

# **Aksigorta Anonim Şirketi**

**Interim condensed financial statements for the three months period ended January 1 – March 31, 2017**

## Aksigorta Anonim Şirketi

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## Aksigorta A.Ş.

### Interim Statement of financial position as at March 31, 2017

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

| Assets   | Note | Unaudited            | Audited              |
|--|------|----------------------|----------------------|
|  |      | March 31, 2017       | December 31, 2016    |
| <b>Total current assets</b>                    |      | <b>3.114.552.901</b> | <b>2.720.121.494</b> |
| Cash and cash equivalents                      | 6, 7 | 879.227.454          | 451.153.119          |
| Securities pledged under repurchase agreements | 7, 8 | 77.257.178           | 30.045.425           |
| Financial assets                               |      |                      |                      |
| Debt securities:                               |      |                      |                      |
| - Available for sale at company's risk         | 6    | 537.782.372          | 863.687.512          |
| - Available for sale at insurees' risk         | 6    | 2.530.185            | 2.530.185            |
| Premium receivables                            |      | 465.902.782          | 395.918.459          |
| Due from reinsurers                            |      | 30.954               | 24.180.701           |
| Reinsurance share of insurance liabilities     | 10   | 1.015.979.897        | 833.986.834          |
| Deferred acquisition costs                     |      | 71.091.432           | 74.244.366           |
| Derivative financial assets                    |      | -                    | -                    |
| Other current assets                           |      | 64.750.647           | 44.374.893           |
| <b>Total non-current assets</b>                |      | <b>77.140.960</b>    | <b>89.245.109</b>    |
| Tangible assets                                |      | 27.091.435           | 28.001.832           |
| Investment properties                          |      | 80.126               | 80.126               |
| Intangible assets                              |      | 39.842.865           | 41.176.250           |
| Financial assets                               |      |                      |                      |
| Equity securities:                             |      |                      |                      |
| - Available for sale                           | 6    | 220.889              | 220.889              |
| Deferred income tax assets                     |      | 9.899.865            | 19.558.809           |
| Other non-current assets                       |      | 5.780                | 207.203              |
| <b>Total assets</b>                            |      | <b>3.191.693.861</b> | <b>2.809.366.603</b> |
|  |      |                      |                      |
| Liabilities                                    | Note | Unaudited            | Audited              |
|  |      | March 31, 2017       | December 31, 2016    |
| <b>Total current liabilities</b>               |      | <b>2.721.277.232</b> | <b>2.375.893.942</b> |
| Insurance liabilities                          | 10   | 2.252.528.166        | 2.044.598.155        |
| Payables to reinsurers                         | 11   | 313.643.130          | 202.020.282          |
| Derivative financial liabilities               |      | -                    | -                    |
| Obligations under repurchase agreements        | 8    | 77.257.178           | 30.031.438           |
| Provisions for other liabilities and charges   |      | 30.904.082           | 36.839.062           |
| Trade and other payables                       | 11   | 46.944.676           | 62.405.005           |
| Current income tax liabilities                 |      | -                    | -                    |
| <b>Total non-current liabilities</b>           |      | <b>6.424.748</b>     | <b>6.335.367</b>     |
| Provision for retirement benefit obligation    | 12   | 6.424.748            | 6.335.367            |
| <b>Total equity</b>                            |      | <b>463.991.881</b>   | <b>427.137.294</b>   |
| Shareholders' equity                           | 9    | 306.000.000          | 306.000.000          |
| Legal and other reserves                       | 9    | 95.403.929           | 178.468.101          |
| Actuarial loss arising from employee benefit   | 9    | (3.501.170)          | (3.472.406)          |
| Hedging reserve                                | 9    | 19.042.448           | 16.816.074           |
| Available-for-sale investments fund            | 9    | (5.872.466)          | (7.203.045)          |
| Retained earnings/accumulated deficit          | 9    | 52.919.140           | (63.471.429)         |
| <b>Total equity and liabilities</b>            |      | <b>3.191.693.861</b> | <b>2.809.366.603</b> |

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

## Aksigorta A.Ş.

### Interim income statement for the period January 1 – March 31, 2017

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

| <b>Income Statement</b>                    | <b>Note</b>  | <b>Unaudited<br/>March 31, 2017</b> | <b>Unaudited<br/>March 31, 2016</b> |
|--|--------------|-------------------------------------|-------------------------------------|
| Insurance premium revenue                  | 4, 13        | 491.812.484                         | 399.461.578                         |
| Insurance premium ceded to reinsurers      | 4, 13        | (205.463.593)                       | (154.186.316)                       |
| <b>Net insurance premium revenue</b>       | <b>4, 13</b> | <b>286.348.891</b>                  | <b>245.275.262</b>                  |
| Investment income                          |              | 33.075.035                          | 26.534.055                          |
| Commission income                          |              | 52.685.770                          | 43.101.236                          |
| Other operating income                     |              | 1.091.187                           | 794.906                             |
| <b>Net income</b>                          |              | <b>373.200.883</b>                  | <b>315.705.459</b>                  |
| Insurance claims                           | 15           | (305.192.835)                       | (214.410.148)                       |
| Insurance claims recovered from reinsurers | 15           | 112.693.738                         | 53.414.831                          |
| <b>Net insurance claims</b>                | <b>4, 15</b> | <b>(192.499.097)</b>                | <b>(160.995.317)</b>                |
| Commission expense                         |              | (98.345.745)                        | (93.209.290)                        |
| Expenses for marketing and administration  | 14           | (35.590.743)                        | (34.204.030)                        |
| Other operating expenses                   |              | (8.693.872)                         | (6.352.901)                         |
| <b>Insurance claims and expenses</b>       |              | <b>(335.129.457)</b>                | <b>(294.761.539)</b>                |
| <b>Results of operating activities</b>     |              | <b>38.071.426</b>                   | <b>20.943.920</b>                   |
| Foreign exchange gain / (loss), net        |              | 4.031.868                           | (3.880.103)                         |
| <b>Profit before tax</b>                   |              | <b>42.103.294</b>                   | <b>17.063.817</b>                   |
| Income tax expense                         |              | (8.776.897)                         | (3.053.772)                         |
| <b>Profit for the period</b>               |              | <b>33.326.397</b>                   | <b>14.010.045</b>                   |
| <b>Earnings per share</b>                  |              | <b>0,0011</b>                       | <b>0,0005</b>                       |

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

## Aksigorta A.Ş.

### Interim statement of comprehensive income for the period January 1 – March 31, 2017

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

|  |      | Unaudited         | Unaudited         |
|--|------|-------------------|-------------------|
| Statement of comprehensive income  | Note | March 31, 2017    | March 31, 2016    |
| <b>Profit for the period</b>   |      | <b>33.326.397</b> | <b>14.010.045</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                             | 9    | 1.330.581         | 1.724.465         |
| Cash flow hedging, net off deferred tax  | 9    | 2.226.375         | (1.266.891)       |
| <b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>     |      | <b>3.556.956</b>  | <b>457.574</b>    |
| <b>Other comprehensive income not being reclassified to profit or loss in subsequent periods:</b>    |      |                   |                   |
| Actuarial loss, net off deferred tax   | 9    | (28.764)          | (28.302)          |
| <b>Net other comprehensive income not being reclassified to profit or loss in subsequent periods</b> |      | <b>(28.764)</b>   | <b>(28.302)</b>   |
| <b>Other comprehensive income, net of tax</b>  |      | <b>3.528.192</b>  | <b>429.272</b>    |
| <b>Total comprehensive income for the year, net of tax</b>   |      | <b>36.854.589</b> | <b>14.439.317</b> |

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

## Aksigorta A.Ş.

### Interim statement of changes in equity for the period January 1 - March 31, 2017

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

| March 31, 2017                |      |               |                                     |                  |                |  |                   |                   |  | Unaudited   |
|-------------------------------|------|---------------|-------------------------------------|------------------|----------------|--|-------------------|-------------------|--|-------------|
|                               | Note | Share capital | Available-for-sale investment funds | Revaluation fund | Legal reserves | Actuarial loss arising from employee benefit | Cash flow hedging | Retained earnings |  | Total       |
| Balances at December 31, 2016 | 9    | 306.000.000   | (7.203.047)                         | -                | 178.468.101    | (3.472.406)                                  | 16.816.075        | (63.471.429)      |  | 350.550.209 |
| Profit for the year           |      | -             | -                                   | -                | -              | -  | -                 | 33.326.397        |  | 33.326.397  |
| Transfer                      |      | -             | -                                   | -                | (83.064.172)   | -  | -                 | 83.064.172        |  | -           |
| Other comprehensive income    |      | -             | 1.330.581                           | -                | -              | (28.764)                                     | 2.226.375         | -                 |  | 3.528.192   |
| Total comprehensive income    | 9    | -             | 1.330.581                           | -                | (83.064.172)   | (28.764)                                     | 2.226.375         | 116.390.569       |  | 36.854.589  |
| Dividend payment              |      | -             | -                                   | -                | -              | -  | -                 | -                 |  | -           |
| Balances at March 31, 2017    | 9    | 306.000.000   | (5.872.466)                         | -                | 95.403.929     | (3.501.170)                                  | 19.042.450        | 52.919.140        |  | 463.991.883 |

| March 31, 2016                |      |               |                                     |                  |                |  |                   |                   |  | Unaudited   |
|-------------------------------|------|---------------|-------------------------------------|------------------|----------------|--|-------------------|-------------------|--|-------------|
|                               | Note | Share capital | Available-for-sale investment funds | Revaluation fund | Legal reserves | Actuarial loss arising from employee benefit | Cash flow hedging | Retained earnings |  | Total       |
| Balances at December 31, 2015 | 9    | 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           |      | -             | -                                   | -                | -              | -  | -                 | 70.550.480        |  | 70.550.480  |
| Transfer                      |      | -             | -                                   | -                | -              | -  | -                 | -                 |  | -           |
| Other comprehensive income    |      | -             | (1.257.055)                         | -                | -              | 272.037                                      | 7.021.623         | -                 |  | 6.036.605   |
| Total comprehensive income    | 9    | -             | (1.257.055)                         | -                | -              | 272.037                                      | 7.021.623         | 70.550.480        |  | 76.587.085  |
| Dividend payment              |      | -             | -                                   | -                | -              | -  | -                 | -                 |  | -           |
| Balances at December 31, 2016 | 9    | 306.000.000   | (7.203.047)                         | -                | 178.468.101    | (3.472.406)                                  | 16.816.075        | (63.471.429)      |  | 427.137.294 |

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

## Aksigorta A.Ş.

### Interim statement of cash flows for the year period January 1 – March 31, 2017

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

| <b>Cash Flow Statement</b>                                      | <b>Note</b> | <b>January 1 –<br/>March 31, 2017</b> | <b>January 1 –<br/>March 31, 2016</b> |
|---|-------------|---------------------------------------|---------------------------------------|
| Cash inflows from insurance operations                          |             | 448.720.449                           | 388.748.853                           |
| Cash outflows from insurance operations                         |             | (305.976.325)                         | -291.802.708                          |
| Income tax payment  |             | (13.478.172)                          | -8.048.351                            |
| Cash inflows/(outflows )from operational expenses               |             | 18.342.420                            | (18.057.238)                          |
| <b>Net cash flows from operating activities</b>                 |             | <b>147.608.372</b>                    | <b>70.840.556</b>                     |
| Tangible and intangible asset acquisitions                      |             | (283.766)                             | (2.882.195)                           |
| Financial asset acquisitions / disposals                        | 6           | 325.905.140                           | 350.476.871                           |
| Interest received   |             | 23.005.394                            | 26.255.757                            |
| Other cash inflows/(outflows)                                   |             | (21.437.448)                          | (25.127.183)                          |
| <b>Net cash flows from investing activities</b>                 |             | <b>327.189.320</b>                    | <b>348.723.250</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>474.797.692</b>                    | <b>419.563.806</b>                    |
| <b>Cash and cash equivalents at the beginning of the period</b> |             | <b>480.940.578</b>                    | <b>546.650.423</b>                    |
| <b>Cash and cash equivalents at the end of the period</b>       | 6, 7        | <b>955.738.270</b>                    | <b>966.214.229</b>                    |

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

## Aksigorta A.Ş.

### Notes to the interim condensed financial statements as at March 31, 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 March 31, 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:

|                           | March 31, 2017 | December 31, 2016 |
|---------------------------|----------------|-------------------|
| Top and middle management | 100            | 111               |
| Other personel            | 513            | 493               |
| <b>Total</b>              | <b>613</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 1.441.185 TL in total for January 1 - March 31, 2017 (January 1 - March 31, 2016: TL 1.364.710).

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

#### 2. Summary of significant accounting policies

##### 2.1 Basis of preparation

The interim condensed financial statements at March 31, 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.

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.



## **Aksigorta A.Ş.**

### **Notes to the interim condensed financial statements as at March 31, 2017**

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

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## **2. Summary of significant accounting policies (continued)**

### **2.1 Basis of preparation (continued)**

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 March 31, 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 – March 31, 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 – March 31, 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 March 31, 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) The new standards, amendments and interpretations which are effective as at January 1, 2016 are as follows:**

##### **IFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)**

IFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments did not have an impact on the financial position or performance of the Company.

## **Aksigorta A.Ş.**

### **Notes to the interim condensed financial statements as at March 31, 2017**

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

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## **2. Summary of significant accounting policies (Continued)**

### **2.2 Adoption of New and Revised Standards (Continued)**

#### **IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)**

The amendments to IAS 16 and IAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments did not have an impact on the financial position or performance of the Company.

#### **IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Amendment) – Bearer Plants**

IAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in IAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

#### **IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)**

IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
  - In accordance with IFRS 9,
- Or
- Using the equity method defined in IAS 28

#### **IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)**

Amendments issued to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

#### **IAS 1: Disclosure Initiative (Amendments to IAS 1)**

Amendments issued to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. These amendments did not have significant impact on the notes to the consolidated financial statements of the Company.

## Aksigorta A.Ş.

### Notes to the interim condensed financial statements as at March 31, 2017

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

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## 2. Summary of significant accounting policies (Continued)

### 2.2 Adoption of New and Revised Standards (Continued)

#### Annual Improvements to IFRSs - 2012-2014 Cycle

IASB issued, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan

- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting – clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

These amendments did not have any impact on the financial position or performance of the Company.

#### 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.

#### **IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)**

Amendments issued to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. An entity shall apply those amendments prospectively. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**Notes to the interim condensed financial statements  
as at March 31, 2017**

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

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**2. Summary of significant accounting policies (Continued)**

**2.2 Adoption of New and Revised Standards (Continued)**

**IFRS 15 Revenue from Contracts with Customers**

The IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company does not expect that the standard will have significant impact on the financial position or performance of the Company.

***Clarifications to IFRS 15 'Revenue from Contracts with Customers' (Amendment)***

IASB has published final clarifications to IFRS 15 in April 2016. The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

**IFRS 16 Leases**

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

**Notes to the interim condensed financial statements  
as at March 31, 2017**

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

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**2. Summary of significant accounting policies (Continued)**

**2.2 Adoption of New and Revised Standards (Continued)**

**IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses  
(Amendments)**

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company/Group applies this relief, it shall disclose that fact. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**IAS 7 Statement of Cash Flows (Amendments)**

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Company/Group first applies those amendments, it is not required to provide comparative information for preceding periods. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)**

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
- c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

## **Aksigorta A.Ş.**

### **Notes to the interim condensed financial statements as at March 31, 2017**

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

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## **2. Summary of significant accounting policies (Continued)**

### **2.2 Adoption of New and Revised Standards (Continued)**

#### **IFRS 4 Insurance Contracts (Amendments)**

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

- a. 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 Financial instruments is applied before the new insurance contracts Standard is issued; and
- b. give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 Financial instruments until 2021. The entities that defer the application of IFRS 9 Financial instruments will continue to apply the existing financial instruments Standard—IAS 39.

These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

#### **IAS 40 Investment Property: Transfers of Investment Property (Amendments)**

The IASB issued amendments to IAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

#### **IFRIC 22 Foreign Currency Transactions and Advance Consideration**

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The interpretation is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

## Aksigorta A.Ş.

### Notes to the interim condensed financial statements as at March 31, 2017

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

## 2. Summary of significant accounting policies (Continued)

### 2.2 Adoption of New and Revised Standards (Continued)

#### Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after January 1, 2018.
- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after January 1, 2017.

IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

### 2.3 Share capital

As of March 31, 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.

The share capital structure of the Company is as follows:

| Name of shareholders             | March 31, 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 March 31, 2017, the Company's registered share capital is TL 500.000.000 (December 31, 2016: TL 500.000.000).

Other information about Company's share capital is explained in Note 9.

## **Aksigorta A.Ş.**

### **Notes to the interim condensed financial statements as at March 31, 2017**

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

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#### **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.



## Aksigorta A.Ş.

### Notes to the interim condensed financial statements as at March 31, 2017

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

#### 4. Segment information (continued)

Segment results for period January 1 - March 31, 2017 is as follows:

| January 1 - March 31, 2017  | Fire                | Marine             | Motor Own<br>Damage (MOD) | Motor Third<br>Party Liability | General Losses      | Health              | Other               | Undistributed     | Total                |
|---|---------------------|--------------------|---------------------------|--------------------------------|---------------------|---------------------|---------------------|-------------------|----------------------|
| <b>TECHNICAL INCOME</b>   | <b>33.317.351</b>   | <b>4.897.783</b>   | <b>137.413.091</b>        | <b>58.929.032</b>              | <b>16.895.262</b>   | <b>15.032.758</b>   | <b>19.863.614</b>   |                   | <b>286.348.891</b>   |
| Earned Premiums (Net of Reinsurer Share)  | 33.317.351          | 4.897.783          | 137.413.091               | 58.929.032                     | 16.895.262          | 15.032.758          | 19.863.614          |                   | 286.348.891          |
| Premiums (Net of Reinsurer Share)   | 39.668.660          | 7.186.088          | 114.291.712               | 62.098.944                     | 21.507.232          | 19.568.867          | 20.196.095          |                   | 284.517.598          |
| Change in Unearned Premiums Reserve<br>(Net of Reinsurers Shares and<br>Reserves Carried Forward) (+/-) | (6.351.309)         | (2.288.305)        | 23.121.380                | (3.169.913)                    | (4.611.970)         | (4.536.110)         | (332.481)           |                   | 1.831.293            |
| <b>TECHNICAL EXPENSES</b>   | <b>(35.670.913)</b> | <b>(1.841.697)</b> | <b>(146.517.411)</b>      | <b>(56.312.756)</b>            | <b>(15.598.664)</b> | <b>(10.947.410)</b> | <b>(14.463.649)</b> |                   | <b>(281.352.500)</b> |
| Total Claims (Net of Reinsurer Share)   | (21.895.738)        | (756.350)          | (107.450.624)             | (48.342.757)                   | (5.481.232)         | (662.834)           | (7.909.562)         |                   | (192.499.097)        |
| Claims Paid (Net of Reinsurer Share)  | (15.516.027)        | (1.035.118)        | (105.959.480)             | (36.204.897)                   | (4.030.182)         | (1.943.240)         | (3.618.118)         |                   | (168.307.062)        |
| Changes in Outstanding Claims Reserve<br>(Net of Reinsurer Share and Reserves<br>Carried Forward) (+/-) | (6.379.712)         | 278.768            | (1.491.144)               | (12.137.860)                   | (1.451.050)         | 1.280.406           | (4.291.445)         |                   | (24.192.035)         |
| Commissions (Net)   | (5.764.067)         | (494.721)          | (24.389.608)              | (730.025)                      | (5.816.422)         | (5.528.454)         | (2.936.678)         |                   | (45.659.975)         |
| Operating Expenses  | (7.076.329)         | (453.210)          | (11.463.661)              | (5.586.614)                    | (3.326.479)         | (4.624.351)         | (3.060.100)         |                   | (35.590.743)         |
| Other Operating Income / Expenses   | (934.778)           | (137.416)          | (3.213.518)               | (1.653.360)                    | (974.532)           | (131.771)           | (557.310)           |                   | (7.602.685)          |
|   | <b>(2.353.561)</b>  | <b>3.056.085</b>   | <b>(9.104.320)</b>        | <b>2.616.276</b>               | <b>1.296.599</b>    | <b>4.085.348</b>    | <b>5.399.965</b>    |                   | <b>4.996.391</b>     |
| Investment income   | -                   | -                  | -                         | -                              | -                   | -                   | -                   | 33.075.035        | 33.075.035           |
| Foreign exchange income   | -                   | -                  | -                         | -                              | -                   | -                   | -                   | 4.031.868         | 4.031.868            |
| Tax expense   | -                   | -                  | -                         | -                              | -                   | -                   | -                   | (8.776.897)       | (8.776.897)          |
| <b>Net Profit / (Loss)</b>  | <b>(2.353.561)</b>  | <b>3.056.085</b>   | <b>(9.104.320)</b>        | <b>2.616.276</b>               | <b>1.296.599</b>    | <b>4.085.348</b>    | <b>5.399.965</b>    | <b>28.330.006</b> | <b>33.326.397</b>    |

## Aksigorta A.Ş.

### Notes to the interim condensed financial statements as at March 31, 2017

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

#### 4. Segment information (continued)

Segment results for period January 1 - March 31, 2016 is as follows:

| January 1 - March 31, 2016  | Fire                | Marine             | Motor Own Damage<br>(MOD) | Motor Third Party<br>Liability | General<br>Losses   | Health              | Other               | Undistributed     | Total                |
|---|---------------------|--------------------|---------------------------|--------------------------------|---------------------|---------------------|---------------------|-------------------|----------------------|
| <b>TECHNICAL INCOME</b>   | <b>32.774.895</b>   | <b>5.656.638</b>   | <b>113.238.718</b>        | <b>26.028.161</b>              | <b>17.125.444</b>   | <b>33.424.566</b>   | <b>17.024.220</b>   | -                 | <b>245.272.642</b>   |
| Earned Premiums (Net of Reinsurer Share)  | 32.774.895          | 5.656.638          | 113.238.718               | 26.028.161                     | 17.125.444          | 33.424.566          | 17.024.220          | -                 | 245.272.642          |
| Premiums (Net of Reinsurer Share)   | 36.682.249          | 7.393.114          | 105.265.825               | 33.348.686                     | 17.811.703          | 12.467.823          | 16.862.500          | -                 | 229.831.899          |
| Change in Unearned Premiums Reserve<br>(Net of Reinsurers Shares and<br>Reserves Carried Forward) (+/-) | (3.907.354)         | (1.736.476)        | 7.972.893                 | (7.320.525)                    | (686.259)           | 20.956.744          | 161.720             | -                 | 15.440.742           |
| <b>TECHNICAL EXPENSES</b>   | <b>(25.054.386)</b> | <b>(3.303.585)</b> | <b>(120.719.305)</b>      | <b>(34.722.904)</b>            | <b>(15.414.884)</b> | <b>(37.774.989)</b> | <b>(12.799.978)</b> | -                 | <b>(249.790.030)</b> |
| Total Claims (Net of Reinsurer Share)   | (11.820.029)        | (2.056.855)        | (89.115.131)              | (28.747.285)                   | (6.613.142)         | (23.285.385)        | (7.274.698)         | -                 | (168.912.525)        |
| Claims Paid (Net of Reinsurer Share)  | (13.535.099)        | (1.065.927)        | (87.264.252)              | (30.313.125)                   | (5.384.295)         | (26.263.639)        | (4.303.188)         | -                 | (168.129.525)        |
| Changes in Outstanding Claims Reserve<br>(Net of Reinsurer Share and Reserves<br>Carried Forward) (+/-) | 1.715.070           | (990.928)          | (1.850.879)               | 1.565.839                      | (1.228.847)         | 2.978.254           | (2.971.510)         | -                 | (783.000)            |
| Commissions (Net)   | (5.709.377)         | (848.946)          | (21.545.953)              | (3.462.695)                    | (5.235.078)         | (8.286.438)         | (2.105.357)         | -                 | (47.193.844)         |
| Operating Expenses  | (6.321.347)         | (286.081)          | (9.062.389)               | (2.193.190)                    | (3.146.197)         | (5.568.740)         | (2.672.179)         | -                 | (29.250.123)         |
| Other Operating Income / Expenses   | (1.203.633)         | (111.704)          | (995.831)                 | (319.733)                      | (420.468)           | (634.426)           | (747.743)           | -                 | (4.433.538)          |
|   | <b>7.720.509</b>    | <b>2.353.053</b>   | <b>(7.480.587)</b>        | <b>(8.694.743)</b>             | <b>1.710.560</b>    | <b>(4.350.423)</b>  | <b>4.224.242</b>    | -                 | <b>(4.517.389)</b>   |
| Investment income   | -                   | -                  | -                         | -                              | -                   | -                   | -                   | 25.460.899        | 25.460.899           |
| Foreign exchange income   | -                   | -                  | -                         | -                              | -                   | -                   | -                   | (3.877.463)       | (3.877.463)          |
| Tax expense   | -                   | -                  | -                         | -                              | -                   | -                   | -                   | (3.056.001)       | (3.056.001)          |
| <b>Net Profit / (Loss)</b>  | <b>7.720.509</b>    | <b>2.353.053</b>   | <b>(7.480.587)</b>        | <b>(8.694.743)</b>             | <b>1.710.560</b>    | <b>(4.350.423)</b>  | <b>4.224.242</b>    | <b>18.527.435</b> | <b>14.010.047</b>    |

## Aksigorta A.Ş.

### Notes to the interim condensed financial statements as at March 31, 2017

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

#### 5. 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 March 31, 2017 and December 31, 2016 are disclosed below:

| <b>March 31, 2017</b>    |                               |               |                   |
|--------------------------|-------------------------------|---------------|-------------------|
| Banks (Foreign Currency) | Amount in Foreign<br>Currency | Exchange Rate | Amount (TL)       |
| USD                      | 10.038.491                    | 3,6386        | 36.526.053        |
| EUR                      | 2.427.129                     | 3,9083        | 9.485.948         |
| GBP                      | 31.344                        | 4,5169        | 141.578           |
| CHF                      | 53.153                        | 3,6437        | 193.674           |
| Other                    |                               |               | 31                |
| <b>Total</b>             |                               |               | <b>46.347.284</b> |

  

| Receivables from Insurance Operations | Amount in Foreign<br>Currency | Exchange Rate | Amount (TL)        |
|---------------------------------------|-------------------------------|---------------|--------------------|
| USD                                   | 32.837.667                    | 3,6386        | 119.483.135        |
| EUR                                   | 7.794.192                     | 3,9083        | 30.462.041         |
| GBP                                   | 88.824                        | 4,5169        | 401.209            |
| CHF                                   | 188.341                       | 3,6437        | 686.258            |
| Other                                 |                               |               | 10.060             |
| <b>Total</b>                          |                               |               | <b>151.042.703</b> |

  

| Marketable Securities | Amount in Foreign<br>Currency | Exchange Rate | Amount (TL)       |
|-----------------------|-------------------------------|---------------|-------------------|
| USD                   | 24.239.687                    | 3,6386        | 88.198.526        |
| <b>Total</b>          |                               |               | <b>88.198.526</b> |

  

| Outstanding Claims Reserve | Amount in Foreign<br>Currency | Exchange Rate | Amount (TL)         |
|----------------------------|-------------------------------|---------------|---------------------|
| USD                        | (6.820.978)                   | 3,6386        | (24.818.812)        |
| EUR                        | (1.171.297)                   | 3,9083        | (4.577.781)         |
| Other                      |                               |               | (5.541)             |
| <b>Total</b>               |                               |               | <b>(29.402.133)</b> |

  

| Payables from Insurance Operations | Amount in Foreign<br>Currency | Exchange Rate | Amount (TL)          |
|------------------------------------|-------------------------------|---------------|----------------------|
| USD                                | (29.950.545)                  | 3,6386        | (108.978.053)        |
| EUR                                | (7.873.793)                   | 3,9083        | (30.773.145)         |
| Other                              |                               |               | (1.281.144)          |
| <b>Total</b>                       |                               |               | <b>(141.032.342)</b> |

  

| Off-balance sheet liabilities | Amount in Foreign<br>Currency | Exchange Rate | Amount (TL)          |
|-------------------------------|-------------------------------|---------------|----------------------|
| USD                           | (28.706.320)                  | 3,6386        | (104.450.816)        |
| <b>Total</b>                  |                               |               | <b>(104.450.816)</b> |

  

|                                      |  |  |                   |
|--------------------------------------|--|--|-------------------|
| <b>Net Foreign Currency Position</b> |  |  | <b>10.703.221</b> |
|--------------------------------------|--|--|-------------------|

## Aksigorta A.Ş.

### Notes to the interim condensed financial statements as at March 31, 2017

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

#### 5. 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             |
| <b>Total</b>             |                            |               | <b>31.962.286</b> |

  

| 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              |
| <b>Total</b>                          |                            |               | <b>104.420.830</b> |

  

| Marketable Securities | Amount in Foreign Currency | Exchange Rate | Amount (TL)       |
|-----------------------|----------------------------|---------------|-------------------|
| USD                   | 23.881.989                 | 3,5192        | 84.045.496        |
| <b>Total</b>          |                            |               | <b>84.045.496</b> |

  

| 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)            |
| <b>Total</b>               |                            |               | <b>(27.457.285)</b> |

  

| 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)            |
| <b>Total</b>                       |                            |               | <b>(102.035.123)</b> |

  

| Off-balance sheet liabilities | Amount in Foreign Currency | Exchange Rate | Amount (TL)         |
|-------------------------------|----------------------------|---------------|---------------------|
| 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> |
|--------------------------------------|--|--|-------------------|

## Aksigorta A.Ş.

### Notes to the interim condensed financial statements as at March 31, 2017

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

#### 5. 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 March 31, 2017 is as follows:

| <b>March 31, 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                         | 405.299.392          | 463.401.149          | -                         | -                  | -                       | 10.531.687         | 879.232.228          |
| Securities pledged under repurchase agreements    |                      | 77.252.404           |                           |                    |                         |                    | 77.252.404           |
| Financial assets available for sale               | 11.305.537           | 7.065.463            | 37.986.404                | 195.080.442        | 74.408.406              | 211.936.120        | 537.782.372          |
| Investments on policyholders' risk                | -                    | -                    | -                         | 2.530.185          | -                       | -                  | 2.530.185            |
| Receivables from main operations                  | 126.721.981          | 162.582.121          | 176.598.680               | -                  | -                       | -                  | 465.902.782          |
| Due from reinsurance companies                    | -                    | -                    | 30.954                    | -                  | -                       | -                  | 30.954               |
| Reinsurers' share of insurance liabilities        | 166.201.954          | 216.613.893          | 633.164.050               | -                  | -                       | -                  | 1.015.979.897        |
| Equity securities                                 | -                    | -                    | -                         | -                  | -                       | 220.889            | 220.889              |
| Other assets                                      | -                    | 135.842.079          | -                         | -                  | -                       | -                  | 135.842.079          |
| <b>Total Assets</b>                               | <b>709.528.864</b>   | <b>1.062.757.109</b> | <b>847.780.088</b>        | <b>197.610.627</b> | <b>74.408.406</b>       | <b>222.688.696</b> | <b>3.114.773.790</b> |
| Derivative financial liabilities                  |                      |                      |                           |                    |                         |                    | -                    |
| Obligations under repurchase agreements           | 77.257.178           |                      |                           |                    |                         |                    | 77.257.178           |
| Insurance liabilities                             | 327.788.478          | 546.237.676          | 1.378.502.012             | -                  | -                       | -                  | 2.252.528.166        |
| Due to reinsurers                                 | -                    | -                    | 313.643.130               | -                  | -                       | -                  | 313.643.130          |
| Trade and other payables                          | -                    | -                    | 155.105.936               | -                  | -                       | -                  | 155.105.936          |
| <b>Total liabilities and shareholders' equity</b> | <b>405.045.656</b>   | <b>546.237.676</b>   | <b>1.847.251.078</b>      | <b>-</b>           | <b>-</b>                | <b>-</b>           | <b>2.798.534.410</b> |

## Aksigorta A.Ş.

### Notes to the interim condensed financial statements as at March 31, 2017

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

|                                    |                    |                    |                      |                    |                   |                    |                    |
|------------------------------------|--------------------|--------------------|----------------------|--------------------|-------------------|--------------------|--------------------|
| <b>Liquidity surplus/(deficit)</b> | <b>304.483.208</b> | <b>516.519.433</b> | <b>(999.470.990)</b> | <b>197.610.627</b> | <b>74.408.406</b> | <b>222.688.696</b> | <b>316.239.380</b> |
|------------------------------------|--------------------|--------------------|----------------------|--------------------|-------------------|--------------------|--------------------|

### 5. 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          | 495.814.686         | 1.251.253.020             | -                  | -                       | -                  | 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>525.846.124</b>  | <b>1.552.517.369</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 interim condensed financial statements as at March 31, 2017

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

#### 6. Financial assets

##### Available for sale debt securities:

| March 31, 2017   |                    |                    |                    |
|------------------|--------------------|--------------------|--------------------|
|                  | Cost Value         | Fair Value         | Book Value         |
| Government bonds | 53.340.001         | 47.330.622         | 47.330.622         |
| Private bonds    | 185.812.561        | 190.700.106        | 190.700.106        |
| Investment Funds | 186.172.994        | 211.936.444        | 211.936.444        |
| Eurobonds        | 91.649.582         | 87.815.201         | 87.815.201         |
| <b>Total</b>     | <b>516.975.138</b> | <b>537.782.373</b> | <b>537.782.373</b> |

| December 31, 2016 |                    |                    |                    |
|-------------------|--------------------|--------------------|--------------------|
|                   | Cost Value         | Fair Value         | Book Value         |
| Government bonds  | 414.615.001        | 409.346.640        | 409.346.640        |
| Private bonds     | 157.224.003        | 159.914.268        | 159.914.268        |
| Investment Funds  | 189.073.620        | 210.381.106        | 210.381.106        |
| 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:

| March 31, 2017   |                  |                  |                  |
|------------------|------------------|------------------|------------------|
|                  | Cost Value       | Fair Value       | Book Value       |
| 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> |

| December 31, 2016 |                  |                  |                  |
|-------------------|------------------|------------------|------------------|
|                   | Cost Value       | Fair Value       | Book Value       |
| 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 March 31, 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 March 31, 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 interim condensed financial statements as at March 31, 2017

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

#### 6. Financial assets (continued)

List of the investments and fair values is as below:

| March 31, 2017            |                   |            |                |
|---------------------------|-------------------|------------|----------------|
|                           | Cost Value        | Fair Value | Book Value     |
| <b>Equity investments</b> |                   |            |                |
| Merter BV                 | 30.116.653        | 0          | 0              |
| Tarsim                    | 220.889           | 0          | 220.889        |
| <b>Total</b>              | <b>30.337.542</b> | <b>0</b>   | <b>220.889</b> |

  

| December 31, 2016         |                   |            |                |
|---------------------------|-------------------|------------|----------------|
|                           | Cost Value        | Fair Value | Book Value     |
| <b>Equity investments</b> |                   |            |                |
| Merter BV                 | 30.116.653        | 0          | 0              |
| Tarsim                    | 220.889           | 0          | 220.889        |
| <b>Total</b>              | <b>30.337.542</b> | <b>0</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).

|                                      | March 31,<br>2017  | Level 1            | Level 2  | Level 3  |
|--------------------------------------|--------------------|--------------------|----------|----------|
| Available for sale at company's risk | 537.782.372        | 537.782.372        | -        | -        |
| Available for sale at insureds' risk | 2.530.185          | 2.530.185          | -        | -        |
| <b>Total</b>                         | <b>540.312.557</b> | <b>540.312.557</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 insureds' risk | 2.530.185          | 2.530.185          | -        | -        |
| <b>Total</b>                         | <b>866.217.697</b> | <b>866.217.697</b> | <b>-</b> | <b>-</b> |

(\*) Unlisted equity shares amounting to TL 220.889 (December 31, 2016: TL 220.889) has been accounted at its cost value as of March 31, 2017

(\*\*) The Company has written off Merter BV, one of the affiliates, amounting to TL 30.116.652 in its financial statements as of March 31, 2017 (December 31, 2016: TL 30.116.652).



## Aksigorta A.Ş.

### Notes to the interim condensed financial statements as at March 31, 2017

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

#### 7. Cash and cash equivalents

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

|   | March 31, 2017     | December 31, 2016  |
|---|--------------------|--------------------|
| Cash at banks   | 619.408.174        | 240.333.856        |
| -time deposits  | 608.876.487        | 222.305.473        |
| -demand deposits  | 10.531.687         | 18.028.383         |
| Bank guaranteed credit card receivables<br>with maturity less than 3 months | 259.819.280        | 210.819.263        |
|   | 879.227.454        | 451.153.119        |
| Securities pledge under repurchase agreements                               | 77.257.178         | 30.045.425         |
| <b>Total cash and cash equivalents</b>                                      | <b>956.484.632</b> | <b>481.198.544</b> |

(\*) The Company has reflected TL 77.257.178 of time deposits as securities pledged under repurchase agreements in the financial statements as of March 31, 2017 (2016: 30.045.425).

The maturities of the Company's time deposits as of March 31, 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 – March 31, 2017 and January 1 – December 31, 2016 are as follows:

|   | March 31, 2017     | December 31, 2016  |
|---|--------------------|--------------------|
| Total cash and cash equivalents                             | 956.484.632        | 481.198.544        |
| Interest accrual on cash at banks (-)                       | (746.360)          | (257.966)          |
| <b>Cash and cash equivalents per statement of cash flow</b> | <b>955.738.272</b> | <b>480.940.578</b> |

Weighted average interest rates of time deposits:

|     | March 31, 2017 | December 31, 2016 |
|-----|----------------|-------------------|
| TL  | 7,75 – 13,05   | 4,50 – 13,95      |
| USD | 0,10 – 3,70    | 0,10 – 3,40       |
| EUR | 0,10 – 0,90    | 0,10 – 1,85       |

## Aksigorta A.Ş.

### Notes to the interim condensed financial statements as at March 31, 2017

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

#### 8. Repurchase agreements

*Securities pledged under repurchase agreements:*

The details of reverse repo receivables in the balance sheet as of March 31, 2017 are as follows:

| <b>March 31, 2017</b> | <b>Cost</b>       | <b>Interest rate</b> | <b>Maturity</b>         | <b>Book value</b> |
|-----------------------|-------------------|----------------------|-------------------------|-------------------|
| Time deposits         | 77.000.000        | 13,94%               | 23.03.2017 - 15.05.2017 | 77.252.404        |
|                       | <b>77.000.000</b> |                      |                         | <b>77.252.404</b> |

The details of reverse repo receivables in the balance sheet as of December 31, 2016 are as follows:

| <b>December 31, 2016</b> |                   | <b>Interest rate</b> | <b>Maturity</b>         | <b>Book value</b> |
|--------------------------|-------------------|----------------------|-------------------------|-------------------|
| Time deposits            | 25.000.000        | 11,45%               | 28.12.2016 - 30.01.2017 | 25.031.370        |
| Time deposits            | 5.000.000         | 11,40%               | 23.12.2016 - 17.03.2017 | 5.014.055         |
|                          | <b>30.000.000</b> |                      |                         | <b>30.045.425</b> |

*Obligations under repurchase agreements:*

The details of funds received from reverse repo agreements accounted for under short term other financial liabilities in the balance sheet as of March 31, 2017 and December 31, 2016 are as follows:

| <b>March 31, 2017</b> | <b>Cost</b>         | <b>Interest rate</b> |                         | <b>Book value</b>   |
|-----------------------|---------------------|----------------------|-------------------------|---------------------|
| Government bond       | (77.000.000)        | 12,19%               | 22.03.2017 - 16.05.2017 | (77.257.178)        |
|                       | <b>(77.000.000)</b> |                      |                         | <b>(77.257.178)</b> |

| <b>December 31, 2016</b> | <b>Cost</b>       | <b>Interest rate</b> | <b>Maturity</b>         | <b>Book value</b> |
|--------------------------|-------------------|----------------------|-------------------------|-------------------|
| Government bond          | 10.000.000        | 10,90%               | 29.12.2016 - 04.01.2017 | 10.008.959        |
| Government bond          | 15.000.000        | 10,90%               | 29.12.2016 - 04.01.2017 | 15.013.438        |
| Government bond          | 5.000.000         | 11,00%               | 26.12.2016 - 02.01.2017 | 5.009.041         |
|                          | <b>30.000.000</b> |                      |                         | <b>30.031.438</b> |

## Aksigorta A.Ş.

### Notes to the interim condensed financial statements as at March 31, 2017

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

#### 9. Equity

As of March 31, 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 |            | March 31, 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 |
| <b>Total</b>    | <b>30.600.000.000</b> | <b>306.000.000</b> | -          | -         | -          | -              | 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 |
| <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:

| Legal Reserves                   | 2017              | 2016               |
|----------------------------------|-------------------|--------------------|
| Opening balance, January 1       | 178.468.101       | 178.468.101        |
| Transfers from retained earnings | (83.064.172)      | -                  |
| <b>Closing balance, March 31</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 4.376.462 (net off deferred tax: TL (3.501.170) 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 |

## Aksigorta A.Ş.

### Notes to the interim condensed financial statements as at March 31, 2017

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

|                                  |                  |                  |
|----------------------------------|------------------|------------------|
| Change for the period            | 35.955           | (340.047)        |
| <b>Closing balance, March 31</b> | <b>4.376.462</b> | <b>4.340.507</b> |

#### 9. 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 | 1.330.579          | (1.257.053)        |
| <b>Closing balance, March 31</b>   | <b>(5.872.466)</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 March 31, 2017, TL 23.803.060 (net: TL 19.042.448) is recognized under equity resulting from hedge accounting (December 31, 2016: TL 21.020.093, net: TL 16.816.074).

| March 31, 2017    |          |                                |                          |                     |
|-------------------|----------|--------------------------------|--------------------------|---------------------|
| Amount of deposit | Currency | Exchange rate at the beginning | Exchange rate at the end | Exchange difference |
| 15.856.440        | USD      | 2,23                           | 3,64                     | (22.268.784)        |
| 12.849.880        | USD      | 3,52                           | 3,64                     | (1.534.276)         |
| 28.706.320        |          |                                |                          | (23.803.060)        |

  

| 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 24.329.687 .

## Aksigorta A.Ş.

### Notes to the interim condensed financial statements as at March 31, 2017

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

#### 10. Insurance liabilities

| <b>Gross</b>                         | <b>March 31, 2017</b> | <b>December 31, 2016</b> |
|--------------------------------------|-----------------------|--------------------------|
| Reserve for unearned premiums        | 1.118.964.517         | 995.397.648              |
| Outstanding claims provision         | 1.130.306.330         | 1.045.955.010            |
| Life actuarial mathematical reserves | 1.379.670             | 1.373.929                |
| Life profit share provision          | 153.297               | 152.659                  |
| Bonus and rebates provision          | 1.724.352             | 1.718.909                |
| <b>Total</b>                         | <b>2.252.528.166</b>  | <b>2.044.598.155</b>     |

| <b>Reinsurance Share</b>                | <b>March 31, 2017</b> | <b>December 31, 2016</b> |
|---|-----------------------|--------------------------|
| Reinsurers' share of outstanding claims | 503.138.875           | 446.542.113              |
| Reinsurers' share of unearned premiums  | 511.127.431           | 385.729.269              |
| Bonus and rebates provision             | 1.713.591             | 1.715.452                |
| <b>Total</b>                            | <b>1.015.979.897</b>  | <b>833.986.834</b>       |

| <b>Net</b>                              | <b>March 31, 2017</b> | <b>December 31, 2016</b> |
|---|-----------------------|--------------------------|
| Reinsurers' share of outstanding claims | 627.167.455           | 599.412.897              |
| Reinsurers' share of unearned premiums  | 607.837.086           | 609.668.379              |
| Life actuarial mathematical reserves    | 1.379.670             | 1.373.929                |
| Life profit share provision             | 153.297               | 152.659                  |
| Bonus and rebates provision             | 10.761                | 3.457                    |
| <b>Total</b>                            | <b>1.236.548.269</b>  | <b>1.210.611.321</b>     |

#### 11. Payables to reinsurers, trade and other payables

|  | <b>March 31,<br/>2017</b> | <b>December 31,<br/>2016</b> |
|--|---------------------------|------------------------------|
| Payables to reinsurers   | 313.643.130               | 202.020.282                  |
| <b>Payables due to main operations</b>   | <b>313.643.130</b>        | <b>202.020.282</b>           |
| Payables to SSI regarding medical expenses (*)                                   | 5.446.765                 | 4.268.447                    |
| Taxes payable  | 14.609.894                | 17.872.576                   |
| Payables to Turkish Catastrophe Insurance Pool                                   | 15.389.523                | 21.395.892                   |
| Payables to contracted institutions  | 5.085.307                 | 6.010.520                    |
| Payables to suppliers  | 2.721.333                 | 10.538.496                   |
| Other  | 3.691.854                 | 2.319.074                    |
| <b>Total other short term payables</b>   | <b>46.944.676</b>         | <b>62.405.005</b>            |
| <b>Total financial liabilities trade and other payables,<br/>deferred income</b> | <b>360.587.806</b>        | <b>264.425.287</b>           |

## Aksigorta A.Ş.

### Notes to the interim condensed financial statements as at March 31, 2017

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

#### 12. Retirement social security liabilities

|   | March 31, 2017   | December 31, 2016 |
|---|------------------|-------------------|
| Provision for employment termination benefits | 6.424.748        | 6.335.367         |
| <b>Total</b>                                  | <b>6.424.748</b> | <b>6.474.170</b>  |

Under the terms of Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are entitled to retirement pay provisions subsequent to the completion of their retirement period by gaining a right to receive retirement payments in accordance with the amended Article 60 of the applicable Social Insurance Law No: 506 and the related Decrees No: 2422 and 4447 issued on 6 March 1981 and August 25, 1999, respectively. Some transitional provisions related to pre-retirement service term was excluded from the law since the related law was amended as of May 23, 2002.

Employee termination benefits provisions are legally not a subject of funding. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at March 31, 2017 and December 31, 2016, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. As of March 31, 2017, the provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 8,53% (December 31, 2016: 8,81%) and a discount rate of 10,91% (December 31, 2016: 10,71%), resulting in a real interest rate of approximately 2% (December 31, 2016: 2%). The anticipated rate of forfeitures is considered and estimated rate of the Company's retirement pay is also taken into account.

However, during this estimation, the employee termination benefits mentioned in subparagraph 5 of paragraph 1 of article 14 of the Labor Law numbered 1475 to be made in accordance with other conditions excluding the ages stipulated in clauses (a) and (b) of subparagraph A of paragraph one of article 60 of the Law numbered 506 or due to termination of employees on their own will after having completed the insurance period required for retirement pension (15 years) and the number of premium payment days (3600 days) have been excluded from the payments to be incurred by the Company.

The effect of estimation changes in the calculation of employee termination benefits is amounting to TL 4.376.462 (Deferred tax effect: TL 875.292) and has been accounted to actuarial loss arising from employee benefit under equity.

As the maximum liability is updated semi annually, as of March 31, 2017, the maximum amount of TL 4.426,16 effective from January 1, 2017 has been taken into consideration in calculation of provision from employment termination benefits (December 31, 2016 : TL 4.092,53).

Movement of employee termination benefits provisions are presented in the statement below:

|                                  | 2017             | 2016             |
|----------------------------------|------------------|------------------|
| Opening balance, January 1       | 6.335.367        | 6.474.170        |
| Charge for the period            | 281.016          | 1.569.790        |
| Actuarial gain/loss              | 35.955           | (340.047)        |
| Retirement payments              | (227.590)        | (1.368.546)      |
| <b>Closing balance, March 31</b> | <b>6.424.748</b> | <b>6.335.367</b> |

## Aksigorta A.Ş.

### Notes to the interim condensed financial statements as at March 31, 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 – March 31, 2017 |                      |                    | January 1 – March 31, 2016 |                      |                    |
|--|----------------------------|----------------------|--------------------|----------------------------|----------------------|--------------------|
|  | Gross                      | Reinsurers' share    | Net                | Gross                      | Reinsurers' share    | Net                |
| Written premium                        | 615.379.353                | (330.857.168)        | 284.522.185        | 499.175.841                | (269.341.461)        | 229.834.379        |
| Change in unearned premium reserve (*) | (123.566.869)              | 125.393.575          | 1.826.706          | (99.714.263)               | 115.155.146          | 15.440.883         |
| <b>Total premium revenue</b>           | <b>491.812.484</b>         | <b>(205.463.593)</b> | <b>286.348.891</b> | <b>399.461.578</b>         | <b>(154.186.315)</b> | <b>245.275.263</b> |
| Fire                                   | 159.757.389                | (120.088.728)        | 39.668.660         | 135.517.383                | (98.835.135)         | 36.682.249         |
| Marine                                 | 19.319.721                 | (12.133.634)         | 7.186.088          | 12.576.733                 | (5.183.620)          | 7.393.114          |
| Motor Own Damage                       | 121.973.553                | (7.677.255)          | 114.296.299        | 112.120.958                | (6.855.133)          | 105.265.825        |
| Motor Third Party Liability            | 66.404.055                 | (4.305.111)          | 62.098.944         | 35.998.869                 | (2.650.183)          | 33.348.686         |
| Other                                  | 60.939.398                 | (40.744.803)         | 20.194.595         | 47.340.580                 | (30.478.081)         | 16.862.500         |
| General Losses                         | 91.008.140                 | (69.500.907)         | 21.507.232         | 71.430.257                 | (53.618.554)         | 17.811.703         |
| Health                                 | 95.975.597                 | (76.406.730)         | 19.568.867         | 84.188.579                 | (71.720.756)         | 12.467.823         |
| Life                                   | 1.500                      | -                    | 1.500              | 2.480                      |                      | 2.480              |
| <b>Total</b>                           | <b>615.379.353</b>         | <b>(330.857.168)</b> | <b>284.522.185</b> | <b>499.175.841</b>         | <b>(269.341.461)</b> | <b>229.834.379</b> |

#### 14. Expenses by nature

|                                 | January 1 -<br>March 31, 2017 | January 1 -<br>March 31, 2016 |
|---------------------------------|-------------------------------|-------------------------------|
| Personnel expenses              | (18.370.088)                  | (17.842.891)                  |
| Information technology expenses | (2.646.382)                   | (3.074.654)                   |
| Depreciation expenses           | (3.999.395)                   | (2.956.914)                   |
| Rent expenses                   | (2.236.780)                   | (1.949.216)                   |
| Social relief expenses          | (931.546)                     | (1.157.092)                   |
| Transportation expenses         | (1.156.572)                   | (957.375)                     |
| Meeting and training expenses   | (1.323.063)                   | (1.058.530)                   |
| Advertisement expenses          | (1.102.139)                   | (1.035.087)                   |
| Repair and maintenance          | (714.006)                     | (739.414)                     |
| Communication expenses          | (374.985)                     | (399.440)                     |
| Outsourcing service expenses    | (474.832)                     | (158.241)                     |
| Other                           | (2.260.954)                   | (2.875.176)                   |
| <b>Total</b>                    | <b>(35.590.743)</b>           | <b>(34.204.030)</b>           |

## Aksigorta A.Ş.

### Notes to the interim condensed financial statements as at March 31, 2017

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

#### 15. Insurance claims and claims recovered from reinsurers

##### March 31, 2017

|                                 | Gross              | Reinsurers' Share    | Net                |
|---------------------------------|--------------------|----------------------|--------------------|
| Paid Claims                     | 223.455.962        | (55.148.900)         | 168.307.062        |
| Change in outstanding claims    | 81.725.054         | (57.546.698)         | 24.178.356         |
| Change in mathematical reserves | 6.380              | -                    | 6.380              |
| Bonus and rebates provision     | 5.439              | 1.860                | 7.299              |
| <b>Total</b>                    | <b>305.192.835</b> | <b>(112.693.738)</b> | <b>192.499.097</b> |

##### March 31, 2016

|                                 | Gross              | Reinsurers' Share   | Net                |
|---------------------------------|--------------------|---------------------|--------------------|
| Paid Claims                     | 200.117.133        | (25.426.115)        | 174.691.018        |
| Change in outstanding claims    | 14.336.218         | (27.892.666)        | (13.556.448)       |
| Change in mathematical reserves | (142.672)          | 211                 | (142.461)          |
| Bonus and rebates provision     | 99.469             | (96.261)            | 3.208              |
| <b>Total</b>                    | <b>214.410.148</b> | <b>(53.414.831)</b> | <b>160.995.317</b> |

#### 16. Related parties

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

##### Due from /to related parties

|                            | March 31, 2017    | December 31, 2016 |
|----------------------------|-------------------|-------------------|
| Shareholders               | 760.103           | 19.958            |
| Shareholder's subsidiaries | 49.183.352        | 12.456.988        |
| <b>Total</b>               | <b>49.943.455</b> | <b>12.476.946</b> |

##### Banks

|                            | March 31, 2017     | December 31, 2016  |
|----------------------------|--------------------|--------------------|
| Shareholder's subsidiaries | 204.953.359        | 574.281.361        |
| <b>Total</b>               | <b>204.953.359</b> | <b>574.281.361</b> |

##### Marketable securities

|                            | March 31, 2017    | December 31, 2016 |
|----------------------------|-------------------|-------------------|
| Shareholder's subsidiaries | 42.899.179        | 15.294.313        |
| <b>Total</b>               | <b>42.899.179</b> | <b>15.294.313</b> |

##### Investment funds

|                            | March 31, 2017     | December 31, 2016  |
|----------------------------|--------------------|--------------------|
| Shareholder's subsidiaries | 211.936.444        | 158.252.836        |
| <b>Total</b>               | <b>211.936.444</b> | <b>158.252.836</b> |



## Aksigorta A.Ş.

### Notes to the interim condensed financial statements as at March 31, 2017

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

#### 16. Related parties (continued)

##### Written Premium

|                            | March 31, 2017    | March 31, 2016    |
|----------------------------|-------------------|-------------------|
| Shareholders               | 783.414           | 646.165           |
| Shareholder's subsidiaries | 39.300.860        | 32.134.596        |
| <b>Total</b>               | <b>40.084.274</b> | <b>32.780.761</b> |

##### Claims Paid

|                            | March 31, 2017 | March 31, 2016   |
|----------------------------|----------------|------------------|
| Shareholders               | 154            | 1.000            |
| Shareholder's subsidiaries | 745.325        | 2.823.341        |
| <b>Total</b>               | <b>745.479</b> | <b>2.824.341</b> |

##### Investment Income

|                            | March 31, 2017    | March 31, 2016    |
|----------------------------|-------------------|-------------------|
| Shareholder's subsidiaries | 15.831.664        | 12.151.268        |
| <b>Total</b>               | <b>15.831.664</b> | <b>12.151.268</b> |

#### 17. Contingencies

As of June 24, 2015, Tax Inspection Board of T.C. Ministry of Finance has launched a limited tax investigation related to the Banking and Insurance Transaction Tax for the years 2009, 2010, 2011 and 2012 and as a consequence of the tax inspection, tax of TL 1,8 million and tax penalty of TL 2,8 million for the year 2009, tax of TL 2 million and tax penalty of TL 3 million for the year 2010, tax of TL 3 million and tax penalty of TL 4,6 million for the year 2011 and tax of TL 4,3 million and tax penalty of TL 6,4 million for the year 2012 and in total tax and tax penalty of 27,9 million related to Banking Insurance Transaction Tax were imposed to the Company. The Company has not booked any provision in the financial statements since it believes that its practice is in compliance with the regulations. On January 16, 2015 and on February 20, 2015, the Company filed a reconciliation request to the Large Taxpayers Office Commission of Reconciliation for the tax and tax penalty for the year 2009 and for the years 2010, 2011 and 2012, respectively.

#### 18. Subsequent events

On 10.04.2017, Treasury issued a circular numbered 2017/1 with regards to the premiums in Motor Third Party Liability branch.

The maximum premiums (caps) for each city, vehicle type and NCD level has been announced in the circular. The circular will be valid between the period 12.04.2017- 31.12.2017.