

**AKSIGORTA ANONİM ŐİRKETİ**

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

**AKSIGORTA A.Ş.**

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

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# AKSİGORTA A.Ş.

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

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

Assets	Note	Unaudited	Audited
		September 30, 2017	December 31, 2016
<b>Total current assets</b>		<b>3,462,925,558</b>	<b>2,720,121,494</b>
Cash and cash equivalents	9	1,183,846,527	451,153,119
Securities pledged under repurchase agreements	9	-	30,045,425
Financial assets			
Debt securities:			
- Available for sale at company's risk	8	542,369,513	863,687,512
- Available for sale at insureses' risk	8	2,530,185	2,530,185
Premium receivables		425,421,115	395,918,459
Due from reinsurers		30,954	24,180,701
Reinsurance share of insurance liabilities	11	1,177,382,428	833,986,834
Deferred acquisition costs		93,655,130	74,244,366
Other current assets		37,689,706	44,374,893
<b>Total non-current assets</b>		<b>97,597,265</b>	<b>89,245,109</b>
Tangible assets	5	26,857,325	28,001,832
Investment properties		80,126	80,126
Intangible assets	6	42,437,558	41,176,250
Financial assets			
Equity securities:			
- Available for sale	8	360,636	220,889
Deferred income tax assets	14	23,217,695	19,558,809
Other non-current assets		4,643,925	207,203
<b>Total assets</b>		<b>3,560,522,823</b>	<b>2,809,366,603</b>
Liabilities	Note	Unaudited	Audited
		September 30, 2017	December 31, 2016
<b>Total current liabilities</b>		<b>3,020,984,061</b>	<b>2,375,893,942</b>
Insurance liabilities	11	2,587,215,155	2,044,598,155
Payables to reinsurers	12	299,139,245	202,020,282
Obligations under repurchase agreements	9	-	30,031,438
Provisions for other liabilities and charges		30,228,369	36,839,062
Trade and other payables	12	73,006,615	62,405,005
Current income tax liabilities		31,394,677	-
<b>Total non-current liabilities</b>		<b>6,004,760</b>	<b>6,335,367</b>
Provision for retirement benefit obligation	14	6,004,760	6,335,367
<b>Total equity</b>		<b>533,534,002</b>	<b>427,137,294</b>
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	(3,236,839)	(3,472,406)
Hedging reserve	10	15,642,419	16,816,074
Available-for-sale investments fund	10	1,116,658	(7,203,045)
Retained earnings/accumulated deficit	10	118,607,835	(63,471,429)
<b>Total equity and liabilities</b>		<b>3,560,522,823</b>	<b>2,809,366,603</b>

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 - SEPTEMBER 30, 2017

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

Income Statement	Note	Unaudited	Unaudited
		September 30, 2017	September 30, 2016
Insurance premium revenue	13	1,557,226,869	1,268,169,754
Insurance premium ceded to reinsurers	13	(666,607,825)	(514,760,517)
<b>Net insurance premium revenue</b>	<b>13</b>	<b>890,619,044</b>	<b>753,409,237</b>
Investment income		110,642,403	80,186,041
Commission income		113,280,380	90,060,725
Other operating income		3,205,749	1,510,653
<b>Net income</b>		<b>1,117,747,576</b>	<b>925,166,656</b>
Insurance claims	16	(1,058,270,833)	(687,482,859)
Insurance claims recovered from reinsurers	16	452,935,654	192,560,184
<b>Net insurance claims</b>	<b>4, 16</b>	<b>(605,335,179)</b>	<b>(494,922,675)</b>
Commission expense		(254,575,580)	(240,157,843)
Expenses for marketing and administration	4, 15	(111,953,894)	(103,544,315)
Other operating expenses		(27,783,071)	(19,460,698)
<b>Insurance claims and expenses</b>		<b>(999,647,724)</b>	<b>(858,085,531)</b>
<b>Results of operating activities</b>		<b>118,099,852</b>	<b>67,081,125</b>
Foreign exchange gain / (loss), net		6,805,626	1,439,778
<b>Profit before tax</b>		<b>124,905,478</b>	<b>68,520,903</b>
Income tax expense	4, 14	(25,890,387)	(13,997,927)
<b>Profit for the period</b>		<b>99,015,091</b>	<b>54,522,976</b>

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 - SEPTEMBER 30, 2017

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

		Unaudited	Unaudited
Statement of comprehensive income	Note	September 30, 2017	September 30, 2016
<b>Profit for the period</b>		<b>99,015,091</b>	<b>54,522,976</b>
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>			
Change in available-for-sale financial assets fund, net off deferred tax	11	8,319,705	3,054,962
Cash flow hedging, net off deferred tax	11	(1,173,654)	479,150
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>		<b>7,146,051</b>	<b>3,534,112</b>
<b>Other comprehensive income not being reclassified to profit or loss in subsequent periods:</b>			
Actuarial loss, net off deferred tax	11	235,567	182,604
<b>Net other comprehensive income not being reclassified to profit or loss in subsequent periods</b>		<b>235,567</b>	<b>182,604</b>
<b>Other comprehensive income, net of tax</b>		<b>7,381,618</b>	<b>3,716,716</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>106,396,709</b>	<b>58,239,692</b>

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 - SEPTEMBER 30, 2017**

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

<b>September 30, 2016</b>									<b>Unaudited</b>
	<b>Note</b>	<b>Share capital</b>	<b>Available-for-sale investment funds</b>	<b>Revaluation fund</b>	<b>Legal reserves</b>	<b>Actuarial loss arising from employee benefit</b>	<b>Cash flow hedging</b>	<b>Retained earnings</b>	<b>Total</b>
Balances at December 31, 2015	10	<b>306,000,000</b>	<b>(5,945,992)</b>	-	<b>178,468,101</b>	<b>(3,744,443)</b>	<b>9,794,452</b>	<b>(134,021,909)</b>	<b>350,550,209</b>
Profit for the year		-	-	-	-	-	-	54,522,976	54,522,976
Transfer		-	-	-	-	-	-	-	-
Other comprehensive income		-	3,054,962	-	-	182,604	479,150	-	3,716,716
Total comprehensive income	10	-	<b>3,054,962</b>	-	-	<b>182,604</b>	<b>479,150</b>	<b>54,522,976</b>	<b>58,239,692</b>
Dividend payment		-	-	-	-	-	-	-	-
Balances at September 30, 2016	10	<b>306,000,000</b>	<b>(2,891,030)</b>	-	<b>178,468,101</b>	<b>(3,561,839)</b>	<b>10,273,602</b>	<b>(79,498,933)</b>	<b>408,789,901</b>

<b>September 30, 2017</b>									<b>Unaudited</b>
	<b>Note</b>	<b>Share capital</b>	<b>Available-for-sale investment funds</b>	<b>Revaluation fund</b>	<b>Legal reserves</b>	<b>Actuarial loss arising from employee benefit</b>	<b>Cash flow hedging</b>	<b>Retained earnings</b>	<b>Total</b>
Balances at December 31, 2016	10	<b>306,000,000</b>	<b>(7,203,047)</b>	-	<b>178,468,101</b>	<b>(3,472,406)</b>	<b>16,816,074</b>	<b>(63,471,429)</b>	<b>427,137,294</b>
Profit for the year		-	-	-	-	-	-	99,015,093	99,015,093
Transfer		-	-	-	(83,064,172)	-	-	83,064,172	-
Other comprehensive income		-	8,319,705	-	-	235,567	(1,173,654)	-	7,381,617
Total comprehensive income	10	-	<b>8,319,705</b>	-	<b>(83,064,172)</b>	<b>235,567</b>	<b>(1,173,654)</b>	<b>182,079,265</b>	<b>106,396,710</b>
Dividend payment		-	-	-	-	-	-	-	-
Balances at September 30, 2017	10	<b>306,000,000</b>	<b>1,116,658</b>	-	<b>95,403,929</b>	<b>(3,236,839)</b>	<b>15,642,419</b>	<b>118,607,835</b>	<b>533,534,002</b>

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

# AKSİGORTA A.Ş.

## INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR PERIOD JANUARY 1 - SEPTEMBER 30, 2017

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

<b>Cash Flow Statement</b>	<b>Note</b>	<b>January 1 – September 30, 2017</b>	<b>January 1 – September 30, 2016</b>
Cash inflows from insurance operations		1,311,233,292	1,067,118,247
Cash outflows from insurance operations		(861,052,264)	(814,497,987)
Income tax payment		(7,746,482)	(7,843,486)
Cash inflows/(outflows )from operational expenses		(118,546,417)	(114,358,094)
<b>Net cash flows from operating activities</b>		<b>323,888,129</b>	<b>130,418,680</b>
Tangible and intangible asset acquisitions		(2,223,595)	(3,507,195)
Financial asset acquisitions / disposals	9	288,963,417	254,100,808
Interest received		86,155,606	82,902,024
Other cash inflows/(outflows)		4,705,101	(81,993,408)
<b>Net cash flows from investing activities</b>		<b>377,600,529</b>	<b>251,502,229</b>
Dividends paid		-	-
<b>Net cash flows from financing operations</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>701,488,658</b>	<b>381,920,909</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>332,076,914</b>	<b>546,650,423</b>
<b>Cash and cash equivalents at the end of the period</b>	9, 10	<b>1,033,565,572</b>	<b>928,571,332</b>

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 SEPTEMBER 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 September 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:

	September 30, 2017	December 31, 2016
Top and middle management	101	111
Other personel	513	493
<b>Total</b>	<b>614</b>	<b>604</b>

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 4,359,005 TL in total for January 1 - September 30, 2017 (January 1 - September 30, 2016: TL 3,936,434).

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

The Company’s interim condensed financial statements as of September 30, 2017 are approved and authorized for issuance as of October 19, 2017 by the Board of Directors.



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

(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 interim condensed financial statements at September 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 September 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 – September 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 – September 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 September 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 September 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 SEPTEMBER 30, 2017**

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

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**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 SEPTEMBER 30, 2017**

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

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**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 September 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 SEPTEMBER 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	September 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
<b>Total</b>	<b>100.00</b>	<b>306,000,000</b>	<b>100.00</b>	<b>306,000,000</b>

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 September 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 SEPTEMBER 30, 2017**

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

**4. Segment information (Continued)**

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

January 1 - September 30, 2017	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
<b>TECHNICAL INCOME</b>	<b>101,114,658</b>	<b>15,209,500</b>	<b>418,029,945</b>	<b>190,696,081</b>	<b>55,007,459</b>	<b>52,772,078</b>	<b>57,789,323</b>	-	<b>890,619,044</b>
Earned Premiums (Net of Reinsurer Share)	101,114,658	15,209,500	418,029,945	190,696,081	55,007,459	52,772,078	57,789,323	-	890,619,044
Premiums (Net of Reinsurer Share)	103,754,288	15,580,683	394,879,958	269,178,524	60,017,254	58,345,218	65,468,745	-	967,224,670
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(2,639,630)	(371,183)	23,149,986	(78,482,443)	(5,009,795)	(5,573,140)	(7,679,422)	-	(76,605,627)
<b>TECHNICAL EXPENSES</b>	<b>(95,025,386)</b>	<b>(7,322,979)</b>	<b>(484,012,581)</b>	<b>(170,988,159)</b>	<b>(47,153,806)</b>	<b>(35,473,068)</b>	<b>(43,185,616)</b>	-	<b>(883,161,594)</b>
Total Claims (Net of Reinsurer Share)	(56,767,465)	(3,791,639)	(357,371,235)	(142,516,036)	(20,167,541)	(2,363,232)	(22,358,030)	-	(605,335,179)
Claims Paid (Net of Reinsurer Share)	(47,421,754)	(2,528,951)	(304,029,929)	(108,329,959)	(11,653,893)	(3,454,054)	(10,015,805)	-	(487,434,346)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(9,345,711)	(1,262,688)	(53,341,305)	(34,186,077)	(8,513,647)	1,090,822	(12,342,225)	-	(117,900,833)
Commissions (Net)	(16,637,567)	(1,993,020)	(73,680,821)	(3,104,460)	(15,604,717)	(20,622,923)	(9,651,691)	-	(141,295,199)
Operating Expenses	(18,576,308)	(1,080,439)	(42,175,445)	(19,626,779)	(9,725,555)	(11,333,215)	(9,436,153)	-	(111,953,894)
Other Operating Income / Expenses	(3,044,046)	(457,880)	(10,785,080)	(5,740,884)	(1,655,993)	(1,153,698)	(1,739,741)	-	(24,577,322)
	<b>6,089,272</b>	<b>7,886,521</b>	<b>(65,982,636)</b>	<b>19,707,922</b>	<b>7,853,653</b>	<b>17,299,010</b>	<b>14,603,707</b>	-	<b>7,457,450</b>
Investment income	-	-	-	-	-	-	-	110,642,403	110,642,403
Foreign exchange income	-	-	-	-	-	-	-	6,805,626	6,805,626
Tax expense	-	-	-	-	-	-	-	(25,890,387)	(25,890,387)
<b>Net Profit / (Loss)</b>	<b>6,089,272</b>	<b>7,886,521</b>	<b>(65,982,636)</b>	<b>19,707,922</b>	<b>7,853,653</b>	<b>17,299,010</b>	<b>14,603,707</b>	<b>91,557,642</b>	<b>99,015,091</b>

# AKSİGORTA A.Ş.

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

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

### 4. Segment information (continued)

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

January 1 - September 30, 2016	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
<b>TECHNICAL INCOME</b>	<b>98,888,897</b>	<b>14,628,690</b>	<b>358,842,727</b>	<b>98,551,427</b>	<b>51,555,711</b>	<b>77,137,894</b>	<b>53,803,891</b>	-	<b>753,409,237</b>
Earned Premiums (Net of Reinsurer Share)	98,888,897	14,628,690	358,842,727	98,551,427	51,555,711	77,137,894	53,803,891	-	753,409,237
Premiums (Net of Reinsurer Share)	94,571,221	14,385,477	375,156,600	170,541,841	48,237,051	36,183,784	54,671,523	-	793,747,497
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	4,317,675	243,213	(16,313,873)	(71,990,413)	3,318,660	40,954,110	(867,632)	-	(40,338,260)
<b>TECHNICAL EXPENSES</b>	<b>(98,242,310)</b>	<b>(9,674,175)</b>	<b>(390,863,114)</b>	<b>(120,475,847)</b>	<b>(38,872,483)</b>	<b>(69,468,695)</b>	<b>(38,917,530)</b>	-	<b>(766,514,153)</b>
Total Claims (Net of Reinsurer Share)	(57,352,826)	(6,051,729)	(279,461,296)	(80,960,523)	(13,267,502)	(37,195,631)	(20,633,168)	-	(494,922,675)
Claims Paid (Net of Reinsurer Share)	(36,864,774)	(3,972,302)	(250,862,444)	(105,157,036)	(12,522,900)	(61,353,004)	(10,456,863)	-	(481,189,324)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(20,488,052)	(2,079,427)	(28,598,852)	24,196,514	(744,602)	24,157,373	(10,176,305)	-	(13,733,351)
Commissions (Net)	(17,063,576)	(2,292,814)	(67,158,722)	(20,203,775)	(15,869,687)	(19,690,356)	(7,818,188)	-	(150,097,118)
Operating Expenses	(17,794,632)	(813,017)	(39,328,138)	(15,299,360)	(8,723,634)	(12,186,801)	(9,398,733)	-	(103,544,315)
Other Operating Income / Expenses	(6,031,275)	(516,615)	(4,914,958)	(4,012,189)	(1,011,660)	(395,907)	(1,067,441)	-	(17,950,045)
	<b>646,587</b>	<b>4,954,515</b>	<b>(32,020,386)</b>	<b>(21,924,420)</b>	<b>12,683,228</b>	<b>7,669,199</b>	<b>14,886,361</b>	-	<b>(13,104,916)</b>
Investment income	-	-	-	-	-	-	-	80,186,041	80,186,041
Foreign exchange income	-	-	-	-	-	-	-	1,439,778	1,439,778
Tax expense	-	-	-	-	-	-	-	(13,997,927)	(13,997,927)
<b>Net Profit / (Loss)</b>	<b>646,587</b>	<b>4,954,515</b>	<b>(32,020,386)</b>	<b>(21,924,420)</b>	<b>12,683,228</b>	<b>7,669,199</b>	<b>14,886,361</b>	<b>67,627,892</b>	<b>54,522,976</b>

# AKSİGORTA A.Ş.

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

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

### 5. Tangible assets

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

<b>Costs:</b>	<b>January 1, 2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>September 30, 2017</b>
Property for operational use	1,598,569	-	-	-	1,598,569
Furniture and fixtures and leased tangible assets	22,168,371	1,996,119	(221,328)	-	23,943,162
Other tangible assets (including leasehold improve	20,331,354	776,960	(328,156)	-	20,780,158
Advances for tangible assets	0	0	-	-	0
<b>Total</b>	<b>44,098,294</b>	<b>2,773,079</b>	<b>(549,484)</b>	<b>-</b>	<b>46,321,889</b>

  

<b>Accumulated depreciation: (-)</b>	<b>January 1, 2017</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>September 30, 2017</b>
Property for operational use	(505,122)	(23,985)	-	-	(529,107)
Furniture and fixtures and leased tangible assets	(10,064,184)	(2,072,074)	188,557	-	(11,947,701)
Other tangible assets	(5,527,156)	(1,621,083)	160,482	-	(6,987,757)
<b>Total</b>	<b>(16,096,462)</b>	<b>(3,717,142)</b>	<b>349,039</b>	<b>-</b>	<b>(19,464,564)</b>

  

<b>Net book value</b>	<b>28,001,832</b>	<b>(944,063)</b>	<b>(200,445)</b>	<b>-</b>	<b>26,857,325</b>
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<b>Costs:</b>	<b>January 1, 2016</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>September 30, 2016</b>
Property for operational use	1,598,569	-	-	-	1,598,569
Furniture and fixtures and leased tangible assets	16,861,760	3,248,960	77,200	-	20,187,920
Other tangible assets (including leasehold improve	20,034,606	165,116	15,919	-	20,215,641
Advances for tangible assets	7,376	-	-	-	7,376
<b>Total</b>	<b>38,502,311</b>	<b>3,414,076</b>	<b>93,119</b>	<b>-</b>	<b>42,009,506</b>

  

<b>Accumulated depreciation: (-)</b>	<b>January 1, 2016</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>September 30, 2016</b>
Property for operational use	(237,071)	-	-	-	(237,071)
Furniture and fixtures and leased tangible assets	(1,517,756)	81,528	-	-	(1,436,228)
Other tangible assets	(1,320,936)	-	-	-	(1,320,936)
<b>Total</b>	<b>(3,075,763)</b>	<b>81,528</b>	<b>-</b>	<b>-</b>	<b>(2,994,235)</b>

  

<b>Net book value</b>	<b>35,426,548</b>	<b>3,495,604</b>	<b>93,119</b>	<b>-</b>	<b>39,015,271</b>
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The Company has not accounted for any impairment provision for tangible fixed assets in the current period.

Total depreciation expense is TL 12,958,811 (January 1 - September 30, 2016: TL 9,795,012).

# AKSIGORTA A.Ş.

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

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

### 6. Intangible assets

<b>Costs:</b>	<b>January 1, 2017</b>	<b>Additions</b>	<b>Disposals(*)</b>	<b>Transfers</b>	<b>September 30, 2017</b>
Rights	69,825,964	9,761,528	-	-	79,587,492
Advances given for intangible assets	1,577,347	741,572	-	-	2,318,919
<b>Total</b>	<b>71,403,311</b>	<b>10,503,100</b>	<b>-</b>	<b>-</b>	<b>81,906,411</b>

  

<b>Accumulated depreciation: (-)</b>	<b>January 1, 2017</b>	<b>Additions</b>	<b>Disposals(*)</b>	<b>Transfers</b>	<b>September 30, 2017</b>
Rights	(30,227,061)	(9,241,792)	-	-	(39,468,853)
<b>Total</b>	<b>(30,227,061)</b>	<b>(9,241,792)</b>	<b>-</b>	<b>-</b>	<b>(39,468,853)</b>

  

<b>Net book value</b>	<b>41,176,250</b>	<b>1,261,308</b>	<b>-</b>	<b>-</b>	<b>42,437,558</b>
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<b>Costs:</b>	<b>January 1, 2016</b>	<b>Additions</b>	<b>Disposals(*)</b>	<b>Transfers</b>	<b>September 30, 2016</b>
Rights	52,085,155	7,756,525	-	1,374,214	61,215,894
Advances given for intangible assets	2,666,428	541,427	(83,885)	(1,374,214)	1,749,756
<b>Total</b>	<b>54,751,583</b>	<b>8,297,952</b>	<b>(83,885)</b>	<b>-</b>	<b>62,965,650</b>

  

<b>Accumulated depreciation: (-)</b>	<b>January 1, 2016</b>	<b>Additions</b>	<b>Disposals(*)</b>	<b>Transfers</b>	<b>September 30, 2016</b>
Rights	(20,757,045)	(6,719,123)	-	-	(27,476,168)
<b>Total</b>	<b>(20,757,045)</b>	<b>(6,719,123)</b>	<b>-</b>	<b>-</b>	<b>(27,476,168)</b>

  

<b>Net book value</b>	<b>33,994,538</b>	<b>1,578,829</b>	<b>(83,885)</b>	<b>-</b>	<b>35,489,482</b>
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# AKSIGORTA A.Ş.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 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 September 30, 2017 and December 31, 2016 are disclosed below:

<b>September 30, 2017</b>			
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	11,512,654	3.5521	40,893,917
EUR	2,602,105	4.1924	10,909,066
GBP	50,406	4.7478	239,318
CHF	40,701	3.6528	148,673
Other			552
<b>Total</b>			<b>52,191,526</b>
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	31,676,405	3.5521	112,517,758
EUR	8,363,751	4.1924	35,064,190
GBP	118,462	4.7478	562,434
CHF	85,340	3.6528	311,730
Other			13,168
<b>Total</b>			<b>148,469,280</b>
Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	25,796,462	3.5521	91,631,611
<b>Total</b>			<b>91,631,611</b>
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(7,427,030)	3.5521	(26,381,554)
EUR	(1,126,281)	4.1924	(4,721,821)
Other			(5,824)
<b>Total</b>			<b>(31,109,199)</b>
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(36,142,943)	3.5521	(128,383,348)
EUR	(5,011,708)	4.1924	(21,011,085)
Other			(1,338,659)
<b>Total</b>			<b>(150,733,092)</b>
Off-balance sheet liabilities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(14,836,501)	3.5521	(52,700,735)
<b>Total</b>			<b>(52,700,735)</b>
<b>Net Foreign Currency Position</b>			<b>57,749,392</b>

**AKSİGORTA A.Ş.**

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

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

**7. Management of insurance and financial risk (Continued)**

<b>December 31, 2016</b>			
<b>Banks (Foreign Currency)</b>	<b>Amount in Foreign Currency</b>	<b>Exchange Rate</b>	<b>Amount (TL)</b>
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
<b>Total</b>			<b>31,962,286</b>

  

<b>Receivables from Insurance Operations</b>	<b>Amount in Foreign Currency</b>	<b>Exchange Rate</b>	<b>Amount (TL)</b>
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
<b>Total</b>			<b>104,420,829</b>

  

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

  

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

  

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

  

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

  

<b>Net Foreign Currency Position</b>			<b>33,368,955</b>
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## AKSIGORTA A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 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 September 30, 2017 is as follows:

<b>September 30, 2017</b>	<b>Up to 1 month</b>	<b>1 – 3 months</b>	<b>3 months to 1 year</b>	<b>1 – 5 years</b>	<b>5 years and over</b>	<b>No maturity</b>	<b>Total</b>
Cash and cash equivalents	445,206,035	723,684,447	-	-	-	14,956,045	1,183,846,527
Financial assets available for sale	-	26,361,814	63,842,553	173,304,903	54,554,303	224,305,940	542,369,513
Investments on policyholders’ risk	-	-	-	2,530,185	-	-	2,530,185
Receivables from main operations	101,754,404	129,206,000	175,779,810	18,680,901	-	-	425,421,115
Due from reinsurance companies	-	-	30,954	-	-	-	30,954
Reinsurers’ share of insurance liabilities	293,108,079	285,794,459	523,305,963	44,479,998	30,693,929	-	1,177,382,428
Equity securities	-	-	-	-	-	360,636	360,636
Other assets	-	131,344,836	-	-	-	-	131,344,836
<b>Total Assets</b>	<b>840,068,518</b>	<b>1,296,391,556</b>	<b>762,959,280</b>	<b>238,995,987</b>	<b>85,248,232</b>	<b>239,622,621</b>	<b>3,463,286,194</b>
Insurance liabilities	584,540,642	598,438,255	1,261,836,160	84,257,352	58,142,746	-	2,587,215,155
Due to reinsurers	-	-	299,139,245	-	-	-	299,139,245
Trade and other payables	-	-	103,234,984	-	-	-	103,234,984
<b>Total liabilities and shareholders' equity</b>	<b>584,540,642</b>	<b>598,438,255</b>	<b>1,664,210,389</b>	<b>84,257,352</b>	<b>58,142,746</b>	<b>-</b>	<b>2,989,589,384</b>
<b>Liquidity surplus/(deficit)</b>	<b>255,527,876</b>	<b>697,953,301</b>	<b>(901,251,109)</b>	<b>154,738,635</b>	<b>27,105,486</b>	<b>239,622,621</b>	<b>473,696,810</b>

**AKSİGORTA A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
AS AT SEPTEMBER 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:

<b>December 31, 2016</b>	<b>Up to 1 month</b>	<b>1 – 3 months</b>	<b>3 months to 1 year</b>	<b>1 – 5 years</b>	<b>5 years and over</b>	<b>No maturity</b>	<b>Total</b>
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
<b>Total Assets</b>	<b>772,060,145</b>	<b>782,191,097</b>	<b>717,511,811</b>	<b>145,271,911</b>	<b>74,677,041</b>	<b>228,630,378</b>	<b>2,720,342,384</b>
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
<b>Total liabilities and shareholders' equity</b>	<b>297,530,449</b>	<b>525,846,123</b>	<b>1,552,517,370</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,375,893,942</b>
<b>Liquidity surplus/(deficit)</b>	<b>474,529,696</b>	<b>256,344,974</b>	<b>(835,005,559)</b>	<b>145,271,911</b>	<b>74,677,041</b>	<b>228,630,378</b>	<b>344,448,442</b>

# AKSIGORTA A.Ş.

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

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

### 8. Financial assets

#### Available for sale debt securities:

<b>September 30, 2017</b>			
	<b>Cost Value</b>	<b>Fair Value</b>	<b>Book Value</b>
Private bonds	221,032,583	226,249,517	226,249,517
Investment Funds	193,883,670	224,305,940	224,305,940
Eurobonds	90,805,688	91,755,730	91,755,730
Government bonds	-36,318	58,326	58,326
<b>Total</b>	<b>505,685,623</b>	<b>542,369,513</b>	<b>542,369,513</b>

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

#### Financial assets at insurees’ risk:

<b>September 30, 2017</b>			
	<b>Cost Value</b>	<b>Fair Value</b>	<b>Book Value</b>
Government bonds	2,530,185	2,530,185	2,530,185
<b>Total</b>	<b>2,530,185</b>	<b>2,530,185</b>	<b>2,530,185</b>

<b>December 31, 2016</b>			
	<b>Cost Value</b>	<b>Fair Value</b>	<b>Book Value</b>
Government bonds	2,530,185	2,530,185	2,530,185
<b>Total</b>	<b>2,530,185</b>	<b>2,530,185</b>	<b>2,530,185</b>

#### Equity shares under available-for-sale investments:

As of September 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 September 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 SEPTEMBER 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:

	September 30, 2017		
	Cost Value	Fair Value	Book Value
<i>Equity investments</i>			
Merter BV	30,116,653	-	-
Tarsim	360,636	-	360,636
<b>Total</b>	<b>30,477,289</b>	<b>-</b>	<b>360,636</b>

	December 31, 2016		
	Cost Value	Fair Value	Book Value
<i>Equity investments</i>			
Merter BV	30,116,653	-	-
Tarsim	220,889	-	220,889
<b>Total</b>	<b>30,337,542</b>	<b>-</b>	<b>220,889</b>

### 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).

	September 30, 2017	Level 1	Level 2	Level 3
Available for sale at company’s risk	542,369,513	542,369,513	-	-
Available for sale at insurees' risk	2,530,185	2,530,185	-	-
<b>Total</b>	<b>544,899,698</b>	<b>544,899,698</b>	<b>-</b>	<b>-</b>

	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	-	-
<b>Total</b>	<b>866,217,697</b>	<b>866,217,697</b>	<b>-</b>	<b>-</b>

## AKSIGORTA A.Ş.

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 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:

	September 30, 2017	December 31, 2016
Cash at banks	932,682,834	240,333,856
-time deposits	917,726,789	222,305,473
-demand deposits	14,956,045	18,028,383
Bank guaranteed credit card receivables with maturity less than 3 months	251,163,693	210,819,263
	1,183,846,527	451,153,119
Securities pledge under repurchase agreements	-	30,045,425
<b>Total cash and cash equivalents</b>	<b>1,183,846,527</b>	<b>481,198,544</b>

The maturities of the Company’s time deposits as of September 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 - September 30, 2017 and January 1 - December 31, 2016 are as follows:

	September 30, 2017	December 31, 2016
Total cash and cash equivalents	1,183,846,527	481,198,544
Interest accrual on cash at banks (-)	(3,042,004)	(257,966)
Blocked time deposits	(147,238,951)	(148,863,664)
<b>Cash and cash equivalents per statement of cash flow</b>	<b>1,033,565,572</b>	<b>332,076,914</b>

Weighted average interest rates of time deposits:

	September 30, 2017	December 31, 2016
TL	7,75 - 15,00	7,25 - 13,95
USD	0,10 - 3,90	0,10 - 3,40
EUR	0,10 - 0,90	0,10 - 1,85

## AKSIGORTA A.Ş.

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

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

#### 10. Equity

As of September 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:

	<u>January 1, 2017</u>		<u>Issued Capital</u>		<u>Amortised</u>		<u>June 30, 2017</u>	
	<u>Unit</u>	<u>Nominal TL</u>	<u>Unit</u>	<u>Nominal TL</u>	<u>Unit</u>	<u>Nominal TL</u>	<u>Unit</u>	<u>Nominal TL</u>
Paid	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000
<b>Total</b>	<b>30,600,000,000</b>	<b>306,000,000</b>	-	-	-	-	30,600,000,000	306,000,000

  

	<u>January 1, 2016</u>		<u>Issued Capital</u>		<u>Amortised</u>		<u>December 31, 2016</u>	
	<u>Unit</u>	<u>Nominal TL</u>	<u>Unit</u>	<u>Nominal TL</u>	<u>Unit</u>	<u>Nominal TL</u>	<u>Unit</u>	<u>Nominal TL</u>
Paid	30,600,000,000	306,000,000	-	-	-	-	30,600,000,000	306,000,000
<b>Total</b>	<b>30,600,000,000</b>	<b>306,000,000</b>	-	-	-	-	30,600,000,000	306,000,000

Movement of legal reserves is as follows:

<u>Legal Reserves</u>	<u>2017</u>	<u>2016</u>
Opening balance, January 1	178,468,101	178,468,101
Transfers from retained earnings	(83,064,172)	-
<b>Closing balance, September 30</b>	<b>95,403,929</b>	<b>178,468,101</b>

#### 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 4,046,050 (net off deferred tax: TL (3,236,839) 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:

<u>Actuarial Loss</u>	<u>2017</u>	<u>2016</u>
Opening balance, January 1	4,340,507	4,680,554
Change for the period	(294,457)	(340,047)
<b>Closing balance, September 30, gross</b>	<b>4,046,050</b>	<b>4,340,507</b>



# AKSIGORTA A.Ş.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 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:

<b>Available for sale investments fund</b>	<b>2017</b>	<b>2016</b>
Opening balance, January 1	(7,203,045)	(5,945,992)
Increase/decrease in value recognized under the shareholders’ equity in the current period	8,319,703	(1,257,053)
<b>Closing balance, September 30</b>	<b>1,116,658</b>	<b>(7,203,045)</b>

#### *Hedge Accounting*

The Company recognizes the changes in value of hedged asset by the foreign currency differences under equity. As of September 30, 2017, TL 19,553,024 (net: TL 15,642,419) is recognized under equity resulting from hedge accounting (December 31, 2016: TL 21,020,093 net: TL 16,816,074).

<b>September 30, 2017</b>					
<b>Amount of deposit</b>	<b>Currency</b>	<b>Exchange rate at the beginning</b>	<b>Exchange rate at the end</b>	<b>Exchange difference</b>	
14,836,501	USD	2.23	3.55	(19,553,024)	

  

<b>December 31, 2016</b>					
<b>Amount of deposit</b>	<b>Currency</b>	<b>Exchange rate at the beginning</b>	<b>Exchange rate at the end</b>	<b>Exchange difference</b>	
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 25,796,462 .

**AKSIGORTA A.Ş.**

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

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

**11. Insurance liabilities**

<b>Gross</b>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Reserve for unearned premiums	1,193,739,137	1,045,955,010
Outstanding claims provision	1,391,070,307	995,397,648
Life actuarial mathematical reserves	1,431,408	1,373,929
Life profit share provision	159,045	1,718,909
Bonus and rebates provision	815,258	152,659
<b>Total</b>	<b>2,587,215,155</b>	<b>2,044,598,155</b>

<b>Reinsurance Share</b>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Reinsurers’ share of outstanding claims	669,118,776	446,542,113
Reinsurers’ share of unearned premiums	507,460,634	385,729,269
Bonus and rebates provision	803,018	1,715,452
<b>Total</b>	<b>1,177,382,428</b>	<b>833,986,834</b>

<b>Net</b>	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Reinsurers’ share of outstanding claims	721,951,531	548,855,535
Reinsurers’ share of unearned premiums	686,278,503	660,225,741
Life actuarial mathematical reserves	1,431,408	1,373,929
Life profit share provision	159,045	1,718,909
Bonus and rebates provision	12,240	(1,562,793)
<b>Total</b>	<b>1,409,832,727</b>	<b>1,210,611,321</b>

**12. Payables to reinsurers, trade and other payables**

	<b>September 30, 2017</b>	<b>December 31, 2016</b>
Payables to reinsurers	299,139,245	202,020,282
<b>Payables due to main operations</b>	<b>299,139,245</b>	<b>202,020,282</b>
Payables to SSI regarding medical expenses	17,412,112	4,268,447
Taxes payable	17,369,984	17,872,576
Payables to Turkish Catastrophe Insurance Pool	23,048,394	21,395,892
Payables to contracted institutions	6,257,170	6,010,520
Payables to suppliers	5,668,385	10,538,496
Other	3,250,570	2,319,074
<b>Total other short term payables</b>	<b>73,006,615</b>	<b>62,405,005</b>
<b>Total financial liabilities trade and other payables, deferred inc</b>	<b>372,145,860</b>	<b>264,425,287</b>

# AKSIGORTA A.Ş.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 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 – September 30, 2017			January 1 – September 30, 2016		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Written premium	1,755,568,360	(788,335,103)	967,233,257	1,377,678,137	(583,930,640)	793,747,497
Change in unearned premium reserve	(198,341,491)	121,731,365	(76,610,126)	(109,508,383)	69,170,124	(40,338,259)
<b>Total premium revenue</b>	<b>1,557,226,869</b>	<b>(666,603,738)</b>	<b>890,623,131</b>	<b>1,268,169,754</b>	<b>(514,760,517)</b>	<b>753,409,237</b>
Fire	395,886,397	(292,128,022)	103,758,375	322,860,536	(228,289,315)	94,571,221
Marine	34,733,784	(19,153,101)	15,580,683	24,289,985	(9,904,508)	14,385,477
Motor Own Damage	419,337,442	(24,457,484)	394,879,958	401,565,070	(26,408,469)	375,156,600
Motor Third Party Liability	332,749,691	(63,571,167)	269,178,524	186,030,284	(15,488,443)	170,541,841
Other	194,730,069	(129,261,324)	65,468,745	135,684,629	(81,019,085)	54,665,543
General Losses	189,580,986	(129,563,732)	60,017,254	143,566,860	(95,329,809)	48,237,051
Health	188,545,491	(130,200,274)	58,345,218	163,674,794	(127,491,010)	36,183,784
Life	4,500	-	4,500	5,980	-	5,980
<b>Total</b>	<b>1,755,568,360</b>	<b>(788,335,103)</b>	<b>967,233,257</b>	<b>1,377,678,137</b>	<b>(583,930,640)</b>	<b>793,747,497</b>

### 14. Taxes

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

	September 30, 2017	December 31, 2016
Income taxes payable	31,294,677	-
Prepaid income taxes	(7,746,482)	(11,855,334)
<b>Tax payable/(asset)</b>	<b>23,648,195</b>	<b>(11,855,334)</b>

### 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 SEPTEMBER 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)	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Impairment on financial assets	30,116,655	30,116,653	6,023,331	6,023,331
Claim handling	9,516,900	8,745,295	1,903,380	1,749,059
General expense provision	7,902,040	8,933,595	1,580,408	1,786,719
Employment termination benefit	6,004,760	6,335,365	1,200,952	1,267,073
Doubtful receivable provisions	3,325,000	1,906,000	665,000	381,200
Donation	1,396,200	-	279,240	-
Unused vacation provision	907,125	904,395	181,425	180,879
Unexpired risks reserve	112,030	-	22,406	-
Bonus provision	-	7,460,555	1,206,874	1,492,111
Fiscal loss	-	65,153,555	-	13,030,711
Claim reserves	(112,030)	20,593,495	(22,406)	4,118,699
Other	(3,598,275)	8,379,310	(719,655)	1,675,862
<b>Total deferred income tax assets / liabilities</b>	<b>55,570,405</b>	<b>158,528,218</b>	<b>12,320,955</b>	<b>31,705,644</b>
Discounting in outstanding claims	124,459,836	-	24,891,967	-
Useful life of tangible and intangible assets	(9,115,931)	(6,504,665)	(1,823,186)	(1,300,933)
Equalization reserve	(60,860,204)	(54,229,510)	(12,172,041)	(10,845,902)
<b>Total deferred tax assets / liabilities</b>	<b>110,054,106</b>	<b>97,794,043</b>	<b>23,217,695</b>	<b>19,558,809</b>

Actual tax expense reconciliation is as follow:

	2017	2016
Profit before deferred tax and corporate tax	124,905,480	45,791,286
Tax Rate	20%	20%
Calculated tax expense (-)	(24,981,096)	(9,158,257)
The effect of non-deductible expenses	909,291	254,869
<b>Total tax expenses</b>	<b>(25,890,387)</b>	<b>(9,413,126)</b>

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

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

**15. Expenses by nature**

	January 1 - September 30, 2017	January 1 - September 30, 2016
Personnel expenses	(56,362,181)	(50,816,720)
Depreciation expenses	(12,958,811)	(9,795,012)
Information technology expenses	(9,479,593)	(10,422,889)
Rent expenses	(7,149,411)	(6,402,652)
Meeting and training expenses	(3,590,924)	(2,223,809)
Transportation expenses	(3,414,096)	(2,982,415)
Advertisement expenses	(2,732,233)	(2,309,856)
Social relief expenses	(2,612,705)	(2,625,962)
Repair and maintenance	(2,128,301)	(2,204,286)
Communication expenses	(1,026,266)	(1,227,940)
Outsourcing service expenses	(1,301,219)	(1,032,472)
Other	(9,198,154)	(11,500,302)
<b>Total</b>	<b>(111,953,894)</b>	<b>(103,544,315)</b>

**16. Insurance claims and claims recovered from reinsurers****September 30, 2017**

	Gross	Reinsurers' Share	Net
Paid Claims	718,884,765	(231,450,419)	487,434,346
Change in outstanding claims	340,225,855	(222,397,669)	117,828,186
Change in mathematical reserves	63,865	-	63,865
Bonus and rebates provision	(903,652)	912,434	8,782
<b>Total</b>	<b>1,058,270,833</b>	<b>(452,935,654)</b>	<b>605,335,179</b>

**September 30, 2016**

	Gross	Reinsurers' Share	Net
Paid Claims	609,348,932	(128,159,608)	481,189,324
Change in outstanding claims	79,659,605	(64,388,509)	15,271,096
Change in mathematical reserves	(337,955)	211	(337,744)
Bonus and rebates provision	(1,187,723)	(12,277)	(1,200,000)
<b>Total</b>	<b>687,482,859</b>	<b>(192,560,184.00)</b>	<b>494,922,675</b>

# AKSIGORTA A.Ş.

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS AS AT SEPTEMBER 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

	September 30, 2017	December 31, 2016
Shareholder’s subsidiaries	30,898,365	12,456,988
Shareholders	156,165	19,958
<b>Total</b>	<b>31,054,530</b>	<b>12,476,946</b>

#### Banks

	September 30, 2017	December 31, 2016
Shareholder’s subsidiaries	204,819,455	574,281,361
<b>Total</b>	<b>204,819,455</b>	<b>574,281,361</b>

#### Marketable securities

	September 30, 2017	December 31, 2016
Shareholder’s subsidiaries	44,493,975	15,294,313
<b>Total</b>	<b>44,493,975</b>	<b>15,294,313</b>

#### Investment funds

	September 30, 2017	December 31, 2016
Shareholder’s subsidiaries	224,293,426	158,252,836
<b>Total</b>	<b>224,293,426</b>	<b>158,252,836</b>

#### Written Premium

	September 30, 2017	September 30, 2016
Shareholder’s subsidiaries	121,574,989	42,340,267
Shareholders	2,396,093	816,617
<b>Total</b>	<b>123,971,082</b>	<b>43,156,884</b>

#### Claims Paid

	September 30, 2017	September 30, 2016
Shareholder’s subsidiaries	59,593,783	51,732,937
Shareholders	154	-
<b>Total</b>	<b>59,593,936</b>	<b>51,732,937</b>

#### Investment Income

	September 30, 2017	September 30, 2016
Shareholder’s subsidiaries	45,669,932	11,587,208
<b>Total</b>	<b>45,669,932</b>	<b>11,587,208</b>

**AKSIGORTA A.Ş.**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

**AS AT SEPTEMBER 30, 2017**

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

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**18. Subsequent events**

There are no subsequent events.

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