

(Convenience translation of financial statements and footnotes
originally issued in Turkish)

Aksigorta Anonim Őirketi

Financial Statements as of March 31, 2016

AKSIGORTA ANONİM ŐİRKETİ

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

We confirm that the accompanying financial statements and notes to these financial statements as of 31 March 2016 are prepared in accordance with the accounting principles and standards as set out in the insurance legislation and in conformity with the provisions of the Decree on "Financial Reporting of Insurance and Reinsurance Companies and Pension Funds" and our Company's accounting records.

İstanbul, April 21, 2016

Erkan ŐAHİNLER
Chief Financial Officer

Uğur GÜLEN
Chief Executive Officer

Halil KOLBAŐI
Actuary
Licence No: 72

Gölnur KURT
Accounting Manager

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEET AT MARCH 31, 2016

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

AKSIGORTA ANONİM ŞİRKETİ			
DETAILED BALANCE SHEET			
ASSETS			
I- CURRENT ASSETS	Note	Unaudited	Audited
		Current Period (31/03/2016)	Previous Period (31/12/2015)
A- Cash and Cash Equivalents		970.867.569	551.303.762
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	764.409.382	374.800.368
4- Cheques Given and Payment Orders (-)		-	-
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	14	206.458.187	176.503.394
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Investments with Risks on Policy Holders	11.1	335.567.640	686.053.937
1- Financial Assets Available for Sale	11.1	327.552.345	678.300.658
2- Financial Assets Held to Maturity		-	-
3- Financial Assets Held for Trading	11.1	-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders	11.1	8.015.295	7.753.279
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)		-	-
C- Receivables From Main Operations	12.1	423.518.589	397.936.342
1- Receivables From Insurance Operations	12.1	422.261.646	396.437.558
2- Provision for Receivables From Insurance Operations (-)	12.1	(12.326.838)	(9.860.324)
3- Receivables From Reinsurance Operations		-	-
4- Provision for Receivables From Reinsurance Operations (-)	12.1	-	-
5- Cash Deposited For Insurance & Reinsurance Companies	12.1	30.954	30.954
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Pension Operation		-	-
9- Doubtful Receivables From Main Operations	12.1	74.942.995	71.388.831
10- Provisions for Doubtful Receivables From Main Operations (-)	12.1	(61.390.168)	(60.060.677)
D- Due from Related Parties		95.667	80.678
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties	45	95.667	80.678
7- Rediscout on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
E- Other Receivables		13.108.679	7.315.908
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		421.613	376.422
4- Other Receivables	47	12.687.066	6.939.486
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
F- Prepaid Expenses and Income Accruals	4.2.2	145.493.996	123.513.895
1- Deferred Commission Expenses		129.860.781	120.698.665
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		245.797	276.048
4- Other Prepaid Expenses	47	15.387.418	2.539.182
G- Other Current Assets	4.2.2	8.242.188	5.458.704
1- Inventories		22	22
2- Prepaid Taxes and Funds	4.2.2	8.048.351	5.241.964
3- Deferred Tax Assets		-	-
4- Business Advances		153.666	168.635
5- Advances Given to Personnel		40.149	48.083
6- Stock Count Differences		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		1.896.894.328	1.771.663.226

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEET AT MARCH 31, 2016

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

AKSIGORTA ANONİM ŞİRKETİ			
DETAILED BALANCE SHEET			
ASSETS			
II- NON CURRENT ASSETS	Note	Unaudited	Audited
		Current Period (31/03/2016)	Previous Period (31/12/2015)
A- Receivables From Main Operations		-	-
1- Receivables From Insurance Operations		-	-
2- Provision for Receivables From Insurance Operations (-)		-	-
3- Receivables From Reinsurance Operations		-	-
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited for Insurance & Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables From Pension Operations		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-
B- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
C- Other Receivables		-	-
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
D- Financial Assets		7.961.251	7.961.251
1- Investments In Associates		-	-
2- Affiliates	9, 11.4	30.116.653	30.116.653
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)	4.2.2, 11.4	(22.155.402)	(22.155.402)
E- Tangible Fixed Assets		25.744.378	26.619.443
1- Investment Properties	7	80.126	80.126
2- Diminution in Value for Investment Properties (-)		-	-
3- Owner Occupied Properties	6	1.598.569	1.598.569
4- Machinery and Equipments		-	-
5- Furnitures and Fixtures	6	16.517.832	16.510.365
6- Vehicles	6	-	-
7- Other Tangible Assets (Including Leasehold Improvements)	6	20.082.694	20.034.606
8- Leased Tangible Fixed Assets	6	351.395	351.395
9- Accumulated Depreciation (-)	6, 7	(12.893.614)	(11.962.994)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		7.376	7.376
F- Intangible Fixed Assets		33.675.828	33.994.538
1- Rights	8	53.565.189	52.085.155
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortizations (-)	8	(22.783.339)	(20.757.045)
8- Advances Regarding Intangible Assets	8	2.893.978	2.666.428
G- Prepaid Expenses and Income Accruals		237.748	249.184
1- Deferred Commission Expenses		-	-
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses	47	237.748	249.184
H- Other Non-current Assets		40.227.395	39.211.885
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	35	40.227.395	39.211.885
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
II- Total Non-current Assets		107.846.600	108.036.301
TOTAL ASSETS (I+II)		2.004.740.928	1.879.699.527

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEET AT MARCH 31, 2016

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

AKSIGORTA ANONİM ŞİRKETİ			
DETAILED BALANCE SHEET			
LIABILITIES			
III- SHORT TERM LIABILITIES	Note	Unaudited	Audited
		Current Period (31/03/2016)	Previous Period (31/12/2015)
A- Borrowings		141.226.063	137.458.200
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Current Portion of Long Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Financial Assets Issued		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)	13,14	141.226.063	137.458.200
B- Payables From Main Operations	19,1	292.062.286	175.054.091
1- Payables Due to Insurance Operations	19,1	292.062.286	175.054.091
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		(19.917)	42.777
1- Due to Shareholders		1.143	1.143
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		(21.060)	41.634
6- Due to Other Related Parties		-	-
D- Other Payables	19,1	26.912.709	37.639.614
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses	19,1	2.598.149	6.356.378
3- Other Payables	19,1	24.314.560	31.283.236
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves		1.049.933.198	1.054.437.950
1- Unearned Premiums Reserve - Net	20	495.226.665	510.667.337
2- Unexpired Risk Reserves - Net	20	21.123.539	16.354.138
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	4,1, 20	532.379.786	526.216.475
5- Provision for Bonus and Discounts - Net	20	1.203.208	1.200.000
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Relevant Provisions		10.049.335	13.187.297
1- Taxes and Dues Payable		8.530.577	11.743.271
2- Social Security Premiums Payable	23,1	1.513.781	1.439.049
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		4.977	4.977
5- Corporate Tax Liability Provision on Period Profit	35	-	-
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	35	-	-
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks		20.422.005	20.687.893
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	19,1, 23,4	20.422.005	20.687.893
H- Deferred Income and Expense Accruals	19,1	58.256.223	35.555.383
1- Deferred Commission Income	19,1	58.031.913	35.555.383
2- Expense Accruals		-	-
3- Other Deferred Income		224.310	-
I- Other Short Term Liabilities		235	235
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		235	235
III - Total Short Term Liabilities		1.598.842.137	1.474.063.440

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE BALANCE SHEET
AT MARCH 31, 2016**

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

AKSİGORTA ANONİM ŞİRKETİ			
DETAILED BALANCE SHEET			
LIABILITIES			
IV- LONG TERM LIABILITIES	Note	Unaudited	Audited
		Current Period (31/03/2016)	Previous Period (31/12/2015)
A- Borrowings		-	-
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Bonds Issued		-	-
5- Other Issued Financial Assets		-	-
6- Value Differences on Issued Financial Assets (-)		-	-
7- Other Financial Borrowings (Liabilities)		-	-
B- Payables From Main Operations		-	-
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Discount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables		-	-
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves		53.545.027	50.522.208
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net	17.2, 20	1.767.825	1.910.495
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net	20	51.777.202	48.611.713
F- Other Liabilities and Provisions		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks		5.981.140	6.474.170
1- Provision for Employment Termination Benefits	22	5.981.140	6.474.170
2- Provisions for Employee Pension Fund Deficits		-	-
H- Deferred Income and Expense Accruals		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
I- Other Long Term Liabilities		-	-
1- Deferred Tax Liability		-	-
2- Other Long Term Liabilities		-	-
IV- Total Long Term Liabilities		59.526.167	56.996.378

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEET AT MARCH 31, 2016

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

AKSİGORTA ANONİM ŞİRKETİ			
DETAILED BALANCE SHEET			
SHAREHOLDERS' EQUITY			
V- SHAREHOLDERS' EQUITY	Note	Unaudited	Audited
		Current Period (31/03/2016)	Previous Period (31/12/2015)
A- Paid in Capital		306.000.000	306.000.000
1- (Nominal) Capital	15	306.000.000	306.000.000
2- Unpaid Capital (-)		-	-
3- Positive Inflation Adjustment on Capital		-	-
4- Negative Inflation Adjustment on Capital (-)		-	-
5- Unregistered Capital		-	-
B- Capital Reserves		95.377.201	95.377.201
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital		95.377.201	95.377.201
4- Translation Reserves		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		83.624.189	83.194.917
1- Legal Reserves		83.064.172	83.064.172
2- Statutory Reserves		62	62
3- Extraordinary Reserves		26.666	26.666
4- Special Funds (Reserves)	22, 34.5	4.754.816	6.050.009
5- Revaluation of Financial Assets	11.6, 16.1	(4.221.527)	(5.945.992)
6- Other Profit Reserves		-	-
D- Previous Years' Profits		13.151	13.151
1- Previous Years' Profits		13.151	13.151
E- Previous Years' Losses (-)		(135.945.560)	-
1- Previous Years' Losses		(135.945.560)	-
F- Net Profit of the Period		(2.696.357)	(135.945.560)
1- Net Profit of the Period		-	-
2- Net Loss of the Period (-)		(2.696.357)	(135.945.560)
3- Net Income not subject to distribution		-	-
Total Shareholders' Equity		346.372.624	348.639.709
Total Liabilities and Shareholders' Equity (III+IV+V)		2.004.740.928	1.879.699.527

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

CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME FOR THE PERIOD JANUARY 1 – MARCH 31, 2016

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED INCOME STATEMENT			
I-TECHNICAL PART	Note	Unaudited	Audited
		Current Period 01/01/2016-31/03/2016	Previous Period 01/01/2015-31/03/2015
A- Non-Life Technical Income		275.737.020	330.076.550
1- Earned Premiums (Net of Reinsurer Share)		248.833.105	306.455.827
1.1 - Written Premiums (Net of Reinsurer Share)	24	237.546.282	324.703.684
1.1.1 - Gross Written Premiums (+)		499.173.361	455.714.934
1.1.2 - Ceded Premiums to Reinsurers (-)	17.16	(259.029.525)	(128.576.949)
1.1.3 - Ceded Premiums to SSI (-)	17.16	(2.597.554)	(2.434.301)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		16.056.226	(1.729.768)
1.2.1 - Unearned Premiums Reserve (-)		(99.714.404)	(48.914.768)
1.2.2 - Unearned Premiums Reserve (+)	17.16	114.899.129	49.555.614
1.2.3 - SSI of Unearned Premiums Reserve (+)	17.16	871.501	(2.370.614)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		(4.769.403)	(16.518.089)
1.3.1 - Unexpired Risks Reserve (-)		(1.605.360)	(22.551.077)
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)	17.16	(3.164.043)	6.032.988
2- Investment Income Transferred from Non-Technical Part		22.612.026	19.031.848
3- Other Technical Income (Net of Reinsurer Share)		81.732	-
3.1 - Gross Other Technical Income (+)		81.732	-
3.2 - Reinsurance Share of Other Technical Income (-)		-	-
4- Accrued Subrogation and Salvage Income (+)		4.210.157	4.588.875
B- Non-Life Technical Expense (-)		(270.894.166)	(503.738.649)
1- Total Claims (Net of Reinsurer Share)		(180.658.395)	(390.438.510)
1.1- Claims Paid (Net of Reinsurer Share)		(174.527.880)	(206.617.537)
1.1.1 - Gross Claims Paid (-)		(199.953.995)	(231.883.746)
1.1.2 - Reinsurance Share of Claims Paid (+)	17.16	25.426.115	25.266.209
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(6.130.515)	(183.820.973)
1.2.1 - Outstanding Claims Reserve (-)		(35.816.299)	(173.096.226)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	17.16	29.685.784	(10.724.747)
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		(3.208)	-
2.1 - Bonus and Discount Reserve (-)	20	(99.469)	(33.682)
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)	20	96.261	33.682
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		(3.165.488)	(2.852.893)
4- Operating Expenses (-)	32	(76.804.181)	(100.514.107)
5- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
5.1- Mathematical Reserves (-)		-	-
5.2- Reinsurance Share of Mathematical Reserves (+)		-	-
6- Other Technical Expenses (-)		(10.262.894)	(9.933.139)
6.1.- Gross Other Technical Expenses (-)		(10.262.894)	(9.933.139)
6.2.- Reinsurance Share of Other Technical Expenses (+)		-	-
C- Non Life Technical Net Profit (A-B)		4.842.854	(173.662.099)
D- Life Technical Income		44.547	64.331
1- Earned Premiums (Net of Reinsurer Share)		2.621	3.714
1.1 - Written Premiums (Net of Reinsurer Share)	24	2.480	4.292
1.1.1 - Gross Written Premiums (+)		2.480	5.538
1.1.2 - Ceded Premiums to Reinsurers (-)	17.16	-	(1.246)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		141	(578)
1.2.1- Unearned Premium Reserves (-)		141	(405)
1.2.2- Unearned Premium Reserves Reinsurer Share (+)	17.16	-	(173)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		-	-
1.3.1- Unexpired Risks Reserves (-)		-	-
1.3.2- Unexpired Risks Reserves Reinsurer Share (+)		-	-
2- Life Branch Investment Income		41.926	59.393
3- Unrealized Income from Investments		-	-
4-Other Technical Income (Net of Reinsurer Share) (+/-)		-	1.224
4.1- Gross Other Technical Income (+/-)		-	1.224
4.2- Reinsurance Share of Other Technical Income (+/-)		-	-
5- Accrued Subrogation and Salvage Income (+)		-	-
E- Life Technical Expense		(109.944)	(130.930)
1- Total Claims (Net of Reinsurer Share)		(189.003)	(39.608)
1.1- Claims Paid (Net of Reinsurer Share)		(163.138)	(74.356)
1.1.1- Gross Claims Paid (-)		(163.138)	(74.356)
1.1.2- Claims Paid Reinsurer Share (+)		-	-
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(25.865)	34.748
1.2.1 - Outstanding Claims Reserve (-)		(25.865)	34.748
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	17.16	-	-
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-
2.1 - Bonus and Discount Reserve (-)		-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		-	-
3- Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		142.461	(8.595)
3.1- Mathematical Reserves (-)		142.672	(9.172)
3.1.1- Actuarial Mathematical Reserve (-)		(38.814)	200.828
3.1.2- Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		181.486	(210.000)
3.2- Reinsurer Share of Mathematical Reserves (+)		(211)	577
3.2.1- Reinsurance Share of Actuarial Mathematical Reserve (+)		(211)	577
3.2.2- Reinsurance Share of Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk)		-	-
4- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	20	-	-
5- Operating Expenses (-)	32	(63.402)	(82.788)
6- Investment Expenses (-)		-	-
7- Unrealized Losses from Investments (-)		-	-
8- Investment Income Transferred to Non- Technical Part (-)		-	61
F- Life Technical Profit (D-E)		(65.397)	(66.599)
G- Individual Retirement Technical Income		-	-
1- Fund Management Fee		-	-
2- Management Fee Deduction		-	-
3- Initial Contribution Fee		-	-
4- Management Fee In Case Of Temporary Suspension		-	-
5- Withholding tax		-	-
6- Increase in Market Value of Capital Commitment Advances		-	-
7-Other Technical Income		-	-
H- Individual Retirement Technical Expense		-	-
1- Fund Management Expenses (-)		-	-
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-
3- Operating Expenses (-)		-	-
4- Other Technical Expense (-)		-	-
I- Individual Retirement Technical Profit (G-H)		-	-

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME FOR THE PERIOD JANUARY 1 – MARCH 31, 2016

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

AKSİGORTA ANONİM ŞİRKETİ			
DETAILED INCOME STATEMENT			
I-NON TECHNICAL PART	Note	Unaudited	Audited
		Current Period	Previous Period
		01/01/2016-31/03/2016	01/01/2015-31/03/2015
C- Non Life Technical Profit (A-B)		4.842.854	(173.662.099)
F- Life Technical Profit (D-E)		(65.397)	(66.599)
I- Individual Retirement Technical Profit (G-H)		-	-
J- Total Technical Profit (C+F+I)		4.777.457	(173.728.698)
K- Investment Income		32.252.142	45.247.159
1- Income From Financial Investment	26	19.118.638	14.736.821
2- Income from Sales of Financial Investments	26	557.174	405.597
3- Revaluation of Financial Investments	26	6.570.519	5.591.105
4- Foreign Exchange Gains	36	5.760.013	24.100.722
5- Income from Affiliates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income Received from Land and Building	26	-	-
8- Income from Derivatives	13	245.798	412.975
9- Other Investments		-	-
10- Investment Income transferred from Life Technical Part		-	(61)
L- Investment Expenses (-)		(35.209.056)	(38.945.072)
1- Investment Management Expenses (including interest) (-)		-	-
2- Valuation Allowance of Investments (-)		-	-
3- Losses On Sales of Investments (-)		-	-
4- Investment Income Transferred to Life Technical Part (-)		(22.612.026)	(19.031.848)
5- Losses from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	36	(9.640.116)	(17.692.010)
7- Depreciation Expenses (-)	5	(2.956.914)	(2.221.214)
8- Other Investment Expenses (-)		-	-
M- Other Income and Expenses (+/-)	47	(4.516.900)	27.209.097
1- Provisions Account (+/-)	47	(4.665.439)	(5.492.394)
2- Discount account (+/-)	47	-	-
3- Mandatory Earthquake Insurance Account (+/-)	47	359.580	405.937
4- Inflation Adjustment Account (+/-)		-	-
5- Deferred Tax Asset Accounts(+/-)	35	1.122.828	33.219.590
6- Deferred Tax Expense Accounts (-)		-	-
7- Other Income and Revenues	47	353.594	123.299
8- Other Expense and Losses (-)	47	(1.687.463)	(1.047.335)
9- Prior Period Income	47	-	-
10- Prior Period Losses (-)		-	-
N- Net Profit / (Loss)		(2.696.357)	(140.217.514)
1- Profit /(Loss) Before Tax		(2.696.357)	(140.217.514)
2- Corporate Tax Liability Provision (-)	35	-	-
3- Net Profit (Loss)		(2.696.357)	(140.217.514)
4- Inflation Adjustment Account		-	-

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD JANUARY 1 – MARCH 31, 2016

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

AKSİGORTA ANONİM ŞİRKETİ STATEMENT OF CHANGES IN EQUITY

(Unaudited)

TL

CURRENT PERIOD	Capital	Equity Shares Owned by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
I- Closing Balance of Prior Period (31/12/2015)	306.000.000	-	(5.945.992)	-	-	83.064.172	62	101.453.876	-	(135.932.409)	348.639.709
II - Amendments in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
III - Current Balance (I + II) (01/01/2016)	306.000.000	-	(5.945.992)	-	-	83.064.172	62	101.453.876	-	(135.932.409)	348.639.709
A- Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- Internal sources	-	-	-	-	-	-	-	-	-	-	-
B- Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity	-	-	-	-	-	-	-	-	-	-	-
D- Revaluation of financial assets (Note 16.1)	-	-	1.724.465	-	-	-	-	-	-	-	1.724.465
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)	-	-	-	-	-	-	-	(1.295.193)	-	-	(1.295.193)
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Period net profit (Note 37)	-	-	-	-	-	-	-	-	(2.696.357)	-	(2.696.357)
I- Dividend distributed	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	-	-	-	-	-	-	-	-	-
II- Closing Balance (31/03/2016) (I+ A+B+C+D+E+F+G+H+I+J)	306.000.000	-	(4.221.527)	-	-	83.064.172	62	100.158.683	(2.696.357)	(135.932.409)	346.372.624

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD JANUARY 1 – MARCH 31, 2016

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

AKSİGORTA A.Ş.
AKSİGORTA ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN EQUITY
(Audited)

TL

PREVIOUS PERIOD	Capital	Equity Shares Owned by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
I - Closing Balance of Prior Period (31/12/2014)	306.000.000	-	(838.117)	-	-	80.665.151	62	91.533.170	30.607.482	13.151	507.980.899
II - Amendments in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
III - Current Balance (I + II) (01/01/2015)	306.000.000	-	(838.117)	-	-	80.665.151	62	91.533.170	30.607.482	13.151	507.980.899
A- Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- Internal sources	-	-	-	-	-	-	-	-	-	-	-
B- Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity	-	-	-	-	-	-	-	-	-	-	-
D- Revaluation of financial assets (Note 16.1)	-	-	(1.623.231)	-	-	-	-	-	-	-	(1.623.231)
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)	-	-	-	-	-	-	-	1.833.850	-	-	1.833.850
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Period net profit (Note 37)	-	-	-	-	-	-	-	-	(140.217.513)	-	(140.217.513)
I- Dividend distributed	-	-	-	-	-	-	-	-	-	(23.959.800)	(23.959.800)
J- Transfer	-	-	-	-	-	2.399.021	-	4.248.662	(30.607.483)	23.959.800	-
II- Closing Balance (31/03/2015) (I+ A+B+C+D+E+F+G+H+I+J)	306.000.000	-	(2.461.348)	-	-	83.064.172	62	97.615.682	(140.217.514)	13.151	344.014.205

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENTS OF CASH FLOW
FOR THE PERIOD JANUARY 1 – MARCH 31, 2016**

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

AKSİGORTA ANONİM ŞİRKETİ			
CASH FLOW STATEMENT			
	Note	Unaudited 31/03/2016	Audited 31/03/2015
A. CASH FLOWS FROM THE OPERATING ACTIVITIES			
1. Cash inflows from the insurance operations		388.748.853	1.338.513.033
2. Cash inflows from the reinsurance operations		-	-
3. Cash inflows from the pension operations		-	-
4. Cash outflows due to the insurance operations (-)		(291.802.708)	(1.198.782.141)
5. Cash outflows due to the reinsurance operations (-)		-	-
6. Cash outflows due to the pension operations (-)		-	-
7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		96.946.145	139.730.892
8. Interest payments (-)		-	-
9. Income tax payments (-)		(8.048.351)	(7.965.742)
10. Other cash inflows		14.079.543	40.432.184
11. Other cash outflows (-)		(32.159.387)	(80.715.893)
12. Net cash generated from the operating activities	39	70.817.950	91.481.441
B. CASH FLOWS FROM THE INVESTING ACTIVITIES			
1. Sale of tangible assets		(293.422)	3.195.392
2. Purchase of tangible assets (-)		(2.548.762)	(17.190.352)
3. Acquisition of financial assets (-)		350.707.003	(121.286.342)
4. Sale of financial assets		(262.016)	(757.306)
5. Interest received		26.255.757	83.963.981
6. Dividends received		-	-
7. Other cash inflows		6.953.471	37.222.462
8. Other cash outflows (-)		(4.226.271)	(105.950.730)
9. Net cash generated from the investing activities	39	376.585.760	(120.802.895)
C. CASH FLOWS FROM THE FINANCING ACTIVITIES			
1. Issue of equity shares		-	-
2. Cash inflows from the loans to policyholders		-	-
3. Payments of financial leases (-)		-	-
4. Dividend paid (-)		(23.959.800)	(60.679.800)
5. Other cash inflows		-	-
6. Other cash outflows (-)		-	-
7. Cash generated from the financing activities	39	(23.959.800)	(60.679.800)
D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS			
		(3.880.103)	6.424.395
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		419.563.807	(83.576.859)
F. Cash and cash equivalents at the beginning of the period	14	546.650.423	899.783.192
G. Cash and cash equivalents at the end of the period (E+F)	14	966.214.230	816.206.333

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2016

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

1. General Information

1.1 Name of the Parent Company and the ultimate owner

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, 2016. 38,02% (December 31, 2015: %38,02) of the Company is issued in Borsa İstanbul (“BİST”) (Note 2.14).

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 belongs to H.Ö. Sabancı Holding (“Holding”) portfolio was signed with Ageas Insurance International N.V. at February 18, 2011. At the date of July 29, 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.

1.2 The Company’s address and legal structure and address of its registered country and registered office (or, if the Company’s address is different from its registered office, the original location where the Company’s actual operations are performed)

The Company is a corporation, which was established in accordance with the requirements of Turkish Commercial Code and registered in Turkey as at April 25, 1960. The headquarter of the Company is located at address ‘Poligon Cad. Buyaka 2 Site, No. 8, Kule 1, Kat: 0-6 34771 Ümraniye – İstanbul’ as of October 20, 2014.

1.3 Main operations of the Company

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. The headquarters of the Company is in İstanbul. The Company has also 16 district offices of which three of them are in İstanbul (İstanbul 1, İstanbul 2 and İstanbul 3), and one each in Adana, Ankara, Antalya, Bursa, İzmir, Samsun, Denizli, Trabzon, Trakya, Gaziantep, Eskişehir, Kayseri and Kocaeli.

1.4 Details of the Company’s operations and nature of field of activities

Explained in Note 1.2 and Note 1.3.

1.5 Average number of the Company’s personnel based on their categories

	January 1 - March 31, 2016	January 1 - March 31, 2015
Top executive	9	10
Manager and assistant manager	99	112
Specialist/Executives	503	561
Total	611	683

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

1. General Information (Continued)

1.6 Remuneration and fringe benefits provided to top management

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 TL 1.364.710 in total for the period January 1 – March 31, 2016 (January 1- March 31, 2015: TL 1.621.139) .

1.7 Distribution keys used in the distribution of investment income and operating expenses in the financial statements (personnel expenses, administration expenses, research and development expenses, marketing and selling expenses and other operating expenses)

Within the framework of the Undersecretariat for the Treasury of the Prime Minister’s Office of Republic of Turkey (“Undersecretariat for the Treasury”) Circular relating to Procedures and Principles for Keys used in Financial Statements prepared in the scope of Uniform Chart of Accounts for Insurance No. 2008/1, dated January 4, 2008, revenues generated by the Company through investment of assets that provide non-life technical provisions were transferred from the non-technical division to technical division. Other investment revenues were classified under the non-technical division. While distributing to sub-branches the operating expenses transferred to technical division, the last three-year weighted average of number of policies generated in the current period, the premium amount written as gross and number of claims were taken into account.

1.8 Stand-alone or consolidated financial statements

The accompanying financial statements comprise the stand-alone financial statements as of March 31, 2016.

1.9 Name and other information of the reporting company and subsequent changes to the prior balance sheet date

There has been no change in The Company’s name and other company information presented in Note 1.1, Note 1.2 and Note 1.3 as of the prior balance sheet date.

1.10 Subsequent Events

The Company’s financial statements as of March 31, 2016 are approved and authorized for issuance as of April 21, 2016 by the Board of Directors and signed by Chief Executive Officer Uğur Gülen, Chief Financial Officer Erkan Şahinler, Accounting Manager Gülnur Kurt and Actuary Halil Kolbaşı. Detailed information about this subsequent events is disclosed in Note 46.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies

2.1 Basis of Preparation

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used

Accounting Standards

In accordance with Article 50(a) of Section VII of the Capital Markets Law, insurance companies have to comply with their own specific laws and regulations in matters of establishment, auditing, supervision/oversight, accounting and financial reporting. Therefore, the Company’s financial statements are prepared in accordance with the prevailing accounting principles and standards for Insurance and Reinsurance Companies and Pension Funds set out by the by T.C. Prime Ministry Undersecretariat of the Treasury and applicable regulations required by the Insurance Law No: 5684 published in the Official Gazette No: 26522 on June 14, 2007.

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

The Company accounts and recognizes its insurance technical provisions in its not consolidated financial statements as of March 31, 2016 in accordance with the “Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested,” (“Regulation on Technical Reserves”) dated July 28, 2010 and published in official gazette numbered 27655 and published in Official Gazette dated 17 July 2012 numbered 28356 effective and the regulations issued for insurance and reinsurance companies by the Undersecretariat of Treasury (“Treasury”).

As of January 1, 2008, the Company accounts for its operations in accordance with the “Regulation on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies” issued on July 14, 2007 and effective from January 1, 2008 within the framework of this regulation a, Turkish Accounting Standards (“TAS”) and Turkish Financial Reporting Standards (“TFRS”) issued by Turkish Accounting Standards Board (“TASB”) and other regulations, communiqués and explanations issued by Treasury on accounting and financial reporting. With reference to the notice of Treasury No. 9 dated February 18, 2008, “TAS 1- Financial Statements and Presentation”, “TAS 27- Consolidated and Non-consolidated Financial Statements”, “TFRS 1 - Transition to TFRS” and “TFRS 4- Insurance Contracts” were not included in the scope of this application for the year 2008. In addition, as of March 31, 2009, the companies are obliged to apply the Communiqué on the Preparation of the Consolidated Financial Statement of Insurance and Reinsurance Companies and Pension Companies" (“Consolidation Communiqué”) dated December 31, 2009 and published in the Official Gazette numbered 27097. According to the temporary Article 2 of the above mentioned Communiqué, associations except insurance, reinsurance and pension companies are out of scope until March 31, 2010.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

The Public Oversight, Accounting and Auditing Standards Agency (POA), established in accordance with the Statutory Decree published in the Official Gazette dated November 2, 2011, among its other powers and duties, for the purpose of ensuring that the financial statements of those obliged to keep accounts in accordance with the laws they are subject to meet the needs, are transparent, reliable, comprehensible, comparable and consistent; is authorized to create and publish Turkish Accounting Standards (TASs) which are compliant with international standards; to make secondary regulations regarding the implementation of the Turkish Accounting Standards, to make necessary decisions and to grant approval on the regulations made by the institutions and organizations authorized to make regulations within their domain.

Pursuant to the Decree of the Assembly Regarding the Determination of the Scope of Implementation of Turkish Accounting Standards” dated January 13, 2011 and numbered 6102; institutions concerning public interest stated in the Public Service Commission numbered 660 shall be subject to independent audit within the framework of Article 397 of the Code 6102, based on the decree of Board of Directors and entities mentioned in Paragraph 2 of Article 1534 of the same Code shall apply TAS in the preparation of their separate and consolidated financial statements.

Entities established in order to execute at least one of the fields of activity projected in the Banking Law dated October 19, 2005 and numbered 5411, set an example to the financial statements to be prepared by companies obliged to apply TAS; except for development and investment banks and financial holding companies as well as financial institutions established to engage in insurance, individual retirement and capital market within the frame of the Capital Market Law dated December 6, 2012 and numbered 6362, Insurance Law dated June 3, 2007 and numbered 5684, Individual Saving and Investment System Law dated March 28, 2011 and numbered 4632 and regulations pertaining to their own clauses.

Financial Statements are prepared accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Accounting Standards decree for the matters not regulated by insurance legislation; “Insurance Accounting and Financial Reporting Legislation”.

a. Preparation of Financial Statements in Hyperinflationary Periods

In accordance with the Undersecretariat of the Treasury’s statement no: 19387 issued on April 4, 2005, the Company’s financial statements as of December 31, 2004 are adjusted and its 2005 openings are prepared based on the requirements set out in “the preparation of financial statements in hyperinflationary periods” specified in the Capital Market Board’s (CMB) Decree Volume: XI, No: 25 “Accounting Standards in Capital Markets” which was published in the Official Gazette No: 25290 on November 15, 2003. In addition, the preparation of financial statements in hyperinflationary periods has not been applied in accordance with the statement of the Undersecretariat of the Treasury. Therefore, as of December 31, 2015, non-monetary balance sheet assets and liabilities and equity items, including capital share, are calculated by indexing of inputs as of December 31, 2004 (for inputs prior to December 31, 2004) and carrying inputs subsequent to December 31, 2004 at nominal value.

b. Comparative Information and Restatement of Prior Period Financial Statements

The Company’s balance sheet as of March 31, 2016 is presented in comparison with its balance sheet as of December 31, 2015; income statement, statement of changes in equity and cash flow statement for the interim period between January 1 –March 31, 2016 are presented in comparison with its income statement, statement of changes in equity and cash flow statement for the interim period between January 1 – March 31, 2015.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

Within the framework of the Undersecretariat for the Treasury of the Prime Minister’s Office of Republic of Turkey (“Undersecretariat for the Treasury”) Circular relating to Subrogation and salvage income No. 2015/6, dated February 10, 2015; the Company reclassified doubtful receivables provision for these receivables is accounted in case where related amounts are not collected from insurance companies after six months and from individuals after four months following the payment of claim from “Provisions for Doubtful Receivables From Main Operations” to Provision for Receivables From Insurance Operations amounting to TL 10.420.837. As of December 31, 2015, Provision for Receivables From Insurance Operations should be amounting to TL 7.954.324

c. Technical Reserves

Unearned Premium Reserve

Unearned premium reserve is calculated on a daily basis for all policies in force as of balance sheet date for unearned portions of premiums written except for marine premiums. During the calculation of unearned portion of premiums written on a daily basis, it is supposed that the policies start at 12.00 noon and finish at 12.00 noon again. Within the framework of the “Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested,” (“Regulation on Technical Reserves”) issued in Official Gazette No: 26606 dated August 7, 2007, unearned premium reserve and the reinsurers’ share of the unearned premium reserve of the policies, are calculated as the unearned portion of the premiums and ceded premiums to reinsurers without deducting commissions or any other deductions, on an accrual and gross basis. For marine policies with an uncertain end date, unearned premium reserve is calculated as 50% of the premiums written in the last three months (Note 20).

Deferred commission expense and income

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

Unexpired Risks Reserve

Within the framework of Regulation on Technical Reserves, insurance companies are required to account for an unexpired risk reserve against the probability that, future losses incurred from in force policies may exceed the unearned premium reserve accounted for the related policies considering expected loss ratios. Expected loss ratio is calculated by dividing the current year incurred losses to current year earned premiums. If the loss ratio for a branch is higher than 95%, net unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with net unearned premium reserve for the related branch; and gross unexpired risk reserve for that branch is calculated by multiplying the ratio in excess of 95% with gross unearned premium reserve for the related branch. The difference between gross and net amounts is considered as the reinsurance share.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

**2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used
(Continued)**

In accordance with the Undersecretariat of the Treasury’s announcement no: 2012/13, article of 7 in order to eliminate the misleading effect of changes in the claims provision calculation, the Company has recalculated the prior period claims provision with new method and adjusted the opening balance of unexpired risk reserve.

The Company has calculated and accounted for net unexpired risk reserve amounting to TL 21.123.539 at March 31, 2016 (March 31, 2015: TL 26.736.883) (Note 20).

Bonuses and rebates reserve

The bonus provisions are the amount that has to be made provision if the Company commits to pay bonus to insured’s policies in force regardless of renewal of the related policies. According to Insurance Law Article No.16, if the Company decides to bonus or discount operations, the amount must be allocated for insured person or beneficiaries regarding to technical results of the current year.

The Company has calculated provision for bonuses and rebates that are accrued depend on expected loss ratios in the group policies.

The Company has calculated and accounted for net bonuses and rebates reserve amounting to TL 1.203.208 at March 31, 2016(March 31, 2015: None) (Note 20).

Claims provision

The Company accounts for outstanding claims and indemnities for the claims and indemnity costs which have accrued and determined on account, but not actually paid in the previous fiscal periods or in the current fiscal period or if this amount could not been calculated, for the claims and indemnity costs which have emerged in expected amounts, but not reported.

The Company recognizes outstanding claims reserve for the claims which are accrued but not paid yet in the current period or previous periods and for claims incurred but not reported.

In accordance with the “Regulation Regarding the Amendment of the Regulation Regarding Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested” published in the Official Gazette dated July 28, 2010 and numbered 27655 and the Circular on Claims Provision dated December 5, 2014 and numbered 2014/16, the Company’s Incurred But Not Reported (IBNR) claims provisions were calculated using the actuarial chain ladder methods (“ACLM”).

The Regulation on the amendment of the related Regulation, published in the Official Gazette dated July 5, 2012 and numbered 28356 has enforced the provision “Incurred but not reported claims are calculated using the actuarial chain ladder method, the content and implementation basis are determined by the Undersecretariat or other calculation methods to be determined by the Undersecretariat.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

In accordance with the circular issued by Turkish Treasury dated December 5, 2014 and numbered 2014/16, as of January 1, 2015 selection of data to be used in the calculation in branch-basis, adjusting process, selection of most appropriate method to interfere with the development factors are performed by the Company’s actuary. IBNR calculation in non-life insurance in accordance with the same circular, chain ladder methods are Standard Chain, Claim/Premium, Cape Cod, Frequency/Severity, Munich Chain or Bornhuett-Ferguson. The method’s using by the actuary are as follows:

Branch	March 31, 2016 Applied Method	March 31, 2015 Applied Method
Motor Crafts Liability	Frequency/Severity	Frequency/Severity
Facultative Public Liability	Bornhuetter-Ferguson	Bornhuetter-Ferguson
General Liability	Standart Zincir	Standart Zincir
Financial Losses	Standart Zincir	Standart Zincir
Legal Protection	Standart Zincir	Standart Zincir
Fire and Natural Disaster	Bornhuetter-Ferguson	Bornhuetter-Ferguson
Air Crafts Liability	Standart Zincir	Standart Zincir
Credit	Standart Zincir	Standart Zincir
Water Crafts	Standart Zincir	Standart Zincir
Air Crafts	Standart Zincir	Standart Zincir
Accident	Bornhuetter-Ferguson	Bornhuetter-Ferguson
Health	Standart Zincir	Standart Zincir
Suretyship	Standart Zincir	Standart Zincir
Transportation	Bornhuetter-Ferguson	Bornhuetter-Ferguson
General Losses	Bornhuetter-Ferguson	Bornhuetter-Ferguson
Motor Own Damage	Bornhuetter-Ferguson	Bornhuetter-Ferguson

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2015

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

2. Summary of the Accounting Policies (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

In accordance with the circular of the Undersecretariat of Treasury “Circular on Explanations Related Calculation of Incurred But Not Reported Claims Provision (IBNR)” (the “Circular numbered 2011/23”), the companies may apply a discount at the related rate not to exceed 25% (15% for branches which have started operating recently and which do not have five-year data) over the outstanding files for their files in the lawsuit process in accordance with the accruals in the last five years retrospectively taking into consideration the conclusion date of lawsuits) by sub-branches, calculating a winning rate over the amounts of lawsuits filed against the company. Since the above-mentioned actuarial chain ladder method involve the mentioned lawsuit winning discount in calculations, the Company decided to terminate this practice as of 2015 in accordance with the opinion of the company actuary. As part of the related decision, no amount was eliminated over the outstanding claims provisions taking into consideration the winning rates calculated between 15%-25% using the five-year data set on lawsuits. As of March 31, 2016, the Company has not calculated deduction amount from outstanding claim files using the winning ratios on branch basis.

Branch	Applied Method (*)	March 31, 2016		December 31, 2015	
		Gross Additional Reserve (100%)	Net Additional Reserve (100%)	Gross Additional Reserve (100%)	Net Additional Reserve (100%)
Motor Crafts Liability	Frequency/Severity(**)	192.123.402	192.123.402	190.323.070	190.323.069
General Liability	Standard Chain(**)	49.077.370	25.188.090	48.457.524	24.851.272
Financial Losses	Standard Chain	108.094	(235.438)	222.714	(273.351)
Legal Protection	Standard Chain	65.118	65.118	49.900	49.900
Fire and Natural Disaster	Bornhuetter-Ferguson	3.987.082	(683.515)	3.175.590	(237.888)
Air Crafts Liability	Standard Chain	140.607	38	461.147	140
Credit	Standard Chain	192.984	8.990	608.979	30.536
Water Crafts	Standard Chain	121.427	67.138	168.551	82.501
Air Crafts	Standard Chain	17.537	(4)	17.349	3
Accident	Bornhuetter-Ferguson	463.188	170.696	510.494	352.250
Health	Standard Chain	296.468	115.223	196.012	196.012
Suretyship	Standard Chain	1.501.548	97.038	1.798.251	69.542
Transportation	Bornhuetter-Ferguson	(267.537)	(86.839)	(355.088)	(102.055)
General Losses	Bornhuetter-Ferguson	8.960.509	19.949	4.050.094	(40.353)
Motor Own Damage	Bornhuetter-Ferguson	(8.604.711)	(8.604.711)	(12.400.314)	(12.400.314)
		248.183.086	208.245.175	237.284.273	202.901.258

(*) Company has used same methods in March 31,2016 as December 31,2015

(**) As of March 31, 2016 company used % 10 gradual recognition

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2015

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

2. Summary of the Accounting Policies (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

While the Company actuary determined the threshold values regarding the peak claims considered as significant claims using the Box-Plot method allowed by the Undersecretariat of Treasury only for the Mandatory Traffic branch in order to make calculations using a more homogeneous data set in determining the IBNR before the Circular 2014/16, the threshold values have been determined using the plot analysis starting from 2015. With this method the files, exceeds the determined limits considered as significant claims. The claim process of these files is different from other files. For these files, additional provision calculations were performed and added to the provisions. As of December limits, the total number of files that are subject to calculation, significant claims file number, significant claims file percentages are as follows;

Branch	March 31, 2016				December 31, 2015			
	Limit	Eliminated File Number	Total Number of Files	Elimination (%)	Limit	Eliminated File Number	Total Number of Files	Elimination (%)
General Liability	200.000	171	17.855	0,96%	200.000	156	17.036	0,92%
General Losses	999.999	36	126.661	0,03%	999.999	36	123.910	0,03%
Transportation	499.999	29	51.172	0,06%	499.999	28	50.154	0,06%
Fire and Natural Disaster	999.999	105	154.970	0,07%	999.999	100	148.354	0,07%
Accident	299.999	16	5.599	0,29%	299.999	15	5.528	0,27%
Facultative Public Liability	149.999	27	6.854	0,39%	149.999	24	6.790	0,35%
Financial Losses	50.000	28	20.545	0,14%	50.000	26	19.549	0,13%
Compulsory Traffic	-	-	-	-	-	-	-	-

In branches where significant claim determination is performed, additional provision calculations were performed for these files added to the Outstanding Claims Provisions. Additional gross amounts, as the branches are as follows.

Branch	Gross Additional Amount	Net IBNR
Facultative Public Liability	1.298.788	1.298.788
General Liability	8.387.677	2.597.193
General Losses	9.533.467	114
Fire and Natural Disaster	6.726.942	1.227.666
Accident	88	16
Financial Losses	381	39

The circular numbered 2015/7 published by the Undersecretariat of Treasury has made it possible to recognize gradually the increases to occur in the IBNR amount to be calculated as of January 1, 2015 in accordance with the circular numbered 2014/6 when compared to the IBNR amount calculated as of prior year as of quarterly periods from 2015 to 2017. In accordance with the circular, the Company preferred the mentioned %10 2016 1th quarter gradual recognition for Compulsory Traffic and General Liability branches.

If the Company did not prefer the mentioned gradual recognition, gross IBNR amounting to TL 268.987.437 (Net IBNR: TL 226.502.280) as of March 31, 2016.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

**2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used
(Continued)**

In accordance with the circular, IBNR was calculated by the company actuary in gross amount based on the Accident Periods using the above-mentioned methods. For these gross IBNR amounts, reinsurer shares were calculated taking into consideration the reinsurance rates and the effective reinsurance agreement types (clean-cut or run-off) in the related accident periods in related branches.

Equalization Reserve

In accordance with the Regulation on Technical Reserves, insurance companies are required to record an equalization reserve for the insurance contracts including earthquake and credit coverage, in order to cover the catastrophic risks and in order to equalize the fluctuations within the claim ratios that may occur during the following accounting periods. Such reserve is calculated over 12% of net earthquake and credit premiums corresponding to each year. In the calculation of the net premium, the amounts paid for the non-proportional reinsurance agreements are regarded as ceded premiums.

It is possible to deduct the equalization reserve for earthquake compensations from equalization reserve for outstanding compensation reserve, but not current year’s equalization reserve, upon supplying evidence such as compensation payments for the earthquake, expert reports or the documentation that can be gathered from official institutions. In this extent, the Company has not deducted any claim amount from equalization reserve.

The Company has calculated TL 51.777.202 (December 31, 2015: TL 48.611.713) of equalization reserve as of March 31, 2016(Note 20).

Life mathematical reserves

Life mathematical reserves comprise actuarial mathematical reserves and life profit share reserves and represent the Company’s total liability to the policyholders in the life branch.

Mathematical Reserves has been calculated with the tariffs approved by the Treasury in the current period of the policies and applicable methods and assumptions specified in the profit share technical principles (Note 20).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

d. Subrogation and salvage income

Within the framework of the Undersecretariat for the Treasury of the Prime Minister’s Office of Republic of Turkey (“Undersecretariat for the Treasury”) Circular relating to Subrogation and salvage income No. 2015/6, dated February 10, 2015; as of December 31, 2015, the Company recognizes receivables from salvage and subrogation on an accrual basis up to coverage limit of debtor insurance company, on conditions that following the payment of claim, the Company receives the acquaintance or document agreed on payment from individuals and notification is made to individuals or insurance company. However, a doubtful receivables provision for these receivables is accounted under “Provisions for Doubtful Receivables From Main Operations” in case where related amounts are not collected from insurance companies after six months and from individuals after four months following the payment of claim

Accordingly, accrued receivables from salvage and subrogation and doubtful receivables provision for salvage and subrogation as of March 31, 2016 are TL 32.859.701 (December 31, 2015: TL 29.740.677) and TL 10.420.837 (December 31, 2015: TL 7.954.324) respectively (Note 12.1).

The amounts of the net salvage and subrogation income which are collected and the accrued income amounts from salvage and subrogation receivables for the claims paid by the Company are as follows:

	March 31, 2016					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Fire and Natural Disaster	433.474	(79.908)	353.566	395.864	(65.939)	329.925
Transportation	182.360	(59.253)	123.107	78.307	(58.120)	20.187
Motor Own Damage	32.924.998	(150)	32.924.848	21.545.491	(1)	21.545.490
Water Crafts	-	-	-	-	-	-
General Losses	78.280	(47.442)	30.838	5.105	(1.663)	3.442
Motor Crafts Liability	637.614	(90)	637.524	534.713	-	534.713
Suretyship	-	-	-	-	-	-
General Liability	3.106	(1.912)	1.194	5.107	-	5.107
Financial Losses	-	-	-	-	-	-
Legal Protection	-	-	-	-	-	-
Total	34.259.832	(188.755)	34.071.077	22.564.587	(125.723)	22.438.864

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2015

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

2. Summary of the Accounting Policies (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

	December 31, 2015					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Fire and Natural Disaster	2.215.587	(555.127)	1.660.460	1.224.744	(333.151)	891.593
Transportation	1.873.579	(826.784)	1.046.795	14.289	(5.000)	9.289
Accident	-	-	-	-	-	-
Motor Own Damage	141.734.336	(2.299)	141.732.037	20.184.291	(1)	20.184.290
Water Crafts	68.425	(51.827)	16.598	-	-	-
General Losses	635.993	(596.089)	39.904	274.088	(218.122)	55.966
Motor Crafts Liability	2.893.230	(408)	2.892.822	645.215	-	645.215
Suretyship	19.641	(11.266)	8.375	-	-	-
General Liability	111.735	(13.889)	97.846	-	-	-
Financial Losses	618	(585)	33	-	-	-
Legal Protection	8.682	-	8.682	-	-	-
Total	149.561.826	(2.058.274)	147.503.552	22.342.627	(556.274)	21.786.353

e. Premium Income and Claims

Premium income represents premiums on policies written during the year. Unearned premium reserves are determined from premiums written during the year on a daily basis.

Claims are recognized as expense as they are paid. Outstanding claims provision is provided for both reported unpaid claims at period-end and incurred but not reported claims. Reinsurer’s shares of claims paid and outstanding loss provisions are off-set against these reserves.

f. Receivables from Insurance Operations

In accordance with the Turkish Tax Code article No: 323, the Company provided provision for doubtful receivables by taking the nature and the value of the receivable into account. As of March 31, 2016, the Company has provided provision for the doubtful receivables under legal and management follow up in the account of “Provision for doubtful receivables from insurance operations” amounting to TL 22.122.739. (December 31, 2015: TL 21.195.854), provision for the overdue receivables which are not under legal follow up in the account of “Provision for doubtful receivables from main operations” amounting to TL 12.326.838 (December 31, 2015: TL 9.860.324). Furthermore, provision is accounted for the retention of claim recovery transactions under legal follow up amounting to TL 39.267.429 (December 31, 2015: TL 38.864.823) and it has been accounted in “Provision for doubtful receivables from main operations” account (Note 12).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

g. Earnings per Share

Earnings per share presented in the statement of income is calculated by dividing the net profit into the weighted average number of the outstanding shares throughout the financial year.

Companies in Turkey can increase their capital by distributing “bonus shares” to shareholders from the prior periods’ profit. Such “bonus share” distributions are considered as issued shares in the earnings per share calculations. Accordingly, weighted average number of equity shares used in the calculations is calculated by considering the retrospective effects of share distributions.

h. Subsequent Events

Subsequent events cover the events between the balance sheet date and the issuance of the financial statements, even if they are occurred subsequent to the disclosures made on profit or other selected financial information.

The Company adjusts its financial statements in the occurrence of any subsequent events (Note 46).

i. Provisions, Contingent Liabilities and Assets

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

If provision is measured using the cash flows estimated to settle the present obligation, its carrying amount will be equal to the present value of such cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably (Note 23.2).

j. Changes in Accounting Policies, Accounting Estimates and Errors

Changes in accounting policies or accounting errors are applied retrospectively and prior year financial statements are adjusted accordingly. If estimated changes in accounting policies are only for one period, changes are applied on the current year but if estimated changes are for the following periods, changes are applied both on the current and following years prospectively.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

k. Corporate Taxation and Deferred Tax

Income tax expense represents the sum of the current tax payable and deferred tax expense.

Corporate Tax

Corporation tax is payable at a rate of 20% on the total income of the Company and its Subsidiaries registered in Turkey in 2016 (2015: 20%) after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution thus does not incur withholding tax and no stoppage is applied.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance Tax is declared by 14th of the second month following and payable by the 17th of the second month following each calendar quarter end. Advance Tax paid by corporations is credited against the annual Corporation Tax liability.

The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

The affiliate shares stocked for minimum 2 years and the 75% of the profit obtained from the property sales are considered as tax exemptions in such condition that the amount is added onto capital as pre stated in Corporate Tax Law or the amount is kept in equity for 5 years.

According to Turkish tax legislation, financial losses on the returns can be offset against period income for up to 5 years. However, financial losses can not be offset against previous years' profits.

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

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

In accordance with Tax Law No.5024 “Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law” published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004 income and corporate taxpayers are required to prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (Wholesale Price Index increase rate). Since these conditions in question were not fulfilled in 2016 and 2015, no inflation adjustments were performed (Note 35).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.1.1 Basis of Preparation of Financial Statements and Specific Accounting Policies Used (Continued)

Deferred income tax

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

Except the conditions that the Company can control its temporary differences removal and when the possibility of that removal is very low, deferred tax liabilities are accounted for all of the taxable temporary differences that are related with the rates in partnerships and investments in subsidiaries and participations. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

As of March 31, 2016, the Company has booked the deferred tax assets in amounting to TL 40.227.395 and TL 24.648.675 is calculated over the statutory financial tax losses carried forward. The Company management is in the opinion that the Company is able to make sufficient taxable income based on the business plans and projections therefore the Company foresees no indicator of any concern regarding its recoverability of deferred tax assets.

Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from April 24, 2003 by the end of July 22, 2006. However, this rate was changed to 15% commencing from 22 July 2006 upon the order no: 2006/10731 of the Council of Ministers. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Until the Council of Ministers has changed the rate, 10% will be applied. Undistributed dividends added to share capital are not subject to income tax withholding.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.1.2 Other related accounting policies for the understanding of financial statements

All accounting policies are explained in Note 2.1.1 “Basis of Preparation of Financial Statements and Specific Accounting Policies Used”.

2.1.3 Functional currency

The Company’s financial statements are expressed in TL, which is the functional and presentation currency of the Company

2.1.4 Rounding degree used in the financial statements

All the balances presented in the financial statements are expressed in full in Turkish Lira (TL).

2.1.5 Valuation method(s) used in the presentation of financial statements

Financial statements, except for revaluation of financial instruments, are prepared based on the historical cost method.

2.1.6 The new standards, amendments and interpretations

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at March 31, 2016 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2015. 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 1 January 2015 are as follows:

TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendment did not have an impact on the financial statements of the Company.

Annual Improvements to TAS/TFRSs

In September 2014, POA issued the below amendments to the standards in relation to “Annual Improvements - 2010–2012 Cycle” and “Annual Improvements - 2011–2013 Cycle.”

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.1.6 The new standards, amendments and interpretations (Continue)

Annual Improvements - 2010–2012 Cycle

TFRS 2 Share-based Payment:

Definitions relating to performance and service conditions which are vesting conditions are clarified. The amendment is effective prospectively.

TFRS 3 Business Combinations

The amendment clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective for business combinations prospectively.

TFRS 8 Operating Segments

The changes are as follows: i) An entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are ‘similar’. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows:

i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

TAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. . In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment is effective retrospectively.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.1.6 The new standards, amendments and interpretations (Continue)

Annual Improvements – 2011–2013 Cycle

TFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

TFRS 13 Fair Value Measurement

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts within the scope of IAS 39 (or IFRS 9, as applicable). The amendment is effective prospectively.

TAS 40 Investment Property

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 in determining whether the transaction is the purchase of an asset or business combination. The amendment is effective prospectively.

The amendments did not have a significant impact on the consolidated financial statements 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.

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012 and February 2015, the new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

TFRS 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 requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 and TAS 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 are effective prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants

TAS 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 TAS 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 TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

TAS 27 Equity Method in Separate Financial Statements (Amendments to TAS 27)

In April 2015, Public Oversight Accounting and Auditing Standards Authority (POA) of Turkey issued an amendment to TAS 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 TAS 28

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after January 1, 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In February 2015, amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 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 TFRS 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. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

In February 2015, amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

TAS 1: Disclosure Initiative (Amendments to TAS 1)

In February 2015, amendments issued to TAS 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. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the consolidated financial statements of the Company.

Annual Improvements to TFRSs - 2012-2014 Cycle

In February 2015, POA issued, Annual Improvements to TFRSs 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

The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

Annual Improvements – 2011–2013 Cycle

IFRS 15 Revenue from Contracts with Customers

In May 2014, 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 original effective date was January 1, 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after 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 is in the process of assessing the impact of the standard on financial position or performance of the Company.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement. 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. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 16 Leases

In January 2016, 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.

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

In January 2016, 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 amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

IAS 7 'Statement of Cash Flows (Amendments)

In January 2016, 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 amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

2.2 Consolidation

The Company has no subsidiaries or joint ventures that fall within the scope of consolidation as per "TFRS 10– Consolidated and Separate Financial Statements" as of March 31, 2016(December 31, 2015: None).

2.3 Segment Reporting

Reporting segments are determined to conform to the reporting made to the Company's chief operating decision maker. The chief operating decision maker is responsible for making decisions about resources to be allocated to the segment and assess its performance. Details related to the segment reporting are disclosed in the Note 5.

2.4 Discontinued Operations

The Company does not have any discontinued or disposed operations as of March 31, 2016and December 31, 2015.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.5 Foreign Currency Translation

The Company’s functional currency is Turkish Lira (“TL”). In preparing the financial statements of the Company, transactions in currencies other than TL (foreign currencies) are recognized at exchange rates prevailing at the transaction date. At each balance sheet date, monetary items denominated in foreign currencies are retranslated to Turkish Lira at the rates prevailing on the balance sheet date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated to Turkish Lira at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

2.6 Property, Plant and Equipment

Property, plant and equipment are carried at cost, less any accumulated depreciation and impairment loss.

Assets held for use in the construction, or for leasing, administrative or any other purposes are carried at cost, less any impairment. Legal charges are also added to costs. For assets that need substantial time to be ready for use or sale, borrowing costs are capitalized based on the Company’s accounting policy.

Such assets are depreciated, on the same basis used for other fixed assets, when they are ready to use. Assets, other than land and ongoing constructions, are depreciated over their expected useful lives by using the straight line method. Estimated useful life, residual value, and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Assets acquired under finance lease are depreciated as the same basis as property, plant and equipment or, where shorter, the term of the relevant lease.

Gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized to profit or loss.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

Depreciation periods for plant, property and equipment are presented in the table below:

	<u>Useful Life</u>
Buildings	50 years
Vehicles	5 years
Fixtures	10 years
Leasehold Improvements	5-10 years

2.7 Investment Properties

Investment property is held to earn rentals and/or for capital appreciation is carried at cost less accumulated depreciation and any accumulated impairment losses. Carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is provided on investment property on a straight line basis. Depreciation period for investment property is nil for land, and 50 years for buildings.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of retirement or disposal.

Transfers are made to or from investment property only, when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy applied to “Property, Plant and Equipment” up to the date of change in use.

Real estates held under finance lease are classified as investment properties.

2.8 Intangible Assets

Intangible assets acquired

Intangible assets acquired are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. Estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred from the date of acquisition to the date to bring the specific software in use. These costs are capitalized under intangible advances account and amortized over their estimated useful lives (1 to 10 years).

Costs associated with developing or maintaining computer software programmes are recognized as expense as incurred. Costs that are directly associated with the development of identifiable and unique software products that are controlled by the Company and will probably provide more economic benefits than costs in one year are recognized as intangible assets. Costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets from the date that the assets become to provide economical benefit are amortized over their estimated useful lives (March 31, 2016: 5 years – December 31, 2015:5 years).

2.9 Financial Assets

Investments, other than those that are classified as financial assets at fair value through profit and loss, are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Investments are recognized and derecognized on a trade date, where the purchase or sale of an investment under a contract, whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: financial assets as “available-for-sale” (AFS) financial assets, “financial assets at fair value through profit and loss” and “loans and receivables”. As of March 31, 2016, the Company has no financial assets at fair value through profit and loss (December 31, 2015: None).

Effective interest method

Effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Available-for-sale financial assets

Investments other than a) held-to-maturity, b) held for trading, or c) loans and receivables are classified as available-for-sale financial assets.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.9 Financial Assets (Continued)

Available-for-sale financial assets are measured at subsequent reporting dates at fair value except available-for-sale investments that do not have quoted prices in an active market and their fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power. Gains and losses arising from available-for-sale financial assets are included in profit or loss for the period. Changes in the fair value of such these assets are recognized in the equity. When the related asset is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss.

Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Financial Assets at Insured's Risk

Such assets are classified as available for sale and held to maturity financial assets. Available for sale financial assets are carried at fair value and revaluation difference arising from amortized cost is recognized under the statement of income. Also, 5% of the difference in between the fair value and amortized cost is recognized under equity and 95% of insurance technical reserves that are attributable to insurees are recognized in the Insurance Technical Reserves - Life Mathematical Reserves account. Assets that are not carried at fair value are carried at amortized cost using the effective interest rate method.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

Associates

An associate is an entity that retains at the shares of voting rights or has significant power over another entity. The difference between carrying value and fair value (to the extent that it is measured reliably) of such assets are recognized in shareholders' equity and assets that have fair value are carried at fair value while the other assets are carried at book value.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.10 Impairment of Assets

Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate, that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that are impaired, are reviewed for possible reversal of the impairment at each reporting date.

Impairment of financial assets

The Company assesses its financial assets, other than those at FVTPL, at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as held-to-maturity, available-for-sale or loans and receivables is impaired.

A financial asset or portfolio of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

For loans and receivables, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets except for trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Except for AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)**2.11 Derivative Financial Instruments**

The Company uses foreign currency swap and option contracts, the Company uses end of period market exchange rates and interest rates to calculate market value of foreign exchange swap contracts. During the period between January 1 – March 31, 2016, total income resulting from short-term swap contracts’ market valuation has been accounted under “Income from derivatives” in the income statement. As of March 31, 2016, detail of derivative financial instruments has been disclosed in note 13. (December 31, 2015 : None)

2.12 Offsetting Financial Instruments

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

2.13 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments, which have maturities with three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value (Note 14).

2.14 Share Capital

As of December 31, 2015, the Company’s nominal capital is TL 306.000.000 (December 31, 2015: 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:

	March 31, 2016		December 31, 2015	
	Rate	Amount	Rate	Amount
	%	TL	%	TL
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
Other	28,00	85.680.000	28,00	85.680.000
	100,00	306.000.000	100,00	306.000.000

Agreement about the sale of %50 of 18.965.880.200 units of Aksigorta A.Ş. shares with TL 189.658.802 nominal value that belong to H.Ö. Sabancı Holding (“Holding”) portfolio was signed with Ageas Insurance International N.V. at February 18, 2011. At the date of July 29, 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.

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 15 June 2000 upon the permission no: 67/1039 granted by the Capital Markets Board.

As of March 31, 2016, Company has TL 500.000.000 registered share capital ceiling. (December 31, 2015: TL 500.000.000).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

In accordance with the Article 5 of the Corporate Tax Law 5520, the amount of TL 4.221.995 arising from 75% of the gain on sale of associates and fixed assets which has been recognized in the “Profit on sale to be transferred to capital” account item under equity has been reclassified under “Other Reserves and Retained Earnings” account item under equity as of March 31, 2016.

Other informations about Company’s share capital is explained in Note 15.

2.15 Insurance and Investment Contracts

Insurance Contracts:

Insurance contracts are contracts in which one part accepts a significant insurance risk and pays compensation (insurer) to the other part (insuree) when any uncertain case affects the insuree. The Company makes reinsurance agreements in which the Company (ceding company) is compensated by the insurer (reinsurer company) for one or more claims. Insurance contracts entered into by the Company under which the contract holder is another insurer (reinsurance) are included with insurance contracts.

Insurance and reinsurance contracts of the Company are included in classification of Insurance contracts.

Insurance contracts are accounted when the insurance risk is transferred, and classified as an insurance contract as of the maturity date and/or amortization of the all contractual rights and liabilities.

Investment Contracts:

The accumulation component present in some life insurance contracts is measured by the Company on a separate basis; On the other hand, as the accounting policies require the recognition of rights and obligations related with the accumulation component, regardless of the measurement principles, the insurance and investment components are not decomposed.

Reinsurance agreements

Reinsurance agreements are the agreements agreed by the Company and reinsurance company for the loss which may occur in one or more insurance agreements signed by the Company, and those meet all conditions to be classified as insurance contract and those whose costs are paid.

The Company has excess of loss, surplus and quota share treaty agreements in related branches. In the context of excess of loss agreements, the ceded premiums are accounted for on accrual basis over the related period. The ceded premiums and claims of other agreements are accounted on the basis of the income and loss from related insurance contracts.

The Company has surplus reinsurance agreement in fire, marine, engineering and other accident branches. Besides, The Company has excess of loss agreements in fire, marine and engineering branches. The Company continues to be exposed to the insurance risk under the insurance contracts whereas the liability of the reinsurer ceases by the end of the agreement period. Company has annual proportional quota-share reinsurance agreement for third person liability, electronic equipment, personal accident, health, professional liability, machinery breakdown and bus compulsory chair branches. Mentioned reinsurance agreements, the reinsurer's liability continues even after expiration of the agreement in the run-off agreements. Catastrophic excess of loss re-insurance agreement, natural disasters such as flood and earthquake is also protected in these branches.

In addition, the Company has facultative reinsurance agreements signed separately for certain risks based on certain policies.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.15 Insurance and Investment Contracts (Continued)

Premiums Transferred to Social Security Institution

The collection and settlement of expenses with respect to the medical care related services provided to the injured people due to the traffic accidents have been regulated by Article 98 of Road Traffic Act numbered 2918 altered by Article 59 of “The Law on Restructuring of Some Receivables and Changes in Social Security and General Insurance Law and Other Laws and Law Decrees” (the “Law”) numbered 6111 and dated February 25, 2011. In this context, all the traffic accident related medical care services provided by any public or private health institution will be covered by Social Security Institution (“SSI”) regardless of social security status of the injured. Besides, in accordance with the temporary Article 1 of the Law, all of the expenses with respect to the traffic accident related medical care services provided before enforcement of the Law, will also be covered by SSI.

The liability of the insurance companies with respect to the service costs to be incurred in the context of abovementioned articles has been determined in accordance with the provisions of “The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated 27 August 2011 (“The Regulation”), “The Communiqué on the Principles of the Implementation of the Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated September 15, 2011 and numbered 2011/17 (the “Communiqué numbered 2011/17”) and “The Communiqué on the Accounting of Payments to Social Security Institution (“SSI”) with respect to Treatment Expenses and Introduction of New Account Codes to Insurance Account Chart” dated 17 October 2011 (the “Communiqué numbered 2011/18”), the regulation (the “Communique numbered 2012/3”) making changes in “The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated March 16, 2012 and numbered 2012/3 and the communique about changes related “the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents” dated April 30, 2012 and numbered 2012/6 (Note 2.24) (the “Communique numbered 2012/6”). Within this framework, the Group is required to cede a certain amount of premiums to be determined in accordance with the Regulation and the Communiqué numbered 2011/17 to SSI in relation to policies issued as of February 25, 2011 the notice numbered 2012/3 and the communiqué numbered 2012/6 in “Compulsory Transportation”, “Compulsory Traffic” and “Compulsory Motor Personal Accident” branches regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law.

Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI in January 1 - March 31, 2016 accounting period as TL 2.597.554 (January 1 – March 31, 2015: TL 2.434.301) and an unearned premium reserve amounting to TL 871.501 (January 1 - March 31, 2015: TL 2.370.614) for the period ended as of January 1 - March 31, 2016; classified under the accounts of “Premiums ceded to SSI” and “Change in SSI share of of Unearned Premiums Reserve”, respectively (Note 19).

In the Board of Directors meeting of The Association of the Insurance and Reinsurance Companies of Turkey dated September 22, 2011 and numbered 18, it was decided to appeal Council of State for the “suspense of execution” and “cancellation” of the Regulation and the Communiqué numbered 2011/17; and the cancellation of related provisions of the Law as being contradictory to the Constitution. The legal procedures are in progress as of the date of the preparation of the financial statements.

2.16 Insurance and Investment Contracts With Discretionary Participation Features

None (December 31, 2015: None).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.17 Investment Contracts without Discretionary Participation Features

None (December 31, 2015: None).

2.18 Borrowings

None (December 31, 2015: None).

2.19 Employee Benefits

The Company accounts for its liability related to employment termination and vacation benefits according to “Turkish Accounting Standards Regarding Employee Benefits” (“TAS 19”) and classifies in balance sheet under the account “Provision of Employment Termination Benefits”.

According to the Turkish Labour Law, the Company is required to pay termination benefits to each employee whose jobs are terminated except for the reasons such as resignation, retirement and attitudes determined in Labour Law. The provision for employment termination benefits is calculated over present value of the possible liability in scope with the Labour Law by considering determined actuarial estimates (Note 22).

2.20 Provisions

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

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

Liabilities that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity are classified as contingent liabilities and not included in the non-consolidated financial statements (Note 23).

2.21 Accounting for revenues

Written Premium and Commission

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

Commission income received in relation to ceded premiums to reinsurance companies is accrued in the related period and classified in technical part under operating expenses in the income statement.

The part of paid amounts to the assistance services which hit the following periods are deferred in accordance with the Technical Provisions Regulation numbered 27655 and dated July 28, 2010.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.21 Accounting for revenues (Continued)

Interest income and expense

Interest income and expenses are accounted on an accrual basis in the related period’s profit/loss. Interest income includes income gains from the coupons of the fixed return investment instruments and valuation of discounted government bonds based on internal rate of return method.

Dividend income

Dividend income from the equity share investments are recognized when the shareholder has the right to receive dividends.

2.22 Finance Lease - the Company as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company’s general policy on borrowing costs.

Operational lease

The payment of the operational lease is charged to the income statement on a straight-line basis over the lease period (The incentives received or to be received from the lessor and payments made to intermediaries to acquire the lease contract are also charged to the income statement on a straight-line basis over the lease period). As at March 31, 2016, the Company has paid in advance in amounting to TL 713.668. As at March 31, 2016, amount of TL 39.732.136 (USD 14.022.777), the maturity of outstanding operational lease liability is between June 5, 2016 – May 5, 2024 (December 31, 2015: TL 40.772.626).

2.23 Profit Share Distribution

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.23 Profit Share Distribution_(Continued)

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the Company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

The excess portion of the inflation adjustment of the general reserves including prior year losses and profits, share premiums and shareholders’ equity excluding capital is considered in the calculation of the net distributable profit.

2.24 Hedge Accounting

All foreign currency payments, collections and investments result in a foreign exchange position. The foreign currency cash flow transaction has faced the risk of exchange rate fluctuations effect the Company’s financial position positively or negatively. In order to forecast the transaction made via foreign currencies that have a high possibility of realization and minimize the effect of exchange rate fluctuations on the Company’s financial position, hedge accounting has been applied. Changes in the value of the hedge instrument arising from exchange rate changes has been reclassified under equity, changes except for exchange rate has been reclassified under current period income statement. The gains or losses recognized under equity has been transferred to related profit/ loss accounts when the transaction is completed or the profit for the period is affected by the expected result of the transaction. In the case of expectation of estimated transaction’s end, accumulated gain or loss recognized under equity has been accounted as current period’s profit or loss in the financial statements. Effectiveness of hedge transaction has been measured and evaluated in each reporting period. As of March 31, 2016 the Company has booked the hedging transaction under “Special funds“ account item under equity (Note 34.5)

2.25 Related parties

Parties are considered related to the Company if;

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
 - (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

2. Summary of the Accounting Policies (Continued)**2.25 Related parties (Continued)**

- (b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

In the financial statements and related notes dated March 31, 2016 and December 31, 2015, the Company management, groups associated to H.Ö. Sabancı Holding and Ageas Insurance International N.V. are defined as related parties.

2.26 Foreign currency transactions

Transactions are recorded in TL, which represents the Company’s functional currency. Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are converted into TL at the exchange rates ruling at the reporting date with the resulting exchange differences recognized in the statement of profit or loss as foreign exchange gains or losses.

Foreign currency assets and liabilities are converted by using period end exchange rates of Central Bank of the Republic of Turkey’s bid rates. For the conversion of liabilities the exchange rate stated at the contract is used.

The Central Bank of the Republic of Turkey exchange rates used in the conversion is as follows:

	March 31, 2016		December 31, 2015	
	USD / TL	EUR / TL	USD / TL	EUR / TL
Buying rate	2,8334	3,2081	2,9076	3,1776
Selling rate	2,8385	3,2139	2,9128	3,1833

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

3. Significant Accounting Estimates and Requirements

Preparation of financial statements requires the use of assumptions and estimates that might affect the amounts of assets and liabilities reported as of balance sheet date, explanation of the conditional assets and liabilities and amounts of the income and expenses reported throughout the accounting period. Accounting evaluations, estimates and assumptions are evaluated taking into consideration past experience, other factors, current conditions and reasonable expectations for future events. Such evaluations and estimates might differ from actual consequences, even though they are based on the best knowledge of the management about current events and transactions.

One of the most important accounting estimates for the Company is to estimate the final net liabilities relating to the expenses to arise from the effective policies. As per its nature, estimating liabilities regarding the insurance business includes the evaluation of many uncertainties.

4. Insurance and Financial Risk Management

4.1 Insurance Risk

4.1.1 Objective of managing risks arising from insurance contracts and policies used to minimize such risks

Insurance risk is the probability of risk exposure that is covered under any insurance contracts and the uncertainty of the magnitude of the claims in relation to the risk exposed. Due to the nature of insurance transactions, risks are incidental and hard to anticipate. Maximum risk that the Company bears is limited to the coverage amount specified in the insurance contract.

The Company has adopted central risk assessment policy and this policy is applied in relation to the Company’s specified operations and limitations. Principally, in risk assessment, potential claims are measured based on the past experience, similar risk comparisons and risks in relation to production process. Location, geographical area, field of activity and fire and theft measures are also key issues used in the assessment of the insured risk.

4.1.2 Details of insurance risk, including the following information (details prior and/or subsequent to minimizing risks through reinsurance);

4.1.2.1 Sensitivity to insurance risk

The Company is managing its insurance risk by policy production strategies, reinsurance contracts and effective settlement and payment operations.

The Company’s policy production strategy follows an effective risk management in the policy production process considering the nature, extent, geographical area and accurate distribution of the risk incurred.

Reinsurance contracts include excess of loss (quota-share and excess loss) and catastrophic coverage. The Company can also enter into reinsurance contracts with facultative participation under its reinsurance programme.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

4. Insurance and Financial Risk Management (Continued)

4.1.2.1 Sensitivity to insurance risk (Continued)

Reinsurance Company 2016

Reinsurance Company	Standard & Poors Rating	Reinsurance Company	Standard & Poors Rating
Allianz Risk Transfer	AA-	Korean Re	A
Amlin Re	A	Malaysian Re	-
Arab Re	-	Mapfre Re	A
ARIG	-	Milli Re	tr AA+
Asia Capital	A-	Odyssey Re	A-
Catlin Re	A	Scor	AA-
China Re	A+	Sompo Japan	A+
Covea	A+	Toa Re	A+
Everest Re	A+	Trust Re	A-
GIC	-	VIG	A+
Hannover Re	AA-	Coface	A+
QBE	A+		

Reinsurance Company 2015

2015			
Reinsurance Company	Standard & Poors Rating	Reinsurance Company	Standard & Poors Rating
Allianz Risk Transfer	AA-	Korean Re	A
Amlin Re	A	Malaysian Re	-
Arab Re	-	Mapfre Re	A
ARIG	-	Milli Re	tr AA+
Asia Capital	A-	MS Frontier	A+
Catlin Re	A	Odyssey Re	A-
China Re	-	Scor	A+
Covea	A	Sompo Japan	A+
Everest Re	A+	Toa Re	A+
GIC	-	Trust Re	A-
Hannover Re	AA-	VIG	A+

4.1.2.2 Insurance risk concentrations with explanations of how management identify risk concentrations and common features of each concentration (the nature of insurance, geographic region or currency)

Generally, the Company’s insurance contracts include fire and natural disasters, marine, accident, motor vehicles, air crafts, water crafts, general losses, motor vehicles liability, air crafts liability, general liability, financial losses, legal protection, illness/health and life branches. The Company’s gross and net insurance risk concentrations (after reinsurance) in terms of insurance branches are summarized as below:

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

4. Insurance and Financial Risk Management (Continued)

4.1.2.2 Insurance risk concentrations with explanations of how management identify risk concentrations and common features of each concentration (the nature of insurance, geographic region or currency)

Total Claims Liability (*)	March 31, 2016			December 31, 2015		
	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Fire and Natural Disaster	61.691.931	(40.924.139)	20.767.792	58.561.142	(35.632.653)	22.928.489
Transportation	12.277.386	(6.696.475)	5.580.911	9.128.576	(4.552.067)	4.576.509
Accident	3.311.068	(1.500.220)	1.810.848	3.013.314	(1.018.001)	1.995.313
Motor Own Damage	40.969.589	(33)	40.969.556	35.323.147	(73)	35.323.074
Air Crafts	49.676	(49.680)	(4)	935.403	(935.405)	(2)
Water Crafts	2.796.116	(2.264.549)	531.567	2.708.636	(2.163.447)	545.189
General Losses	81.294.213	(74.220.000)	7.074.213	71.277.063	(65.491.998)	5.785.065
Motor Crafts Liability	371.803.744	(328.627)	371.475.117	371.577.486	(333.775)	371.243.711
Air Crafts Liability	1.126.078	(1.125.962)	116	2.270.711	(2.270.388)	323
General Liability	115.086.695	(62.517.960)	52.568.735	109.507.393	(60.070.858)	49.436.535
Financial Losses	9.452.037	(5.065.063)	4.386.974	7.873.589	(3.645.333)	4.228.256
Legal Protection	142.025	-	142.025	86.176	-	86.176
Credit	1.109.984	(1.055.144)	54.840	3.747.859	(3.562.336)	185.523
Health	32.688.009	(10.595.953)	22.092.056	25.217.633	(73.216)	25.144.417
Suretyship	35.237.895	(34.040.711)	1.197.184	31.992.022	(30.949.181)	1.042.841
Life	3.727.855	-	3.727.855	3.695.056	-	3.695.056
Total	772.764.301	(240.384.516)	532.379.785	736.915.206	(210.698.731)	526.216.475

(*) Total claim liability includes all outstanding claims reserves and IBNR as of the balance sheet date.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2015

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

4. Insurance and Financial Risk Management (Continued)

4.1.2.3 Insurance risk concentrations with explanations of how management identify risk concentrations and common features of each concentration (the nature of insurance, geographic region or currency)

Outstanding Claim and Compensation Provision:

	March 31, 2016				December 31, 2015		
	Effect on	Gross Total	Reinsurance Share		Gross Total	Reinsurance	Net Total
	Current Period		of Total Claims	Net Total			
(Net)	Claims Liability	Liability	Claims Liability	Liability	Liability	Claims Liability	Liability
Unpaid Claims	(786.598)	520.853.363	(200.446.605)	320.406.758	495.935.877	(176.315.716)	319.620.161
Claim Provisions (*)	(5.343.917)	248.183.086	(39.937.911)	208.245.175	237.284.273	(34.383.015)	202.901.258
Non-life Total	(6.130.515)	769.036.449	(240.384.516)	528.651.933	733.220.150	(210.698.731)	522.521.419
Life	(32.797)	3.720.921	-	3.727.853	3.695.056	-	3.695.056
Grand Total	(6.163.311)	772.757.370	(240.384.516)	532.379.786	736.915.206	(210.698.731)	526.216.475

(*) Claim provisions include all additional provisions within unpaid claims in the total outstanding compensation provision in the balance sheet date.

	March 31, 2016			December 31, 2015		
	Gross Total	Share of Total	Net Total	Gross Total	Share of Total	Net Total
Beginning of Period	495.935.877	(176.315.716)	319.620.161	350.017.763	(132.582.242)	217.435.521
Opened in the Period	225.034.619	(49.557.003)	175.477.616	1.087.169.308	(173.126.053)	914.043.255
Paid from Current Period (-)	(160.093.706)	20.340.892	(139.752.814)	(753.000.955)	103.514.063	(649.486.892)
Paid from Previous Period (-)	(40.023.427)	5.085.223	(34.938.204)	(188.250.239)	25.878.516	(162.371.723)
Period End						
Reported Claims	520.853.363	(200.446.605)	320.406.758	495.935.877	(176.315.716)	319.620.161
Life	3.727.853	-	3.727.853	3.695.056	-	3.695.056
IBNR	248.183.086	(39.937.911)	208.245.175	237.284.273	(34.383.015)	202.901.258
Total	772.764.302	(240.384.516)	532.379.786	736.915.206	(210.698.731)	526.216.475

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2015

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

4. Insurance and Financial Risk Management (Continued)

4.1.2.3 Comparison of incurred claims with past estimations (claims development process) (continued)

Claims development tables prepared in accordance with the Technical Provision Regulations which are used in the ACLM calculation are explained below:

Gross claim development table prepared on the principles of incurred claims by March 31, 2016:

Accident Period	01.04.2009	01.04.2010	01.04.2011	01.04.2012	01.04.2013	01.04.2014	01.04.2015	Gross Claim
	31.03.2010	31.03.2011	31.03.2012	31.03.2013	31.03.2014	31.03.2015	31.03.2016	
Claim realized in the accident period	566.178.441	549.113.783	674.584.370	661.243.633	643.854.575	814.027.354	748.146.831	4.657.148.987
1 year later	116.899.418	104.848.282	118.024.827	115.035.044	132.813.469	201.288.083	-	788.909.123
2 years later	27.838.907	24.524.369	35.047.165	51.335.895	63.072.476	-	-	201.818.812
3 years later	22.309.721	18.219.712	30.854.875	46.933.833	-	-	-	118.318.141
4 years later	17.504.417	19.626.713	31.865.865	-	-	-	-	68.996.995
5 years later	19.929.131	22.019.238	-	-	-	-	-	41.948.369
6 years later	24.535.036	-	-	-	-	-	-	24.535.036
Total Gross Claims	795.195.071	747.620.571	890.377.102	874.548.405	839.740.519	1.015.315.437	748.146.831	5.901.675.463

Gross claim development table prepared on the principles of incurred claims by December 31, 2015:

Accident period	01.01.2009	01.01.2010	01.01.2011	01.01.2012	01.01.2013	01.01.2014	01.01.2015	Gross Claim
	31.12.2009	31.12.2010	31.12.2011	31.12.2012	31.12.2013	31.12.2014	31.12.2015	
Claim realized in the accident period	587.261.462	555.724.384	634.089.345	693.491.148	624.250.996	760.604.058	771.795.503	4.627.216.986
1 year later	108.868.016	104.221.177	112.230.720	131.826.093	127.657.140	200.165.195	-	784.968.341
2 years later	27.909.622	25.291.886	27.542.224	51.810.191	60.066.646	-	-	192.620.568
3 years later	24.081.170	18.035.054	26.315.412	49.652.171	-	-	-	118.083.808
4 years later	19.875.125	20.431.408	27.360.070	-	-	-	-	67.666.603
5 years later	20.949.923	23.916.662	-	-	-	-	-	44.866.585
6 years later	26.140.273	-	-	-	-	-	-	26.140.273
Total Gross Claims	815.085.591	747.620.571	827.537.771	926.779.602	811.974.781	960.769.253	771.795.503	5.861.563.074

4. Insurance and Financial Risk Management

4.2.1 Capital risk management and capital requirement

The Company’s main purpose in capital management is to maintain its going concern status as an income yielding company and to protect shareholder and corporate partners’ benefits while sustaining the most effective capital structure in order to reduce capital costs.

The Company measures its adequacy semi-annually in accordance with the Decree “Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds” published in the Official Gazette No: 26761 on January 19, 2008. As of March 31, 2016, the Company’s required capital is TL 365.038.610 (December 31, 2015: TL 339.770.158). As of March 31, 201, the Company’s capital is TL 33.111.217 higher than required capital amount. (December 31, 2015: TL 55.232.388).

4.2.2 Financial risk factors

The Company is exposed to market risk (exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk due to its assets and liabilities and reinsurance assets and liabilities. The Company’s risk management generally focuses on minimizing the probable adverse effects of uncertainties in financial markets over the Company’s performance. The Company’s exposure to interest rate risk and credit risk in general is due to its financial investments and insurance receivables, respectively.

Market risk

The Company is exposed to market risk due to fluctuations in the exchange rates, interest rates and equity share prices

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

4. Insurance and Financial Risk Management (continued)**.Exchange rate risk**

The Company’s foreign currency denominated assets and liabilities expose the Company to exchange rate risks. These risks are monitored by analyzing exchange rate position. The details of the Company’s foreign currency denominated assets and liabilities as of March 31, 2016 and December 31, 2015 are presented in details in Note 12.4.

Sensitivity to exchange rate risk

The Company’s sensitivity to a 10% increase/decrease in USD and Euro currencies are presented below. Sensitivity analysis only includes foreign currency denominated monetary assets outstanding at the end of period and indicates the effects of 10% changes in exchange rates. Positive value indicates an increase in profit/loss and other equity items.

	March 31, 2016		December 31, 2015	
	USD Effect	EUR Effect	USD Effect	EUR Effect
Profit / Loss Increase	7.581.972	1.028.129	12.086.316	1.507.937
Profit / Loss (Decrease)	(7.581.972)	(1.028.129)	(12.086.316)	(1.507.937)

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Interest rate risk

The Company is required to manage its interest rate risks due to price fluctuations in its financial instruments arising from changes in interest rates. The Company’s sensitivity to interest rate risk results from the mismatch in maturities of its assets and liabilities. Interest rate risk is managed by offsetting the assets that are affected by the interest rate fluctuations against the liabilities in same nature.

	March 31, 2016	December 31, 2015
Total	Effect on profit and profit reserves	
Market interest rate increase / (decrease)	TL	
+% 1	(4.503.283)	(2.399.153)
-% 1	5.832.988	2.527.760
Financial assets available for sale	Effect on profit and profit reserves	
Market interest rate increase / (decrease)	TL	
+% 1	(4.430.913)	(2.328.770)
-% 1	5.752.711	2.455.332
+% 1 Financial Assets with Risks on Policy Holders	(72.370)	(70.383)
-% 1 Financial Assets with Risks on Policy Holders	80.277	72.428

Price risk

The Company is exposed to price risk due to its available for sale financial assets. As of the reporting date, if data used in the valuation method is increased/decreased by 10% and all variables remain fixed, the Company’s sensitivity is as follows. The sensitivity of the Company for the price risk is arising from the available for sale financial assets as of December 31, 2015.

	March 31, 2016	December 31, 2015
Total	Effect on Financial assets available for sale	
Price increase / (decrease)	TL	
+% 10	32.755.235	67.830.066
-% 10	(32.755.235)	(67.830.066)

Credit risk

Credit risk is the risk that the debtor defaults on its obligations under the terms of the transaction. Credit risk is managed by setting out limits and providing guarantees for receivables from a specific party. Limits and guarantees are determined based on the assessment of the respective party’s financial ability and trading capacity. The Company is exposed to credit risk in Turkey because it mainly performs its operations in Turkey.

As of March31, 2016, the Company has presented its receivables from insurance operations and guarantees received and provision for doubtful receivables in Note 12.1.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2015

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

4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (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.

Liquidity risk table

March 31, 2016

	Up to 1 month	1 - 3 month	3 months-1 year	1 -5 years	5 years and over	No maturity	Total
Cash and Cash Equivalents	601.045.275	360.664.993	-	-	-	9.157.301	970.867.569
Financial Assets Available for Sale	34.139.376	-	46.447.391	88.329.402	66.176.853	92.459.323	327.552.345
Financial Assets Held for Trading	-	-	-	-	-	-	-
Investments with Risks on Policy Holders	117.877	-	5.281.262	2.616.156	-	-	8.015.295
Receivables From Main Operations	110.750.111	142.090.487	170.677.991	-	-	-	423.518.589
Due from Related Parties	-	-	95.667	-	-	-	95.667
Other Receivables	-	13.108.679	-	-	-	-	13.108.679
Prepaid Expenses and Income Accruals	18.472.514	31.031.937	95.989.545	-	-	-	145.493.996
Other Current Assets	193.837	-	8.048.351	-	-	-	8.242.188
Financial Assets	-	-	-	-	-	7.961.251	7.961.251
Tangible Fixed Assets	-	-	-	-	-	25.744.378	25.744.378
Intangible Fixed Assets	-	-	-	-	-	33.675.828	33.675.828
Prepaid Expenses and Income Accruals (Long Terms)	-	-	-	237.748	-	-	237.748
Other Non-current Assets	-	-	-	-	-	40.227.395	40.227.395
Total Assets	764.718.990	546.896.096	326.540.207	91.183.306	66.176.853	209.225.476	2.004.740.928
Financial Liabilities	-	141.226.063	-	-	-	-	141.226.063
Payables From Main Operations	-	-	292.062.286	-	-	-	292.062.286
Due to Related Parties	(21.060)	-	1.143	-	-	-	(19.917)
Other Payables	-	26.912.944	-	-	-	-	26.912.944
Insurance Technical Reserves	252.890.159	405.740.882	391.302.157	-	-	-	1.049.933.198
Taxes and Other Liabilities and Provisions	-	10.049.335	-	-	-	-	10.049.335
Cost Expense Provisions	-	-	20.422.005	-	-	-	20.422.005
Prepaid Income and Expense Accruals	8.176.600	13.921.089	36.158.534	-	-	-	58.256.223
Long Term Insurance Technical Reserves	-	-	-	1.767.825	51.777.202	-	53.545.027
Provisions for Other Risks	-	-	-	-	-	5.981.140	5.981.140
Shareholders' Equity	-	-	-	-	-	346.372.624	346.372.624
Total Liabilities and Shareholders' Equity	261.045.699	597.850.313	739.946.125	1.767.825	51.777.202	352.353.764	2.004.740.928
Liquidity Surplus / (Deficit)	503.673.291	(50.954.217)	(413.405.918)	89.415.481	14.399.651	(143.128.288)	-

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2015

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

4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Liquidity risk table

December 31, 2015

	Up to 1 month	1 - 3 month	3 months-1 year	1 -5 years	5 years and over	No maturity	Total
Cash and Cash Equivalents	273.064.909	272.601.151	-	-	-	5.637.702	551.303.762
Financial Assets Available for Sale	357.294.790	-	86.957.546	62.864.108	81.628.927	89.555.287	678.300.658
Financial Assets Held for Trading	-	-	-	-	-	-	-
Investments with Risks on Policy Holders	-	-	5.259.858	2.493.421	-	-	7.753.279
Receivables From Main Operations	104.060.353	133.507.643	160.368.346	-	-	-	397.936.342
Due from Related Parties	-	-	80.678	-	-	-	80.678
Other Receivables	-	7.315.908	-	-	-	-	7.315.908
Prepaid Expenses and Income Accruals	17.216.808	28.842.530	77.454.557	-	-	-	123.513.895
Other Current Assets	216.740	-	5.241.964	-	-	-	5.458.704
Financial Assets	-	-	-	-	-	7.961.251	7.961.251
Tangible Fixed Assets	-	-	-	-	-	26.619.443	26.619.443
Intangible Fixed Assets	-	-	-	-	-	33.994.538	33.994.538
Prepaid Expenses and Income Accruals (Long Terms)	-	-	-	249.184	-	-	249.184
Other Non-current Assets	-	-	-	-	-	39.211.885	39.211.885
Total Assets	751.853.600	442.267.232	335.362.949	65.606.713	81.628.927	202.980.106	1.879.699.527
Financial Liabilities	-	137.458.200	-	-	-	-	137.458.200
Payables From Main Operations	-	-	175.054.091	-	-	-	175.054.091
Due to Related Parties	41.634	-	1.143	-	-	-	42.777
Other Payables	-	37.639.849	-	-	-	-	37.639.849
Insurance Technical Reserves	254.707.543	403.278.354	396.452.053	-	-	-	1.054.437.950
Taxes and Other Liabilities and Provisions	-	13.187.297	-	-	-	-	13.187.297
Cost Expense Provisions	-	-	20.687.893	-	-	-	20.687.893
Prepaid Income and Expense Accruals	4.990.405	8.496.425	22.068.553	-	-	-	35.555.383
Long Term Insurance Technical Reserves	-	-	-	1.910.495	48.611.713	-	50.522.208
Provisions for Other Risks	-	-	-	-	-	6.474.170	6.474.170
Other Long Term Liabilities	-	-	-	-	-	-	-
Shareholders' Equity	-	-	-	-	-	348.639.709	348.639.709
Total Liabilities and Shareholders' Equity	196.964.986	348.209.956	544.661.748	1.972.202	38.577.088	510.794.201	1.879.699.527
Liquidity Surplus / (Deficit)	554.888.614	94.057.276	(209.298.799)	63.634.511	43.051.839	(307.814.095)	-

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2015

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

4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Categories of Financial Assets:

	March 31, 2016		December 31, 2015	
	Book Value	Fair Value	Book Value	Fair Value
Current Financial Assets				
Financial Assets Available for Sale	327.552.345	327.552.345	678.300.658	678.300.658
Financial Investments with Risks on Policy Holders	8.015.295	8.015.295	7.753.279	7.753.279
Non-Current Financial Assets				
Affiliates	30.116.653	30.116.653	30.116.653	30.116.653
Impairment Provision for Affiliates	(22.155.402)	(22.155.402)	(22.155.402)	(22.155.402)
Total Financial Assets	343.528.891	343.528.891	694.015.188	694.015.188

Fair value of financial assets

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction in accordance with market conditions.

The Company determines the estimated fair value of its financial instruments by using the current market information and appropriate valuation methods. Additionally, ability to estimate the market values through assessing the market information requires interpretation and judgment. As a result, the estimations presented herein cannot be an indicator of the amounts obtained by the Company in a current market transaction.

The fair value of financial assets shown in the following table in terms of valuation methods is shown divided into three categories. "Category 1", was organized market obtained from fair values (market data), the "Category 2" precedent that has truth according to processes and "Category 3" is the future cash flows to their present reduced according to the values that are valued financial assets represents.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

	March 31, 2016	Category 1	Category 2	Category 3
Financial Assets Available for sale	327.331.456	327.331.456	-	-
Government Bonds & Treasury Bills	260.647.336	260.647.336	-	-
Investment Funds	66.684.120	66.684.120	-	-
Financial Investments with Risks on Policy Holders	8.015.295	8.015.295	-	-
Total	335.346.751	335.346.751	-	-

	December 31, 2015	Category 1	Category 2	Category 3
Financial Assets Available for sale	678.079.769	678.079.769	-	-
Government Bonds & Treasury Bills	610.911.053	610.911.053	-	-
Investment Funds	67.168.716	67.168.716	-	-
Financial Investments with Risks on Policy Holders	7.753.279	7.753.279	-	-
Total	685.833.048	685.833.048	-	-

(*) The affiliates amounting to TL 7.961.251 (December 31, 2015: TL 7.961.251) and unlisted equity shares amounting to TL 220.889 (December 31, 2015: TL 211.320) has been accounted at cost value as of December 31, 2015

(**) The Company has booked the impairment provision for Merter BV, one of the affiliates, amounting to TL 22.155.402 in its financial statements as of March 31, 2016(December 31, 2015: TL 22.155.402).

The following methods and assumptions are used in fair value estimations for financial instruments of which their fair value cannot be practically measured:

Financial assets:

It is anticipated that fair value of the financial assets including cash and cash equivalents and other financial assets carried at cost will approximate to their book value based on their short term nature and having insignificant potential losses.

Market value is taken as a basis in the measurement of fair value of government bonds and equity shares.

Financial liabilities:

It is anticipated that fair value of monetary liabilities will approximate to their carrying value based on their short term nature.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

5. Segment information

5.1 Operating segments

Information related to the operational reporting made by the Company to the chief operating decision-maker in the 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 segments those constitute premium production and net technical income are determined as a separate operating segment.

The Company operates in Turkey. Since the results of operating activities abroad have very low effect on financial statements, the information about geographical has not been given.

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2016

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

5. Segment information (Continued)

5.1 Operating segments (Continued)

Segment results for the period ended at March 31, 2016:

	Fire and Natural Disaster	Transportation	Motor Own Damage	Motor Crafts Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
TECHNICAL INCOME	39.120.367	7.024.231	127.663.908	23.951.673	33.221.179	5.722.349	2.892.240	36.141.073	44.547	-	275.781.567
1- Earned Premiums (Net of Reinsurer Share)	33.521.182	5.658.659	120.157.697	20.177.053	27.907.089	4.649.264	2.890.047	33.872.114	2.621	-	248.835.726
1.1 - Premiums (Net of Reinsurer Share)	37.475.151	7.395.111	111.905.678	33.370.363	28.585.422	6.062.221	206.890	12.545.446	2.480	-	237.548.762
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(3.953.969)	(1.736.452)	8.252.019	(7.313.713)	(1.788.527)	(1.412.957)	2.683.157	21.326.668	141	-	16.056.367
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	-	-	-	(5.879.597)	1.110.194	-	-	-	-	-	(4.769.403)
2- Investment Income transferred from Non-Technical Part	5.262.700	1.319.276	5.753.223	1.877.160	5.236.267	892.248	2.193	2.268.959	41.926	-	22.653.952
3- Other Technical Income (Net of Reinsurance Share)	-	-	81.795	(17)	(46)	-	-	-	-	-	81.732
4- Accrued Subrogation and Salvage Income (+)	336.485	46.296	1.671.193	1.897.477	77.869	180.837	-	-	-	-	4.210.157
TECHNICAL EXPENSES	(26.974.819)	(3.366.216)	(127.082.449)	(49.557.089)	(17.433.928)	(3.788.490)	(4.300.874)	(38.390.301)	(109.944)	-	(271.004.110)
1- Total Claims (Net of Reinsurer Share)	(10.670.310)	(2.026.928)	(89.829.086)	(42.031.647)	(7.480.968)	(2.208.116)	(3.122.822)	(23.288.518)	(189.003)	-	(180.847.398)
1.1- Claims Paid (Net of Reinsurer Share)	(12.831.006)	(1.036.147)	(84.182.604)	(41.800.241)	(4.035.574)	(1.762.682)	(2.538.747)	(26.340.879)	(163.138)	-	(174.691.018)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	2.160.696	(990.781)	(5.646.482)	(231.406)	(3.445.394)	(445.434)	(584.075)	3.052.361	(25.865)	-	(6.156.380)
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	-	(1.606)	-	-	(1.602)	-	-	-	-	-	(3.208)
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other Technical Expenses	(2.896.858)	(164)	(142.778)	-	(40.334)	(85.354)	-	-	-	-	(3.165.488)
4- Operating Expenses	(11.976.403)	(1.314.607)	(29.763.909)	(7.316.487)	(9.218.031)	(1.447.133)	(1.169.111)	(14.598.500)	(63.402)	-	(76.867.583)
4.1- Production Commissions (-)	(15.404.236)	(1.585.207)	(21.866.260)	(3.454.551)	(11.455.083)	(3.326.224)	(945.543)	(10.141.097)	-	-	(68.178.201)
4.2- Reinsurance Commissions (+)	9.813.258	741.536	36	2.080	5.200.146	2.935.041	(21.738)	1.954.347	-	-	20.624.706
4.3- General Administrative Expenses	(6.385.425)	(470.936)	(7.897.685)	(3.864.016)	(2.963.094)	(1.055.950)	(201.830)	(6.411.750)	(63.401)	-	(29.314.087)
4.4- Other Operating Expenses	-	-	-	-	-	-	-	-	-	-	-
5- Changes in Mathematical Reserves (+/-)	-	-	-	-	-	-	-	-	142.461	-	142.461
6- Other Technical Expenses (Net of Reinsurer Share) (-)	(1.431.248)	(22.911)	(7.346.676)	(208.955)	(692.993)	(47.887)	(8.941)	(503.283)	-	-	(10.262.894)
	12.145.548	3.658.015	581.459	(25.605.416)	15.787.251	1.933.859	(1.408.634)	(2.249.228)	(65.397)	-	4.777.457
Financial income	-	-	-	-	-	-	-	-	-	32.252.142	32.252.142
Depreciation expense	-	-	-	-	-	-	-	-	-	(2.956.914)	(2.956.914)
Provisions account	-	-	-	-	-	-	-	-	-	(4.665.439)	(4.665.439)
Tax expenses	-	-	-	-	-	-	-	-	-	-	-
Financial expenses	-	-	-	-	-	-	-	-	-	(32.252.142)	(32.252.142)
Other	-	-	-	-	-	-	-	-	-	148.539	148.539
Net Profit / (Loss)	12.145.548	3.659.621	581.459	(25.605.416)	15.788.853	1.933.859	(1.408.634)	(2.249.228)	(65.397)	(7.473.814)	(2.696.357)

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2015**

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

5. Segment information (Continued)

5.1 Operating segments (Continued)

Segment results for the period ended at March 31, 2015:

	Fire and Natural		Motor Own	Liability (Compulsory)				Health	Life	Undistributed	Total
	Disaster	Transportation	Damage	Traffic	Other Accident	Engineering	Agriculture				
TECHNICAL INCOME	35.320.564	5.166.336	125.740.315	35.103.012	58.373.751	4.939.051	9.803.253	55.870.438	61.894	-	330.378.614
1- Earned Premiums (Net of Reinsurer Share)	31.056.855	4.188.022	122.682.687	37.407.252	51.064.311	4.156.317	6.565.460	49.334.922	3.714	-	306.459.540
1.1- Premiums (Net of Reinsurer Share)	35.060.559	5.243.322	96.458.447	29.941.316	51.368.409	6.718.653	23.798.916	76.114.062	4.292	-	324.707.976
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(4.003.704)	(1.055.300)	26.224.240	23.660.219	19.710	(2.562.336)	(17.233.456)	(26.779.140)	(578)	-	(1.730.345)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	-	-	-	(16.194.283)	(323.808)	-	-	-	-	-	(16.518.091)
2- Investment Income transferred from Non-Technical Part	3.374.545	631.233	123.663	(2.887.835)	7.235.944	780.989	3.237.793	6.535.516	59.393	-	19.091.241
3- Other Technical Income (Net of Reinsurance Share)	-	-	240.350	(146)	(32)	-	-	-	(1.213)	-	238.959
4- Accrued Subrogation and Salvage Income (+)	889.164	347.081	2.693.615	583.741	73.528	1.745	-	-	-	-	4.588.874
TECHNICAL EXPENSES	(34.461.368)	(3.425.929)	(129.577.209)	(239.660.093)	(27.008.234)	(3.055.946)	(10.605.586)	(55.944.283)	(130.930)	-	(503.869.578)
1- Total Claims (Net of Reinsurer Share)	(17.824.093)	(2.350.704)	(94.089.122)	(225.629.190)	(175.413)	(1.794.450)	(8.441.153)	(40.134.386)	(39.608)	-	(390.478.119)
1.1- Claims Paid (Net of Reinsurer Share)	(13.691.029)	(1.245.994)	(95.675.341)	(50.655.345)	(5.553.996)	(1.772.986)	(3.295.376)	(34.727.470)	(74.356)	-	(206.691.893)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(4.133.064)	(1.104.710)	1.586.219	(174.973.845)	5.378.583	(21.464)	(5.145.777)	(5.406.916)	34.748	-	(183.786.226)
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	-	-	-	-	-	-	-	-	-	-	-
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other Technical Expenses	(2.624.465)	-	(76.386)	-	(42.994)	(109.048)	-	-	-	-	(2.852.893)
4- Operating Expenses	(12.734.637)	(1.042.863)	(28.296.661)	(13.833.009)	(26.536.663)	(1.068.124)	(2.138.388)	(14.863.763)	(80.351)	-	(100.594.459)
4.1- Production Commissions (-)	(15.372.234)	(1.478.587)	(20.902.937)	(9.117.753)	(17.676.461)	(2.619.741)	(1.070.838)	(8.472.303)	-	-	(76.710.854)
4.2- Reinsurance Commissions (+)	8.209.210	868.751	161.153	88.456	(5.932.940)	2.510.050	(839.489)	18	2.436	-	5.067.645
4.3- General Administrative Expenses	(5.571.613)	(433.027)	(7.554.877)	(4.803.712)	(2.927.262)	(958.433)	(228.061)	(6.391.478)	(82.787)	-	(28.951.250)
4.4- Other Operating Expenses	-	-	-	-	-	-	-	-	-	-	-
5- Changes in Mathematical Reserves (+/-)	-	-	-	-	-	-	-	-	(8.593)	-	(8.593)
6- Other Technical Expenses (Net of Reinsurer Share) (-)	(1.278.173)	(32.362)	(7.355.391)	(197.896)	(252.984)	(84.324)	(26.045)	(946.135)	-	-	(10.173.310)
	859.196	1.740.408	(4.077.244)	(204.556.934)	31.365.548	1.883.106	(802.333)	(73.847)	(66.599)	-	(173.728.698)
Investment income	-	-	-	-	-	-	-	-	-	45.247.159	45.247.159
Depreciation expense	-	-	-	-	-	-	-	-	-	(2.221.214)	(2.221.214)
Provisions account	-	-	-	-	-	-	-	-	-	(5.492.394)	(5.492.394)
Tax expense	-	-	-	-	-	-	-	-	-	-	-
Financial expenses	-	-	-	-	-	-	-	-	-	(36.723.858)	(36.723.858)
Other	-	-	-	-	-	-	-	-	-	32.701.493	32.701.493
Net Profit / (Loss)	859.196	1.740.408	(4.077.244)	(204.556.934)	31.365.548	1.883.106	(802.333)	(73.847)	(66.599)	33,511.186	(140,217,514)

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

6. Property, plant and equipment

March 31, 2016

<u>Cost Value</u>	Owner Occupied Properties	Vehicles	Furnitures and Fixtures and Leased Tangible Assets	Other Tangible Assets (Including Leasehold Improvements)	Advances for Tangible Assets	Total
1 January	1.598.569	-	16.861.760	20.034.606	7.376	38.502.311
Additions	-	-	7.467	48.088	-	55.555
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
March 31	1.598.569	-	16.869.227	20.082.694	7.376	38.557.866
<u>Accumulated Depreciation</u>						
1 January	(896.329)	-	(10.338.951)	(727.715)	-	(11.962.995)
Charge for the Period	(61.448)	-	(416.011)	(453.161)	-	(930.620)
Disposals	-	-	-	-	-	-
March 31	(957.777)	-	(10.754.962)	(1.180.876)	-	(12.893.615)
Net Book Value as of March 31	640.792	-	6.114.265	18.901.818	7.376	25.664.251

March 31, 2015

<u>Cost Value</u>	Owner Occupied Properties	Vehicles	Furnitures and Fixtures and Leased Tangible Assets	Other Tangible Assets (Including Leasehold Improvements)	Advances for Tangible Assets	Total
January 1	2.465.348	-	14.827.725	18.312.709	28.504	35.634.286
Additions	-	-	248.608	223.547	108.268	580.423
Disposals	-	-	(562.780)	-	-	(562.780)
Transfers	-	-	-	-	-	-
March 31	2.465.348	-	14.513.553	18.536.256	136.772	35.651.929
<u>Accumulated Depreciation</u>						
January 1	(633.328)	-	(8.724.065)	(1.399.823)	-	(10.757.216)
Charge for the Period	(67.487)	-	(672.098)	(8.665)	-	(748.250)
Disposals	-	-	399.578	-	-	399.578
March 31	(700.815)	-	(8.996.585)	(1.408.488)	-	(11.105.888)
Net Book Value as of March 31	1.764.533	-	5.516.968	17.127.768	136.772	24.546.040

The Company has no impairment loss recognized for tangible fixed assets in the current period.

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

7. Investment Properties**March 31, 2016**

<u>Cost Value</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
1 January	80.126	0	80.126
Disposals	-	-	-
Transfers	-	-	-
March 31	80.126	-	80.126

Accumulated Depreciation

1 January	-	-	-
Charge for the Period	-	-	-
Disposals	-	-	-
March 31	-	-	-
Net Book Value as of March 31	80.126	-	80.126

March 31, 2015**March 31, 2015**

<u>Cost Value</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
January 1	36.578	504.543	541.121
Additions	-	-	-
Disposals	-	-	-
March 31	36.578	504.543	541.121

Accumulated Depreciation

January 1	-	(48.571)	(48.571)
Charge for the Period	-	(20.883)	(20.883)
Disposals	-	-	-
March 31	-	(69.454)	(69.454)
Net Book Value as of March 31	36.578	435.090	471.668

In the period of January 1- March 31, 2016, the Company has no obtained rental income from investment properties (January 1 – March 31, 2015: None).

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2016

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

8. Intangible Fixed Assets

March 31, 2016

<u>Cost Value</u>	Advances for Intangible Assets (*)	Rights	Total
1 January	2.666.428	52.085.155	54.751.583
Additions	227.550	1.480.034	1.707.584
Disposals	-	-	-
Transfers	-	-	-
March 31	2.893.978	53.565.189	56.459.167

Accumulated Amortization

1 January	-	(20.757.045)	(20.757.045)
Charge for the Period	-	(2.026.294)	(2.026.294)
Disposals	-	-	-
March 31	-	(22.783.339)	(22.783.339)
Net Book Value as of March 31	2.893.978	30.781.850	33.675.828

March 31, 2015

<u>Cost Value</u>	Advances for Intangible Assets (*)	Rights	Total
1 January	12.217.024	28.879.266	41.096.290
Additions	-	5.051.004	5.051.004
Disposals	(506.102)	-	(506.102)
Transfer	-	-	-
March 31	11.710.922	33.930.270	45.641.192

Accumulated Amortization

1 January	-	(15.246.083)	(12.341.338)
Charge for the Period	-	(1.452.081)	(2.904.745)
Disposals	-	-	-
March 31	-	(16.698.164)	(16.698.164)
Net Book Value as of March 31	11.710.922	17.232.106	28.943.028

(*) Intangible assets advances include the administrative advances for the projects implemented. Since the related assets do not create economical benefits no amortization calculated over those.

As of March 31, 2016, the Company has not recognized any impairment loss for its intangible fixed assets in the current period (December 31, 2015: None).

The Company has no goodwill amount in its financial statements.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

9. Investments in Affiliates

An affiliate is an entity, over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. As of March 31, 2016, the Company has an affiliate as Merter BV amounting to TL 30.116.653 (December 31, 2015: TL 30.116.653) with a 25% of participation. Since the Company do not have any effect on management of this affiliate the conclusive participation rate is 12,5% for each companies which own a shopping mall and an office building. Fair value of the investments in affiliates have identified by an independent real estate appraisal company and, TL 22.155.402 (December 31, 2015: TL 22.155.402) impairment has been detected and disclosed in financial statement as at March 31, 2016(Note: 11.4).

10. Reinsurance Assets

Reinsurance assets are disclosed in Note 17.16.

11. Financial Assets

11.1 Subcategories of Financial Assets

	March 31, 2016	December 31, 2015
Financial Assets Available for Sale	327.552.345	678.300.658
Financial Investments with Risks on Policy Holders	8.015.295	7.753.279
Total	335.567.640	686.053.937

Financial Assets Available for Sale

	March 31, 2016			December 31, 2015		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	60.639.405	55.605.309	55.605.309	427.963.378	422.249.213	422.249.213
Private sector bond	110.602.245	112.803.593	112.803.593	97.302.245	99.327.442	99.327.442
Investment fund	80.987.296	92.238.434	92.238.434	80.311.808	89.334.398	89.334.398
Eurobond	67.801.808	66.684.120	66.684.120	69.293.388	67.168.716	67.168.716
Equity Shares (Unlisted)	220.889	-	220.889	220.889	-	220.889
Total	320.251.643	327.331.456	327.552.345	675.091.708	678.079.769	678.300.658

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2016

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

11. Financial Assets (Continued)

11.1 Subcategories of Financial Assets (Continued)

Financial Investments with Risks on Policy Holders

	March 31, 2016			December 31, 2015		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	7.540.028	8.015.295	8.015.295	7.540.028	7.753.279	7.753.279

Equity shares under financial assets available-for-sale is as below:

March 31, 2016

Equity Shares	Participation Rate %	Cost Value TL	Fair Value TL	Book Value TL
Tarsim Tarım Sigortaları Havuz İşletmesi A.Ş.	4,35	220.889	-	220.889
Unlisted		220.889	-	220.889
Total		220.889	-	220.889

December 31, 2015

Equity Shares	Participation Rate %	Cost Value TL	Fair Value TL	Book Value TL
Tarsim Tarım Sigortaları Havuz İşletmesi A.Ş.	4,35	220.889	-	220.889
Unlisted		220.889	-	220.889
Total		220.889	-	220.889

The Company does not have assets held for trading as of March 31, 2016 and December 31, 2015.

As of March 31, 2016 and December 31, 2015, the blockage on financial assets in favour of Undersecretariat of Treasury has been disclosed in Note 17.1.

11.2 Securities other than equity shares issued in the current period:

None (December 31, 2015: None).

11.3 Securities issued representing the amortized borrowing in the current period:

None (December 31, 2015: None).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

11. Financial Assets (Continued)

11.4 Fair value of securities and long-term financial assets that are carried at cost in the balance sheet and cost of securities and long-term financial assets that are carried at fair value in the balance sheet

Cost, fair value and book values of marketable securities are presented in Note 11.1.

Financial assets consist of unlisted assets, and cost and book value of financial assets are presented as below:

	March 31, 2016			December 31, 2015		
	Participation Rate %	Cost Value TL	Book Value TL	Participation Rate %	Cost Value TL	Book Value TL
Merter BV	25	30.116.653	30.116.653	25	30.116.653	30.116.653
Impairment (-)		-	(22.155.402)		-	(22.155.402)
Affiliates (Net)		30.116.653	7.961.251		30.116.653	7.961.251

11.5 Marketable securities issued by the shareholders, affiliates and subsidiaries of the Company classified under marketable securities and associates and their issuers:

None (December 31, 2015: None).

11.6 Value increases of financial assets in the last three years

	March 31, 2016	December 31, 2015	December 31, 2014
Financial Assets Available for Sale	(5.276.910)	(7.432.490)	(1.047.646)

Value increases and decreases (net-off deferred tax) reflect the difference between the book value and cost value of the financial assets at period end.

11.7 Financial Instruments

- i) Information that enables the financial statement users to evaluate the financial position and performance of the Company is disclosed in Note 4.1.
- ii) Information on the book value of the financial assets is disclosed in Note 11.1.
- iii) Comparison of the fair value and book value of financial assets is disclosed in Note 11.1.
- iv) Financial assets overdue or impaired are presented in Note 11.1.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2016

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

11. Financial Assets (Continued)

11.8. Financial Instruments

Information related to hedge accounting has been disclosed in Note 34.5.

11.9 Effects of Exchange Rate Differences

Exchange rate differences arising from the payments of monetary items or different conversion rates used in the current period or at initial recognition are recognized in profit or loss.

12. Receivables and Payables

12.1 Details of the Company’s receivables

	March 31, 2016	December 31, 2015
Receivables from insurance operations		
Receivables from agencies	289.015.310	235.112.053
Bank Guaranteed Credit Card Receivables More than Three Months	81.335.313	100.576.813
Receivables from reinsurance companies	29.377.416	38.891.156
Receivables for salvage and claim recovery - net (Note 2.1.1)	22.438.864	21.786.353
Receivables from insurance operations	422.166.903	396.366.375
Other receivables	94.743	71.183
Cash deposited for insurance and reinsurance companies	30.954	30.954
Receivables from insurance and reinsurance companies	125.697	102.137
Claim recovery receivables under legal follow-up	39.267.429	38.864.823
Doubtful receivables from main operations	35.675.566	32.524.008
Receivables from main operations	497.235.595	467.857.343
Provision for due from insurance operations (-) (*)	(12.326.838)	(9.860.324)
Provision for doubtful receivables from main operations (-) (**)	(22.122.739)	(21.195.854)
Provision for net claim recovery receivables under legal follow-up (-) (**)	(39.267.429)	(38.864.823)
Total provision amount for doubtful receivables	(73.717.006)	(69.921.001)
Receivables from main operations - net	423.518.589	397.936.342

(*) In balance sheet disclosed under provision for receivables from insurance operations.

(**) In balance sheet disclosed under provision for receivables from main operations.

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2016

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

12. Receivables and Payables (Continued)

12.1 Details of the Company’s Receivables (Continued)

Aging of receivables from insurance operations is as follows:

	<u>March 31, 2016</u> <u>December 31, 2015</u>	
0-60 days	19.733.181	(1.611.642)
61-90 days	756.575	734.785
90+	2.769.350	2.672.030
Not due receivables	399.033.495	394.673.339
Total	422.292.600	396.468.512

The details of guarantees for the Company’s receivables are presented below:

	<u>March 31, 2016</u>		<u>December 31, 2015</u>	
Type of Guarantee	Receivables	Doubtful Receivables	Receivables	Doubtful Receivables
Letters of Guarantee	36.212.165	10.000	35.962.761	5.000
Real Estate Pledges	60.796.530	4.447.397	61.180.530	4.407.397
Government Bonds and Equity	126.313	-	113.178	-
Other	451.859	-	451.859	-
Total	97.586.867	4.457.397	97.708.328	4.412.397

The Company books provision for 100% of doubtful receivables discluding guarantess. The movement table of provision for doubtful receivables under legal follow-up is presented below:

	<u>2016</u>	<u>2015</u>
Opening Balance, 1 January	(60.060.677)	(60.266.898)
Charge for the Period	(1.329.491)	(2.507.142)
Collections		2.713.363
Closing Balance, March 31	(61.390.168)	(60.060.677)

Aging of receivables from insurance operations is as follows:

	<u>March 31, 2016</u> <u>December 31, 2015</u>	
0-30 days	0	31.869,00
90+	74.942.995	71.356.962
Total	74.942.995	71.388.831

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

12. Receivables and Payables (Continued)

12.2 Receivable-payable relationship with shareholders, affiliates and subsidiaries of the Company

Due to shareholders in balance sheet includes dividends which have paid previous years but not collected by shareholders. As of March 31, 2016, the Company has liabilities amounting to TL 1.143 to shareholders. (December 31, 2015: TL 1.143)

12.3 Total of pledges and other guarantees received for receivables amount

Total amount of pledges and other guarantees received for receivables amounts to TL 102.044.264 as at March 31, 2016 (December 31, 2015: TL 102.120.724).

12.4 Details of the Company’s foreign currency denominated receivables without exchange rate guarantees are presented below:

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

March 31, 2016			
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	23.058.925	2,8334	65.335.158
EUR	1.106.140	3,2081	3.548.608
GBP	37.698	4,0766	153.680
CHF	42.326	2,9324	124.117
Total			<u>69.161.563</u>
Prepaid Expenses	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	326.696	2,8334	925.661
			<u>925.661</u>
Stocks and Bonds	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	23.535.018	2,8334	66.684.120
			<u>66.684.120</u>
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	41.114.196	2,8334	116.492.963
EUR	7.689.372	3,2081	24.668.274
GBP	95.799	4,0766	390.534
CHF	19.010	2,9324	55.745
Other	-	-	271
Total			<u>141.607.787</u>
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(4.700.677)	2,8385	(13.342.872)
EUR	(1.602.794)	3,2139	(5.151.220)
Diğer			(5.446)
Total			<u>(18.499.538)</u>
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(33.039.869)	2,8385	(93.783.668)
EUR	(3.987.927)	3,2139	(12.816.799)
Total			<u>(106.600.467)</u>
Net Foreign Currency Position			<u>86.213.291</u>

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

12. Receivables and Payables (Continued)**12.4 Details of the Company’s foreign currency denominated receivables without exchange rate guarantees are presented below: (Continued)**

December 31, 2015

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	16.500.019	2,9076	47.975.455
EUR	2.810.599	3,1776	8.930.959
GBP	150.514	4,3007	647.316
Total			<u>57.689.811</u>

Prepaid Expenses	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	814.063	2,9076	2.366.969
			<u>2.366.969</u>

Stocks and Bonds	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	22.542.181	2,3189	52.273.063
			<u>52.273.063</u>

Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	56.700.708	2,9076	164.862.979
EUR	5.557.908	3,1776	17.660.808
GBP	192.329	4,3007	827.149
CHF	26.339	2,9278	77.115
Other			271
Total			<u>183.428.322</u>

Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(4.166.814)	2,9128	(12.137.096)
Total			<u>(12.137.096)</u>

Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(28.279.961)	2,9128	(82.373.870)
EUR	(3.622.986)	3,1833	(11.533.051)
Other			(1.123.714)
Total			<u>(95.030.635)</u>

Net Foreign Currency Position			<u>136.317.371</u>
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**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

13. Derivative Financial Instruments

During the period between January 1 – March 31, 2016, total income resulting from short-term swap contracts’ market valuation has been accounted under “Income from derivatives” in the income statement in amounting to TL 245.798 (January 1 – December 31, 2015: TL 38.493.917).

14. Cash and Cash Equivalents

	March 31, 2016	December 31, 2015
Cash at Banks	764.409.382	374.800.368
Time Deposit	755.252.081	369.162.666
Demand Deposit	9.157.301	5.637.702
Bank Guaranteed Credit Card Receivables with Maturities less than three months	206.458.187	176.503.394
Total	970.867.569	970.867.569
Interest Accrual on Cash and Cash Equivalents (-)	(4.653.339)	(798.285)
Cash Flow Based Grand Total	966.214.230	970.069.284
Blocked Deposits	138.749.468	148.476.703

(*)The blockage on cash and cash equivalents has been disclosed in Note 17.1.

As of March 31, 2016 and December 31, 2015, interest rate of time deposits are as follows:

	March 31, 2016	December 31, 2015
	Annual Interest Rate	Annual Interest Rate
	(%)	(%)
TL	9,75 – 13,95	8,25 – 13,95
USD	0,10 – 3,25	0,010 – 3,25
EUR	0,10 – 1,75	0,010 – 2,00

As of March 31, 2016 maturity of TL deposits are changed between April 1, 2016 to June 26, 2016, foreign exchange maturity are changed between April 4, 2016 to May 16, 2016.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

14. Cash and Cash Equivalents (Continued)

As of December 31, 2015 maturity of TL deposits are changed between January 4, 2016 to February 12, 2016, foreign exchange maturity are changed between January 4, 2016 to January 8, 2016.

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

	31 March 2016			
	Cost	Interest Rate	Maturity	Book Value
Time Deposit	140.300.000	13,25%	08.04.2016-17.05.2016	141.239.740
Total	140.300.000			141.239.740

The details of funds received from reverse repo agreements accounted for undershort term other financial borrowings in the balance sheet. As of March 31, 2016 are as follows:

	31 March 2016			
	Cost	Interest Rate	Maturity	Book Value
Bond	(140.300.000)	11,45%	08.04.2016-17.05.2016	(141.226.063)
Total	(140.300.000)			(141.226.063)

15. Share Capital

15.1 Transactions between the Company and its shareholders, showing each distribution made to the shareholders separately

The Company’s shareholders and its shareholders’ equity structure as of March 31, 2016 and December 31, 2015 are presented in Note 2.14.

The details of the transactions between the Company and its shareholders and the related balances as of the end of the period are presented in “Related Parties” note.

The account of Profit on Sale to be Transferred to Capital has consisted of the amounts arising from the gain on sale of fixed assets transferred to the equity.

15.2 Reconciliation of carrying values of each capital account and each reserve as of the beginning and end of the period showing each change separately

Presented in the statement of changes in equity.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

15. Share Capital (Continued)

15.3 For each class of share capital

15.3.1 The explanation about the number of capital shares

The Company’s issued capital share is composed of 30.600.000.000 shares having a nominal amount of TL 0,01 each. These shares are presented by Class 10 shares (December 31, 2015: 30.600.000.000 shares with a nominal amount of TL 0,01each).

15.3.2 The explanation about the number of issued and fully paid shares and issued but not fully paid shares

None (December 31, 2015: None).

15.3.3 Nominal value of an equity share or equity shares without having nominal value

Nominal value of equity shares is TL 0,01 per share (December 31, 2015: TL 0,01 per share).

15.3.4 Reconciliation of the number of the equity shares at the beginning and ending of the period

	Number of Shares	
	March 31, 2016	December 31, 2015
Beginning of the Period, 1 January	30.600.000.000	30.600.000.000
Issued in the Current Period	-	-
End of the Period, March 31	30.600.000.000	30.600.000.000

15.3.5 Rights, privileges and limitations on dividend payments and repayment of share capital

In accordance with Article 61 of the Company’s Articles of Association, corporate tax is deducted from the net profit which is determined and calculated based on the issued balance sheet. 5% of statutory reserve is allocated over the remaining amount and subsequent to this allocation, at minimum, 1. dividend amount that is determined by the CMB is also allocated over the final remaining amount.

The Company’s capital does not include any preferred shares.

Based on the guidelines and principals issued by the Capital Markets Board (the Board) dated January 27, 2010 for the distribution of dividends from the profit generated from operating activities in 2010, concerning public entities, the shares of which are quoted in public equity markets, it has been agreed upon not to set a mandatory minimum dividend payment quota (December 31, 2015: 20%). Furthermore, it has been agreed upon to let public entities perform dividend distributions as stated within the “Communique Concerning Principal Matters on Dividend Advances Distributed by Public Entities Under the Regulation of the Capital Markets Law” (Serial: IV, No: 27), as stated within the principal agreement of the companies and as stated within the policies on dividend distribution that have been shared with the public.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

15. Share Capital (Continued)

15.3.6 Equity shares held by the Company, its affiliates or its subsidiaries

None (December 31, 2015: None).

15.3.7 Equity shares held for future sale for forward transactions and contracts

None (December 31, 2015: None).

15.4 Share based payments

None (December 31, 2015: None).

15.5 Subsequent events

Disclosed in note 46.

16. Other Provisions and Capital Component of Discretionary Participation

16.1 Each income and expense item and their total amounts accrued under shareholders’ equity in the current period in accordance with other standards and interpretations

	March 31, 2016	December 31, 2015
Valuation difference of financial assets available for sale	(5.276.909)	(7.432.490)
Deferred Tax Effect	1.055.382	1.486.498
Total	<u>(4.221.527)</u>	<u>(5.945.992)</u>

In accordance with changes regarding “TAS 19 – Employee Benefits” effective as of January 1, 2013, actuarial loss amounting to TL 4.715.981 (Deferred tax effect: TL 943.186) resulting from retirement pay liability calculation has been accounted to “Other Reserves and Retained Earnings” under equity.

As of March 31, 2016, effect of hedge accounting amount of TL (10.659.451) (Deferred tax effect: TL 2.131.890) has been recognized “Special Funds (Reserves)” account item under equity.

16.2 Net exchange differences classified separately as an equity item and reconciliation of exchange differences at the beginning and end of the period

None (December 31, 2015: None).

16.3 Hedging for forecasted transactions and net investment hedging

None (December 31, 2015: None).

16.4 Hedging against financial risks

Information related to hedge accounting has been disclosed in Note: 34.5

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

16. Other Provisions and Capital Component of Discretionary Participation(Continued)

16.5 Gains and losses from available for sale financial assets recognized directly in equity for in the current period and amounts recognized in the current profit or loss taken from shareholders’ equity

	March 31, 2016	December 31, 2015
	Increase / (Decrease)	Increase / (Decrease)
Beginning of the Period, 1 January	(5.945.992)	(838.117)
Increase / decrease in value recognized under the shareholders' equity in the current period	1.724.465	(5.107.875)
End of the Period, December 31	(4.221.527)	(5.945.992)

16.6 Income and loss related to affiliates recognized directly in equity in the current period

Disclosed in note 34.5

16.7 Revaluation increases in tangible fixed assets

None (December 31, 2015: None).

16.8 Current and deferred tax in relation to debit and credit items directly charged in equity

None (December 31, 2015: None).

17. Insurance Liabilities and Reinsurance Assets

17.1 Guarantees to be provided for life and non-life insurance branches and guarantees provided for life and non-life insurances based on assets

The Company’s guarantees to be provided for life and non-life insurance branches and guarantees provided for life and non-life insurances based on assets are below:

Branch	March 31, 2016		December 31, 2015	
	Amount to be Provided TL	Current Blockage TL	Amount to be Provided TL	Current Blockage TL
Life	5.597.429	7.891.357	5.605.551	7.486.870
Government Bonds	-	7.891.357	-	7.486.870
Time Deposit	-	-	-	-
Non-Life	113.563.956	138.749.468	113.636.452	148.476.703
Time Deposit	-	138.749.468	-	148.476.703
Total	119.161.385	146.640.825	119.242.003	155.963.573

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

17. Insurance Liabilities and Reinsurance Assets (Continued)

17.2 Number of life insurance policies, additions, disposals in the current period, and current life insurees and their mathematical reserves

	2016		2015	
	Mathematical Reserves		Mathematical Reserves	
	Unit	TL	Unit	TL
Beginning of the Period, 1 January	385	1.910.495	402	1.972.202
Participations in the Current Period				61.706
Leavings in the Current Period	(59)	(142.671)	(17)	(123.413)
End of Period, December 31	326	1.767.825	385	1.910.495

Mathematical reserves amounting to TL 1.712.229 (December 31, 2015: TL1.711.117) and Reserves for the policies, investment risk of which belongs to life insurance polich holders amounting to TL 198.265 (December 31, 2015: TL 201.763) and cancelled polich numbers together with their mathematical reserves are included in the table above.

Financial assets classified as Financial Assets Ready For Sale under Financial Investments at Policyholder's Risk are valued with current value as explained in note 11; as of March 31, 2016, there is no difference in the value accounted in Life Mathematical Reserve account discounted with current value (December 31, 2015: None).

17.3 Insurance guarantees given to non life insurances based on insurance branches

Branch	March 31, 2016	December 31, 2015
Motor Crafts Liability	608.536.739.412	862.114.750.643
Fire and Natural Disaster	586.239.991.858	526.559.025.553
General Losses	284.069.576.044	265.309.807.601
Transportation	88.263.169.333	81.895.226.185
Accident	37.516.599.629	36.064.872.852
Financial Losses	70.279.009.112	61.731.083.844
General Losses	47.003.861.921	39.095.209.261
Air Crafts Liability	25.182.378.680	22.250.156.540
Motor Own Damage	31.617.135.439	30.495.506.795
Health	9.701.689.629	9.288.557.000
Legal Protection	8.847.007.986	8.258.673.613
Air Crafts	2.743.769.635	2.604.171.853
Credit	1.929.307.640	2.914.064.890
Water Crafts	728.731.477	649.210.601
Suretyship	663.750.591	648.109.469
Life	-	825.527
Total	1.803.322.718.386	1.949.879.252.227

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

17. Insurance Liabilities and Reinsurance Assets (Continued)

17.4 Pension investment funds established by the Company and their unit prices

None (December 31, 2015: None).

17.5 Number and amount of participation certificates in portfolio and circulation

None (December 31, 2015: None).

17.6 Number of portfolio amounts of additions, disposals, reversals, and current individual and group pension participants

None (December 31, 2015: None).

17.7 Valuation methods used in profit share calculation for life insurances with profit shares

None (December 31, 2015: None).

17.8 Number of the additions and their group or individual gross and net share participations in the current period

None (December 31, 2015: None).

17.9 Number of additions from the other companies and their group or individual gross and net share participations in the current period

None (December 31, 2015: None).

17.10 Number of transfers from the Company’s life portfolio to individual pension portfolio and their group or individual gross and net share participations

None (December 31, 2015: None).

17.11 Number of transfers from the Company’s individual pension portfolio to other company or not and together their personal and corporate allocation and gross and net share participations

None (December 31, 2015: None).

17.12 Number of additions of life insurances and their group or individual gross and net mathematical reserves

None (December 31, 2015: None).

17.13 Number of disposals of life insurances and their group or individual gross and net mathematical reserves

All of disposals of life insurances in current period are individual and units and amounts are represented in Note 17.2.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

17. Insurance Liabilities and Reinsurance Assets (Continued)

17.14 Profit share distribution rate of life insurees in the current period

In the current period, profit share distribution rate of life insurees are calculated as below:

	January 1- March 31, 2016 Profit Share (%)	January 1- December 31, 2015 Profit Share Distribution (%)
TL (Life Insurance)	9,00	9,00

17.15 Explanation of information that describes amounts arose from insurance agreements

None (December 31, 2015: None).

17.16 Assets, liabilities, income, expense and cash flows from insurance contacts recognized when the insurer is a ceding company:

Reinsurance Assets

	March 31, 2016	December 31, 2015
Receivables from Reinsurance Companies	29.377.416	38.891.156
Cash Deposited For Insurance & Reinsurance Companies	30.954	30.954
Reinsurance Share of Unearned Premiums Reserve	435.428.520	320.273.585
Reinsurance Share of Outstanding Claims Reserve	240.384.515	210.698.731
Reinsurance Share of Unexpired Risks Reserve	3.930.341	7.094.384
Reinsurance Share of Equalization Reserve	30.398.847	21.953.456
Total	739.550.593	598.942.267

Reinsurance Liabilities

	March 31, 2016	December 31, 2015
Payables to Insurance and Reinsurance Companies	260.560.838	149.033.440
Deferred Commissions Income	58.031.913	35.555.383
Total	318.592.751	184.588.823

Income / Expense on Reinsurance Agreements

	January 1- March 31, 2016	January 1- December 31, 2015
Premiums Ceded to Reinsurers (-)	(261.627.079)	(517.508.736)
Commissions Received	20.624.706	59.203.027
Reinsurance Share of Unearned Premiums Reserve	115.770.630	59.135.098
Reinsurance Share of Unexpired Risks Reserve	(3.164.043)	(1.861.454)
Reinsurance Share of Outstanding Claims Reserve	29.685.784	32.720.378
Reinsurance Share of Claims Paid	25.426.115	129.392.579
Total	(73.283.887)	(238.919.108)

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2016

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

17. Insurance Liabilities and Reinsurance Assets (Continued)

17.16 Assets, liabilities, income, expense and cash flows from insurance contacts recognized when the insurer is a ceding company: (Continued)

Branch	March 31, 2016			March 31, 2015		
	Premiums Ceded	Reinsurance Share of	Reinsurance Share of Claims	Premiums Ceded	Reinsurance	Reinsurance
		Technical Reserves	Paid		Share of Technical Reserves	Share of Claims Paid
Fire and Natural Disaster	(98.042.240)	36.661.823	5.423.344	(86.370.993)	33.699.572	10.705.294
General Losses	(53.534.990)	30.501.816	9.655.261	(10.595.546)	18.171.373	8.144.583
General Liability	(14.066.132)	4.837.891	2.017.651	(11.477.812)	(17.963.185)	2.808.943
Financial Losses	(10.410.325)	4.219.575	8.810	(7.218.185)	2.424.651	1.218
Transportation	(4.402.242)	3.202.407	1.044.852	(2.426.624)	3.603	2.024
Motor Crafts Liability	(2.628.507)	1.532.897	474	(6.397.040)	2.091.660	908.703
Motor Own Damage	(215.280)	5.754	(136)	(934.551)	(2.393.914)	757.606
Accident	(1.994.906)	1.051.638	204.442	(210.196)	793.270	(293)
Support	(845.995)	144.869	-	(816.903)	507.006	-
Credit	(636.776)	(2.847.561)	2.298.052	(943.411)	155.814	66.906
Air Crafts	(1.806.686)	(105.197)	842.733	(1.664.071)	2.139.906	1.656.539
Air Crafts Liability	(498.734)	(3.280.957)	314.112	(210.338)	1.517.710	23.993
Water Crafts	(779.379)	381.990	47.727	(996.343)	257.926	-
Health	(71.643.133)	66.004.033	3.463.963	(324.790)	(57.353)	-
Suretyship	(121.754)	77.443	104.830	(424.447)	1.145.758	190.693
Life	-	-	-	(1.246)	(173)	-
Legal Protection	-	-	-	-	21	-
Total	(261.627.079)	142.388.421	25.426.115	(131.012.496)	42.493.645	25.266.209

The Company, as a ceding company, defers its commission income obtained from reinsurance agreements.

17.17. Comparison of incurred claims with past estimations

Disclosed in Note 4.1.2.3.

17.18. Effects of changes in the assumptions used in the measurement of insurance assets and liabilities, showing the effects of each change that has significant effect on the financial statements separately

Disclosed in note 4.1.2.4.

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

17. Insurance Liabilities and Reinsurance Assets (Continued)

17.19 Reconciliation of insurance payables, reinsurance assets and changes in deferred acquisition costs, if any

	2016	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, 1 January	184.588.823	598.942.267
Net Change for the Year	134.003.928	140.608.327
End of the Period, 31 March	318.592.751	739.550.593

	2015	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, 1 January	114.125.158	473.058.132
Net Change for the Year	70.463.665	125.884.135
End of the Period, 31 March	184.588.823	598.942.267

18. Investment Contract Liabilities

Disclosed in Note 17.3.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2016

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

19. Trade and Other Payables, Deferred Income

19.1 Sub-classifications of presented items in line with the Company’s operations

	March 31, 2016	December 31, 2015
Payables to agencies	31.501.448	26.020.651
Payables to insurance and reinsurance companies	260.560.838	149.033.440
Payables from Insurance Operations	292.062.286	175.054.091
Payables to contracted enterprises	8.524.958	11.767.312
Payables to Turkish Catastrophe Insurance Pool	14.527.349	14.540.068
Payables to suppliers	35.478	3.938.121
Turkish Catastrophe Insurance Pool Payables to agencies	645.997	566.223
Other	580.778	471.512
Other Payables	24.314.560	31.283.236
Payables to SSI regarding medical expenses	2.598.149	6.356.378
Deferred commission income	58.256.223	35.555.383
Expense accruals	20.422.005	20.687.893
Deferred Income and Expense Accruals	78.678.228	56.243.276
Total Short Term Liabilities	397.653.223	268.936.981
Total Trade and Other Payables, Deferred Income	397.653.223	268.936.981

19.2 Related Parties

Details related with related party balances and transactions for the current financial period are disclosed in Note 45.

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2016

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

20. Payables

Insurance Technical Reserves	March 31, 2016	December 31, 2015
Unearned Premiums Reserve- Net (*)	495.226.665	510.667.337
Unexpired Risks Reserve- Net	21.123.539	16.354.138
Outstanding Claims Reserve-Net	532.379.786	526.216.475
Bonuses and rebates reserve-Net	1.203.208	1.200.000
Mathematical Reserves-Net	1.767.825	1.910.495
Equalization Reserve-Net	51.777.201	48.611.713
Total	1.103.478.224	1.104.960.158

(*) While calculating the income statement effect of the provisions for unearned premiums, TL 615.484, the deferral effect of the premiums transferred to assistance companies, which is included in operating expenses, has been netted off (December 31, 2015: TL 376.682).

As disclosed in note 2.15, the reinsurers’ share of unearned premiums includes SSI share as of March 31, 2016 which is TL 3.611.833 (December 31, 2015: TL 2.740.332).

The movement of technical reserves are as follows:

Unearned Premium Reserve:

	March 31, 2016			March 31, 2015		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	830.940.922	(320.273.585)	510.667.337	830.480.271	(264.325.914)	566.154.357
Net Change	99.714.263	(115.154.935)	(15.440.672)	48.915.172	(42.996.145)	5.919.027
End of the Period, March 31	930.655.185	(435.428.520)	495.226.665	879.395.443	(307.322.059)	572.073.384

Unexpired Risk Reserve:

	March 31, 2016			March 31, 2015		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	23.448.522	(7.094.384)	16.354.138	19.174.631	(8.955.838)	9.189.638
Net Change	1.605.358	3.164.043	4.769.401	22.551.078	(6.032.988)	17.547.244
End of the Period, March 31	25.053.880	(3.930.341)	21.123.539	41.725.708	(14.988.826)	26.736.882

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

20. Payables (Continued)

Equalization Reserve:

	March 31, 2016			March 31, 2015		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	38.577.088	-	38.577.088	38.577.088	-	38.577.088
Net Change	43.598.961	(30.398.847)	13.200.114	9.470.951	(6.618.058)	2.852.893
End of the Period, March 31	82.176.049	(30.398.847)	51.777.202	48.048.039	(6.618.058)	41.429.981

Provision for bonus and discount

	March 31, 2016			March 31, 2015		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	1.200.000	-	1.200.000	-	-	-
Net Change	99.469	(96.261)	3.208	33.682	(33.682)	-
End of the Period, March 31	1.203.208	(96.261)	1.203.208	33.682	(33.682)	-

Outstanding Claims Reserve:

The movement of Outstanding Claims Reserve are presented in Note 4.1.2.3.

21. Deferred Income Tax

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

Tax rate is applied as 20% for the calculation of deferred tax asset and liabilities. The details of deferred tax are presented in Note 35.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

22. Retirement and Welfare Liabilities

Provisional Article 23 of the Banking Act No: 5411 requires the transfer of pension funds, which are established for employees of financial institutions, insurance and reinsurance companies under Social Security Act, to Social Security Institution (“SSI”) as of the effective date of the Act within 3 years and principles and procedures of fund transfer are also prescribed in accordance with the Council of Ministers’ order no: 2006/11345 issued on 30 November 2006. However, transfer requirement in the related Act was annulled based on the application made by the Turkish President on November 2, 2005 in accordance with the order of the Constitutional Court (no: E.2005/39, K.2007/33) issued on March 22, 2007 as effective from the date of publishment in the Official Gazette no: 26479 on March 31, 2007.

On the other hand, the Act No: 5754 “Amendments in Social Securities and General Health Insurance Acts Specific Laws and Related Requirements” published in the Official Gazette No: 26870 on May 8, 2008, requires the transfer of participants or beneficiaries of pension funds to SSI as of the effective date of the Act within 3 years and prescribes the extension period of the transfer as maximum of two years upon the order of Council of Ministers.

The Act prescribes that, as of the transfer date, present value of fund liabilities should be measured by considering the fund income and expense based on the insurance branches presented in the related act using 9,8% of technical interest rate in the actuarial calculation. The Act also specifies that the uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by institutions that made the fund transfers.

Aksigorta A.Ş. is a member of Akbank T.A.Ş Pension Fund (Akbank T.A.Ş Tekaüt Sandığı). At each period-end, the Company pays its liability calculated for its share to the pension fund. As the result of the actuarial calculations made in relation to the Pension Fund of Akbank T.A.Ş. established in accordance with Article 20 of the Social Securities Act No: 506, the Company has no deficits by the end of the current period and no payments have been made in relation to any deficit amount by the Company. Fund assets are adequate in covering all the funds liabilities; therefore, the Company management anticipates no liabilities to be assumed in relation to the above-mentioned matter.

Retirement Pay Provisions:

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:

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2016

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

22. Retirement and Welfare Liabilities

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, 2016 and December 31, 2015, 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 December 31, 2015, the provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 7,95% (December 31, 2015: %6) and a discount rate of 9,91% (December 31, 2015: 7,7%), resulting in a real interest rate of 2% (December 31, 2015: 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.

In accordance with changes regarding “TAS 19 – Employee Benefits” effective as of January 1, 2013, actuarial loss amounting to TL 4.715.931 (Deferred tax effect: TL 943.186) resulting from retirement pay liability calculation has been accounted to extraordinary reserves under equity.

As the maximum liability is updated semi annually, as of December 31, 2015, the maximum amount of TL 4.092,53 effective from January 1, 2016 has been taken into consideration in calculation of provision from employment termination benefits (March 31, 2016 : TL 4.092,53).

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

	March 31, 2016	December 31, 2015
Beginning of the Period, January 1	6.474.170	2.813.302
Charge for the Period	(2.525.101)	1.743.217
Actuarial Gain/Loss	1.235.489	3.480.442
Retirement Payments (-)	796.582	(1.562.791)
End of the Period, December 31	5.981.140	6.474.170

23. Other Liabilities and Expense Accruals

23.1 Provisions related to employee benefits and others

	March 31, 2016		December 31, 2015	
	Unused Vacation Provisions	Security Premiums Payable	Unused Vacation Provisions	Social Security Premiums Payable
Beginning of the Period, January 1	1.070.851	1.439.049	1.516.928	1.347.006
Movements in the Current Period	139.036	74.732	(156.621)	99.649
End of the Period, March 31	1.209.887	1.513.781	1.360.307	1.446.655

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2016

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

23. Other Liabilities and Expense Accruals

23.2 Provisions related to employee benefits and others

Company’ s statement of pledges and commitments as of March 31, 2016 and December 31, 2015 are presented below:

	March 31, 2016		December 31, 2015	
	Amount in Original Currency	Amount (TL)	Amount in Original Currency	Amount (TL)
Collaterals, Pledges and Mortgages Given by the Company (CPM)				
A. Total amount of CPMs given on behalf of the Company' legal entity	-	-	-	-
B. Total amount of CPMs given in favor of joint ventures included in full consolidation	-	-	-	-
C. Total amount of CPMs given as the guarantee of the third parties' debts for the maintenance purpose of the ordinary activities		710.645		859.300
	TL	710.645	859.300	859.300
	USD	-	-	-
D. Total amount of other CPMs given		565.250		565.250
i. Total amount of CPMs given in favor of the parent company	-	-	-	-
ii. Total amount of CPMs given in favor of other group companies not included in clauses B and C	-	-	-	-
iii. Total amount of CPMs given in favor of third parties not included in clause C		565.250		565.250
	TL	565.250	565.250	565.250
Total		1.275.895		1.424.550

There is no ratio of CPMs given by the Company to the equity (December 31, 2015 : None).

23.3 Provisions, Contingents Assets and Liabilities

Contingent Liabilities	March 31, 2016	December 31, 2015
Outstanding Claims under Litigation	252.777.421	243.934.118
Total	252.777.421	243.934.118

	March 31, 2016	December 31, 2015
Subrogation Receivable Litigations, Gross	55.708.377	54.140.919
Trade Receivable Litigations and Executions	11.945.417	12.238.146
Total	67.653.794	66.379.065

As of June 24, 2014, 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, the Company filed a reconciliation request for the year 2009 and on February 20, 2015 filed a reconciliation request for the years 2010, 2011 and 2012 to the Large Taxpayers Office Commission of Reconciliation.

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2016

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

23. Other Liabilities and Expense Accruals

23.3 Provision for Expense Accruals

	March 31, 2016	December 31, 2015
Commission provision	7.000.580	6.279.050
Expense provision	3.427.303	4.238.540
Unused vacation provision	1.209.887	1.070.851
Performance premium provision	5.684.178	4.378.053
Guarantee fund provision	281.186	683.871
Other	2.818.871	4.037.528
Total	20.422.005	20.687.893

24. Net Insurance Premium Revenue

	January 1- March 31, 2016	January 1- March 31, 2015
Non-life Branches		
Motor Own Damage	111.905.677	96.458.446
Motor Crafts Liability	33.370.362	29.941.316
Health	12.545.446	76.114.064
Fire and Natural Disaster	37.475.151	35.060.559
General Losses	17.895.267	64.335.293
Financial Losses	6.815.257	7.004.676
Accident	3.801.212	3.917.287
General Liability	5.135.080	5.532.911
Transportation	7.008.247	4.980.652
Legal Protection	915.824	824.764
Water Crafts	386.865	262.669
Suretyship	238.787	138.516
Support	19.382	44.757
Credit	33.515	87.583
Air Crafts	124	103
Air Crafts Liability	86	87
Total Non-life Branches	237.546.282	324.703.683
Life	2.480	4.292
Total	237.548.762	324.707.975

25. Fee Income

None (January 1 – December 31, 2015:None).

26. Investment Income/(Expense)

	January 1- March 31, 2016	January 1- March 31, 2015
Interest Income	26.246.331	20.733.523
Total	26.246.331	20.733.523

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

27. Net Accrual Income on Financial Assets

	January 1- March 31, 2016	January 1- March 31, 2015
Financial Assets Available for Sale		
Valuation differences recognized under shareholders' equity	(4.221.527)	(2.461.348)
Total	(4.221.527)	(2.461.348)

28. Assets Held At Fair Value through Profit and Loss

The net gain which is booked in income statement from the fair value difference reflected to gain or loss of the financial assets, is amounting to TL 7.127.693.as of March 31, 2016(January 1 - December 31, 2015: TL 12.386.043).

29. Insurance Rights and Demands

	January 1- March 31, 2016	January 1- March 31, 2015
Outstanding Claims Reserve Expenses		
Legal Protection	(55.849)	140.408
Water Crafts	13.622	(5.606.630)
Air Crafts Liability	207	(114)
Air Crafts	-	-
Suretyship	(154.344)	(198.613)
Credit	130.683	(566.848)
Accident	184.466	(22.999)
Transportation	(1.004.403)	159.121
Financial Losses	(158.718)	1.178.871
Health	3.052.361	(906.097)
Motor Own Damage	(5.646.482)	(4.133.064)
General Liability	(3.132.200)	(5.406.916)
Fire and Natural Disaster	2.160.696	1.586.219
General Losses	(1.289.149)	4.929.534
Motor Crafts Liability	(231.405)	(174.973.846)
Total Non-life	(6.130.515)	(183.820.974)
Life	(25.865)	34.748
Total (*)	(6.156.380)	(183.786.225)

(*)For current previous period comparison please refer to note 4.1.2.3.

30. Investment Agreement Rights

None (December 31, 2015:None).

31. Mandatory Other Expenses

Types of expenses are disclosed in Note 32.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

32. Expense Types

	January 1- March 31, 2016	January 1- March 31, 2015
Production Commissions (-)	(68.178.202)	(283.640.038)
Reinsurance Commissions (+)	20.624.706	63.416.172
Employee Wages and Expenses (-) (*)	(17.842.891)	(61.927.502)
Information Technology Expenses (-)	(3.074.654)	(10.753.212)
Meeting and Training Expenses (-)	(1.058.530)	(4.245.122)
Transportation Expenses (-)	(957.375)	(4.266.192)
Rent Expenses (-)	(1.949.216)	(6.462.528)
Social Relief Expenses (-)	(1.157.092)	(3.298.592)
Repair and Maintenance Expenses (-)	(739.414)	(3.206.339)
Outsourcing Service Expenses (-)	(158.241)	(2.181.190)
Advertisement Expenses (-)	(1.035.087)	(2.032.222)
Communication Expenses (-)	(399.440)	(1.444.291)
Other (-)	(942.147)	(5.117.965)
Total	(76.867.583)	(325.159.021)

(*) The Company makes payments to pension contribution (3% of the monthly gross salary) for the employees who fulfill conditions and this amount is presented in employees wages and expenses.

33. Employee Benefit Expenses

	January 1- March 31, 2016	January 1- March 31, 2015
Salary and Bonus Payments	(16.285.730)	(16.757.552)
Insurance Payments	(230.145)	(212.542)
Other Payments	(1.327.016)	(760.516)
Total (Note 32)	(17.842.891)	(17.730.610)

34. Financing Costs**34.1 Financial Expenses:**

None (December 31, 2015: None).

34.2 Current period' s financial expenses related to shareholders, affiliates and subsidiaries

None (December 31, 2015: None).

34.3 Sales transactions with shareholders, affiliates and subsidiaries

Disclosed in Note 45.

34.4 Interest, rent and similar balanceswith shareholders, affiliates and subsidiaries:

Disclosed in Note 45

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

34. Financing Costs (Continued)

34.5 Hedge accounting principle

In accordance with the accounting policy disclosed in Note 2.25, the Company recognized changes in valuation of hedge instrument arising from change in the exchange rate under equity. In this respect, as of March 31, 2016 effect of hedge accounting amount of TL (9.794.452) has been recognized in the “Special Funds (Reserves)” account item under equity.

Deposit amount	Currency Type	Exchange rate at the beginning of the period	Exchange rate at the end of the period	Hedging cash flow
17.789.471	USD	2,2342	2,8334	(10.659.450)

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 USD 23.535.017 Eurobond.

34.6 Exchange differences, other than those arising from financial assets held at fair value through profit and loss.

None (December 31, 2015: None).

35. Corporate Tax

	March 31, 2016	December 31, 2015
<u>Current Tax Liability</u>		
Corporate Tax Liability Provision on Period Profit	-	-
Prepaid Taxes and Other Liabilities on Period Profit (-)	-	-
<u>Tax (Expense) / Income is Formed by the Items Below:</u>	January 1- March 31, 2016	January 1- December 31, 2015
Current Tax Income / (Expense)	-	
Deferred Tax Income / (Expense) due to Temporary Differences	1.122.828	30.328.559
Total Tax Income / (Expense)	1.122.828	30.328.559

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

35. Corporate Tax (Continued)

Deferred Tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below. Tax rate is applied as 20% for the calculation of deferred tax asset and liabilities.

<u>Deferred Tax</u>	March 31, 2016	December 31, 2015
Recognized in the Shareholders' Equity:		
Valuation of Financial Assets Available for Sale	1.055.382	1.486.498
Hedge Effect	(2.131.890)	(2.448.613)
Actuarial Gain/Loss Effect	943.186	936.111
Total	(133.322)	(26.004)

Items that are subject to deferred tax and corporate tax are summarized as follows:

<u>Deferred Tax Assets / (Liabilities)</u>	March 31, 2016	December 31, 2015
Impairment Provision	4.431.080	4.431.080
Technical reserves	9.409.253	4.194.720
Marketable securities valuation difference	1.055.382	1.486.498
Performance bonus provision	399.393	875.611
Expense Provision	791.408	819.076
Doubtful receivable provisions	381.200	381.200
Retirement pay provision	1.196.228	1.294.834
Unused vacation provision	46.666	214.170
Useful life differences of tangible and intangible assets	-	(562.219)
Hedge Effect	(2.131.890)	(2.448.613)
Fiscal Expense	24.648.675	28.525.528
Deferred Tax Assets / (Liabilities), Net	40.227.395	39.211.885

<u>Movements of Deferred Tax Assets / (Liabilities):</u>	2016	2015
Beginning of the Period, 1 January	39.211.885	9.024.367
Deferred Tax Income Recognized in the Income Statement	1.122.828	30.328.559
Deferred Tax Income Recognized in the Shareholders' Equity	(107.318)	(141.041)
Closing Balance, December 31	40.227.395	39.211.885

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

35 Corporate Tax (Continued)

Reconciliation of period tax expense with net income for the period is as below:

Confirmation of Tax Provision	2016	2015
Income Before Tax	(3.819.185)	(166.274.119)
Tax Calculated: 20%	763.837	33.254.824
Effect of Additions	(19.954.749)	(15.393.542)
Effect of Allowances	43.839.586	10.664.246
Fiscal Expense	(24.648.675)	(28.525.528)
Corporate Tax Liability Provision on Period Profit	-	-

As of March 31, 2016, the Company has booked the deferred tax assets in amounting to TL 40.227.395 and TL 24.648.675 is calculated over the statutory financial tax losses in amounting to TL 123.243.375. The Company management is in the opinion that the Company is able to make sufficient taxable income based on the business plans and projections therefore the Company foresees no indicator of any concern regarding its recoverability of deferred tax assets. The maturity of the tax losses are below:

	2016	2015
Ended in 2020	123.243.375	142.627.640

36. Net Foreign Exchange Gain/Loss

	January 1- March 31, 2016	July 1- March 31, 2015
Recognized in Profit / Loss:		
Foreign Exchange Income	5.760.013	24.100.722
Foreign Exchange Expense	(9.640.116)	(17.692.010)
	(3.880.103)	6.408.712

37. Earnings per Share

	2016	2015
Number of Equity Shares Outstanding Beginning Period, 1 January	30.600.000.000	30.600.000.000
Number of Equity Shares Issued in Cash	-	-
Number of Equity Shares Outstanding End of Period, December 31	30.600.000.000	30.600.000.000
Weighted Average Number of Outstanding Shares (Unit of 1; 0,01 TL)	30.600.000.000	30.600.000.000
Net Profit for the Period / (Loss) (TL)	(2.696.357)	(140.217.514)
Earnings / (Loss) per Share (TL)	(0,009)	(0,458)

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

38. Dividends per share

Pursuant to the decision taken in the Company’s Ordinary General Meeting held on March 24, 2016, there is a loss consisted in financial statements which represents 2015 operating results therefore there has not been profit distribution.

39. Cash Generated from the Operations

Cash flow statement has presented with the financial statements of the Company.

40. Equity Share Convertible Bonds

None (December 31, 2015:None).

41. Cash Convertible Privileged Equity Shares

None (December 31, 2015:None).

42. Risks

The Company’s contingent asset and liabilities are presented in Note 23.3.

43. Commitments

Total amount of off balance sheet commitments are presented in Note 23.2.

44. Business Combinations

None (December 31, 2015:None).

45. Related Parties

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

Related Party Receivables / (Payables)

	March 31, 2016	December 31, 2015
Shareholders	313.484	(107.314)
Related Parties	30.892.336	16.478.636
Total	31.205.820	16.371.322

(*) Amount TL 95.677 (December 31, 2015: TL 80.678) of related party receiveable balance is presented under “Other Related Party Receivable” line of financial statements. Rest of the balance is presented under “Receivable from Insurance Operations” line of financial statements.

Premium production

	January 1- March 31, 2016	July 1- March 31, 2015
Shareholders	646.165	599.962
Related Parties	32.134.596	31.300.299
Total	32.780.761	31.900.261

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2016

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

45. Related Parties (Continued)

Claims Paid

	January 1- March 31, 2016	July 1- March 31, 2015
Shareholders	1.000	1.741.614
Related Parties	2.823.341	33.407.815
Total	2.824.341	35.149.429

Bank Deposit

	March 31, 2016	December 31, 2015
Related Parties	474.188.090	67.670.586
Total	474.188.090	67.670.586

Private Sector Bonds

	March 31, 2016	December 31, 2015
Related Parties	28.789.434	28.794.288
Total	28.789.434	28.794.288

Investment Funds

	March 31, 2016	December 31, 2015
Related Parties	92.830.599	89.334.398
Total	92.830.599	89.334.398

Interest Income Received from Related Party

	January 1- March 31, 2016	July 1- March 31, 2015
Related Parties	12.151.268	8.830.363
Total	12.151.268	8.830.363

Payables to shareholders balance includes dividends that have not yet been taken by the shareholders.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF MARCH 31, 2016

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

46. Subsequent Events

None.

47. Other

Details of “Other” items in the balance sheet which exceed 20% of its respective account group of 5% of total assets:

Other Receivables	March 31, 2016	December 31, 2015
Receivables from Tarım Sigortaları A.Ş.	8.767.572	2.446.238
Other Receivables	2.108.974	3.033.414
Receivables from Agencies due to DASK Premiums	1.810.520	1.459.834
Receivables from Hacı Ömer Sabancı Foundation	-	-
Total	12.687.066	6.939.486

Other Short Term Payables	March 31, 2016	December 31, 2015
Payables to Turkish Catastrophe Insurance Pool	14.527.349	14.540.068
Payables to contracted enterprises	8.524.958	11.767.312
Payables to suppliers	35.478	3.938.121
Turkish Catastrophe Insurance Pool Payables to agencies	645.997	566.223
Other	580.778	471.512
Total	24.314.560	31.283.236

Other Prepaid Expenses	March 31, 2016	December 31, 2015
Prepaid Expenses (*)	15.387.418	2.539.182
Other	-	-
Total	15.387.418	2.539.182

Other Prepaid Expenses (Long Term)	March 31, 2016	December 31, 2015
Prepaid Expenses	237.748	249.184
Total	237.748	249.184

(*) The amount of TL 713.668 (December 31, 2015: TL 1.778.320) prepaid expenses has arisen from operational leases of the Company.

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF MARCH 31, 2016**

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

47. Other (Continued)

Income and Profit / Expenses and Losses from Other and Extraordinary Activities	January 1- March 31, 2016	January 1- March 31, 2015
Provisions Account (+/-)	(4.665.439)	(5.492.394)
Provisions for doubtful receivable	(3.369.371)	(3.746.736)
Retirement pay provision	(268.176)	(328.693)
Donation Provision	-	-
Portfolio Management	(466.423)	(346.084)
Unused vacation provision	(280.283)	(314.805)
Guarantee Fund Provision	(281.186)	(245.923)
Provisions for other expenses	-	(510.153)
Compulsory earthquake insurance account (+/-)	359.580	405.937
Deferred tax asset account (+/-)	1.122.828	33.219.590
Other gains (+)	353.594	123.299
Other	353.594	123.299
Other expenses and losses (-)	(1.687.463)	(1.047.335)
Non-tax-deductible expenses	(133.241)	(29.006)
Bank Expenses	(564.806)	(812.335)
Certificate of Insolvency	(426.634)	-
Expense on property sale	(162.831)	(139.200)
Other	(399.951)	(66.794)
Total	(4.516.900)	27.209.097

CONVENIENCE TRANSLATION OF THE STATEMENT OF PROFIT DISTRIBUTION AS OF MARCH 31, 2016

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

AKSİGORTA ANONİM ŞİRKETİ			
Profit Distribution Statement			
	Note	Unaudited Current Period (01/01/2016 - 31/03/2016)	Audited Current Period (01/01/2015 - 31/12/2015)
I. Distribution of profit for the period		-	-
1.1. Profit for the period		-	-
1.2. Taxes payable and legal liabilities		-	-
1.2.1. Corporation tax (Income tax)		-	-
1.2.2. Income tax deduction		-	-
1.2.3. Other taxes and legal liabilities		-	-
A. Net profit for the period (1.1 - 1.2)		-	-
1.3. Previous years' losses (-)		-	-
1.4. First legal reserve		-	-
1.5. Legal reserves kept in the company (-)		-	-
B. Net distributable Profit for the period [(a - (1.3 + 1.4 + 1.5)]		-	-
1.6. First dividend to shareholders (-)		-	-
1.6.1. To common shareholders		-	-
1.6.2. To preferred shareholders		-	-
1.6.3. To owners of participating redeemed shares		-	-
1.6.4. To owners of profit-sharing securities		-	-
1.6.5. To owners of profit and loss sharing securities		-	-
1.7. Dividends to personnel (-)		-	-
1.8. Dividends to founders (-)		-	-
1.9. Dividends to board of directors (-)		-	-
1.10. Second dividends to shareholders (-)		-	-
1.10.1. To common shareholders		-	-
1.10.2. To preferred shareholders		-	-
1.10.3. To owners of participating redeemed shares		-	-
1.10.4. To owners of profit-sharing securities		-	-
1.10.5. To owners of profit and loss sharing securities		-	-
1.11. Second legal reserve (-)		-	-
1.12. Statutory reserves (-)		-	-
1.13. Extraordinary reserves		-	-
1.14. Other reserves		-	-
1.15. Special funds		-	-
II. Distribution from reserves		-	-
2.1. distributed reserves		-	-
2.2. second legal reserve (-)		-	-
2.3. dividends to shareholders (-)		-	-
2.3.1. To common shareholders		-	-
2.3.2. To preferred shareholders		-	-
2.3.3. To owners of participating redeemed shares		-	-
2.3.4. To owners of profit-sharing securities		-	-
2.3.5. To owners of profit and loss sharing securities		-	-
2.4. Dividends to employees (-)		-	-
2.5. Dividends to board of directors (-)		-	-
III. Profit per share		-	-
3.1. To common shareholders		-	-
3.2. To common shareholders (%)		-	-
3.3. To preferred shareholders		-	-
3.4. To preferred shareholders (%)		-	-
IV. Dividends per share		-	-
4.1. To common shareholders		-	-
4.2. To common shareholders (%)		-	-
4.3. To preferred shareholders		-	-
4.4. To preferred shareholders (%)		-	-

As of March 31, 2016 the profit distribution table has not been prepared since there has not been profit distribution.