

**TÜRK P VE I SİGORTA A.Ş.**

CONVENIENCE TRANSLATION OF THE STATUTORY  
FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY - 31 DECEMBER 2015 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 2015

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

1. We have audited the accompanying balance sheet of Türk P and I Sigorta A.Ş. (the “Company”) as of 31 December 2015 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 2015, 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 (Note 2).

*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 2015 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.

*Additional Paragraph for Convenience Translation into English*

7. As discussed in Note 2.25 to the accompanying unconsolidated financial statements, the effects of differences between the accounting principles as set out by the related insurance laws and accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations and changes in financial position and cash flows in accordance with accounting principles generally accepted in such countries and IFRS.

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

ORIGINAL SIGNED IN TURKISH

Talar Gül, SMMM  
Partner

Istanbul, 11 March 2016

**CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON  
THE FINANCIAL STATEMENTS PREPARED AS AT 31 DECEMBER 2015**

We confirm that the accompanying financial statements and notes to these financial statements as of 31 December 2015 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.**

**11 March 2016**



**B. Ufak TEKER**

A Member of Board of  
Directors,  
General Manager



**Abdullah KARA**

Chief Financial  
Officer



**Jale İNAN**

Assistant 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 2015**

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# TÜRK P AND I SİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2015 AND 2014

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

ASSETS	Note	Audited 31 December 2015	Audited 31 December 2014
<b>I- Current Assets</b>			
<b>A- Cash and Cash Equivalents</b>	<b>14</b>	<b>5,838,676</b>	<b>5,304,441</b>
1- Cash	2.12 and 14	3,821	885
2- Cheques Received		-	-
3- Banks	2.12 and 14	5,785,612	5,291,898
4- Cheques Given and Payment Orders (-)		-	-
5- Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months	2.12 and 14	49,243	11,658
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 Insuree's Risk		-	-
7- Company's Shares		-	-
8- Provision for diminution in value (-)		-	-
<b>C- Receivables from Main Operations</b>	<b>12.1</b>	<b>2,827,734</b>	<b>1,601,418</b>
1- Due from Insurance Operations	12.1	2,827,734	1,601,418
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>49,534</b>	-
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		49,444	-
4- Other Miscellaneous Receivables		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>779,118</b>	<b>285,448</b>
1- Deferred Acquisition Costs	17	750,880	260,532
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses	47.1	28,238	24,916
<b>G- Other Current Assets</b>		<b>57,547</b>	<b>62,554</b>
1- Prepaid Office Supplies		-	1,917
2- Prepaid Taxes and Funds	2.18 and 35	50,007	58,746
3- Deferred Tax Assets		-	-
4- Job Advances		7,540	1,891
5- Advances to Personnel		-	-
6- Count Shortages		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
<b>I- Total Current Assets</b>		<b>9,552,609</b>	<b>7,253,861</b>

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

# TÜRK PANDİ SİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2015 AND 2014

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

ASSETS	Note	Audited 31 December 2015	Audited 31 December 2014
<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>			
1- Leasing Receivables		21,030	21,030
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		21,030	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>528,813</b>	<b>612,631</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	353,131	336,586
6- Motor Vehicles		-	-
7- Other Tangible Assets (including leasehold improvements)	6	362,943	362,943
8- Leased Assets		-	-
9- Accumulated Depreciation (-)	6	(187,261)	(86,898)
10- Advances Given for Tangible Assets (including construction in progress)		-	-
<b>F- Intangibles Assets</b>			
	<b>2.7 and 8</b>	<b>1,827</b>	<b>1,536</b>
1- Rights	8	3,369	1,955
2- Goodwill		-	-
3- Start-up Costs		-	-
4- Research and Development Expenses		-	-
5- Other Intangible Assets		-	-
6- Accumulated Amortization (-)	8	(1,542)	(419)
7- Advances Given for Intangible Assets		-	-
<b>G- Prepaid Expenses and Income Accruals</b>			
	<b>47.1</b>	<b>9,253</b>	<b>15,934</b>
1- Deferred Acquisition Costs		-	-
2- Income Accruals		-	-
3- Other Deferred Expenses	47.1	9,253	15,934
<b>H- Other Non-Current Assets</b>			
		<b>561,073</b>	<b>399,148</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	2.18, 21 and 35	558,503	399,148
6- Other Non-Current Assets		-	-
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>1,121,996</b>	<b>1,050,279</b>
<b>TOTAL ASSETS (I+II)</b>		<b>10,674,605</b>	<b>8,304,140</b>

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

# TÜRK PANDİ SİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AT 31 DECEMBER 2015 AND 2014

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

LIABILITIES	Note	Audited 31 December 2015	Audited 31 December 2014
<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, 10 and 19</b>	<b>4,663,977</b>	<b>3,074,744</b>
1- Payables from Insurance Operations	4, 10 and 19	4,663,977	3,074,744
2- Payables from Reinsurance Operations		-	-
3- Premium Deposits		-	-
4- Payables from Private Pension Operations		-	-
5- Payables from Other Main Operations		-	-
6- Rediscount on Payables from Other Operations (-)		-	-
<b>C- Due to Related Parties</b>	<b>19 and 45</b>	<b>2,487</b>	<b>446</b>
1- Due to Shareholders	19 and 45	1,578	446
2- Due to Associates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint-Ventures		-	-
5- Due to Personnel	19	909	-
6- Due to Other Related Parties		-	-
<b>D- Other Payables</b>	<b>4, 19 and 47.1</b>	<b>68,861</b>	<b>32,103</b>
1- Deposits and Guarantees Received		-	-
2- Payables to SSI regarding Medical Expenses		-	-
3- Other Miscellaneous Payables	4, 19 and 47.1	68,861	32,103
4- Rediscount on Other Payables (-)		-	-
<b>E- Insurance Technical Provisions</b>		<b>1,876,137</b>	<b>289,135</b>
1- Unearned Premium Reserve - Net	2.24 and 17	1,867,223	289,135
2- Unexpired Risks Reserve - Net	2.24	-	-
3- Mathematical Reserve - Net		-	-
4- Outstanding Claim Provision - Net	2.24 and 17	8,914	-
5- Bonus and Rebate Provision - Net		-	-
6- Other Technical Reserves - Net		-	-
<b>F- Taxes and Other Fiscal Liabilities</b>		<b>119,547</b>	<b>86,120</b>
1- Taxes and Funds Payable		90,540	62,642
2- Social Security Withholdings Payable		29,007	23,478
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 Corporate Tax and Other Fiscal Liabilities (-)		-	-
7- Other Taxes and Fiscal Liabilities Provision		-	-
<b>G- Provisions for Other Risks</b>		-	<b>60,000</b>
1- Provision for Employment Termination Benefits		-	-
2- Provision for Social Aid Fund Asset Shortage		-	-
3- Provision for Expense Accruals	23	-	60,000
<b>H- Deferred Income and Expense Accruals</b>		<b>225,142</b>	<b>434,221</b>
1- Deferred Commission Income	10, 17 and 19	218,688	427,825
2- Expense Accruals	19	6,454	6,396
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>6,956,151</b>	<b>3,976,769</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 2015 AND 2014

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

LIABILITIES	Note	Audited 31 December 2015	Audited 31 December 2014
<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- Provisions for Other Risks</b>		41,580	-
1- Provision for Employment Termination Benefits	2.19 and 22	41,580	-
2- Provision for Social Aid Fund Asset Shortage		-	-
<b>H- Deferred Income and Expense Accruals</b>		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
<b>I- Other Non-Current Liabilities</b>		-	-
1- Deferred Tax Liabilities		-	-
2- Other Non-Current Liabilities		-	-
<b>IV- Total Non-Current Liabilities</b>		41,580	-

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 2015 AND 2014

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

### SHAREHOLDERS' EQUITY

	Note	Audited 31 December 2015	Audited 31 December 2014
<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>(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		(40,689)	-
<b>D- Retained Earnings</b>			
1- Retained Earnings		-	-
<b>E- Accumulated Deficit (-)</b>		<b>(1,672,629)</b>	<b>(55,689)</b>
1- Accumulated Deficit		(1,672,629)	(55,689)
<b>F- Net Profit for the Period</b>		<b>(609,808)</b>	<b>(1,616,940)</b>
1- Net Profit for the Period		-	-
2- Net Loss for the Period (-)	37	(609,808)	(1,616,940)
3- Profit not subject to Distribution		-	-
<b>V- Total Shareholders' Equity</b>		<b>3,676,874</b>	<b>4,327,371</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (III+IV+V)</b>		<b>10,674,605</b>	<b>8,304,140</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 2015 AND 2014

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

### TECHNICAL PART

	Note	Audited 1 January - 31 December 2015	Audited 1 January - 31 December 2014
<b>A- Non-Life Technical Income</b>		<b>2,986,156</b>	<b>367,797</b>
1- Earned Premiums (Net of Reinsurers' Share)	2.21 and 2.24	2,986,156	367,797
1.1- Written Premiums (Net of Reinsurers' Share)	2.21 and 2.4	4,564,244	656,932
1.1.1-Gross Written Premium (+)	2.21 and 2.4	13,867,703	7,196,749
1.1.2-Reinsurers' Share of Gross Written Premium	10 and 24	(9,303,459)	(6,539,817)
1.1.3-Premiums Ceded to SSI (-)		-	-
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)	17	(1,578,088)	(289,135)
1.2.1-Unearned Premiums Reserve (-)	17	(2,661,039)	(2,686,833)
1.2.2-Reinsurers' Share of Unearned Premiums Reserve (+)	10 and 17	1,082,951	2,397,698
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- Non-Life Technical Expense (-)</b>		<b>(4,269,776)</b>	<b>(2,593,469)</b>
1- Incurred Claims - (Net of Reinsurer's Share)		-	-
1.1- Paid Claims - (Net of Reinsurer's Share)		(4,944)	-
1.1.1-Gross Paid Claims (-)		(1,092,948)	(1,186,234)
1.1.2-Reinsurers' Share of Gross Paid Claims (+)	10	1,088,004	1,186,234
1.2- Change in Outstanding Claims (Net of Reinsurers' Share and Reserves Carried Forward) (+/-)		(8,914)	-
1.2.1-Outstanding Claims Provision (-)		(304,729)	(590,478)
1.2.2-Reinsurers' Share of Outstanding Claims Provision (+)	10	295,815	590,478
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 and 32	(4,255,918)	(2,593,469)
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- Net Technical Income- Non-Life (A - B)</b>		<b>(1,283,620)</b>	<b>(2,225,672)</b>
<b>D- 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- 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- Net Technical Income - Life (D - E)</b>			
<b>G- 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- Private Pension Technical Expense</b>			
1- Fund Management Expense (-)		-	-
2- Capital Allowance Value Decrease Expense (-)		-	-
3- Operating Expenses (-)		-	-
4- Other Technical Expenses (-)		-	-
<b>I- 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 BALANCE SHEETS AT 31 DECEMBER 2015 AND 2014**

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

NON-TECHNICAL PART	Note	Audited 1 January - 31 December 2015	Audited 1 January- 31 December 2014
<b>C- Net Technical Income-Non-Life (A-B)</b>		<b>(1,283,620)</b>	<b>(2,225,672)</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>(1,283,620)</b>	<b>(2,225,672)</b>
<b>K- Investment Income</b>		<b>2,133,944</b>	<b>694,109</b>
1- Income from Financial Investments	26	332,057	389,804
2- Income from Sales of Financial Investments		-	-
3- Valuation of Financial Investments	26	13,220	-
4- Foreign Exchange Gains	36	1,788,667	304,305
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>(1,605,518)</b>	<b>(407,304)</b>
1- Investment Management Expenses (Interest included) (-)	26	-	(999)
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	(1,487,429)	(299,351)
7- Depreciation Expenses (-)	6 and 8	(101,486)	(87,317)
8- Other Investment Expenses (-)		(16,603)	(19,637)
<b>M- Income and Expenses from Other Operations and Extraordinary Operations (+/-)</b>		<b>145,386</b>	<b>321,927</b>
1- Provisions (+/-)	47.5	9,281	(60,000)
2- Rediscunts (+/-)		-	-
3- Special Insurance Account (+/-)		-	-
4- Inflation Adjustment (+/-)		-	-
5- Deferred Tax Assets (+/-)	21 and 35	149,183	385,226
6- Deferred Tax Liabilities Expenses (-)		-	-
7- Other Income		-	2,945
8- Other Expenses (-)		(13,078)	(6,244)
9- Prior Year's Income		-	-
10- Prior Year's Expenses (-)		-	-
<b>N- Net Profit/(Loss) for the Period</b>		<b>(609,808)</b>	<b>(1,616,940)</b>
1- Profit/(Loss) for the Period	37	(609,808)	(1,616,940)
2- Corporate Tax Provision and Other Fiscal Liabilities (-)		-	-
3- Net Profit/(Loss) for the Period	37	(609,808)	(1,616,940)
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 2015 AND 2014**

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

	Note	Audited 1 January - 31 December 2015	Audited 1 January - 31 December 2014
<b>A- CASH GENERATED FROM MAIN OPERATIONS</b>			
1- Cash inflows from insurance operations		12,569,957	5,001,223
2- Cash inflows from reinsurance operations		-	-
3- Cash inflows from private pension operations		-	-
4- Cash outflows from insurance operations (-)		(9,914,154)	(3,094,913)
5- Cash outflows from reinsurance operations (-)		-	(2,202,230)
6- Cash outflows from private pension operations (-)		-	-
<b>7- Net cash from main operations (A1+A2+A3-A4-A5-A6)</b>		<b>2,655,803</b>	<b>(295,920)</b>
8- Interest payment (-)		-	(999)
9- Income tax payment (-)		-	(58,746)
10- Other cash inflows		-	93,128
11- Other cash outflows (-)		(2,733,521)	(2,126,296)
<b>12- Net cash used in main operations</b>		<b>(77,718)</b>	<b>(2,388,833)</b>
<b>B- CASH FLOWS FROM INVESTING OPERATIONS</b>			
1- Sale of tangible assets		-	-
2- Tangible assets purchases (-)		(17,959)	(701,484)
3- Financial assets purchases (-)		-	-
4- Sales of financial assets		-	-
5- Interest received		332,057	389,804
6- Dividends received		-	-
7- Other cash inflows		-	-
8- Other cash outflows (-)		(16,603)	-
<b>9- Net cash from investing activities</b>		<b>297,495</b>	<b>(311,680)</b>
<b>C- CASH FLOWS FROM FINANCING OPERATIONS</b>			
1- Issue of shares	15	-	5,700,000
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>5,700,000</b>
<b>D- EFFECT OF EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>	36	<b>301,238</b>	<b>4,954</b>
<b>E- Net increase in cash and cash equivalents</b>		<b>521,015</b>	<b>3,004,441</b>
<b>F- Cash and cash equivalents at the beginning of the period</b>		<b>3,304,441</b>	<b>300,000</b>
<b>G- Cash and cash equivalents at the end of the period (E+F)</b>	2.12	<b>3,825,456</b>	<b>3,304,441</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 2015 AND 2014**

(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 (31/12/2013)</b>	<b>300,000</b>	-	-	-	-	-	-	-	(55,689)	-	<b>244,311</b>
A- Capital Increase (A1 + A2)	5,700,000	-	-	-	-	-	-	-	-	-	5,700,000
1- Cash (Note 15)	5,700,000	-	-	-	-	-	-	-	-	-	5,700,000
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	-	-	-	-	-	-	-	-	-	-	-
G- Inflation adjustments	-	-	-	-	-	-	-	-	-	-	-
H- Net loss for the period (-) (Note 37)	-	-	-	-	-	-	-	-	(1,616,940)	-	(1,616,940)
I- Dividends paid	-	-	-	-	-	-	-	-	-	-	-
J- Transfers	-	-	-	-	-	-	-	-	55,689	(55,689)	-
<b>II- Balances at the period end (31/12/2014)</b> <b>(I+A+B+C+D+E+F+G+H+I+J)</b>	<b>6,000,000</b>	-	-	-	-	-	-	-	<b>(1,616,940)</b>	<b>(55,689)</b>	<b>4,327,371</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 at the previous period end (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 (Note 15)	-	-	-	-	-	-	-	-	-	-	-
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- 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>

(\*) 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 2015

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

### 1. General information

**1.1 Name of the parent Company:** As of 31 December 2015 and 2014 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 (Note 2.13)

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 Muhittin 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 2015	31 December 2014
Top and middle management	2	2
Other personnel	12	11
	<b>14</b>	<b>13</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 TL930,235 (31 December 2014: TL609,784).

**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 2015 are signed and approved on 11 March 2016 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 2015**

(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 2015, 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.

**a. *New Standards effective as of 31 December 2015 and the alterations and comments made to the existing previous Standards:***

- **Changes in IAS 19, "Defined benefit plans";** will be valid on July 1, 2014 or after that date for the annual reporting period. This limited change will apply to contributions made to defined benefit plans by third parties or employees. It is calculated independent of the length of service of the contributions made to the plan; for example, it is taken as part of the contribution of a fixed salary; cases clarifies how to do accounting.



**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015**

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

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

**2.1 Basis of Preparation (Continued)**

**a. *New Standards effective as of 31 December 2015 and the alterations and comments made to the existing previous Standards:***

- Annual improvements 2012; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards:
  - IFRS 2, ‘Share-based payment’
  - IFRS 3, ‘Business Combinations’
  - IFRS 8, ‘Operating segments’
  - IFRS 13, ‘Fair value measurement’
  - IAS 16, ‘Property, plant and equipment’ and IAS 38, ‘Intangible assets’
  - IFRS 9, ‘Financial instruments’, IAS 37, ‘Provisions, contingent liabilities and contingent assets’
  - IAS 39, Financial instruments - Recognition and measurement’
- Annual improvements 2013; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2011-12-13 cycle of the annual improvements project, that affect 4 standards:
  - IFRS 1, ‘First time adoption’
  - IFRS 3, ‘Business combinations’
  - IFRS 13, ‘Fair value measurement’ and
  - IAS 40, ‘Investment property’

**b. *Changes and standards those are published for the periods and the year starting from 31 December 2015 but have not just become effective***

- 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 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.
- 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.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015**

(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 2015 but have not just become effective (Continued)**

- 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. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
- 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.
- 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.
- Amendment 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 clarify the application of the consolidation exception for investment entities and their subsidiaries.
- IFRS 15 ‘Revenue from contracts with customers’, effective from annual periods beginning on or after 1 January 2018. IFRS 15, ‘Revenue from contracts with customers’ is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- IFRS 9 ‘Financial instruments’, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

**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 2015 and 2014. 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.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015**

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

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

**2.4 Foreign Currency Translation (Continued)**

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 2015 (31 December 2014: 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).

**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 2015 and 2014 (Note 12).

## TÜRK PANDİ SİGORTA A.Ş.

### CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

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

##### 2.9 Impairment of Assets

The details about the impairment of assets are explained in the notes in which the accounting policies of the relevant assets are explained. Mortgages or guarantees on assets are explained in Note 43, 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 2014: 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 2015	31 December 2014
Cash (Note 14)	3,821	885
Banks (Note 14)	5,785,612	5,291,898
Bank Guaranteed Credit Card Receivables with Maturities Less Than Three Months (Note 14)	49,243	11,658
Less - Interest Accrual	(13,220)	-
Minus - Blocked deposits (*) (Note 43)	(2,000,000)	(2,000,000)
<b>Total cash and cash equivalents</b>	<b>3,825,456</b>	<b>3,304,441</b>

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

##### 2.13 Share Capital

As of 31 December 2015 and 2014 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 2015		31 December 2014	
		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	-	-
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
Halk Sigorta A.Ş. (**)	C	-	-	16.67	1,000,000
<b>Total</b>		<b>100.00</b>	<b>6,000,000</b>	<b>100.00</b>	<b>6,000,000</b>

(\*\*) 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.

As of 31 December 2015 there are no privileges granted for the shares that represent the capital (31 December 2014: None). Other information about the Company's share capital is explained in Note 15.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015**

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

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

**2.14 Insurance and Investment Contracts - Classification**

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

The main insurance contracts produced by the Company, as stated below, are insurance contracts in non-life branches such as vessel liability policies and reinsurance contracts.

Under the vessel liability insurance, losses caused by all kinds of vessels to third parties due to firm's fault are covered. However, possible losses that occur during the construction and launching process of the vessels are also evaluated within the context of hull insurances. The risks are excluded from the scope excluding the risks such as sinking, burning, explosion, washing up onto shore, shipwrecking, storm, capsizing, collision with another ship or boat, liability due to collision, salvage charges due to risks guaranteed, sue and labor charges, general average losses and expenses, hidden defect in the boats and machines, losses to boat during loading and disembarkment.

***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.

Company have four quota share and various number of facultative reinsurance agreements under the vessels liability branch that the Company operates. These reinsurance agreements are based on 100% loss transfer principle and Company have between 5% and 100% retention by some policies according to the coverage limit of the policy.

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

None (31 December 2014: None).

**2.16 Investment Contracts without Discretionary Participation Feature**

None (31 December 2014: None).

**2.17 Borrowings**

None (31 December 2014: None).

**2.18 Taxes**

***Corporate Tax***

Corporate tax for 2015 is payable at a rate of 20% in Turkey (2014: 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 14<sup>th</sup> and is payable by the 17<sup>th</sup> 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.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015**

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

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

***Corporate Tax (Continued)***

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 prestated 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 25<sup>th</sup> day of the 4<sup>th</sup> 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.

***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 (Note 23).

**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015**

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

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

**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.

*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.

**2.22 Leases**

The Company does not have any leased financial assets as of 31 December 2015 (31 December 2014: 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).

*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.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015**

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

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

***Outstanding Claims Provision (Continued)***

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; gross incurred but not reported claims reserve amounting to TL221,071 (31 December 2014: TL162,874) as of 31 December 2015 and within the context of the reinsurance agreements in force, TL220,304 amount of incurred but not reported claims reserve re-share has been calculated as of 31 December 2015 by multiplying the outstanding claims reserve booked by the Company as of 31 December 2015 with the ratio of the total incurred but not reported claims reserve amount, as of 30 September 2015, to outstanding claims reserves for water vehicles branch. According to this; the additional net incurred but not reported claims reserve is TL767 as of 31 December 2015 (31 December 2014: None).

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).

***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.

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 24<sup>th</sup> 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.



**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015**

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

**2.25 Convenience translation into English**

The effects of differences between the accounting principles as set out by the related insurance laws and accounting principles generally accepted in countries in which the financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the financial statements. Accordingly, the financial statements are not intended to present the financial position and results of operations and changes in financial position and cash flows in accordance with accounting principles generally accepted in such countries and IFRS.

**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 2015 the Company has projected that it can use all of the total accumulated tax loss amounting to TL2,838,234 (31 December 2014: TL1,984,061) 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 TL567,647 (31 December 2014: TL396,812), which is calculated from the aforementioned amount, to its financial statements (Note 21).

**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.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015**

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

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

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

	<b>31 December 2015</b>	<b>31 December 2014</b>
Vessels liability	661,039,520,615	372,271,875,005

***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.

As of 31 December 2015, if USD increased/decreased by 10% against TL, with all other variables held constant, loss before tax would be lower/higher by TL 60,005 (31 December 2014: 15,577 TL) as a result of foreign exchange gains/losses on the translation of USD denominated assets and liabilities.

***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 risk.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015**

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

*(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**

<b>31 December 2015</b>	<b>Up to 3 months</b>	<b>3 months 1 year</b>	<b>1 year 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Payables to reinsurance companies	1,833,918	2,830,059	-	-	4,663,977
Other payables	68,861	-	-	-	68,861
<b>Total</b>	<b>1,902,779</b>	<b>2,830,059</b>	<b>-</b>	<b>-</b>	<b>4,732,838</b>

**Contractual Cash flows**

<b>31 December 2014</b>	<b>Up to 3 months</b>	<b>3 months 1 year</b>	<b>1 year 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Payables to reinsurance companies	1,265,362	1,809,382	-	-	3,074,744
Other payables	32,103	-	-	-	32,103
<b>Total</b>	<b>1,297,465</b>	<b>1,809,382</b>	<b>-</b>	<b>-</b>	<b>3,106,847</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.

**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015**

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

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

*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 2015 of financial charts preparation, Company's minimum required equity is TL3,401,665 which is calculated according to equity competence regulations as of 31 December 2015 (31 December 2014: TL2,695,741). Within this scope, as of 31 December 2015 Company's equity is TL275,209 more than minimum required equity which is determined according to related regulations (31 December 2014: TL1,631,630).

**5. Segment information**

Disclosed in Note 2.3.

**6. Property and equipment**

**6.1 Depreciation and amortization expenses for the period:** TL101,486 (31 December 2014: TL87,317).

6.1.1 Depreciation expense: TL100,363 (31 December 2014: TL86,898).

6.1.2 Redemption and depletion: T1,123, (31 December 2014: TL419).

**6.2 Changes in depreciation calculation methods and effect of such changes on depreciation expenses for the year:** None (31 December 2014: None).

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

6.3.1 Cost of property and equipment purchased, manufactured or constructed: TL16,545 (31 December 2014: TL699,529).

6.3.2 Cost of property and equipment sold or used as scrap: None (31 December 2014: TL10,861).

6.3.3 Revaluation increases in the current period:

6.3.3.1 Cost of fixed assets (+): None (31 December 2014: None).

6.3.3.2 Accumulated depreciation (-): None (31 December 2014: None).

*Movement of tangible assets:*

	<b>1 January 2015</b>	<b>Additions</b>	<b>Disposals</b>	<b>31 December 2015</b>
<b>Cost:</b>				
Furniture and fixture	336,586	16,545	-	353,131
Leasehold improvements	362,943	-	-	362,943
<b>Total Cost</b>	<b>699,529</b>	<b>16,545</b>	<b>-</b>	<b>716,074</b>
<b>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>

## TÜRK PANDİ SİGORTA A.Ş.

### CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

#### 6. Property and equipment (Continued)

	1 January 2014	Additions	Disposals	31 December 2014
<b>Cost:</b>				
Furniture and fixture	10,861	336,586	(10,861)	336,586
Leasehold improvements	-	362,943	-	362,943
<b>Total Cost</b>	<b>10,861</b>	<b>699,529</b>	<b>(10,861)</b>	<b>699,529</b>
<b>Accumulated depreciation:</b>				
Furniture and fixture	(181)	(56,825)	181	(56,825)
Leasehold improvements	-	(30,073)	-	(30,073)
<b>Total Accumulated depreciation:</b>	<b>(181)</b>	<b>(86,898)</b>	<b>181</b>	<b>(86,898)</b>
<b>Net book value</b>	<b>10,680</b>			<b>612,631</b>

There are no mortgages on the fixed assets of the Company as of 31 December 2015 and 2014.

#### 7. Investment Properties

The Company does not have Investment Properties as of 31 December 2015 (31 December 2014: None).

#### 8. Intangible Assets

	1 January 2015	Additions	Disposals	31 December 2015
<b>Cost:</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>
	1 January 2014	Additions	Disposals	31 December 2014
<b>Cost:</b>				
Rights	-	1,955	-	1,955
<b>Total</b>	<b>-</b>	<b>1,955</b>	<b>-</b>	<b>1,955</b>
<b>Accumulated amortization:</b>				
Rights	-	(419)	-	(419)
<b>Total</b>	<b>-</b>	<b>(419)</b>	<b>-</b>	<b>(419)</b>
<b>Net book value</b>	<b>-</b>			<b>1,536</b>

#### 9. Investments in Associates

The Company does not have any investments in associates accounted for using the equity accounting method (31 December 2014: None).

# TÜRK P AND I SİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

### 10. Reinsurance Assets

#### Reinsurance Assets/ (Liabilities)

	31 December 2015	31 December 2014
Reinsurers' share of unearned premiums reserve (Note 17)	3,480,649	2,397,698
Reinsurers' share of outstanding claims provision (Note 17)	886,293	590,478
Deferral of commission income (Note 19)	(218,688)	(427,825)
Payables to Reinsurance companies (Note 19)	(4,663,977)	(3,074,744)

	1 January - 31 December 2015	1 January - 31 December 2014
--	---------------------------------	---------------------------------

#### Reinsurance Income/ (Expense)

Reinsurers' share of change in unearned premiums reserve (Note 17)	1,082,951	2,397,698
Reinsurers' share in paid claims	1,088,004	1,186,234
Commissions received from reinsurers (gross)	511,713	1,262,844
Reinsurers' share of change in outstanding claims provision (Note 17)	295,815	590,478
Ceded premiums to reinsurers (Note 24)	(9,303,459)	(6,539,817)

### 11. Financial assets

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

	31 December 2015	31 December 2014
Borrowings and receivables (Note 12.1)	2,827,734	1,601,418
<b>Total</b>	<b>2,827,734</b>	<b>1,601,418</b>

11.2 **Marketable securities issued during the year other than share certificates:** None (31 December 2014: None).

11.3 **Debt securities redeemed during the year:** None (31 December 2014: 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 2014: 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 2014: None).

11.6 **Value increase on financial assets in the last three years:** None (31 December 2014: None.)

11.7 - 11.9 **Other information about financial assets:** None (31 December 2014: 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 2015	31 December 2014
Receivables from insureds	2,827,734	1,601,418
<b>Receivables from main operations</b>	<b>2,827,734</b>	<b>1,601,418</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.

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### CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

12.3 Total mortgages and collaterals obtained for receivables: None (31 December 2014: 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 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>

##### 31 December 2014

Foreign Currency Type	Foreign Currency Amount	Exchange Rate	Amount TL
USD	690,594	2.3189	1,601,418
<b>Total</b>			<b>1,601,418</b>

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

The aging of due from insurance operations is as follows:

	31 December 2015	31 December 2014
Overdue receivables	245,782	62,748
Up to 3 months	1,264,524	750,065
3 - 6 months	902,250	569,721
6 months to 1 year	415,178	218,884
<b>Total</b>	<b>2,827,734</b>	<b>1,601,418</b>

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

	31 December 2015	31 December 2014
Up to 3 months	245,578	62,748
3 - 6 months	204	-
<b>Total</b>	<b>245,782</b>	<b>62,748</b>

The Company does not have doubtful receivables from main operations as of 31 December 2015 (31 December 2014: None).

#### 13. Derivative Financial Instruments

None.

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## CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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### 14. Cash and Cash Equivalents

Cash and cash equivalents that are included in the statements of cash flows for the year ended 31 December 2014 and 2015 are shown in Note 2.12 and the details of bank deposits of the Company are as follows:

	31 December 2015	31 December 2014
Cash (Note 2.12)	3,821	885
Banks (Note 2.12)	5,785,612	5,291,898
Bank Guaranteed Credit Card Receivables with Maturities Less than Three Months (Note 2.12)	49,243	11,658
<b>Total</b>	<b>5,838,676</b>	<b>5,304,441</b>

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

	31 December 2015	31 December 2014
Bank deposits in TL		
- demand deposits	243,826	1,467,225
- time deposits	3,158,639	2,195,575
	<b>3,402,465</b>	<b>3,662,800</b>
Foreign time deposits		
- demand deposits	976,543	1,629,098
- time deposits	1,406,604	-
	<b>2,383,147</b>	<b>1,629,098</b>
<b>Total</b>	<b>5,785,612</b>	<b>5,291,898</b>

As of 31 December 2015, time deposits amounting to TL2,000,000 is blocked in favour of the Treasury (31 December 2014: TL2,000,000) (Notes 17 and 43).

Time and demand deposits in foreign currency:

	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>

	31 December 2014			
	Foreign Currency		TL	
	Timed	Free	Timed	Free
USD	-	702,531	-	1,629,098
<b>Total</b>			<b>-</b>	<b>1,629,098</b>

### 15. Share Capital

The Company has 6,000,000 units of shares which are fully paid (31 December 2014: 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 2014: TL6,000,000).



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## CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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### 15. Share Capital (Continued)

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

	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>

  

	1 January 2014		Issued		Redeemed		31 December 2014	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid-in capital	300,000	300,000	5,700,000	5,700,000	-	-	6,000,000	6,000,000
<b>Total</b>	<b>300,000</b>	<b>300,000</b>	<b>5,700,000</b>	<b>5,700,000</b>	<b>-</b>	<b>-</b>	<b>6,000,000</b>	<b>6,000,000</b>

It was decided to increase the capital of the company during the Extraordinary General Meeting on 17 January 2014 from TL300,000 to TL6,000,000 in cash. The aforementioned capital raise was registered and declared on the Trade Registry Gazette No: 8499 on 3 February 2014 in accordance with the Ministry of Customs and Trade General Directorate of Domestic Trade's permission No: 895 on 21 January 2014 (Note 2.13).

### 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 2015	31 December 2014
Required guarantee amount to be provided for non-life branches (*)	1,733,333	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 2015 and 2014 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 2014: 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 2014: None).

#### 17.5 Units and amounts of share certificates in portfolio and in circulation: None (31 December 2014: 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 (1 January - 31 December 2014: None).

#### 17.7 Valuation methods of profit share calculation for life insurance: None (31 December 2014: None).

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

**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 2014: 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 2014: None).

**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 2014: 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:** None (31 December 2014: 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 2014: 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 2014: None).

**17.14 Profit share allocation rate to the life policyholders:** None (31 December 2014: None).

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

*Outstanding claims provision:*

	<b>2015</b>		<b>Net</b>
	<b>Gross</b>	<b>Reinsurers' Share</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>

*Unearned premium reserve:*

	<b>2014</b>		<b>Net</b>
	<b>Gross</b>	<b>Reinsurers' Share</b>	
Opening balance - 1 January	-	-	-
Paid claims	(1,186,234)	1,186,234	-
Change			
- Current period claims	1,613,838	(1,613,838)	-
<b>Closing balance reported claims - 31 December</b>	<b>427,604</b>	<b>(427,604)</b>	<b>-</b>
Claims incurred but not reported	162,874	(162,874)	-
<b>Total</b>	<b>590,478</b>	<b>(590,478)</b>	<b>-</b>

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**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015**

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

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

*Unearned premium reserve:*

	2015		
	Gross	Reinsurers' Share	Net
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>
	2014		
	Gross	Reinsurers' Share	Net
Opening balance - 1 January	-	-	-
Net change	2,686,833	(2,397,698)	289,135
<b>Closing balance - 31 December</b>	<b>2,686,833</b>	<b>(2,397,698)</b>	<b>289,135</b>

As of 31 December 2015 the deferred commission expense and income are TL750,880 (31 December 2014: TL260,532) and TL218,688 (31 December 2014: TL427,825) 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 2014: None).

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

	31 December 2015	31 December 2014
Payables to reinsurance companies	4,663,977	3,074,744
<b>Payables from main operations - Short - term</b>	<b>4,663,977</b>	<b>3,074,744</b>
Payables to suppliers	68,861	32,103
<b>Other payables</b>	<b>68,861</b>	<b>32,103</b>
Payables to shareholders	1,578	446
Payables to personnel	909	-
<b>Payables to related parties - Short- term</b>	<b>2,487</b>	<b>446</b>
Deferred commission income (Note 17)	218,688	427,825
Accrued expenses	6,454	6,396
<b>Expense and income accruals for future periods</b>	<b>225,142</b>	<b>434,221</b>

Foreign currency denominated payables are as follows:

**Payables to reinsurance companies:**

**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>

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

**31 December 2014**

<b>Foreign Currency Type</b>	<b>Foreign Currency Amount</b>	<b>Foreign Exchange Rate</b>	<b>Amount in TL</b>
USD	1,325,949	2.3189	3,074,744
<b>Total</b>			<b>3,074,744</b>

**20. Borrowings**

None (31 December 2014: 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 2014: %20).

As of 31 December 2014 and 2013 the temporary differences giving rise to deferred income tax assets and liabilities with using enacted tax rates are as follows:

	<b>Cumulative temporary differences</b>		<b>Deferred income tax assets/(liabilities)</b>	
	<b>31 December 2015</b>	<b>31 December 2014</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>Deferred income tax assets</b>				
Accumulated financial loss	2,838,234	1,984,061	567,647	396,812
Provision for employment termination benefits (Note 22)	41,580	-	8,316	-
Provision for bonus	-	60,000	-	12,000
			<b>575,963</b>	<b>408,812</b>
<b>Deferred income tax liabilities</b>				
Tangible and intangible assets	(87,299)	(48,319)	(17,460)	(9,664)
			<b>(17,460)</b>	<b>(9,664)</b>
<b>Net deferred income tax assets (Note 35)</b>			<b>558,503</b>	<b>399,148</b>

As of 31 December 2015 and 2014 the maturity distribution of the Company’s deductible financial losses:

	<b>31 December 2015</b>	<b>31 December 2014</b>
2018	69,611	69,611
2019	1,914,450	1,914,450
2020	854,173	-
<b>Total</b>	<b>2,838,234</b>	<b>1,984,061</b>

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

	<b>2015</b>	<b>2014</b>
Opening balance - 1 January	399,148	13,922
Deferred tax income (Note 35)	149,183	385,226
Deferred tax effect of actuarial gain loss recognized in equity	10,172	-
<b>Closing balance - 31 December</b>	<b>558,503</b>	<b>399,148</b>

**CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015**

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**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**

	<b>31 December 2015</b>	<b>31 December 2014</b>
Provision for employment termination benefits	41,580	-
	<b>41,580</b>	<b>-</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 TL3,828.37 for each year of service at 31 December 2015

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:

	<b>31 December 2015</b>	<b>31 December 2014</b>
Discount rate per annum (%)	3.46	-
Turnover rate to estimate the probability of retirement (%)	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 2016, provision for severance payment is calculated TL4,092.53.

Provision for employment termination benefits movement is given below:

	<b>2015</b>	<b>2014</b>
Opening Balance - 1 January	-	-
Paid during the period (Note 33)	(9,281)	-
Actuarial (gain)/ loss (*)	50,861	-
Provision during the period	-	-
<b>Closing Balance - 31 December</b>	<b>41,580</b>	<b>-</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).

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

The details of the provisions classified under provisions for expense accruals on the balance sheet are as follows:

	<b>31 December 2015</b>	<b>31 December 2014</b>
Provision for Personnel Bonuses	-	60,000
<b>Total</b>	<b>-</b>	<b>60,000</b>

**24. Net Insurance Premium Revenue**

	<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>
	<b>1 January- 31 December 2014</b>		
	<b>Gross</b>	<b>Reinsurance Share</b>	<b>Net</b>
Vessels liability	7,196,749	(6,539,817)	656,932
<b>Total premium income</b>	<b>7,196,749</b>	<b>(6,539,817)</b>	<b>656,932</b>

**25. Fee Income**

None (31 December 2014: None).

**26. Investment Income**

The detail of the investment income is given below:

	<b>1 January - 31 December 2015</b>	<b>1 January - 31 December 2014</b>
<b>Cash and cash equivalents</b>		
-Interest income	332,057	389,804
-Valuation of financial investments	13,220	-
-Interest expense	-	(999)
<b>Total</b>	<b>345,277</b>	<b>388,805</b>

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

None (31 December 2014: None).

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

None (31 December 2014: None).

**29. Insurance Benefits and Claims**

Disclosed in Note 17.

**30. Investment Contract Benefits**

None (31 December 2014: None).

## TÜRK P AND I SİGORTA A.Ş.

### CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

#### 31. Other expenses

	1 January - 31 December 2015	1 January - 31 December 2014
Operating expenses classified under technical part	4,255,918	2,593,469
<b>Total (Note 32)</b>	<b>4,255,918</b>	<b>2,593,469</b>

#### 32. Expenses by Nature

	1 January - 31 December 2015	1 January - 31 December 2014
Personnel expenses (Note 33)	2,211,791	1,640,381
Commission expenses	1,359,900	333,577
Rent expenses	266,250	221,366
Advertising and marketing expenses	156,662	115,467
Information technology expenses	152,760	186,739
Insurance Expense	143,939	58,905
Transportation expenses	129,800	100,346
Outsources benefits and services	127,022	347,286
Travel expenses	64,111	65,903
Operating Fee	60,000	-
Representation Expense	46,323	49,133
Communication Expense	25,453	15,594
Office expenses	18,412	85,441
Establishment and formation expenses	7,316	122,161
Other	207,029	86,189
Reinsurance commission income	(720,850)	(835,019)
<b>Total (Note 31)</b>	<b>4,255,918</b>	<b>2,593,469</b>

#### 33. Employee Benefit Expense

	1 January - 31 December 2015	1 January - 31 December 2014
Personnel salaries	1,955,831	1,443,963
Employer's share of SSI Premium	169,551	131,744
Employee termination payment (Note 22)	9,281	-
Other	77,128	64,674
<b>Total (Note 32)</b>	<b>2,211,791</b>	<b>1,640,381</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 2014: None).
- 34.1.2 Expenses related to fixed assets: None (31 December 2014: None).
- 34.1.3 Direct expenses: None (31 December 2014: TL999).

##### 34.2 Financial expenses related to shareholders, subsidiaries and associates (Any amount exceeding 20% of total will be disclosed separately): None (31 December 2014: None).

# TÜRK PANDİ SİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

### 34. Financial Costs (Continued)

**34.3 Sales to/purchases from shareholders, subsidiaries and associates (Any amount exceeding 20% of total will be disclosed separately.):** None (31 December 2014: 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.

### 35. Income Taxes

Tax income and expenses recognized in the statements of income for the periods ended 31 December 2015 and 2014 are summarized below:

	1 January - 31 December 2015	1 January - 31 December 2014
Deferred tax income (Note 21)	149,183	385,226
<b>Total tax income</b>	<b>149,183</b>	<b>385,226</b>
	31 December 2015	31 December 2014
Prepaid taxes	50,007	58,746
<b>Prepaid taxes</b>	<b>50,007</b>	<b>58,746</b>
Deferred income tax assets (Note 21)	575,963	408,812
Deferred income tax liabilities (Note 21)	(17,460)	(9,664)
<b>Deferred income tax assets, net (Note 21)</b>	<b>558,503</b>	<b>399,148</b>

The income tax reconciliation is as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Loss before tax (-)	(758,991)	(2,002,166)
Tax rate	%20	%20
Calculated Tax income	151,798	400,433
Effect of non-deductible expenses (-)	(2,615)	(15,207)
<b>Total tax income</b>	<b>149,183</b>	<b>385,226</b>

### 36. Net Foreign Exchange Gains

	1 January - 31 December 2015	1 January - 31 December 2014
Financial income	463,799	67,620
Technical expenses (-)	(162,561)	(62,666)
<b>Total</b>	<b>301,238</b>	<b>4,954</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 2015	1 January - 31 December 2014
Net loss for the period (-)	(609,808)	(1,616,940)
Weighted average number of shares with nominal value of TL 1 per share	6,000,000	5,562,740
Loss per Share (TL) (-)	(0.1016)	(0.2907)



## TÜRK PANDİ SİGORTA A.Ş.

### CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

#### 38. Dividends per Share

The company has no dividend distribution for the years ended 31 December 2015 and 2014.

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

#### 40. Convertible Bonds: None (31 December 2014: None).

#### 41. Redeemable Preference Shares: None (31 December 2014: None).

#### 42. Contingencies: None (31 December 2014: None).

#### 43. Commitments

*Total amount of mortgages or restrictions on assets:*

	31 December 2015	31 December 2014
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 2015, time deposits amounting to TL2,000,000 is blocked in favour of the Treasury (31 December 2014: TL2,000,000).

#### 44. Business Combinations

None (31 December 2014: None).

#### 45. Related Party Transactions

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.

	31 December 2015	31 December 2014
<b>a) Payables to shareholders</b>		
Ziraat Sigorta A.Ş.	1,578	446
<b>Total</b>	<b>1,578</b>	<b>446</b>
	<b>1 January -</b>	<b>1 January -</b>
	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>b) Written premium</b>		
Solar Gemi Kurtarma Hizmetleri A.Ş.	42,735	49,465
<b>Total</b>	<b>42,735</b>	<b>49,465</b>

#### 45.1 Doubtful receivables from shareholders, associates and subsidiaries: None (31 December 2014: 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 2014: None).

#### 45.3 Bonus shares obtained through internally funded capital increases of equity investments and subsidiaries: None (31 December 2014: None).

#### 45.4 Rights on immovables and their value: None (31 December 2014: None).

#### 45.5 Guarantees, commitments and securities given for shareholders, investments and subsidiaries: None (31 December 2014: None).

## TÜRK PANDİ SİGORTA A.Ş.

### CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2015

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

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

The employment termination benefit ceiling has been increased to TL4,092.53 effective from 1 January 2016.

#### 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:

###### a) Other liabilities

	31 January 2015	31 December 2014
Payables to suppliers	62,547	32,103
Other liabilities	6,314	-
<b>Total</b>	<b>68,861</b>	<b>32,103</b>

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

Insurance expense	23,642	23,713
Other	4,596	1,203
<b>Total</b>	<b>28,238</b>	<b>24,916</b>

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

Rent expense	9,253	13,709
Other	-	2,225
<b>Total</b>	<b>9,253</b>	<b>15,934</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 2014: None).

##### 47.3 Claim recovery receivables followed under off-balance sheet items: None (31 December 2014: None).

##### 47.4 Income and expenses related to prior periods and the amounts and sources of expenses and losses: None (31 December 2014: None).

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

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

	1 January - 31 December 2015	1 January - 31 December 2014
<i>Provisions expenses (-):</i>		
Bonus provision expenses	-	(60,000)
Provision for employment termination benefits	9,281	-
	<b>9,281</b>	<b>(60,000)</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</b>			
<b>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		-	-
<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 2015 and 2014, the statements of profit distribution have not been prepared.

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