

AKSIGORTA ANONİM ŐİRKETİ

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED
JANUARY 1 - JUNE 30, 2017**



REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Aksigorta Anonim Şirketi

Introduction

1. We have reviewed the accompanying condensed interim statement of financial position of Aksigorta Anonim Şirketi (the “Company”) as of 30 June 2017 and the related condensed interim statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six -month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

2. We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.



Other matter

4. The financial statements of the Company as of 31 December 2016 and for the year then ended were audited and the interim financial information as of 30 June 2016 and for the six - month period then ended were reviewed by another audit firm whose audit report dated 13 February 2017 expressed an unqualified opinion and whose review report dated 12 August 2016 expressed a conclusion that no material non-compliance with International Financial Reporting Standards has come to their attention.

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

A handwritten signature in blue ink, appearing to read 'Adnan Akan', with a long horizontal flourish extending to the right.

Adnan Akan, SMMM
Partner

Istanbul, 27 July 2017

AKSIGORTA A.Ş.

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD JANUARY 1 - JUNE 30, 2017**

TABLE OF CONTENTS	PAGE
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION	1
CONDENSED INTERIM INCOME STATEMENT	2
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME.....	3
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY	4
CONDENSED INTERIM STATEMENT OF CASH FLOWS.....	5
SELECTED NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS	6-29

AKSIGORTA A.Ş.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION FOR THE PERIOD JANUARY 1 - JUNE 30, 2017

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

Assets	Note	Reviewed	Audited
		June 30, 2017	December 31, 2016
Total current assets		3,293,231,394	2,720,121,494
Cash and cash equivalents	9	1,020,681,307	451,153,119
Securities pledged under repurchase agreements	9	40,024,798	30,045,425
Financial assets			
Debt securities:			
- Available for sale at company's risk	8	492,838,531	863,687,512
- Available for sale at insurees' risk	8	2,530,185	2,530,185
Premium receivables		467,789,223	395,918,459
Due from reinsurers		30,954	24,180,701
Reinsurance share of insurance liabilities	11	1,148,499,719	833,986,834
Deferred acquisition costs		80,846,148	74,244,366
Other current assets		39,990,529	44,374,893
Total non-current assets		75,779,378	89,245,110
Tangible assets	5	25,966,082	28,001,832
Investment properties		80,126	80,126
Intangible assets	6	43,027,513	41,176,250
Financial assets			
Equity securities:			
- Available for sale	8	360,636	220,889
Deferred income tax assets	14	-	19,558,809
Other non-current assets		6,345,021	207,204
Total assets		3,369,010,772	2,809,366,604
Liabilities			
Total current liabilities		2,856,103,627	2,375,893,942
Insurance liabilities	11	2,413,504,122	2,044,598,155
Payables to reinsurers	12	328,175,851	202,020,282
Obligations under repurchase agreements	9	40,024,798	30,031,438
Provisions for other liabilities and charges		26,710,740	36,839,062
Trade and other payables	12	46,339,731	62,405,005
Current income tax liabilities		1,348,385	-
Total non-current liabilities		5,869,104	6,335,367
Provision for retirement benefit obligation		5,778,720	6,335,367
Deferred income tax liability	14	90,384	-
Total equity		507,038,041	427,137,295
Shareholders' equity	10	306,000,000	306,000,000
Legal and other reserves	10	95,403,929	178,468,101
Actuarial loss arising from employee benefit	10	(3,480,535)	(3,472,406)
Hedging reserve	10	15,631,875	16,816,074
Available-for-sale investments fund	10	(424,045)	(7,203,045)
Retained earnings/accumulated deficit		93,906,817	(63,471,429)
Total equity and liabilities		3,369,010,772	2,809,366,604

The accompanying notes form an integral part of these condensed interim financial statement.

AKSIGORTA A.Ş.**CONDENSED INTERIM INCOME STATEMENT
FOR THE PERIOD JANUARY 1 - JUNE 30, 2017**

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

Income Statement	Note	Reviewed	Reviewed
		June 30, 2017	June 30, 2016
Insurance premium revenue	13	1,013,180,252	820,620,282
Insurance premium ceded to reinsurers	13	(432,957,973)	(328,770,735)
Net insurance premium revenue	13	580,222,279	491,849,547
Investment income		71,638,434	53,218,737
Commission income		79,701,062	68,953,032
Other operating income		2,556,615	1,786,412
Net income		734,118,390	615,807,728
Insurance claims	16	(694,099,935)	(438,684,027)
Insurance claims recovered from reinsurers	16	314,376,860	124,863,178
Net insurance claims	4, 16	(379,723,075)	(313,820,849)
Commission expense		(173,949,102)	(171,687,998)
Expenses for marketing and administration	4, 15	(74,878,002)	(69,877,058)
Other operating expenses		(16,862,475)	(13,276,993)
Insurance claims and expenses		(645,412,654)	(568,662,898)
Results of operating activities		88,705,736	47,144,830
Foreign exchange gain / (loss), net		5,209,250	(1,353,544)
Profit before tax		93,914,986	45,791,286
Income tax expense	4, 14	(19,600,912)	(9,413,126)
Profit for the period		74,314,074	36,378,160
Earnings per share		0.0024	0.0012

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

AKSIGORTA A.Ş.**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD JANUARY 1 - JUNE 30, 2017**

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

Statement of comprehensive income	Note	Reviewed June 30, 2017	Reviewed June 30, 2016
Profit for the period		74,314,074	36,378,160
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Change in available-for-sale financial assets fund, net off deferred tax	11	6,779,000	4,767,370
Cash flow hedging, net off deferred tax	11	(1,184,199)	(636,036)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		5,594,801	4,131,334
Other comprehensive income not being reclassified to profit or loss in subsequent periods:			
Actuarial loss, net off deferred tax	11	(8,129)	56,284
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		(8,129)	56,284
Other comprehensive income, net of tax		5,586,672	4,187,618
Total comprehensive income for the year, net of tax		79,900,746	40,565,778

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

AKSİGORTA A.Ş.

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD JANUARY 1 - JUNE 30, 2017**

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

June 30, 2016								Reviewed
	Note	Share capital	Available-for-sale investment funds	Legal reserves	Actuarial loss arising from employee benefit	Cash flow hedging	Retained earnings	Total
Balances at December 31, 2015	10	306,000,000	(5,945,992)	178,468,101	(3,744,443)	9,794,452	(134,021,909)	350,550,209
Profit for the year		-	-	-	-	-	36,378,160	36,378,160
Other comprehensive income		-	4,767,370	-	56,284	(636,036)	-	4,187,618
Total comprehensive income	10	-	4,767,370	-	56,284	(636,036)	36,378,160	40,565,778
Balances at June 30, 2016	10	306,000,000	(1,178,622)	178,468,101	(3,688,159)	9,158,416	(97,643,749)	391,115,987
June 30, 2017								Reviewed
	Note	Share capital	Available-for-sale investment funds	Legal reserves	Actuarial loss arising from employee benefit	Cash flow hedging	Retained earnings	Total
Balances at December 31, 2016	10	306,000,000	(7,203,045)	178,468,101	(3,472,406)	16,816,074	(63,471,429)	427,137,295
Profit for the year		-	-	-	-	-	74,314,074	74,314,074
Transfer		-	-	(83,064,172)	-	-	83,064,172	-
Other comprehensive income		-	6,779,000	-	(8,129)	(1,184,199)	-	5,586,672
Total comprehensive income	10	-	6,779,000	(83,064,172)	(8,129)	(1,184,199)	157,378,246	79,900,746
Balances at June 30, 2017	10	306,000,000	(424,045)	95,403,929	(3,480,535)	15,631,875	93,906,817	507,038,041

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

AKSIGORTA A.Ş.**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR PERIOD JANUARY 1 - JUNE 30, 2017**

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

Cash Flow Statement	Note	January 1 - June 30, 2017	January 1 - June 30, 2016
Cash inflows from insurance operations		797,930,816	789,037,109
Cash outflows from insurance operations		(538,547,582)	(611,473,114)
Income tax payment		(3,583,729)	(6,634,428)
Cash inflows/(outflows)from operational expenses		(84,965,253)	(146,176,983)
Net cash flows from operating activities		170,834,252	24,752,584
Tangible asset acquisitions		(365,099)	(3,431,356)
Financial asset acquisitions / disposals		379,716,314	(138,752,194)
Interest received		48,797,867	57,691,311
Other cash inflows/(outflows)		8,457,407	(51,772,647)
Net cash flows from investing activities		436,606,489	(136,264,886)
Dividends paid		-	-
Net cash flows from financing operations		-	-
Net increase/(decrease) in cash and cash equivalents		607,440,741	(111,512,302)
Cash and cash equivalents at the beginning of the period		332,076,914	546,650,423
Cash and cash equivalents at the end of the period	9	939,517,655	435,138,121

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

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2017

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

1. General Information

Aksigorta Anonim Şirketi (“the Company”) is a subsidiary of Hacı Ömer Sabancı Holding A.Ş. and Ageas Insurance International N.V. as of June 30, 2017. 38.02% (December 31, 2016: 38.02%) of the Company is issued in Borsa İstanbul (“BİST”) (Note 2.3).

Agreement about the sale of %50 of 18,965,880,200 units of Aksigorta A.Ş. shares with TL 189,658,802 nominal value that belong to H.Ö. Sabancı Holding (“Holding”) portfolio was signed with Ageas Insurance International N.V. at 18 February 2011. At the date of 29 July 2011, 9,482,940,100 units of Aksigorta A.Ş. shares that correspond to %50 of the Holding’ s portfolio have been transferred to Ageas Insurance International N.V. with the sale price (excluding the corrections) of USD 220,029,000. According to the joint administration agreement that signed with Ageas Insurance International N.V. at 18 February 2011, Holding’s previous administrative controls over Aksigorta A.Ş. are going to remain equally with Ageas Insurance International N.V.

The Company is a corporation, which was established in accordance with the requirements of Turkish Commercial Code and registered in Turkey as at 25 April 1960. The Company is located at Poligon Cad. Buyaka 2 Sitesi No:8 Kule:1 Kat:0-6 Ümraniye 34771, İstanbul.

The Company’s main operations include insurance activities based on non-life insurance branches, including primarily fire, marine, accident, personal accident, engineering, agriculture and health.

Average numbers of employees during the period by category are as follows:

	June 30, 2017	December 31, 2016
Top and middle management	101	111
Other personel	507	493
Total	608	604

Remuneration and fringe benefits provided to top management such as; chairman and members of the board of directors, managing director and assistant managing directors amount to 3,086,893 TL in total for January 1 - June 30, 2017 (January 1 - June 30, 2016: TL 2,688,172).

Financial statements include only one company (Aksigorta A.Ş.) and the Company does not have any subsidiaries or affiliates as of June 30, 2017 (December 31, 2016: None).

The Company’s interim condensed financial statements as of June 30, 2017 are approved and authorized for issuance as of July 27, 2017 by the Board of Directors

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2017**

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The interim condensed financial statements at June 30, 2017 have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”). The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual financial statements as at December 31, 2016 and any public announcement made by the company during the interim period.

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira (“TL”) in accordance with the Insurance Law numbered 5684 and the regulations issued for insurance and reinsurance companies by the Undersecretariat of Treasury which is also the functional currency of the Company. These financial statements are based on the statutory records, with adjustments and reclassifications, for the purpose of fair presentation in accordance with IFRS.

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise its judgements in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to financial statements are disclosed Note 3.

Comparative information and restatement of prior period financial statements

The Company’s statement of financial position as of June 30, 2017 is presented in comparison with its statement of financial position as of December 31, 2016; statement of comprehensive income, statement of changes in equity and statement of cash flows for the period between January 1 – June 30, 2017 are presented in comparison with its statement of comprehensive income, statement of changes in equity and statement cash flows for the period between January 1 – June 30, 2016.

2.2 Adoption of New and Revised Standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at June 30, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2016. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

i) Standards, amendments and interpretations applicable as at 30 June 2017

Amendments to IAS 7 ‘Statement of cash flows’ on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB’s Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

Amendments IAS 12 ‘Income Taxes’, effective from annual periods beginning on or after 1 January 2017. The amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Annual improvements 2014-2016; IFRS 12, ‘Disclosure of interests in other entities’ regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2017**

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

2. Summary of significant accounting policies (Continued)

ii) Standards issued but not yet effective and not early adopted

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

Amendments to IFRS 2, ‘Share based payments’ on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.

IFRS 9 ‘Financial instruments’, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in 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.

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.

Amendment to IFRS 15, ‘Revenue from contracts with customers’, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

IFRS 16 ‘Leases’, effective from annual periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15, ‘Revenue from Contracts with Customers’, is also applied. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2017**

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

2. Summary of significant accounting policies (Continued)

ii) Standards issued but not yet effective and not early adopted (Continued)

Amendments to IFRS 4, ‘Insurance contracts’ regarding the implementation of IFRS 9, ‘Financial Instruments’, effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

- give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard- IAS 39.

Amendment to IAS 40, Investment property’ relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

Annual improvements 2014-2016;

IFRS 1, ‘First-time adoption of IFRS’, regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.

IAS 28, ‘Investments in associates and joint ventures’ regarding measuring an associate or joint venture at fair value effective 1 January 2018.

IFRIC 22, ‘Foreign currency transactions and advance consideration’, effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

IFRS 17, ‘Insurance contracts’, effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

2.3 Share capital

As of June 30, 2017, the Company’s nominal capital is TL 306,000,000 (December 31, 2016: TL 306,000,000). Share capital is represented by 30,600,000,000 of equity shares having a nominal amount of TL 0,01 each.

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2017

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

2. Summary of significant accounting policies (Continued)

2.3 Share capital (Continued)

The share capital structure of the Company is as follows:

Name of shareholders	June 30, 2017		December 31, 2016	
	Share	Share amount	Share	Share amount
H. Ömer Sabancı Holding A.Ş.	36.00	110,160,000	36.00	110,160,000
Ageas Insurance International NV	36.00	110,160,000	36.00	110,160,000
Publicly quoted shares	28.00	85,680,000	28.00	85,680,000
Total	100.00	306,000,000	100.00	306,000,000

Agreement about the sale of 50% of 18,965,880,200 units of Aksigorta A.Ş. shares with nominal value of TL 189,658,802 that belong to H.Ö. Sabancı Holding (“Holding”) portfolio, was signed with Ageas Insurance International N.V. at 18 February 2011. 9,482,940,100 units of Aksigorta A.Ş. shares that correspond to 50% of the Holding’ s portfolio has been transferred to Ageas Insurance International N.V. on 29 July 2011 with a sale price of USD 220,029,000 except for adjustments to sale price.

The Company has accepted the registered capital system set out in accordance with the provisions of Law No: 2499 and applied the system as of June 15, 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As of June 30, 2017, the Company’s registered share capital is TL 500,000,000 (December 31, 2016: TL 500,000,000).

3. Critical accounting estimates and judgements

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 statement of financial position 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 one of the most critical accounting estimates. Estimation of the insurance liabilities, by nature, includes the evaluation of several uncertainties.

4. Segment information

Information related to the operational reporting made by the Company to the chief operating decision-maker in accordance with the “IFRS 8 - Operating Segments” is disclosed in this part.

Numerical limits in “IFRS 8 - Operating Segments” is also considered as the reporting to the chief operating decision-maker in the determination of segments and the premium production and net technical income of the segments are considered while determining a separate operating segment.

The Company has been operating in Turkey. Since the effect of the foreign operations on financial statements is extremely low, geographic segment information is not given.

AKSİGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2017

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

4. Segment information (Continued)

Segment results for period January 1 - June 30, 2017 is as follows:

January 1 - June 30, 2017	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	67,379,325	11,025,915	274,410,077	120,413,062	34,966,226	31,980,867	40,046,807	-	580,222,279
Earned Premiums (Net of Reinsurer Share)	67,379,325	11,025,915	274,410,077	120,413,062	34,966,226	31,980,867	40,046,807	-	580,222,279
Premiums (Net of Reinsurer Share)	78,123,767	11,353,542	241,825,342	116,477,950	41,342,740	39,755,928	42,040,818	-	570,920,087
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(10,744,442)	(327,627)	32,584,735	3,935,112	(6,376,514)	(7,775,061)	(1,994,011)	-	9,302,192
TECHNICAL EXPENSES	(65,855,312)	(5,048,878)	(294,607,940)	(114,348,116)	(32,925,523)	(23,579,140)	(26,790,068)	-	(563,154,977)
Total Claims (Net of Reinsurer Share)	(39,059,041)	(2,728,542)	(211,879,509)	(97,273,387)	(14,521,509)	(1,490,550)	(12,770,537)	-	(379,723,075)
Claims Paid (Net of Reinsurer Share)	(29,091,181)	(976,770)	(202,878,524)	(70,441,452)	(7,601,501)	(2,834,315)	(6,013,055)	-	(319,836,798)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(9,967,860)	(1,751,772)	(9,000,985)	(26,831,935)	(6,920,008)	1,343,765	(6,757,482)	-	(59,886,277)
Commissions (Net)	(10,810,399)	(1,190,822)	(49,478,596)	(3,070,142)	(10,557,070)	(12,850,529)	(6,290,482)	-	(94,248,040)
Operating Expenses	(14,131,752)	(826,107)	(26,924,206)	(10,691,103)	(6,884,756)	(8,793,023)	(6,627,055)	-	(74,878,002)
Other Operating Income / Expenses	(1,854,120)	(303,407)	(6,325,629)	(3,313,484)	(962,188)	(445,038)	(1,101,994)	-	(14,305,860)
	1,524,013	5,977,037	(20,197,863)	6,064,946	2,040,703	8,401,727	13,256,739	-	17,067,302
Investment income	-	-	-	-	-	-	-	71,638,434	71,638,434
Foreign exchange income	-	-	-	-	-	-	-	5,209,250	5,209,250
Tax expense	-	-	-	-	-	-	-	(19,600,912)	(19,600,912)
Net Profit / (Loss)	1,524,013	5,977,037	(20,197,863)	6,064,946	2,040,703	8,401,727	13,256,739	57,246,772	74,314,074

AKSİGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2017

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

4. Segment information (continued)

Segment results for period January 1 - June 30, 2016 is as follows:

January 1 - June 30, 2016	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	66,276,951	11,129,609	232,508,931	54,513,560	35,200,053	28,575,948	63,644,495	-	491,849,547
Earned Premiums (Net of Reinsurer Share)	66,276,951	11,129,609	232,508,931	54,513,560	35,200,053	28,575,948	63,644,495	-	491,849,547
Premiums (Net of Reinsurer Share)	70,955,370	11,180,176	251,988,018	103,228,872	34,012,738	28,283,002	33,939,150	-	533,587,326
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(4,678,419)	(50,567)	(19,479,087)	(48,715,312)	1,187,315	292,946	29,705,345	-	(41,737,779)
TECHNICAL EXPENSES	(55,622,899)	(6,410,695)	(252,876,562)	(76,821,201)	(27,232,180)	(57,752,517)	(21,207,400)	-	(497,923,454)
Total Claims (Net of Reinsurer Share)	(31,773,908)	(3,861,340)	(176,884,157)	(48,409,523)	(10,557,920)	(32,164,865)	(10,169,136)	-	(313,820,849)
Claims Paid (Net of Reinsurer Share)	(23,919,613)	(2,898,619)	(166,666,938)	(78,899,138)	(9,580,130)	(54,568,139)	(7,695,327)	-	(344,227,904)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(7,854,295)	(962,721)	(10,217,219)	30,489,615	(977,790)	22,403,274	(2,473,809)	-	30,407,055
Commissions (Net)	(10,585,261)	(1,692,522)	(44,281,971)	(17,253,662)	(10,378,122)	(14,409,492)	(4,133,936)	-	(102,734,966)
Operating Expenses	(11,833,235)	(622,748)	(26,485,727)	(8,601,567)	(5,553,788)	(10,719,101)	(6,060,892)	-	(69,877,058)
Other Operating Income / Expenses	(1,430,495)	(234,085)	(5,224,707)	(2,556,449)	(742,350)	(459,059)	(843,436)	-	(11,490,581)
	10,654,052	4,718,914	(20,367,631)	(22,307,641)	7,967,873	(29,176,569)	42,437,095	-	(6,073,907)
Investment income	-	-	-	-	-	-	-	53,218,737	53,218,737
Foreign exchange income	-	-	-	-	-	-	-	(1,353,544)	(1,353,544)
Tax expense	-	-	-	-	-	-	-	(9,413,126)	(9,413,126)
Net Profit / (Loss)	10,654,052	4,718,914	(20,367,631)	(22,307,641)	7,967,873	(29,176,569)	42,437,095	42,452,067	36,378,160

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2017

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

5. Tangible assets

As of June 30, 2017 and 2016 tangible assets movement and its accumulated depreciation is as follows:

Costs:	January 1, 2017	Additions	Disposals	Transfers	June 30, 2017
Property for operational use	1,598,569	-	-	-	1,598,569
Furniture and fixtures and leased tangible assets	22,168,371	371,864	(22,341)	-	22,517,894
Other tangible assets (including leasehold improvements)	20,331,354	15,576	-	-	20,346,930
Advances for tangible assets	-	-	-	-	-
Total	44,098,294	387,440	(22,341)	-	44,463,393

Accumulated depreciation: (-)	January 1, 2017	Additions	Disposals	Transfers	June 30, 2017
Property for operational use	(505,122)	(15,902)	-	-	(521,024)
Furniture and fixtures and leased tangible assets	(10,064,184)	(1,322,153)	7,695	-	(11,378,642)
Other tangible assets	(5,527,156)	(1,070,489)	-	-	(6,597,645)
Total	(16,096,462)	(2,408,544)	7,695	-	(18,497,311)

Net book value	28,001,832	(2,021,104)	(14,646)	-	25,966,082
-----------------------	-------------------	--------------------	-----------------	----------	-------------------

Costs:	January 1, 2016	Additions	Disposals	Transfers	June 30, 2016
Property for operational use	1,598,569	-	-	-	1,598,569
Furniture and fixtures and leased tangible assets	16,861,760	3,234,402	-	-	20,096,162
Other tangible assets (including leasehold improvements)	20,034,606	196,954	-	-	20,231,560
Advances for tangible assets	7,376	-	-	-	7,376
Total	38,502,311	3,431,356	-	-	41,933,667

Accumulated depreciation: (-)	January 1, 2016	Additions	Disposals	Transfers	June 30, 2016
Property for operational use	(896,329)	(149,078)	-	-	(1,045,407)
Furniture and fixtures and leased tangible assets	(10,338,950)	(883,924)	-	-	(11,222,874)
Other tangible assets	(727,715)	(881,631)	-	-	(1,609,346)
Total	(11,962,994)	(1,914,633)	-	-	(13,877,627)

Net book value	26,539,317	1,516,723	-	-	28,056,040
-----------------------	-------------------	------------------	----------	----------	-------------------

The Company has not accounted for any impairment provision for tangible fixed assets in the current period.

Total depreciation expense is TL 8,322,561 (January 1 - June 30, 2016: TL 6,027,817).

AKSIGORTA A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2017**

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

6. Intangible assets

Costs:	January 1, 2017	Additions	Disposals	Transfers	June 30, 2017
Rights	69,825,964	7,352,576	-	-	77,178,540
Advances given for intangible assets	1,577,347	412,704	-	-	1,990,051
Total	71,403,311	7,765,280	-	-	79,168,591

Accumulated depreciation: (-)	January 1, 2017	Additions	Disposals	Transfers	June 30, 2017
Rights	(30,227,061)	(5,914,017)	-	-	(36,141,078)
Total	(30,227,061)	(5,914,017)	-	-	(36,141,078)

Net book value	41,176,250	1,851,263	-	-	43,027,513
-----------------------	-------------------	------------------	----------	----------	-------------------

Costs:	January 1, 2016	Additions	Disposals	Transfers	June 30, 2016
Rights	52,085,155	3,872,412	-	1,374,214	57,331,781
Advances given for intangible assets	2,666,428	395,375	(83,885)	(1,374,214)	1,603,704
Total	54,751,583	4,267,787	(83,885)	-	58,935,485

Accumulated depreciation: (-)	January 1, 2016	Additions	Disposals	Transfers	June 30, 2016
Rights	(20,757,045)	(4,113,184)	-	-	(24,870,229)
Total	(20,757,045)	(4,113,184)	-	-	(24,870,229)

Net book value	33,994,538	154,603	(83,885)	-	34,065,256
-----------------------	-------------------	----------------	-----------------	----------	-------------------

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2017

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

7. Management of insurance and financial risk

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. These risks are monitored by the analysis of exchange rate position. The details of the Company's foreign currency denominated assets and liabilities as of June 30, 2017 and December 31, 2016 are disclosed below:

June 30, 2017			
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	14,977,806	3.5071	52,528,663
EUR	300,864	4.0030	1,204,359
GBP	17,429	4.5413	79,150
CHF	34,832	3.6524	127,220
Total			53,939,392
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	38,955,206	3.5071	136,619,803
EUR	8,177,029	4.0030	32,732,647
GBP	178,594	4.5413	811,049
CHF	8,384	3.6524	30,622
Other			13,138
Total			170,207,259
Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	25,310,424	3.5071	88,766,189
Total			88,766,189
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(6,806,479)	3.5071	(23,871,002)
EUR	(1,350,660)	4.0030	(5,406,691)
Other			(5,571)
Total			(29,283,264)
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(36,644,684)	3.5071	(128,516,572)
EUR	(5,090,143)	4.0030	(20,375,842)
Other			(1,136,687)
Total			(150,029,101)
Off-balance sheet liabilities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(15,350,651)	3.5071	(53,836,268)
Total			(53,836,268)
Net Foreign Currency Position			79,764,207

AKSIGORTA A.Ş.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2017**

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

7. Management of insurance and financial risk (Continued)

December 31, 2016			
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	7,685,137	3.5192	27,045,534
EUR	1,146,085	3.7099	4,251,861
GBP	109,075	4.3189	471,084
CHF	55,429	3.4454	190,975
Other			2,832
Total			31,962,286

Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	24,560,886	3.5192	86,434,670
EUR	4,765,794	3.7099	17,680,619
GBP	61,864	4.3189	267,184
CHF	8,328	3.4454	28,693
Other			9,663
Total			104,420,829

Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	23,881,989	3.5192	84,045,496
Total			84,045,496

Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(6,397,972)	3.5192	(22,515,743)
EUR	(1,327,179)	3.7099	(4,923,701)
Other			(17,841)
Total			(27,457,285)

Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(24,072,894)	3.5192	(84,717,329)
EUR	(4,457,973)	3.7099	(16,538,634)
Other			(779,160)
Total			(102,035,123)

Off-balance sheet liabilities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(16,358,049)	3.5192	(57,567,247)
Total			(57,567,247)

Net Foreign Currency Position			33,368,955
--------------------------------------	--	--	-------------------

AKSİGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2017

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

7. Management of insurance and financial risk (Continued)

Liquidity risk

Liquidity risk is the possibility of non-performance of the Company's due liabilities. Events that give rise to funding shortages, such as; market deteriorations and decrease in credit ratings, are the main reasons of liquidity risk. The Company manages its liquidity risk through having adequate cash and cash equivalents in order to fulfill its current and possible liabilities by allocating its funds.

Table of liquidity risk as of June 30, 2017 is as follows:

June 30, 2017	Up to 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	261,475,482	748,651,454	-	-	-	10,554,371	1,020,681,307
Securities pledged under repurchase agreements	-	40,024,798	-	-	-	-	40,024,798
Financial assets available for sale	-	6,307,659	67,289,889	145,103,706	72,102,465	202,034,812	492,838,531
Investments on policyholders' risk	-	-	-	2,530,185	-	-	2,530,185
Receivables from main operations	124,723,036	166,112,313	161,461,228	15,492,646	-	-	467,789,223
Due from reinsurance companies	-	-	30,954	-	-	-	30,954
Reinsurers' share of insurance liabilities	391,911,523	287,659,049	394,289,511	40,691,678	33,947,958	-	1,148,499,719
Equity securities	-	-	-	-	-	360,636	360,636
Other assets	-	120,836,677	-	-	-	-	120,836,677
Total Assets	778,110,041	1,369,591,950	623,071,582	203,818,215	106,050,423	212,949,819	3,293,592,030
Derivative financial liabilities	-	-	-	-	-	-	-
Obligations under repurchase agreements	40,024,798	-	-	-	-	-	40,024,798
Insurance liabilities	800,672,534	596,490,213	865,235,829	82,378,995	68,726,551	-	2,413,504,122
Due to reinsurers	-	-	328,175,851	-	-	-	328,175,851
Trade and other payables	-	-	113,075,269	-	-	-	113,075,269
Total liabilities and shareholders' equity	840,697,332	596,490,213	1,306,486,949	82,378,995	68,726,551	-	2,894,780,040
Liquidity surplus/(deficit)	(62,587,291)	773,101,737	(683,415,367)	121,439,220	37,323,872	212,949,819	398,811,990

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2017

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

7. Management of insurance and financial risk (Continued)

Table of liquidity risk as of December 31, 2016 is as follows:

December 31, 2016	Up to 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	141,435,488	291,689,248	-	-	-	18,028,383	451,153,119
Securities pledged under repurchase agreements	-	30,045,425	-	-	-	-	30,045,425
Financial assets available for sale	378,786,360	11,068,599	46,032,680	142,741,726	74,677,041	210,381,106	863,687,512
Investments on policyholders' risk	-	-	-	2,530,185	-	-	2,530,185
Receivables from main operations	115,408,195	152,956,844	127,553,420	-	-	-	395,918,459
Due from reinsurance companies	-	-	24,180,701	-	-	-	24,180,701
Reinsurers' share of insurance liabilities	136,430,102	177,811,722	519,745,010	-	-	-	833,986,834
Equity securities	-	-	-	-	-	220,889	220,889
Other assets	-	118,619,259	-	-	-	-	118,619,259
Total Assets	772,060,145	782,191,097	717,511,811	145,271,911	74,677,041	228,630,378	2,720,342,384
Obligations under repurchase agreements	-	30,031,438	-	-	-	-	30,031,438
Insurance liabilities	297,530,449	495,814,685	1,251,253,021	-	-	-	2,044,598,155
Due to reinsurers	-	-	202,020,282	-	-	-	202,020,282
Trade and other payables	-	-	99,244,067	-	-	-	99,244,067
Total liabilities and shareholders' equity	297,530,449	525,846,123	1,552,517,370	-	-	-	2,375,893,942
Liquidity surplus/(deficit)	474,529,696	256,344,974	(835,005,559)	145,271,911	74,677,041	228,630,378	344,448,442

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2017

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

8. Financial assets

Available for sale debt securities:

June 30, 2017			
	Cost Value	Fair Value	Book Value
Government bonds	173,428,335	202,034,809	202,034,809
Private bonds	172,811,781	179,027,505	179,027,505
Investment Funds	89,655,311	88,766,191	88,766,191
Eurobonds	25,436,104	23,010,026	23,010,026
Total	461,331,531	492,838,531	492,838,531

December 31, 2016			
	Cost Value	Fair Value	Book Value
Government bonds	189,073,620	210,381,106	210,381,106
Private bonds	157,224,003	159,914,268	159,914,268
Investment Funds	88,642,117	84,045,498	84,045,498
Eurobonds	414,615,001	409,346,640	409,346,640
Total	849,554,741	863,687,512	863,687,512

Financial assets at insurees’ risk:

June 30, 2017			
	Cost Value	Fair Value	Book Value
Government bonds	2,530,185	2,530,185	2,530,185
Total	2,530,185	2,530,185	2,530,185

December 31, 2016			
	Cost Value	Fair Value	Book Value
Government bonds	2,530,185	2,530,185	2,530,185
Total	2,530,185	2,530,185	2,530,185

Equity shares under available-for-sale investments:

As of June 30, 2017, the Company has an investment in Merter BV with a 25% participation rate (December 31, 2016: 25%). Merter BV is a real estate company which has an investment in a shopping mall and office building with 50% participation rate. The Company has a final participation rate of 12,5% in the real estates. Since the Company does not have any influence in the financial and operating policy decisions of the investee, this investment is classified as available for sale financial asset and carried at its fair value. The Company has booked impairment provision for Merter BV amounting to TL 30,116,653 in its financial statements as of June 30, 2017 in accordance with the appraisal report obtained from an independent appraisal firm (December 31, 2016: TL 30,116,653).

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2017

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

8. Financial assets (Continued)

List of the investments and fair values is as below:

	June 30, 2017		
	Cost Value	Fair Value	Book Value
<i>Equity investments</i>			
Merter BV	30,116,653	-	-
Tarsim	360,636	-	360,636
Total	30,477,289	-	360,636
	December 31, 2016		
	Cost Value	Fair Value	Book Value
<i>Equity investments</i>			
Merter BV	30,116,653	-	-
Tarsim	220,889	-	220,889
Total	30,337,542	-	220,889

Fair Value Hierarchy

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. Fair value measurements are performed in accordance with the following fair value measurement hierarchy.

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

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

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

	June 30, 2017	Level 1	Level 2	Level 3
Available for sale at company's risk	492,838,531	492,838,531	-	-
Available for sale at insurees' risk	2,530,185	2,530,185	-	-
Total	495,368,716	495,368,716	-	-
	December 31, 2016	Level 1	Level 2	Level 3
Available for sale at company's risk	863,687,512	863,687,512	-	-
Available for sale at insurees' risk	2,530,185	2,530,185	-	-
Total	866,217,697	866,217,697	-	-

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2017

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

9. Cash and cash equivalents

The details of cash and cash equivalents of the Company are as follows:

	June 30, 2017	December 31, 2016
Cash at banks	825,655,747	240,333,856
-time deposits	815,101,376	222,305,473
-demand deposits	10,554,371	18,028,383
Bank guaranteed credit card receivables with maturity less than 3 months	195,025,560	210,819,263
	1,020,681,307	451,153,119
Securities pledge under repurchase agreements (*)	40,024,798	30,045,425
Total cash and cash equivalents	1,060,706,105	481,198,544

(*) The Company has reflected TL 40,024,798 of time deposits as securities pledged under repurchase agreements in the financial statements as of June 30, 2017 (December 31, 2016: TL 30,045,425).

The maturities of the Company’s time deposits as of June 30, 2017 are less than six months (December 31, 2016: Less than six months).

Cash and cash equivalents that are included in the statements of cash flows for the periods January 1 - June 30, 2017 and January 1 - December 31, 2016 are as follows:

	June 30, 2017	December 31, 2016
Total cash and cash equivalents	1,060,706,105	481,198,544
Interest accrual on cash at banks (-)	(1,408,250)	(257,966)
Blocked time deposits	(119,780,200)	(148,863,664)
Cash and cash equivalents per statement of cash flow	939,517.655	332.076.914

Weighted average interest rates of time deposits:

	June 30, 2017	December 31, 2016
TL	12,25 - 15,00	7,25 - 13,95
USD	2,25-2,25	0,10 - 3,40
EUR	0,70-0,70	0,10 - 1,85

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2017

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

10. Equity

As of June 30, 2017, the Company’s total amount of nominal shares is 30,600,000,000 (December 31, 2016: 30,600,000,000) which has all been paid. The face value of the Company’s common stocks is TL 0,01 each and the total nominal amount is TL 306,000,000 (December 31, 2016: TL 306,000,000).

Movement of common stocks at opening balance and closing balance is as follows:

	January 1, 2017		Issued Capital		Amortised		June 30, 2017	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000
Total	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000

	January 1, 2016		Issued Capital		Amortised		December 31, 2016	
	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000
Total	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000

Movement of legal reserves is as follows:

Legal Reserves	2017	2016
Opening balance, January 1	178,468,101	178,468,101
Transfers from retained earnings	(83,064,172)	-
Closing balance, June 30	95,403,929	178,468,101

Actuarial gain / (loss)

In accordance with changes regarding “IAS 19 – Employee Benefits” effective as of January 1, 2013, net-off deferred tax actuarial loss amounting to TL 4,350,669 (net off deferred tax: TL (3,480,535) resulting from retirement pay liability calculation has been accounted to extraordinary reserves under equity.

Movement of actuarial loss arising from employee benefit is as follows:

Actuarial Loss	2017	2016
Opening balance, January 1	4,340,507	4,680,554
Change for the period	10,162	(340,047)
Closing balance, June 30, gross	4,350,669	4,340,507

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2017

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

10. Equity (Continued)

Available for sale investments fund:

The unrealized gains and losses that result from the changes in the fair values of available for sale financial assets are directly recognized in the shareholders’ equity as “Available for sale investments fund”. Movement of available for sale investments fund is below:

Available for sale investments fund	2017	2016
Opening balance, January 1	(7,203,045)	(5,945,992)
Increase/decrease in value recognized under the shareholders’ equity in the current period	6,779,000	(1,257,053)
Closing balance, June 30	(424,045)	(7,203,045)

Hedge Accounting

The Company recognizes the changes in value of hedged asset by the foreign currency differences under equity. As of June 30, 2017, TL 19,539,843 (net: TL 15,631,875) is recognized under equity resulting from hedge accounting (December 31, 2016: TL 21,020,093 net: TL 16,816,074).

June 30, 2017					
Amount of deposit	Currency	Exchange rate at the beginning	Exchange rate at the end	Exchange difference	
15,350,651	USD	2.23	3.51	(19,539,843)	

December 31, 2016					
Amount of deposit	Currency	Exchange rate at the beginning	Exchange rate at the end	Exchange difference	
16,358,049	USD	2.23	3.52	(21,020,093)	

Type risk and principle of the cash flow hedge

The Company aims to prevent the future foreign exchange risk resulting from the operational leases by hedging with the eurobond amounting to USD 25,310,424 .

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2017

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

11. Insurance liabilities

Gross	June 30, 2017	December 31, 2016
Reserve for unearned premiums	1,100,101,570	995,397,648
Outstanding claims provision	1,311,435,060	1,045,955,010
Life actuarial mathematical reserves	1,401,753	1,373,929
Life profit share provision	155,750	152,659
Bonus and rebates provision	409,989	1,718,909
Total	2,413,504,122	2,044,598,155
Reinsurance Share	June 30, 2017	December 31, 2016
Reinsurers’ share of outstanding claims	648,366,604	446,542,113
Reinsurers’ share of unearned premiums	499,735,384	385,729,269
Bonus and rebates provision	397,731	1,715,452
Total	1,148,499,719	833,986,834
Net	June 30, 2017	December 31, 2016
Reinsurers’ share of outstanding claims	663,068,456	599,412,897
Reinsurers’ share of unearned premiums	600,366,186	609,668,379
Life actuarial mathematical reserves	1,401,753	1,373,929
Life profit share provision	155,750	152,659
Bonus and rebates provision	12,258	3,457
Total	1,265,004,403	1,210,611,321

12. Payables to reinsurers, trade and other payables

	June 30, 2017	December 31, 2016
Payables to reinsurers	328,175,851	202,020,282
Payables due to main operations	328,175,851	202,020,282
Payables to SSI regarding medical expenses	4,545,494	4,268,447
Taxes payable	13,162,750	17,872,576
Payables to Turkish Catastrophe Insurance Pool	15,076,284	21,395,892
Payables to contracted institutions	4,094,694	6,010,520
Payables to suppliers	5,678,614	10,538,496
Other	3,781,895	2,319,074
Total other short term payables	46,339,731	62,405,005
Total financial liabilities trade and other payables, deferred income	374,515,582	264,425,287

AKSIGORTA A.Ş.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT JUNE 30, 2017

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

13. Net insurance premium income

The distribution of premium income is as follows:

	January 1 – June 30, 2017			January 1 – June 30, 2016		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Written premium	1,117,884,175	(546,961,588)	570,922,587	970,336,007	(437,031,798)	533,304,209
Change in unearned premium reserve	(104,703,923)	114,003,615	9,299,692	(149,715,725)	108,261,063	(41,454,662)
Total premium revenue	1,013,180,252	(432,957,973)	580,222,279	820,620,282	(328,770,735)	491,849,547
Fire	292,981,714	(214,857,947)	78,123,767	238,810,724	(167,855,354)	70,955,370
Marine	27,040,116	(15,686,574)	11,353,542	18,263,519	(7,083,343)	11,180,176
Motor Own Damage	257,605,048	(15,779,706)	241,825,342	268,976,763	(16,988,744)	251,988,019
Motor Third Party Liability	125,501,905	(9,023,955)	116,477,950	112,226,674	(8,997,802)	103,228,872
Other	128,038,311	(85,997,493)	42,040,818	86,228,737	(52,577,186)	33,651,551
General Losses	137,656,790	(96,314,050)	41,342,740	110,077,821	(76,065,082)	34,012,739
Health	149,057,791	(109,301,863)	39,755,928	135,747,289	(107,464,287)	28,283,002
Life	2,500	-	2,500	4,480	-	4,480
Total	1,117,884,175	(546,961,588)	570,922,587	970,336,007	(437,031,798)	533,304,209

14. Taxes

As at June 30, 2017 and 2016 prepaid income taxes are netted off with the current income tax payable as stated below:

	June 30, 2017	December 31, 2016
Income taxes payable	1,348,385	-
Prepaid income taxes	(3,583,729)	(11,855,334)
Tax payable/(asset)	(2,235,344)	(11,855,334)

Deferred tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for International Accounting Standards (IAS) purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IAS.

AKSIGORTA A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2017**

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

14. Taxes (Continued)

Tax rate is applied as 20% for the calculation of deferred tax asset and liabilities. The details of deferred tax are presented in the following statements:

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Impairment on financial assets	30,116,655	30,116,655	6,023,331	6,023,331
General expense provision	8,923,995	8,933,595	1,784,799	1,786,719
Claim handling	8,805,642	8,745,295	1,761,128	1,749,059
Claim reserves	7,406,227	20593495	1,481,245	4,118,699
Bonus provision	6,019,845	7,460,555	1,203,969	1,492,111
Employment termination benefit	5,778,720	6,335,365	1,155,744	1,267,073
Doubtful receivable provisions	3,175,000	1,906,000	635,000	381,200
Unused vacation provision	1,237,065	904,395	247,413	180,879
Unexpired risks reserve	390,279		78,056	-
Fiscal loss	-	65,153,555	-	13,030,711
Other	(3,832,835)	8,379,310	(766,566)	1,675,862
Useful life of tangible and intangible assets	(8,240,755)	(6,504,665)	(1,648,151)	(1,300,933)
Equalization reserve	(60,231,758)	(54,229,509)	(12,046,352)	(10,845,902)
Total deferred tax assets / (liabilities)			(90,384)	19,558,809

Actual tax expense reconciliation is as follow:

	2017	2016
Profit before deferred tax and corporate tax	93,914,986	45,791,286
Tax Rate	20%	20%
Calculated tax expense (-)	(18,782,997)	(9,158,257)
The effect of non-deductible expenses	817,915	254,869
Total tax expenses	(19,600,912)	(9,413,126)

AKSIGORTA A.Ş.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2017**

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

15. Expenses by nature

	January 1 - June 30, 2017	January 1 - June 30, 2016
Personnel expenses	(39,105,919)	(34,309,142)
Information technology expenses	(5,859,475)	(7,558,021)
Depreciation expenses	(8,322,561)	(6,027,817)
Rent expenses	(4,619,300)	(4,020,953)
Social relief expenses	(1,743,977)	(1,872,420)
Transportation expenses	(2,264,060)	(2,038,498)
Meeting and training expenses	(2,953,304)	(1,747,395)
Advertisement expenses	(1,914,199)	(1,845,713)
Repair and maintenance	(1,438,401)	(1,499,985)
Communication expenses	(705,167)	(800,348)
Outsourcing service expenses	(707,336)	(690,310)
Other	(5,244,303)	(7,466,456)
Total	(74,878,002)	(69,877,058)

16. Insurance claims and claims recovered from reinsurers

June 30, 2017			
	Gross	Reinsurers' Share	Net
Paid Claims	432,780,363	(112,943,565)	319,836,798
Change in outstanding claims	262,597,577	(202,751,015)	59,846,562
Change in mathematical reserves	30,915	-	30,915
Bonus and rebates provision	(1,308,920)	1,317,720	8,800
Total	694,099,935	(314,376,860)	379,723,075
June 30, 2016			
	Gross	Reinsurers' Share	Net
Paid Claims	428,676,226	(84,448,322)	344,227,904
Change in outstanding claims	10,338,197	(40,415,067)	(30,076,870)
Change in mathematical reserves	(330,396)	211	(330,185)
Bonus and rebates provision	-	-	-
Total	438,684,027	(124,863,178)	313,820,849

AKSIGORTA A.Ş.**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2017**

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

17. Related parties

The details of transactions between the Company and other related parties are disclosed below:

Due from /to related parties	June 30, 2017	December 31, 2016
Shareholder’s subsidiaries	21,441,025	12,456,988
Shareholders	265,415	19,958
Total	21,706,440	12,476,946
Banks		
	June 30, 2017	December 31, 2016
Shareholder’s subsidiaries	217,592,419	574,281,361
Total	217,592,419	574,281,361
Marketable securities		
	June 30, 2017	December 31, 2016
Shareholder’s subsidiaries	44,460,835	15,294,313
Total	44,460,835	15,294,313
Investment funds		
	June 30, 2017	December 31, 2016
Shareholder’s subsidiaries	202,034,808	158,252,836
Total	202,034,808	158,252,836
Written Premium		
	June 30, 2017	June 30, 2016
Shareholders	79,234,722	39,933,861
Shareholder’s subsidiaries	1,579,476	796,063
Total	80,814,198	40,729,924
Claims Paid		
	June 30, 2017	June 30, 2016
Shareholders	7,860,846	7,115,521
Shareholder’s subsidiaries	154	-
Total	7,861,000	7,115,521
Investment Income		
	June 30, 2017	June 30, 2016
Shareholder’s subsidiaries	34,082,724	18,251,060
Total	34,082,724	18,251,060

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
AS AT JUNE 30, 2017**

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

18. Subsequent events

According to the “Regulation on the Amendment of the Regulation on Tariff Implementation Principles in Motor Vehicle Liability Insurance” promulgated in Official Gazette No. 30121 dated 11 July 2017 and prepared by the Undersecretariat of Treasury, the Risky Insurance Pool (the “Pool”) was established for motor vehicle groups in high damage level and/or MTPL insurance policies arranged after 12 April 2017. In accordance with Risky Insurance Pool Rules, MTPL insurance policies within the Pool will be calculated by the Turkish Motor Vehicle Bureau in two stages. Based on this calculation, 50% of premium and paid claims will be divided equally between insurance companies, and the remaining 50% will be divided based on the percentage of the last three years of MTPL insurance premium obtained by insurance companies.

As of the preparation date of financial statements, the Turkish Motor Vehicle Bureau has not made any declaration for premium and paid claims related to the MTPL insurance policies within the Pool and 30 June 2017 do not contain any additional corrections applicable to the financial statements dated 30 June 2017.

.....