35)	(255,842)	149,183
Deferred tax effect of actuarial gain loss recognized in equity	670	10,172
<b>Closing balance - 31 December</b>	<b>303,331</b>	<b>558,503</b>

## TÜRK P AND İ SİGORTA A.Ş.

### CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

#### 21. Deferred Income Tax (Continued)

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

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

#### 22. Retirement Benefit Obligations

	31 December 2016	31 December 2015
Provision for employment termination benefits	59,847	41,580
	<b>59,847</b>	<b>41,580</b>

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

The amount payable consists of one month’s salary limited to a maximum of TL4,297.21 for each year of service at 31 December 2016 (31 December 2015: 3,828.37).

Provision for employment termination benefits is not funded as there is no legal funding requirement.

Provision for pension payments calculation in a case of employees retirement, is calculated upon estimation of company’s payable to employees in current year. According to IAS 19 in order to estimate provision for pension payment, company should improve actuary calculation methods. For this calculation, actuary estimations indicated below:

	31 December 2016	31 December 2015
Discount rate per annum (%)	3.46	3.46
Turnover rate to estimate the probability of retirement (%)	88	98

Fundamental assumption, for each year, determined maximum provisions should increase depending upon inflation rate. Since therefore, applied discount rate is clarified from expected inflation effects and consequently it shows real rate. Since the Company’s provision for pension payment and maximum amount for pension payment provision is calculated once every six months, as of 1 January 2017, provision for severance payment is calculated TL4,426.16 (1 January 2016:4,092.53).

Provision for employment termination benefits movement is given below:

	2016	2015
Opening Balance - 1 January	41,580	-
Paid during the period (Note 33)	(18,195)	(9,281)
Actuarial (gain)/ loss (*)	3,350	50,861
Provision during the period	33,112	-
<b>Closing Balance - 31 December</b>	<b>59,847</b>	<b>41,580</b>

(\*) As of 31 December 2015 actuarial losses are indicated in “Other Income Reserves” account in balance sheet with clarified from tax effect as of 31 December 2015 (Note 2.19).

**TÜRK P AND I SİGORTA A.Ş.****CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016**

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

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

None (31 December 2016: None).

**24. Net Insurance Premium Revenue**

	<b>1 January - 31 December 2016</b>		
	<b>Gross</b>	<b>Reinsurance Share</b>	<b>Net</b>
Vessels liability	19,448,420	(12,593,290)	6,855,130
Vessels	5,177,622	(1,383,316)	3,794,306
Third party liability	42,678	(40,544)	2,134
<b>Total premium income</b>	<b>24,668,720</b>	<b>(14,017,150)</b>	<b>10,651,570</b>

	<b>1 January - 31 December 2015</b>		
	<b>Gross</b>	<b>Reinsurance Share</b>	<b>Net</b>
Vessels liability	13,867,703	(9,303,459)	4,564,244
<b>Total premium income</b>	<b>13,867,703</b>	<b>(9,303,459)</b>	<b>4,564,244</b>

**25. Fee Income**

None (31 December 2015: None).

**26. Investment Income**

The detail of the investment income is given below:

	<b>1 January - 31 December 2016</b>	<b>1 January - 31 December 2015</b>
<b>Cash and cash equivalents</b>		
Interest income	333,097	345,277
<b>Total</b>	<b>333,097</b>	<b>345,277</b>

**27. Net Realized Gains on Financial Assets**

None (31 December 2015: None).

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

None (31 December 2015: None).

**29. Insurance Benefits and Claims**

Disclosed in Note 17.

**30. Investment Contract Benefits**

None (31 December 2015: None).

**31. Other expenses**

	<b>1 January - 31 December 2016</b>	<b>1 January - 31 December 2015</b>
Operating expenses classified under technical part	5,687,650	4,255,918
<b>Total (Note 32)</b>	<b>5,687,650</b>	<b>4,255,918</b>

## TÜRK P AND I SİGORTA A.Ş.

### CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

#### 32. Expenses by Nature

	1 January - 31 December 2016	1 January 31 December 2015
Personnel expenses (Note 33)	2,903,298	2,211,791
Commission expenses	2,598,886	1,359,900
Rent expenses	288,750	266,250
Representation and hospitality expenses	242,121	46,323
Advertising and marketing expenses	179,520	156,662
Information technology expenses	177,745	152,760
Insurance Expense	156,109	143,939
Transportation expenses	150,372	129,800
Establishment expenses	127,504	120,765
Outsources benefits and services	117,433	127,022
Travel expenses	66,440	64,111
Stationary Expenses	51,497	18,412
Communication Expense	21,117	25,453
Establishment and formation expenses	1,267	7,316
Operation Fee	-	60,000
Other	268,063	86,264
Reinsurance commission income	(1,662,472)	(720,850)
<b>Total (Note 31)</b>	<b>5,687,650</b>	<b>4,255,918</b>

#### 33. Employee Benefit Expense

	1 January - 31 December 2016	1 January - 31 December 2015
Personnel salaries	2,540,747	1,955,831
Employer's share of SSI Premium	233,977	169,551
Employee termination payment (Note 22)	18,195	9,281
Other	110,379	77,128
<b>Total (Note 32)</b>	<b>2,903,298</b>	<b>2,211,791</b>

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

#### 34. Financial Costs

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

- 34.1.1 Expenses related to production cost: None (31 December 2015: None).
- 34.1.2 Expenses related to fixed assets: None (31 December 2015: None).
- 34.1.3 Direct expenses: None (31 December 2015: None).

##### 34.2 Financial expenses related to shareholders, subsidiaries and associates (Any amount exceeding 20% of total will be disclosed separately): None (31 December 2015: None).

##### 34.3 Sales to/purchases from shareholders, subsidiaries and associates (Any amount exceeding 20% of total will be disclosed separately.): None (31 December 2015: None).

##### 34.4 Interest, rent or other charges received from or paid to shareholders, subsidiaries and associates (Any amount exceeding 20% of total will be disclosed separately.): Related party transactions and balances are disclosed in Note 45 in details.

## TÜRK P AND I SİGORTA A.Ş.

### CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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#### 35. Income Taxes

Tax income and expenses recognized in the statements of income for the periods ended 31 December 2016 and 2015 are summarized below:

	1 January - 31 December 2016	1 January - 31 December 2015
Deferred tax income/expense (Note 21)	(255,842)	149,183
<b>Total tax income</b>	<b>(255,842)</b>	<b>149,183</b>
	<b>31 December 2016</b>	<b>31 December 2015</b>
Prepaid taxes	51,728	50,007
<b>Prepaid taxes</b>	<b>51,728</b>	<b>50,007</b>
Deferred income tax assets (Note 21)	328,608	575,963
Deferred income tax liabilities (Note 21)	(25,277)	(17,460)
<b>Deferred income tax assets, net (Note 21)</b>	<b>303,331</b>	<b>558,503</b>

The income tax reconciliation is as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Loss before tax (-)	1,118,953	(758,991)
Tax rate	%20	%20
Calculated Tax income	(223,791)	151,798
Effect of non-deductible expenses (-)	(32,051)	(2,615)
<b>Total tax income</b>	<b>(255,842)</b>	<b>149,183</b>

#### 36. Net Foreign Exchange Gains

	1 January - 31 December 2016	1 January - 31 December 2015
Financial income	456,598	463,799
Technical expenses (-)	79,241	(162,561)
<b>Total</b>	<b>535,839</b>	<b>301,238</b>

#### 37. Earnings per Share

Earnings per share is calculated by dividing net profit for the period into weighted average number of shares of the Company.

	1 January - 31 December 2016	1 January - 31 December 2015
Net loss for the period (-)	863,111	(609,808)
Weighted average number of shares with nominal value of TL 1 per share	6,000,000	6,000,000
Loss per Share (TL) (-)	0.1439	(0.1016)

#### 38. Dividends per Share

The company has no dividend distribution for the years ended 31 December 2016 and 2015.

#### 39. Cash Generated from Operations: Disclosed in the statement of cash flows.

#### 40. Convertible Bonds: None (31 December 2015: None).

## TÜRK P AND I SİGORTA A.Ş.

### CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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

41. **Redeemable Preference Shares:** None (31 December 2015: None).

42. **Contingencies:** None (31 December 2015: None).

43. **Commitments**

*Total amount of mortgages or restrictions on assets:*

	31 December 2016	31 December 2015
Bank deposits (Notes 2.12, 14 and 17)	2,000,000	2,000,000
<b>Total</b>	<b>2,000,000</b>	<b>2,000,000</b>

As of 31 December 2016, time deposits amounting to TL2,000,000 is blocked in favour of the Treasury (31 December 2015: TL2,000,000)..

44. **Business Combinations**

None (31 December 2015: None).

45. **İlişkili Taraflarla İşlemler**

The total amount of salaries and benefits provided for the top management of the Company such as Chairman and board members, general manager, general coordinator and assistant general managers during the current period is disclosed in note 1.6.

a) <b>Banks</b>	31 December 2016	31 December 2015
Türkiye Halk Bankası A.Ş.	1,140,512	519,152
<b>Total</b>	<b>1,140,512</b>	<b>519,152</b>

b) <b>Receivables from Insurance Operations</b>	31 December 2016	31 December 2015
Güneş Sigorta A.Ş.	93,550	-
<b>Total</b>	<b>93,550</b>	<b>-</b>

c) <b>Payables to shareholders</b>	31 December 2016	31 December 2015
Ziraat Sigorta A.Ş.	912	1,578
<b>Total</b>	<b>912</b>	<b>1,578</b>

d) <b>Payables from Insurance Operations</b>	31 December 2016	31 December 2015
Güneş Sigorta A.Ş.	501,050	-
<b>Total</b>	<b>501,050</b>	<b>-</b>

e) <b>Written Premiums</b>	1 January - 31 December 2016	1 January - 31 December 2015
Güneş Sigorta A.Ş.	111,300	-
Solar Gemi Kurtarma Hizmetleri A.Ş.	20,283	42,735
<b>Total</b>	<b>131,583</b>	<b>42,735</b>

## TÜRK P AND I SİGORTA A.Ş.

### CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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#### 45. İlişkili Taraflarla İşlemler (Continued)

	1 January - 31 December 2016	1 January - 31 December 2015
<b>f) Ceded Premiums</b>		
Güneş Sigorta A.Ş.	485,257	-
<b>Total</b>	<b>485,257</b>	<b>-</b>
<b>g) Interest Income</b>		
Türkiye Halk Bankası A.Ş.	4,951	39,128
<b>Total</b>	<b>4,951</b>	<b>39,128</b>
<b>h) Operational Expenses</b>		
Ziraat Sigorta A.Ş.	37,952	23,672
Metropole Denizcilik ve Ticaret Ltd. Şti.	10,633	5,809
<b>Total</b>	<b>48,585</b>	<b>29,481</b>

**45.1 Doubtful receivables from shareholders, associates and subsidiaries:** None (31 December 2015: None).

**45.2 Breakdown of associates and subsidiaries having an indirect shareholding and management relationship with the Company; names, participation rates and amounts of associates and subsidiaries; profit/loss and net profit/loss in the latest financial statements, the period of these financial statements, whether these financial statements are prepared in accordance with the accounting principles and standards as set out in the insurance legislation, whether they are independently audited and the opinion type of the independent audit report:** None (31 December 2015: None).

**45.3 Bonus shares obtained through internally funded capital increases of equity investments and subsidiaries:** None (31 December 2015: None).

**45.4 Rights on immovables and their value:** None (31 December 2015: None).

**45.5 Guarantees, commitments and securities given for shareholders, investments and subsidiaries:** None (31 December 2015: None)

#### 46. Events after the Balance Sheet Date:

The employment termination benefit ceiling has been increased to TL4,426.16 effective from 1 January 2017.

#### 47. Other

**47.1 Details of "Other" items in the balance sheet which exceed 20% of its respective account group or 5% of total assets:**

<b>a) Other Liabilities</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Payables to suppliers	41,052	62,547
Other liabilities	1,372	6,314
<b>Total</b>	<b>42,424</b>	<b>68,861</b>

## TÜRK P AND I SİGORTA A.Ş.

### CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

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#### 47. Other (Continued)

##### b) Other expenses for the following months (short term)

	31 December 2016	31 December 2015
Deferred excess of loss premiums	298,816	-
Insurance expense	26,616	23,642
Other	24,894	4,596
<b>Total</b>	<b>350,326</b>	<b>28,238</b>

##### c) Other expenses for the following years (Long term)

	31 December 2016	31 December 2015
Rent Payments	-	9,253
<b>Total</b>	<b>-</b>	<b>9,253</b>

	31 December 2016	31 December 2015
<b>d) Other expenses/losses:</b>		
Penalty payments	49,764	-
Donations and grants	11,525	236
Other	3,874	12,842
<b>Total</b>	<b>65,163</b>	<b>13,078</b>

47.2 Due from and due to personnel classified in "Other receivables" and "Other short-term or long-term payables" that exceed 1% of total assets: None (31 December 2015: None).

47.3 Claim recovery receivables followed under off-balance sheet items: None (31 December 2015: None).

47.4 Income and expenses related to prior periods and the amounts and sources of expenses and losses: None (31 December 2015: None).

#### 47.5 Other information required by Treasury to be presented

##### *Provision (expenses) for the period:*

	1 January - 31 December 2016	1 January - 31 December 2015
<i>Provisions expenses/income:</i>		
Provision for employment termination benefits	(14,917)	9,281
	<b>(14,917)</b>	<b>9,281</b>

**APPENDIX I - CONVENIENCE TRANSLATION OF  
THE STATEMENT OF PROFIT DISTRIBUTION**

	Note	Current Period	Previous Period
<b>I. DISTRIBUTION OF PROFIT FOR THE PERIOD</b>			
1.1. PROFIT FOR THE PERIOD		-	-
1.2. TAXES PAYABLE AND LEGAL LIABILITIES			
1.2.1. Corporate Tax (Income Tax)		-	-
1.2.2. Income Tax Deduction		-	-
1.2.3. Other Taxes and Legal Liabilities		-	-
<b>A NET PROFIT FOR THE PERIOD (1.1 - 1.2)</b>		-	-
1.3. PREVIOUS YEARS' LOSSES (-)		-	-
1.4. FIRST LEGAL RESERVE		-	-
1.5. LEGAL FUNDS TO BE KEPT IN THE COMPANY (-)		-	-
<b>B NET DISTRIBUTABLE PROFIT FOR THE PERIOD [(A - (1.3 + 1.4 + 1.5)]</b>			
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	-
1.6.1. To common shareholders		-	-
1.6.2. To preferred shareholders		-	-
1.6.3 To owners of participating redeemed shares		-	-
1.6.4 To owners of profit-sharing securities		-	-
1.6.5 To owners of profit and loss sharing securities		-	-
1.7. DIVIDENDS TO PERSONNEL (-)		-	-
1.8. DIVIDENDS TO FOUNDERS (-)		-	-
1.9. DIVIDENDS TO THE BOARD OF DIRECTORS (-)		-	-
1.10. SECOND DIVIDENDS TO SHAREHOLDERS (-)		-	-
1.10.1. To common shareholders		-	-
1.10.2. To preferred shareholders		-	-
1.10.3. To owners of participating redeemed shares		-	-
1.10.4. To owners of profit-sharing securities		-	-
1.10.5. To owners of profit and loss sharing securities		-	-
1.11. SECOND LEGAL RESERVE		-	-
1.12. STATUTORY RESERVES		-	-
1.13. EXTRAORDINARY RESERVES		-	-
1.14. OTHER RESERVES		-	-
1.15. SPECIAL FUNDS		-	-
<b>II. DISTRIBUTION FROM RESERVES</b>			
2.1. DISTRIBUTED RESERVES		-	-
2.2. SECOND LEGAL RESERVE (-)		-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1. To common shareholders		-	-
2.3.2 To preferred shareholders		-	-
2.3.3. To owners of participating redeemed shares		-	-
2.3.4 To owners of profit-sharing securities		-	-
2.3.5 To owners of profit and loss sharing securities		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO THE BOARD OF DIRECTORS (-)		-	-
<b>III PROFIT PER SHARE</b>			
3.1. TO COMMON SHAREHOLDERS		-	-
3.2. TO COMMON SHAREHOLDERS (%)		-	-
3.3. TO PREFERRED SHAREHOLDERS		-	-
3.4. TO PREFERRED SHAREHOLDERS (%)		-	-
<b>IV. DIVIDENDS PER SHARE</b>			
4.1. TO COMMON SHAREHOLDERS		-	-
4.2. TO COMMON SHAREHOLDERS (%)		-	-
4.3 TO PREFERRED SHAREHOLDERS		-	-
4.4. TO PREFERRED SHAREHOLDERS (%)		-	-

The only authorized body of the Company about profit distribution is General Assembly. Since there is no profit distribution for the years 2016 and 2015, the statements of profit distribution have not been prepared.