

(Convenience translation of independent auditors' report and financial statements originally issued in Turkish)

# **Aksigorta Anonim Őirketi**

**Financial Statements as of June 30, 2016 together  
with the Independent Auditor's Review Report**

**(Convenience translation of independent auditors' review report originally issued in Turkish)**

**Aksigorta Anonim Şirketi**  
**Independent auditors' review report as of June 30, 2016**

To the Board of Directors of Aksigorta Anonim Şirketi,

*Introduction*

1. We have reviewed the statement of financial position and the statement of profit or loss, statement of other comprehensive income, statement of changes in shareholders' equity and the statement of cash flows for the six-months-period then ended and other explanatory notes of Aksigorta A.Ş. (the Company) as of June 30, 2016. The management of the Company is responsible for the preparation and fair presentation of these interim financial information in accordance with the regulations effective under the provisions of the "Regulation on Financial Reporting of Insurance, Reinsurance and Pension Companies" promulgated by the Undersecretariat of Treasury on the basis of article 18 of Insurance Law no. 5684, "Communiqué on the Presentation of Financial Statements" promulgated in the Official Gazette dated 18 April 2008 and numbered 26851, and other regulations, commentaries and circulars promulgated by the Undersecretariat of Treasury in relation with accounting and financial reporting standards (together will be referred to as the "Insurance legislation") and TAS 34 Interim Financial Reporting Standard for subjects other than those regulated under the Insurance legislation. Our responsibility is to express a conclusion on these interim financial information based on our review.

*Scope of the review*

2. We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with; regulation regarding audit policies in force due to the insurance legislation and Independent Auditing Standards. Consequently, a review on the interim condensed consolidated financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

3. Based on our review, nothing has come to our attention which may causes us to conclude that accompanying interim financial statements are not prepared in all material respects of the financial position of Aksigorta Anonim Şirketi as of June 30, 2016 and its financial performance and its cash flows regarding to the six-months period during the same period ended in accordance with the prevailing accounting principles and standards set out by the insurance legislation and the Turkish Accounting Standard - 34 Interim Financial Reporting Standard ("TAS 34").

*Emphasis of matter*

4. As explained in Note 23.3, 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 and on February 20, 2015, the Company filed a reconciliation request to the Large Taxpayers Office Commission of Reconciliation for the tax and tax penalty for the year 2009 and for the years 2010, 2011 and 2012, respectively.

Additional paragraph for convenience translation to English:

5. As of June 30, 2016, the accounting principles described in Note 2 to the accompanying financial statements differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. The effects of differences between accounting principles and standards described in Note 2 and IFRS have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations of the Company in accordance with IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited



Seda Akkus Tecer, SMMM  
Engagement Partner

August 4, 2016  
Istanbul, Turkey

## CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON THE FINANCIAL STATEMENT PREPARED AS AT 30 JUNE 2016

We confirm that the accompanying financial statements and notes to these financial statements as of 30 June 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.

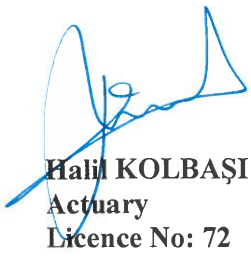
İstanbul, August 04, 2016



**Erkan ŞAHİNLER**  
Chief Financial Officer



**Uğur GÜLEN**  
Chief Executive Officer



**Halil KOLBAŞI**  
Actuary  
Licence No: 72



**Gülnur KURT**  
Accounting Manager

# AKSİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE BALANCE SHEET AT JUNE 30, 2016

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET			
ASSETS			
I- CURRENT ASSETS	Note	Reviewed	Audited
		Current Period (30/06/2016)	Previous Period (31/12/2015)
<b>A- Cash and Cash Equivalents</b>		<b>439.364.134</b>	<b>551.303.762</b>
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	200.674.141	374.800.368
4- Cheques Given and Payment Orders (-)		-	-
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	14	238.689.993	176.503.394
6- Other Cash and Cash Equivalents		-	-
<b>B- Financial Assets and Investments with Risks on Policy Holders</b>	<b>11.1</b>	<b>819.318.510</b>	<b>686.053.937</b>
1- Financial Assets Available for Sale	11.1	816.702.074	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	2.616.436	7.753.279
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)		-	-
<b>C- Receivables From Main Operations</b>	<b>12.1</b>	<b>416.207.724</b>	<b>397.936.342</b>
1- Receivables From Insurance Operations	12.1	414.688.753	396.437.558
2- Provision for Receivables From Insurance Operations (-)	12.1	(11.530.462)	(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	78.434.922	71.388.831
10- Provisions for Doubtful Receivables From Main Operations (-)	12.1	(65.416.443)	(60.060.677)
<b>D- Due from Related Parties</b>		<b>231.237</b>	<b>80.678</b>
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	231.237	80.678
7- Rediscount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
<b>E- Other Receivables</b>		<b>16.994.474</b>	<b>7.315.908</b>
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		421.612	376.422
4- Other Receivables	47	16.572.862	6.939.486
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
<b>F- Prepaid Expenses and Income Accruals</b>	<b>4.2.2</b>	<b>155.195.992</b>	<b>123.513.895</b>
1- Deferred Commission Expenses		140.000.647	120.698.665
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		91.000	276.048
4- Other Prepaid Expenses	47	15.104.345	2.539.182
<b>G- Other Current Assets</b>	<b>4.2.2</b>	<b>6.751.348</b>	<b>5.458.704</b>
1- Inventories		22	22
2- Prepaid Taxes and Funds	4.2.2	6.634.428	5.241.964
3- Deferred Tax Assets		-	-
4- Business Advances		31.330	168.635
5- Advances Given to Personnel		85.568	48.083
6- Stock Count Differences		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
<b>I- Total Current Assets</b>		<b>1.854.063.419</b>	<b>1.771.663.226</b>

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

# AKSIGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE BALANCE SHEET AT JUNE 30, 2016

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

AKSIGORTA ANONİM ŞİRKETİ			
DETAILED BALANCE SHEET			
ASSETS			
II- NON CURRENT ASSETS	Note	Reviewed	Audited
		Current Period (30/06/2016)	Previous Period (31/12/2015)
<b>A- Receivables From Main Operations</b>		-	-
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>B- Due from Related Parties</b>		-	-
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 (-)		-	-
<b>C- Other Receivables</b>		-	-
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 (-)		-	-
<b>D- Financial Assets</b>		<b>7.961.251</b>	<b>7.961.251</b>
1- Investments In Associates		-	-
2- Affiliates	<b>9, 11.4</b>	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 (-)	<b>4.2.2, 11.4</b>	(22.155.402)	(22.155.402)
<b>E- Tangible Fixed Assets</b>		<b>28.136.166</b>	<b>26.619.443</b>
1- Investment Properties	<b>7</b>	80.126	80.126
2- Diminution in Value for Investment Properties (-)		-	-
3- Owner Occupied Properties	<b>6</b>	1.598.569	1.598.569
4- Machinery and Equipments		-	-
5- Furnitures and Fixtures	<b>6</b>	19.744.767	16.510.365
6- Vehicles	<b>6</b>	-	-
7- Other Tangible Assets (Including Leasehold Improvements)	<b>6</b>	20.231.560	20.034.606
8- Leased Tangible Fixed Assets	<b>6</b>	351.395	351.395
9- Accumulated Depreciation (-)	<b>6, 7</b>	(13.877.627)	(11.962.994)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		7.376	7.376
<b>F- Intangible Fixed Assets</b>		<b>34.065.256</b>	<b>33.994.538</b>
1- Rights	<b>8</b>	57.331.781	52.085.155
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortizations (-)	<b>8</b>	(24.870.229)	(20.757.045)
8- Advances Regarding Intangible Assets	<b>8</b>	1.603.704	2.666.428
<b>G- Prepaid Expenses and Income Accruals</b>		<b>226.296</b>	<b>249.184</b>
1- Deferred Commission Expenses		-	-
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses	<b>47</b>	226.296	249.184
<b>H- Other Non-current Assets</b>		<b>41.066.583</b>	<b>39.211.885</b>
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	<b>35</b>	41.066.583	39.211.885
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
<b>II- Total Non-current Assets</b>		<b>111.455.552</b>	<b>108.036.301</b>
<b>TOTAL ASSETS (I-II)</b>		<b>1.965.518.971</b>	<b>1.879.699.527</b>

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

**AKSİGORTA A.Ş.**

**CONVENIENCE TRANSLATION OF THE BALANCE SHEET  
AT JUNE 30, 2016**

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

<b>AKSİGORTA ANONİM ŞİRKETİ</b>			
<b>DETAILED BALANCE SHEET</b>			
<b>LIABILITIES</b>			
<b>III- SHORT TERM LIABILITIES</b>	<b>Note</b>	<b>Reviewed</b>	
		<b>Audited</b>	
		<b>Current Period</b>	<b>Previous Period</b>
		<b>(30/06/2016)</b>	<b>(31/12/2015)</b>
<b>A- Borrowings</b>		<b>20.089.425</b>	<b>137.458.200</b>
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)	<b>13.14</b>	20.089.425	137.458.200
<b>B- Payables From Main Operations</b>	<b>19.1</b>	<b>275.191.405</b>	<b>175.054.091</b>
1- Payables Due to Insurance Operations	<b>19.1</b>	275.191.405	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 (-)		-	-
<b>C- Due to Related Parties</b>		<b>37.564</b>	<b>42.777</b>
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		36.421	41.634
6- Due to Other Related Parties		-	-
<b>D- Other Payables</b>	<b>19.1</b>	<b>34.469.209</b>	<b>37.639.614</b>
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses	<b>19.1</b>	6.304.507	6.356.378
3- Other Payables	<b>19.1</b>	28.164.702	31.283.236
4- Discount on Other Payables (-)		-	-
<b>E- Insurance Technical Reserves</b>		<b>1.140.673.541</b>	<b>1.054.437.950</b>
1- Unearned Premiums Reserve - Net	<b>20</b>	552.405.187	510.667.337
2- Unexpired Risk Reserves - Net	<b>20</b>	48.248.183	16.354.138
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	<b>4.1, 20</b>	538.820.171	526.216.475
5- Provision for Bonus and Discounts - Net	<b>20</b>	1.200.000	1.200.000
6- Other Technical Reserves - Net		-	-
<b>F- Taxes and Other Liabilities and Relevant Provisions</b>		<b>16.152.064</b>	<b>13.187.297</b>
1- Taxes and Dues Payable		14.631.500	11.743.271
2- Social Security Premiums Payable	<b>23.1</b>	1.515.587	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	<b>35</b>	-	-
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	<b>35</b>	-	-
7- Provisions for Other Taxes and Liabilities		-	-
<b>G- Provisions for Other Risks</b>		<b>20.497.841</b>	<b>20.687.893</b>
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	<b>19.1, 23.4</b>	20.497.841	20.687.893
<b>H- Deferred Income and Expense Accruals</b>	<b>19.1</b>	<b>56.601.503</b>	<b>35.555.383</b>
1- Deferred Commission Income	<b>19.1</b>	56.451.963	35.555.383
2- Expense Accruals		-	-
3- Other Deferred Income		149.540	-
<b>I- Other Short Term Liabilities</b>		<b>235</b>	<b>235</b>
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		235	235
<b>III - Total Short Term Liabilities</b>		<b>1.563.712.787</b>	<b>1.474.063.440</b>

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

# AKSIGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE BALANCE SHEET AT JUNE 30, 2016

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

AKSIGORTA ANONİM ŞİRKETİ			
DETAILED BALANCE SHEET			
LIABILITIES			
IV- LONG TERM LIABILITIES	Note	Reviewed	Audited
		Current Period (30/06/2016)	Previous Period (31/12/2015)
<b>A- Borrowings</b>		-	-
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>B- Payables From Main Operations</b>		-	-
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 (-)		-	-
<b>C- Due to Related Parties</b>		-	-
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		-	-
<b>D- Other Payables</b>		-	-
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables		-	-
4- Discount on Other Payables (-)		-	-
<b>E- Insurance Technical Reserves</b>		55.737.321	50.522.208
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net	17.2, 20	1.580.099	1.910.495
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net	20	54.157.222	48.611.713
<b>F- Other Liabilities and Provisions</b>		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
<b>G- Provisions for Other Risks</b>		6.122.288	6.474.170
1- Provision for Employment Termination Benefits	22	6.122.288	6.474.170
2- Provisions for Employee Pension Fund Deficits		-	-
<b>H- Deferred Income and Expense Accruals</b>		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
<b>I- Other Long Term Liabilities</b>		-	-
1- Deferred Tax Liability		-	-
2- Other Long Term Liabilities		-	-
<b>IV- Total Long Term Liabilities</b>		<b>61.859.609</b>	<b>56.996.378</b>

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



**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF THE BALANCE SHEET  
AT JUNE 30, 2016**

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

AKSİGORTA ANONİM ŞİRKETİ			
DETAILED BALANCE SHEET			
SHAREHOLDERS' EQUITY			
V- SHAREHOLDERS' EQUITY	Note	Reviewed	Audited
		Current Period (30/06/2016)	Previous Period (31/12/2015)
<b>A- Paid in Capital</b>		<b>306.000.000</b>	<b>306.000.000</b>
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>B- Capital Reserves</b>		<b>95.377.201</b>	<b>95.377.201</b>
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		-	-
<b>C- Profit Reserves</b>		<b>87.382.535</b>	<b>83.194.917</b>
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	5.470.257	6.050.009
5- Revaluation of Financial Assets	11.6, 16.1	(1.178.622)	(5.945.992)
6- Other Profit Reserves		-	-
<b>D- Previous Years' Profits</b>		<b>13.151</b>	<b>13.151</b>
1- Previous Years' Profits		13.151	13.151
<b>E- Previous Years' Losses (-)</b>		<b>(135.945.560)</b>	<b>-</b>
1- Previous Years' Losses		(135.945.560)	-
<b>F- Net Profit of the Period</b>		<b>(12.880.752)</b>	<b>(135.945.560)</b>
1- Net Profit of the Period		-	-
2- Net Loss of the Period (-)		(12.880.752)	(135.945.560)
3- Net Income not subject to distribution		-	-
<b>Total Shareholders' Equity</b>		<b>339.946.575</b>	<b>348.639.709</b>
<b>Total Liabilities and Shareholders' Equity (III+IV+V)</b>		<b>1.965.518.971</b>	<b>1.879.699.527</b>

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

**CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME  
FOR THE PERIOD JANUARY 1 – JUNE 30, 2016**

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED INCOME STATEMENT					
I-TECHNICAL PART	Note	Reviewed		Reviewed	
		Current Period	Current Period	Previous Period	Previous Period
		01/01/2016-30/06/2016	01/04/2016-30/06/2016	01/01/2015-30/06/2015	01/04/2015-30/06/2015
<b>A- Non-Life Technical Income</b>		<b>537.956.776</b>	<b>262.219.756</b>	<b>655.046.939</b>	<b>324.970.389</b>
1- Earned Premiums (Net of Reinsurer Share)		476.698.995	227.865.890	606.063.933	299.608.106
1.1 - Written Premiums (Net of Reinsurer Share)	24	552.256.077	314.709.795	592.665.243	267.961.559
1.1.1 - Gross Written Premiums (+)		970.331.523	471.158.162	884.689.481	428.974.547
1.1.2 - Ceded Premiums to Reinsurers (-)	17.16	(409.173.457)	(150.143.932)	(287.296.386)	(158.719.437)
1.1.3 - Ceded Premiums to SSI (-)	17.16	(8.901.989)	(6.304.435)	(4.727.852)	(2.293.551)
1.2 - Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		(43.663.037)	(59.719.263)	25.561.474	27.291.242
1.2.1 - Unearned Premiums Reserve (-)		(149.715.862)	(50.001.458)	(59.715.261)	(10.800.493)
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	17.16	100.811.018	(14.088.111)	89.634.975	40.079.361
1.2.3 - SSI of Unearned Premiums Reserve (+)	17.16	5.241.807	4.370.306	(4.358.240)	(1.987.626)
1.3 - Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		(31.894.045)	(27.124.642)	(12.162.784)	4.355.305
1.3.1 - Unexpired Risks Reserve (-)		(30.759.719)	(29.154.359)	(13.151.848)	9.399.229
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)	17.16	(1.134.326)	2.029.717	989.064	(5.043.924)
2- Investment Income Transferred from Non-Technical Part		51.785.768	29.173.742	46.011.570	26.979.722
3- Other Technical Income (Net of Reinsurer Share)		820.990	739.258	-	-
3.1 - Gross Other Technical Income (+)		820.990	739.258	-	-
3.2 - Reinsurance Share of Other Technical Income (-)		-	-	-	-
4- Accrued Subrogation and Salvage Income (+)		8.651.023	4.440.866	2.971.436	(1.617.439)
<b>B- Non-Life Technical Expense (-)</b>		<b>(535.267.495)</b>	<b>(264.373.329)</b>	<b>(811.107.729)</b>	<b>(307.369.080)</b>
1- Total Claims (Net of Reinsurer Share)		(356.348.602)	(175.690.207)	(603.508.400)	(213.069.890)
1.1 - Claims Paid (Net of Reinsurer Share)		(343.291.629)	(168.763.749)	(403.001.403)	(196.383.866)
1.1.1 - Gross Claims Paid (-)		(427.739.951)	(227.785.956)	(459.439.228)	(227.555.482)
1.1.2 - Reinsurance Share of Claims Paid (+)	17.16	84.448.322	59.022.207	56.437.825	31.171.616
1.2 - Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(13.056.973)	(6.926.458)	(200.506.997)	(16.686.024)
1.2.1 - Outstanding Claims Reserve (-)		(59.949.717)	(24.133.418)	(244.580.132)	(71.483.906)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	17.16	46.892.744	17.206.960	44.073.135	54.797.882
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	(31.637)	2.045
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)	20	-	(96.261)	31.637	(2.045)
3 - Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		(5.545.509)	(2.380.021)	(6.696.090)	(3.843.197)
4 - Operating Expenses (-)	32	(150.869.367)	(74.065.186)	(182.141.122)	(81.627.015)
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 (-)		(22.504.017)	(12.241.123)	(18.762.117)	(8.828.978)
6.1 - Gross Other Technical Expenses (-)		(22.504.017)	(12.241.123)	(18.762.117)	(8.828.978)
6.2 - Reinsurance Share of Other Technical Expenses (+)		-	-	-	-
<b>C - Non Life Technical Net Profit (A-B)</b>		<b>2.689.281</b>	<b>(2.153.573)</b>	<b>(156.060.790)</b>	<b>17.601.309</b>
<b>D- Life Technical Income</b>		<b>84.046</b>	<b>39.499</b>	<b>126.612</b>	<b>62.281</b>
1- Earned Premiums (Net of Reinsurer Share)		4.621	2.000	6.055	2.341
1.1 - Written Premiums (Net of Reinsurer Share)	24	4.480	2.000	6.395	2.103
1.1.1 - Gross Written Premiums (+)		4.480	2.000	8.208	2.670
1.1.2 - Ceded Premiums to Reinsurers (-)	17.16	-	-	(1.813)	(567)
1.2 - Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		141	-	(340)	238
1.2.1 - Unearned Premium Reserves (-)		141	-	(167)	238
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		79.425	37.499	120.858	61.465
3 - Unrealized Income from Investments		-	-	-	-
4 - Other Technical Income (Net of Reinsurer Share) (+/-)		-	-	(301)	(1.525)
4.1 - Gross Other Technical Income (+/-)		-	-	(301)	(1.525)
4.2 - Reinsurance Share of Other Technical Income (+/-)		-	-	-	-
5 - Accrued Subrogation and Salvage Income (+)		-	-	-	-
<b>E- Life Technical Expense</b>		<b>(216.292)</b>	<b>(106.348)</b>	<b>(248.505)</b>	<b>(117.575)</b>
1- Total Claims (Net of Reinsurer Share)		(482.998)	(293.995)	(147.170)	(107.562)
1.1 - Claims Paid (Net of Reinsurer Share)		(936.275)	(773.137)	(356.813)	(282.457)
1.1.1 - Gross Claims Paid (-)		(936.275)	(773.137)	(356.813)	(282.457)
1.1.2 - Claims Paid Reinsurer Share (+)		-	-	-	-
1.2 - Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	453.277	479.142	209.643	174.895
1.2.1 - Outstanding Claims Reserve (-)		453.277	479.142	209.643	174.895
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) (+/-)		330.185	187.724	46.127	54.722
3.1 - Mathematical Reserves (-)		330.396	187.724	45.786	54.958
3.1.1 - Actuarial Mathematical Reserve (-)		290.140	328.954	246.915	46.087
3.1.2 - Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		40.256	(141.230)	(201.129)	8.871
3.2 - Reinsurer Share of Mathematical Reserves (+)		(211)	-	341	(236)
3.2.1 - Reinsurance Share of Actuarial Mathematical Reserve (+)		(211)	-	341	(236)
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	(63.479)	(77)	(147.447)	(64.659)
6 - Investment Expenses (-)		-	-	-	-
7 - Unrealized Losses from Investments (-)		-	-	-	-
8 - Investment Income Transferred to Non- Technical Part (-)		-	-	(15)	(76)
<b>F- Life Technical Profit (D-E)</b>		<b>(132.246)</b>	<b>(66.849)</b>	<b>(121.893)</b>	<b>(55.294)</b>
<b>G- Individual Retirement Technical Income</b>		-	-	-	-
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		-	-	-	-
<b>H- Individual Retirement Technical Expense</b>		-	-	-	-
1- Fund Management Expenses (-)		-	-	-	-
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-	-	-
3- Operating Expenses (-)		-	-	-	-
4- Other Technical Expense (-)		-	-	-	-
<b>I- Individual Retirement Technical Profit (G-H)</b>		-	-	-	-

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

# AKSIGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME FOR THE PERIOD JANUARY 1 – JUNE 30, 2016

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

AKSIGORTA ANONİM ŞİRKETİ					
DETAILED INCOME STATEMENT					
I-NON TECHNICAL PART	Note	Reviewed		Reviewed	
		Current Period	Current Period	Previous Period	Previous Period
		01/01/2016-30/06/2016	01/04/2016-30/06/2016	01/01/2015-30/06/2015	01/04/2015-30/06/2015
<b>C- Non Life Technical Profit (A-B)</b>		2.689.281	(2.153.573)	(156.060.790)	17.601.309
<b>F- Life Technical Profit (D-E)</b>		(132.246)	(66.849)	(121.893)	(55.294)
<b>I- Individual Retirement Technical Profit (G-H)</b>		-	-	-	-
<b>J- Total Technical Profit (C+F+I)</b>		2.557.035	(2.220.422)	(156.182.683)	17.546.015
<b>K- Investment Income</b>		79.370.595	47.118.453	86.779.811	41.532.652
1- Income From Financial Investment	26	45.261.466	26.142.828	28.140.089	13.403.268
2- Income from Sales of Financial Investments	26	1.027.277	470.103	824.285	418.688
3- Revaluation of Financial Investments	26	5.487.621	(1.082.898)	5.480.781	(110.324)
4- Foreign Exchange Gains	36	26.231.283	20.471.270	37.371.564	13.270.842
5- Income from Affiliates		-	-	-	-
6- Income from Subsidiaries and Joint Ventures		-	-	-	-
7- Income Received from Land and Building	26	-	-	-	-
8- Income from Derivatives	13	1.362.948	1.117.150	14.963.079	14.550.104
9- Other Investments		-	-	-	-
10- Investment Income transferred from Life Technical Part		-	-	13	74
<b>L- Investment Expenses (-)</b>		(85.398.412)	(50.189.356)	(79.705.652)	(40.760.580)
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 (-)		(51.785.768)	(29.173.742)	(46.011.570)	(26.979.722)
5- Losses from Derivatives (-)		-	-	-	-
6- Foreign Exchange Losses (-)	36	(27.584.827)	(17.944.711)	(28.835.812)	(11.143.802)
7- Depreciation Expenses (-)	5	(6.027.817)	(3.070.903)	(4.858.270)	(2.637.056)
8- Other Investment Expenses (-)		-	-	-	-
<b>M- Other Income and Expenses (+/-)</b>	47	(9.409.970)	(4.893.070)	19.564.811	(7.644.286)
1- Provisions Account (+/-)	47	(10.627.075)	(5.961.636)	(8.842.888)	(3.350.494)
2- Discount account (+/-)	47	-	-	-	-
3- Mandatory Earthquake Insurance Account (+/-)	47	450.922	91.342	513.024	107.087
4- Inflation Adjustment Account (+/-)		-	-	-	-
5- Deferred Tax Asset Accounts(+/-)	35	2.901.602	1.778.774	29.855.535	(3.364.055)
6- Deferred Tax Expense Accounts (-)		-	-	-	-
7- Other Income and Revenues	47	514.500	160.906	127.033	3.734
8- Other Expense and Losses (-)	47	(2.649.919)	(962.456)	(2.087.893)	(1.040.558)
9- Prior Period Income	47	-	-	-	-
10- Prior Period Losses (-)		-	-	-	-
<b>N- Net Profit / (Loss)</b>		(12.880.752)	(10.184.395)	(129.543.713)	10.673.801
1- Profit / (Loss) Before Tax		(12.880.752)	(10.184.395)	(129.543.713)	10.673.801
2- Corporate Tax Liability Provision (-)	35	-	-	-	-
3- Net Profit (Loss)		(12.880.752)	(10.184.395)	(129.543.713)	10.673.801
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 – JUNE 30, 2016**

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

AKSİGORTA ANONİM ŞİRKETİ  
STATEMENT OF CHANGES IN EQUITY

(Reviewed)

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
<b>I - Closing Balance of Prior Period (31/12/2015)</b>	<b>306.000.000</b>	-	<b>(5.945.992)</b>	-	-	<b>83.064.172</b>	<b>62</b>	<b>101.453.876</b>	<b>(135.945.560)</b>	<b>13.151</b>	<b>348.639.709</b>
<b>II - Amendments in Accounting Policy</b>	-	-	-	-	-	-	-	-	-	-	-
<b>III - Current Balance (I + II) (01/01/2016)</b>	<b>306.000.000</b>	-	<b>(5.945.992)</b>	-	-	<b>83.064.172</b>	<b>62</b>	<b>101.453.876</b>	<b>(135.945.560)</b>	<b>13.151</b>	<b>348.639.709</b>
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)	-	-	4.767.370	-	-	-	-	-	-	-	4.767.370
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)	-	-	-	-	-	-	-	(579.752)	-	-	(579.752)
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Period net profit (Note 37)	-	-	-	-	-	-	-	-	(12.880.752)	-	(12.880.752)
I- Dividend distributed	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	-	-	-	-	-	-	135.945.560	(135.945.560)	-
<b>II- Closing Balance (30/06/2016) (I+ A+B+C+D+E+F+G+H+I+J)</b>	<b>306.000.000</b>	-	<b>(1.178.622)</b>	-	-	<b>83.064.172</b>	<b>62</b>	<b>100.874.124</b>	<b>(12.880.752)</b>	<b>(135.932.409)</b>	<b>339.946.575</b>

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 – JUNE 30, 2016

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

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

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
<b>I - Closing Balance of Prior Period (31/12/2014)</b>	<b>306.000.000</b>	-	<b>(838.117)</b>	-	-	<b>80.665.151</b>	<b>62</b>	<b>91.533.170</b>	<b>30.607.482</b>	<b>13.151</b>	<b>507.980.899</b>
<b>II - Amendments in Accounting Policy</b>	-	-	-	-	-	-	-	-	-	-	-
<b>III - Current Balance (I + II) (01/01/2015)</b>	<b>306.000.000</b>	-	<b>(838.117)</b>	-	-	<b>80.665.151</b>	<b>62</b>	<b>91.533.170</b>	<b>30.607.482</b>	<b>13.151</b>	<b>507.980.899</b>
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)	-	-	<b>(2.341.651)</b>	-	-	-	-	-	-	-	<b>(2.341.651)</b>
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)	-	-	-	-	-	-	-	2.738.240	-	-	<b>2.738.241</b>
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Period net profit (Note 37)	-	-	-	-	-	-	-	-	<b>(129.543.713)</b>	-	<b>(129.543.713)</b>
I- Dividend distributed	-	-	-	-	-	-	-	-	-	<b>(23.959.800)</b>	<b>(23.959.800)</b>
J- Transfer	-	-	-	-	-	2.399.021	-	4.248.662	<b>(30.607.482)</b>	23.959.800	-
<b>II- Closing Balance (30/06/2015) (I+ A+B+C+D+E+F+G+H+I+J)</b>	<b>306.000.000</b>	-	<b>(3.179.768)</b>	-	-	<b>83.064.172</b>	<b>62</b>	<b>98.520.072</b>	<b>(129.543.713)</b>	<b>13.151</b>	<b>354.873.976</b>

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

**AKSIGORTA A.Ş.**

**CONVENIENCE TRANSLATION OF THE STATEMENTS OF CASH FLOW  
FOR THE PERIOD JANUARY 1 – JUNE 30, 2016**

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

AKSIGORTA ANONİM ŞİRKETİ			
CASH FLOW STATEMENT			
	Note	Reviewed 30/06/2016	Reviewed 30/06/2015
<b>A. CASH FLOWS FROM THE OPERATING ACTIVITIES</b>			
1. Cash inflows from the insurance operations		789.037.109	421.478.120
2. Cash inflows from the reinsurance operations		-	-
3. Cash inflows from the pension operations		-	-
4. Cash outflows due to the insurance operations (-)		(611.473.114)	(392.128.488)
5. Cash outflows due to the reinsurance operations (-)		-	-
6. Cash outflows due to the pension operations (-)		-	-
<b>7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)</b>		<b>177.563.995</b>	<b>29.349.632</b>
8. Interest payments (-)		-	-
9. Income tax payments (-)		(6.634.428)	(8.325.024)
10. Other cash inflows		(84.322)	35.447.542
11. Other cash outflows (-)		(146.092.661)	(58.307.211)
<b>12. Net cash generated from the operating activities</b>	<b>39</b>	<b>24.752.584</b>	<b>(1.835.061)</b>
<b>B. CASH FLOWS FROM THE INVESTING ACTIVITIES</b>			
1. Sale of tangible assets		-	575.459
2. Purchase of tangible assets (-)		(3.431.356)	(223.547)
3. Acquisition of financial assets (-)		(143.889.037)	(14.858.111)
4. Sale of financial assets		5.136.843	(102.674)
5. Interest received		57.691.311	30.589.148
6. Dividends received		-	-
7. Other cash inflows		17.334.045	10.475.141
8. Other cash outflows (-)		(67.753.148)	(34.197.490)
<b>9. Net cash generated from the investing activities</b>	<b>39</b>	<b>(134.911.342)</b>	<b>(7.742.074)</b>
<b>C. CASH FLOWS FROM THE FINANCING ACTIVITIES</b>			
1. Issue of equity shares		-	-
2. Cash inflows from the loans to policyholders		-	-
3. Payments of financial leases (-)		-	-
4. Dividend paid (-)		-	(23.959.800)
5. Other cash inflows		-	-
6. Other cash outflows (-)		-	-
<b>7. Cash generated from the financing activities</b>	<b>39</b>	<b>-</b>	<b>(23.959.800)</b>
<b>D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>			
<b>E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)</b>		<b>(111.512.302)</b>	<b>(27.128.223)</b>
<b>F. Cash and cash equivalents at the beginning of the period</b>	<b>14</b>	<b>550.505.477</b>	<b>816.206.332</b>
<b>G. Cash and cash equivalents at the end of the period (E+F)</b>	<b>14</b>	<b>438.993.175</b>	<b>789.078.109</b>

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

# AKSIGORTA A.Ş.

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2016

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

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### 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 June 30, 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 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 - June 30, 2016	January 1 - December 31,
Top executive	9	9
Manager and assistant manager	102	108
Specialist/Executives	494	560
Total	604	678

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2016**

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

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**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 2.688.172 in total for the period January 1 – June 30, 2016 (January 1- June 30, 2015: TL 3.447.409) (April 1 – June 30, 2015 TL 1.826.270).

**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 June 30, 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 June 30, 2016 are approved and authorized for issuance as of June 30, 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 JUNE 30, 2016**

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

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**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 June 30, 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 Gazzette 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 JUNE 30, 2016**

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

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**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 June 30, 2016, 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 June 30, 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 – June 30, 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 – June 30, 2015.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2016**

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

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**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 9.624.462.

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 JUNE 30, 2016**

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

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**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 48.248.183 at June 30, 2016 (December 31, 2015: TL 16.354.138) (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 1.200.000 at June 30, 2016 (December 31, 2015: TL 1.200.000) (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 be 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 JUNE 30, 2016**

(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	June 30, 2016	December 31, 2015
	Applied Method	Applied Method
Motor Crafts Liability	Frequency/Severity/Bornhuetter-Ferguson	Frequency/Severity/Bornhuetter-Ferguson
General Liability	Standard Chain	Standard Chain
Financial Losses	Standard Chain	Standard Chain
Legal Protection	Standard Chain	Standard Chain
Fire and Natural Disaster	Bornhuetter-Ferguson	Bornhuetter-Ferguson
Air Crafts Liability	Standard Chain	Standard Chain
Credit	Standard Chain	Standard Chain
Water Crafts	Standard Chain	Standard Chain
Air Crafts	Standard Chain	Standard Chain
Accident	Bornhuetter-Ferguson	Bornhuetter-Ferguson
Health	Standard Chain	Standard Chain
Suretyship	Standard Chain	Standard Chain
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 JUNE 30, 2016

(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.

Branch	Applied Method (*)	June 30, 2016		December 31, 2015		
		Gross Additional Reserve (100%)	Net Additional Reserve (100%)	Applied Method (*)	Gross Additional Reserve (100%)	Net Additional Reserve (100%)
Motor Crafts Liability	Frequency/Severity/Bornhuetter-Ferguson	194.993.911	194.993.910	Frequency/Severity/Bornhuetter-Ferguson	190.323.070	190.323.069
General Liability	Standard Chain	57.402.030	26.535.504	Standard Chain	48.457.524	24.851.272
Financial Losses	Standard Chain	179.402	(339.584)	Standard Chain	222.714	(273.351)
Legal Protection	Standard Chain	61.337	61.337	Standard Chain	49.900	49.900
Fire and Natural Disaster	Bornhuetter-Ferguson	5.761.395	2.034.092	Bornhuetter-Ferguson	3.175.590	(237.888)
Air Crafts Liability	Standard Chain	142.862	46	Standard Chain	461.147	140
Credit	Standard Chain	190.367	9.134	Standard Chain	608.979	30.536
Water Crafts	Standard Chain	95.938	43.920	Standard Chain	168.551	82.501
Air Crafts	Standard Chain	50.828	-	Standard Chain	17.349	3
Accident	Bornhuetter-Ferguson	652.748	261.309	Bornhuetter-Ferguson	510.494	352.250
Health	Standard Chain	252.403	(241.838)	Standard Chain	196.012	196.012
Suretyship	Standard Chain	248.973	44.435	Standard Chain	1.798.251	69.542
Transportation	Bornhuetter-Ferguson	101.249	74.150	Bornhuetter-Ferguson	(355.088)	(102.055)
General Losses	Bornhuetter-Ferguson	5.919.008	148.897	Bornhuetter-Ferguson	4.050.094	(40.353)
Motor Own Damage	Bornhuetter-Ferguson	(6.267.575)	(6.267.575)	Bornhuetter-Ferguson	(12.400.314)	(12.400.314)
Total		259.784.876	217.357.737		237.284.273	202.901.258

(\*)The company has used methods that were in use as of December 31, 2015 at June 30, 2016.

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2016

(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 2016. 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 June limits, the total number of files that are subject to calculation, significant claims file number, significant claims file percentages are as follows;

Branch	June 30, 2016				December 31, 2015			
	Limit	Eliminated		Elimination (%)	Limit	Eliminated Total		Elimination (%)
		File Number	Total Number of Files			File Number	Number of Files	
General Liability	200.000	190	18.756	1,01%	200.000	156	17.036	0,92%
General Losses	999.999	37	129.987	0,03%	999.999	36	123.910	0,03%
Transportation	499.999	31	52.121	0,06%	499.999	28	50.154	0,06%
Fire and Natural Disaster	999.999	110	161.438	0,07%	999.999	100	148.354	0,07%
Accident	299.999	16	5.684	0,28%	299.999	15	5.528	0,27%
Facultative Public Liability	149.999	30	6.939	0,43%	149.999	24	6.790	0,35%
Financial Losses	50.000	28	21.284	0,13%	50.000	26	19.549	0,13%

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	1.788.640	1.788.640
General Liability	8.894.941	2.174.557
General Losses	5.881.322	70.127
Fire and Natural Disaster	4.452.321	863.270
Accident	65.287	11.617
Financial Losses	639.456	64.404

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 has not used %10 gradual transition rate which prevailing for 2016 2nd quarter in Compulsory Traffic and General Liability branches because of the amount of IBNR that is calculated at 2016 2nd quarter is lower than previous quarter.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2016**

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

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**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. As of June 30, 2016, the Company has not made any discounts to equalization reserve regarding the earthquake in 2011.

The Company has calculated TL 54.157.222 (December 31, 2015: TL 48.611.713) of equalization reserve as of June 30, 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 JUNE 30, 2016**

(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 June 30, 2016, 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 June 30, 2016 are TL 33.102.997 (December 31, 2015: TL 29.740.677) and TL 9.624.462 (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:

	June 30, 2016					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Fire and Natural Disaster	1.104.635	(208.457)	896.178	577.370	(128.863)	448.507
Transportation	578.966	(279.641)	299.325	642.092	(342.485)	299.607
Motor Own Damage	66.949.022	(398)	66.948.624	22.486.653	-	22.486.653
Water Crafts	-	-	-	-	-	-
General Losses	89.872	(54.005)	35.867	20.600	-	20.600
Motor Crafts Liability	1.416.024	(180)	1.415.844	213.028	-	213.028
Suretyship	628	(314)	314	2.991	(1.496)	1.495
General Liability	12.707	(3.713)	8.994	15.845	(6.682)	9.163
Financial Losses	-	-	-	-	-	-
Legal Protection	-	-	-	-	-	-
<b>Total</b>	<b>70.151.854</b>	<b>(546.708)</b>	<b>69.605.146</b>	<b>23.958.579</b>	<b>(479.526)</b>	<b>23.479.053</b>

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2016**

(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
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	-	-	-
<b>Total</b>	<b>149.561.826</b>	<b>(2.058.274)</b>	<b>147.503.552</b>	<b>22.342.627</b>	<b>(556.274)</b>	<b>21.786.353</b>

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 June 30, 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 21.263.435. (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 11.530.462 (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 44.153.008 (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 JUNE 30, 2016**

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

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**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 JUNE 30, 2016**

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

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**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 prestated 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 JUNE 30, 2016**

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

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**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 June 30, 2016, the Company has booked the deferred tax assets in amounting to TL 41.066.583 (December 31, 2015: TL 39.211.885) and TL 25.110.123 (December 31, 2015: TL 28.525.528) 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 JUNE 30, 2016**

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

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**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 interim condensed financial statements as at June 30, 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, 2016. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

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

**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. The amendments did 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 did not have an impact on the financial position or performance of the Company.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2016**

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

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

**2.1.6 The new standards, amendments and interpretations (Continue)**

**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. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

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

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*

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

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. The amendment is not applicable for the Company and did 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)**

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 amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2016**

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

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

**2.1.6 The new standards, amendments and interpretations (Continue)**

**TAS 1: Disclosure Initiative (Amendments to TAS 1)**

The 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. These amendments did not have significant impact on the notes to the interim condensed consolidated financial statements of the Company.

**Annual Improvements to TFRSs - 2012-2014 Cycle**

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 amendment did not have significant on the financial position or performance of the Company.

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim condensed 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.



**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2016**

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

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

**2.1.6 The new standards, amendments and interpretations (Continued)**

**TFRS 9 Financial Instruments – Classification and measurement**

As amended in 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 / the Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

**iii) 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 / the Group will make the necessary changes to its consolidated 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**

The IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company 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 JUNE 30, 2016**

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

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

**2.1.6 The new standards, amendments and interpretations (Continued)**

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

IASB has published final clarifications to IFRS 15 in April 2016. The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

**IFRS 9 Financial Instruments - Final standard (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**

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.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2016**

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

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

**2.1.6 The new standards, amendments and interpretations (Continued)**

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

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company 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.

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

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Company 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.

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

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

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

These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The 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 JUNE 30, 2016**

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

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

**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 June 30,2016 (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 June 30,2016 and December 31, 2015.

**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.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2016**

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

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

**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.

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 years

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2016**

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

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

**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.

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 (June 30,2016: 5 years – December 31, 2015:5 years).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2016**

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

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

**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 June 30, 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.

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.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2016**

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

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

**2.9 Financial Assets (Continued)**

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 JUNE 30, 2016**

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

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**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 JUNE 30, 2016**

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

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**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. Total income resulting from short-term swap contracts’ market valuation has been accounted under “Income from derivatives” in the income statement. As of June 30,2016, the Company has no derivative financial instruments. (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 (Note14).

**2.14 Share Capital**

As of June 30,2016, 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:

	June 30, 2016		December 31, 2015	
	Rate %	Amount TL	Rate %	Amount 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 June 30, 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 JUNE 30, 2016**

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

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

**2.14 Share Capital (Continued)**

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 aggregation 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 JUNE 30, 2016**

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

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**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 communique 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 – June 30, 2016 accounting period as TL 8.901.988,57 (January 1 – June 30, 2015: TL 2.434.301) and an unearned premium reserve amounting to TL 7.982.140 (January 1 – June 30, 2015: TL 8.609.973) for the period ended as of January 1 - September 30, 2015; 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 JUNE 30, 2016**

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

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**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 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 JUNE 30, 2016**

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

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**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 June 30, 2016, the Company has paid in advance in amounting to TL 5.167.674. The respective amounts are short term. As at June 30, 2016, amount of TL 39.732.136 (USD 13.889.015), the maturity of outstanding operational lease liability is between July 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 JUNE 30, 2016**

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

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**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 June 30, 2015 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 JUNE 30, 2016**

(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 June 30, 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:

	June 30, 2016		December 31, 2015	
	USD / TL	EUR / TL	USD / TL	EUR / TL
Buying rate	2,8936	3,2044	2,9076	3,1776
Selling rate	2,8988	3,2102	2,9128	3,1833



**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2016**

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

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**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 JUNE 30, 2016**

(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-
XLCatlin 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**

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 JUNE 30, 2016

(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)

	June 30, 2016			December 31, 2015		
	Gross Total Claims Liability	Reinsurance Share of Total Claims	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims	Net Total Claims Liability
Fire and Natural Disaster	79.364.876	(46.369.480)	32.995.396	58.561.142	(35.632.653)	22.928.489
Transportation	17.766.403	(11.840.814)	5.925.589	9.128.576	(4.552.067)	4.576.509
Accident	3.337.101	(1.517.567)	1.819.534	3.013.314	(1.018.001)	1.995.313
Motor Own Damage	49.202.306	(165)	49.202.141	35.323.147	(73)	35.323.074
Air Crafts	332.457	(332.457)		935.403	(935.405)	(2)
Water Crafts	2.858.195	(2.339.417)	518.778	2.708.636	(2.163.447)	545.189
General Losses	81.746.518	(74.792.533)	6.953.985	71.277.063	(65.491.998)	5.785.065
Motor Crafts Liability	374.418.233	(326.383)	374.091.850	371.577.486	(333.775)	371.243.711
Air Crafts Liability	454.455	(454.409)	46	2.270.711	(2.270.388)	323
General Liability	134.428.155	(78.623.015)	55.805.140	109.507.393	(60.070.858)	49.436.535
Financial Losses	9.082.032	(5.310.979)	3.771.053	7.873.589	(3.645.333)	4.228.256
Legal Protection	111.316	-	111.316	86.176	-	86.176
Credit	1.357.319	(1.289.837)	67.482	3.747.859	(3.562.336)	185.523
Health	4.921.338	(1.942.876)	2.978.462	25.217.633	(73.216)	25.144.417
Suretyship	33.782.231	(32.451.544)	1.330.687	31.992.022	(30.949.181)	1.042.841
Life	3.248.712	-	3.248.712	3.695.056	-	3.695.056
Total	796.411.647	(257.591.476)	538.820.171	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.

# AKSİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2016

(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)

Outstanding Claim and Compensation Provision:

	June 30, 2016				December 31, 2015		
	Effect on	Reinsurance		Net Total	Gross Total	Reinsurance	Net Total
	Current Period	Gross Total	Share of Total				
(Net)	Claims Liability	Claims Liability	Claims Liability	Liability	Claims Liability	Liability	
Unpaid Claims	1.399.506	533.384.992	(215.164.337)	318.220.655	495.935.877	(176.315.716)	319.620.161
Claim Provisions (*)	(14.456.479)	259.784.876	(42.427.139)	217.357.737	237.284.273	(34.383.015)	202.901.258
Non-life Total	(13.056.973)	793.169.868	(257.591.476)	535.578.392	733.220.150	(210.698.731)	522.521.419
Life	453.277	3.241.779	-	3.241.779	3.695.056	-	3.695.056
<b>Grand Total</b>	<b>(12.603.696)</b>	<b>796.411.647</b>	<b>(257.591.476)</b>	<b>538.820.171</b>	<b>736.915.206</b>	<b>(210.698.731)</b>	<b>526.216.475</b>

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

	June 30, 2016			June 30, 2015		
	Gross Total	Reinsurance		Gross Total	Reinsurance	
		Claims Liability	Share of Total		Claims Liability	Share of Total
	Claims Liability	Claims	Claims Liability	Claims Liability	Claims Liability	Claims Liability
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	466.125.341	(123.296.943)	342.828.398	577.940.164	(115.940.158)	462.000.006
Paid from Current Period (-)	(342.940.981)	67.558.658	(275.382.323)	(367.836.833)	45.150.260	(322.686.573)
Paid from Previous Period (-)	(85.735.245)	16.889.664	(68.845.581)	(91.959.208)	11.287.565	(80.671.643)
Period End						
Reported Claims	533.384.992	(215.164.337)	318.220.655	468.161.886	(192.084.575)	276.077.311
Life	3.241.779	-	3.241.779	3.691.140	-	3.691.140
IBNR	259.784.876	(42.427.139)	217.357.737	256.272.226	(29.966.913)	226.305.313
<b>Total</b>	<b>796.411.647</b>	<b>(257.591.476)</b>	<b>538.820.171</b>	<b>728.125.252</b>	<b>(222.051.488)</b>	<b>506.073.764</b>

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2016

(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 June 30, 2016:

Accident period	01/07/2009 30/06/2010	01/07/2010 30/06/2011	01/07/2011 30/06/2012	01/07/2012 30/06/2013	01/07/2013 30/06/2014	01/07/2014 30/06/2015	01/07/2015 30/06/2016	Gross Claim
Claim realized in the accident period	576.289.133	567.846.608	688.832.571	642.769.184	675.998.883	837.468.453	713.856.514	4.703.061.346
1 year later	115.381.571	109.183.546	134.201.249	122.276.877	157.518.189	209.055.877	-	847.617.309
2 years later	25.329.114	24.886.981	38.351.983	52.384.432	71.072.782	-	-	212.025.293
3 years later	20.203.929	20.107.644	31.087.348	44.575.656	-	-	-	115.974.577
4 years later	15.131.573	19.307.519	34.289.001	-	-	-	-	68.728.093
5 years later	19.320.028	22.840.848	-	-	-	-	-	42.160.876
6 years later	20.795.844	-	-	-	-	-	-	20.795.844
<b>Total Gross Claims</b>	<b>792.451.192</b>	<b>764.173.147</b>	<b>926.762.153</b>	<b>862.006.148</b>	<b>904.589.854</b>	<b>1.046.524.330</b>	<b>713.856.514</b>	<b>6.010.363.338</b>

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

Accident period	01/01/2009 31/12/2009	01/01/2010 31/12/2010	01/01/2011 31/12/2011	01/01/2012 31/12/2012	01/01/2013 31/12/2013	01/01/2014 31/12/2014	01/01/2015 31/12/2015	Gross Claim
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	4.627.216.896
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
<b>Total Gross Claims</b>	<b>815.085.591</b>	<b>747.620.571</b>	<b>827.537.771</b>	<b>926.779.602</b>	<b>811.974.781</b>	<b>960.769.253</b>	<b>771.795.503</b>	<b>5.861.563.074</b>

### 4.2 Financial Risk

#### 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 December 31, 2015, the Company’s required capital is TL 339.770.158 (December 31, 2014: TL 372.490.878). As of December 31, 2015, the Company’s capital is TL 55.232.388 higher than required capital amount. (December 31, 2014: TL 174.067.110).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2016**

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

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

**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.

**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 June 30, 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.

	June 30, 2016		December 31, 2015	
	USD Effect	EUR Effect	USD Effect	EUR Effect
Profit / Loss Increase	999.276	1.195.957	12.086.316	1.507.937
Profit / Loss (Decrease)	(999.276)	(1.195.957)	(12.086.316)	(1.507.937)

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2016**

(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.

	June 30, 2016	December 31, 2015
Total	Effect on profit and profit reserves	
Market interest rate increase / (decrease)	TL	
+% 1	(4.533.326)	(2.399.153)
-% 1	5.843.024	2.527.760
Financial assets available for sale	Effect on profit and profit reserves	
Market interest rate increase / (decrease)	TL	
+% 1	(4.481.621)	(2.328.770)
-% 1	5.784.911	2.455.332
+% 1 Financial Assets with Risks on Policy Holders	(51.705)	(70.383)
-% 1 Financial Assets with Risks on Policy Holders	58.113	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 June 30, 2016.

	June 30, 2016	December 31, 2015
Total	Effect on Financial assets available for sale	
Price increase / (decrease)	TL	
+% 10	81.670.207	67.830.066
-% 10	(81.670.207)	(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 June 30, 2016, the Company has presented its receivables from insurance operations and guarantees received and provision for doubtful receivables in Note 12.1.

# AKSIGORTA A.Ş.

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2016

(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

June 30, 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	227.114.258	179.953.505	-	-	-	32.296.371	439.364.134
Financial Assets Available for Sale	453.567.999	-	70.235.555	103.140.021	71.130.607	118.627.892	816.702.074
Financial Assets Held for Trading	-	-	-	-	-	-	-
Investments with Risks on Policy Holders	101.885	-	113.430	2.401.121	-	-	2.616.436
Receivables From Main Operations	108.838.320	139.637.691	167.731.713	-	-	-	416.207.724
Due from Related Parties	-	-	231.237	-	-	-	231.237
Other Receivables	-	16.994.474	-	-	-	-	16.994.474
Prepaid Expenses and Income Accruals	19.740.906	33.454.991	102.000.095	-	-	-	155.195.992
Other Current Assets	116.920	-	6.634.428	-	-	-	6.751.348
Financial Assets	-	-	-	-	-	7.961.251	7.961.251
Tangible Fixed Assets	-	-	-	-	-	28.136.166	28.136.166
Intangible Fixed Assets	-	-	-	-	-	34.065.256	34.065.256
Prepaid Expenses and Income Accruals (Long Terms)	-	-	-	226.296	-	-	226.296
Other Non-current Assets	-	-	-	-	-	41.066.583	41.066.583
<b>Total Assets</b>	<b>809.480.288</b>	<b>370.040.661</b>	<b>346.946.458</b>	<b>105.767.438</b>	<b>71.130.607</b>	<b>262.153.519</b>	<b>1.965.518.971</b>
Financial Liabilities	-	20.089.425	-	-	-	-	20.089.425
Payables From Main Operations	-	-	275.191.405	-	-	-	275.191.405
Due to Related Parties	36.421	-	1.143	-	-	-	37.564
Other Payables	-	34.469.444	-	-	-	-	34.469.444
Insurance Technical Reserves	252.889.019	439.237.999	448.546.523	-	-	-	1.140.673.541
Taxes and Other Liabilities and Provisions	-	16.152.064	-	-	-	-	16.152.064
Cost Expense Provisions	-	-	20.497.841	-	-	-	20.497.841
Prepaid Income and Expense Accruals	7.944.350	13.525.672	35.131.481	-	-	-	56.601.503
Long Term Insurance Technical Reserves	-	-	-	1.580.099	54.157.222	-	55.737.321
Provisions for Other Risks	-	-	-	-	-	6.122.288	6.122.288
Shareholders' Equity	-	-	-	-	-	339.946.575	339.946.575
<b>Total Liabilities and Shareholders' Equity</b>	<b>260.869.790</b>	<b>523.474.604</b>	<b>779.368.393</b>	<b>1.580.099</b>	<b>54.157.222</b>	<b>346.068.863</b>	<b>1.965.518.971</b>
<b>Liquidity Surplus / (Deficit)</b>	<b>548.610.498</b>	<b>(153.433.943)</b>	<b>(432.421.935)</b>	<b>104.187.339</b>	<b>16.973.385</b>	<b>(83.915.344)</b>	<b>-</b>



# AKSİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2016

(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
<b>Total Assets</b>	<b>751.853.600</b>	<b>442.267.232</b>	<b>335.362.949</b>	<b>65.606.713</b>	<b>81.628.927</b>	<b>202.980.106</b>	<b>1.879.699.527</b>
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
Shareholders' Equity	-	-	-	-	-	348.639.709	348.639.709
<b>Total Liabilities and Shareholders' Equity</b>	<b>259.739.582</b>	<b>600.060.125</b>	<b>614.263.733</b>	<b>1.910.495</b>	<b>48.611.713</b>	<b>355.113.879</b>	<b>1.879.699.527</b>
Liquidity Surplus / (Deficit)	492.114.018	(157.792.893)	(278.900.784)	63.696.218	33.017.214	(152.133.773)	-

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2016**

(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:**

	June 30, 2016		December 31, 2015	
	Book Value	Fair Value	Book Value	Fair Value
<b>Current Financial Assets</b>				
Financial Assets Available for Sale	816.702.074	816.702.074	678.300.658	678.300.658
Financial Investments with Risks on Policy Holders	2.616.436	2.616.436	7.753.279	7.753.279
<b>Non-Current Financial Assets</b>				
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)
<b>Total Financial Assets</b>	<b>827.279.761</b>	<b>827.279.761</b>	<b>694.015.188</b>	<b>694.015.188</b>

**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 JUNE 30, 2016**

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

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

**4.2.2 Financial risk factors (Continued)**

	June 30, 2016	Category 1	Category 2	Category 3
Financial Assets Available for sale	816.702.074	816.702.074	-	-
Government Bonds & Treasury Bills	745.795.551	745.795.551	-	-
Investment Funds	70.906.523	70.906.523	-	-
Financial Investments with Risks on Policy Holders	2.616.436	2.616.436	-	-
<b>Total</b>	<b>819.318.510</b>	<b>819.318.510</b>	<b>-</b>	<b>-</b>

	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	-	-
<b>Total</b>	<b>685.833.048</b>	<b>685.833.048</b>	<b>-</b>	<b>-</b>

(\*) 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 220.889) has been accounted at cost value as of June 30, 2016

(\*\*) The Company has booked the impairment provision for affiliates amounting to TL 22.155.402 in its financial statements as of June 30, 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 JUNE 30, 2016**

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

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**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 JUNE 30, 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 June 30, 2016:

	Fire and Natural Disaster	Transportation	Motor Own Damage	Motor Crafts Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
<b>TECHNICAL INCOME</b>	<b>79.276.038</b>	<b>13.116.837</b>	<b>271.131.137</b>	<b>27.747.734</b>	<b>66.903.660</b>	<b>10.936.359</b>	<b>4.952.687</b>	<b>63.892.324</b>	<b>84.046</b>	-	<b>538.040.822</b>
1- Earned Premiums (Net of Reinsurer Share)	67.791.125	11.133.765	246.905.456	21.152.672	56.728.234	9.337.960	4.949.735	58.700.048	4.621	-	476.703.616
1.1 - Premiums (Net of Reinsurer Share)	72.782.934	11.185.278	268.552.360	103.295.211	56.584.929	11.136.214	275.283	28.443.868	4.480	-	552.260.557
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(4.991.809)	(51.513)	(21.646.904)	(48.734.173)	(1.371.016)	(1.798.254)	4.674.452	30.256.180	141	-	(43.662.896)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	-	-	-	(33.408.366)	1.514.321	-	-	-	-	-	(31.894.045)
2- Investment Income transferred from Non-Technical Part	9.194.874	1.610.641	19.802.826	4.746.269	10.038.360	1.417.480	2.952	4.972.366	79.425	-	51.865.193
3- Other Technical Income (Net of Reinsurance Share)	-	-	601.149	(23)	(46)	-	-	219.910	-	-	820.990
4- Accrued Subrogation and Salvage Income (+)	2.290.039	372.431	3.821.706	1.848.816	137.112	180.919	-	-	-	-	8.651.023
<b>TECHNICAL EXPENSES</b>	<b>(65.231.111)</b>	<b>(6.905.908)</b>	<b>(256.506.213)</b>	<b>(96.890.767)</b>	<b>(34.453.847)</b>	<b>(7.222.618)</b>	<b>(5.652.947)</b>	<b>(62.404.084)</b>	<b>(216.292)</b>	-	<b>(535.483.787)</b>
1- Total Claims (Net of Reinsurer Share)	(33.986.513)	(4.221.287)	(180.546.006)	(81.747.277)	(14.936.091)	(4.497.743)	(4.011.501)	(32.402.184)	(482.998)	-	(356.831.600)
1.1- Claims Paid (Net of Reinsurer Share)	(23.919.613)	(2.898.619)	(166.666.939)	(78.899.138)	(8.373.514)	(3.843.514)	(4.122.153)	(54.568.139)	(936.275)	-	(344.227.904)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(10.066.900)	(1.322.668)	(13.879.067)	(2.848.139)	(6.562.577)	(654.229)	110.652	22.165.955	453.277	-	(12.603.696)
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	(5.038.195)	(180)	(319.667)	-	(74.487)	(112.980)	-	-	-	-	(5.545.509)
4- Operating Expenses	(23.443.243)	(2.637.191)	(60.399.639)	(14.731.698)	(18.695.438)	(2.514.500)	(1.623.361)	(26.824.297)	(63.479)	-	(150.932.846)
4.1- Production Commissions (-)	(31.703.345)	(3.017.561)	(44.282.159)	(7.078.193)	(23.583.576)	(6.428.471)	(3.754.736)	(20.764.935)	-	-	(140.612.976)
4.2- Reinsurance Commissions (+)	21.118.084	1.325.038	190	2.971	10.719.422	6.019.065	2.516.240	6.355.442	-	-	48.056.452
4.3- General Administrative Expenses	(12.857.982)	(944.668)	(16.117.670)	(7.656.476)	(5.831.284)	(2.105.094)	(384.865)	(12.414.804)	(63.479)	-	(58.376.322)
4.4- Other Operating Expenses	-	-	-	-	-	-	-	-	-	-	-
5- Changes in Mathematical Reserves (+/-)	-	-	-	-	-	-	-	-	330.185	-	330.185
6- Other Technical Expenses (Net of Reinsurer Share) (-)	(2.763.160)	(47.250)	(15.240.901)	(411.792)	(747.831)	(97.395)	(18.085)	(3.177.603)	-	-	(22.504.017)
	<b>14.044.927</b>	<b>6.210.929</b>	<b>14.624.924</b>	<b>(69.143.033)</b>	<b>32.449.813</b>	<b>3.713.741</b>	<b>(700.260)</b>	<b>1.488.240</b>	<b>(132.246)</b>	-	<b>2.557.035</b>
Financial income	-	-	-	-	-	-	-	-	-	79.370.595	79.370.595
Depreciation expense	-	-	-	-	-	-	-	-	-	(6.027.817)	(6.027.817)
Provisions account	-	-	-	-	-	-	-	-	-	(10.627.075)	(10.627.075)
Tax expenses	-	-	-	-	-	-	-	-	-	-	-
Financial expenses	-	-	-	-	-	-	-	-	-	(79.370.595)	(79.370.595)
Other	-	-	-	-	-	-	-	-	-	1.217.105	1.217.105
<b>Net Profit / (Loss)</b>	<b>14.044.927</b>	<b>6.210.929</b>	<b>14.624.924</b>	<b>(69.143.033)</b>	<b>32.449.813</b>	<b>3.713.741</b>	<b>(700.260)</b>	<b>1.488.240</b>	<b>(132.246)</b>	<b>(15.437.787)</b>	<b>(12.880.752)</b>

**AKSİGORTA A.Ş.**

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 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 June 30, 2015:**

	Fire and Natural Disaster	Transportation	Motor Own Damage	Land Vehicles Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
<b>TECHNICAL INCOME</b>	<b>74.376.023</b>	<b>10.878.110</b>	<b>248.562.192</b>	<b>79.445.080</b>	<b>96.240.704</b>	<b>10.373.879</b>	<b>27.954.659</b>	<b>107.216.292</b>	<b>126.612</b>	-	<b>655.173.551</b>
1- Earned Premiums (Net of Reinsurer Share)	63.500.245	8.766.350	239.881.661	86.900.818	80.642.352	8.497.412	21.583.995	96.291.100	6.055	-	606.069.988
1.1 - Premiums (Net of Reinsurer Share)	72.101.917	8.986.402	212.180.405	60.140.648	75.678.304	11.487.768	31.931.103	120.158.696	6.395	-	592.671.638
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(8.601.672)	(220.052)	27.701.256	41.261.842	2.625.160	(2.990.356)	(10.347.108)	(23.867.596)	(340)	-	25.561.134
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	-	-	-	(14.501.672)	2.338.888	-	-	-	-	-	(12.162.784)
2- Investment Income transferred from Non-Technical Part	10.024.087	1.629.233	8.150.369	(8.501.797)	15.540.019	1.873.802	6.370.664	10.925.192	120.557	-	46.132.126
3- Accrued Subrogation and Salvage Income (+)	851.691	482.527	530.162	1.046.059	58.333	2.665	-	-	-	-	2.971.437
<b>TECHNICAL EXPENSES</b>	<b>(71.655.354)</b>	<b>(4.296.181)</b>	<b>(247.097.695)</b>	<b>(301.355.147)</b>	<b>(42.136.789)</b>	<b>(6.440.156)</b>	<b>(31.363.638)</b>	<b>(106.762.770)</b>	<b>(248.505)</b>	-	<b>(811.356.234)</b>
1- Total Claims (Net of Reinsurer Share)	(38.677.004)	(2.220.341)	(177.792.083)	(274.997.718)	(4.979.106)	(4.486.196)	(25.640.349)	(74.715.603)	(147.170)	-	(603.655.570)
1.1- Claims Paid (Net of Reinsurer Share)	(29.751.714)	(2.103.145)	(177.746.370)	(100.785.013)	(10.026.400)	(3.571.246)	(5.016.046)	(74.001.469)	(356.813)	-	(403.358.216)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(8.925.290)	(117.196)	(45.713)	(174.212.705)	5.047.294	(914.950)	(20.624.303)	(714.134)	209.643	-	(200.297.354)
2- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other Technical Expenses	(5.292.633)	(3.128)	(143.615)	-	(1.109.829)	(146.885)	-	-	46.112	-	(6.649.978)
3- Operating Expenses	<b>(24.455.483)</b>	<b>(2.069.686)</b>	<b>(56.031.328)</b>	<b>(26.127.549)</b>	<b>(35.854.749)</b>	<b>(1.807.075)</b>	<b>(5.723.289)</b>	<b>(30.071.963)</b>	<b>(147.447)</b>	-	<b>(182.288.569)</b>
3.1- Production Commissions (-)	(29.489.744)	(2.920.437)	(41.047.177)	(17.193.199)	(28.436.450)	(4.728.080)	(4.839.620)	(17.046.565)	-	-	(145.701.272)
3.2- Reinsurance Commissions (+)	(11.751.507)	(876.542)	(15.257.676)	(9.086.819)	(5.913.737)	(2.074.483)	(449.958)	(13.025.416)	(147.447)	-	(58.583.585)
3.3- General Administrative Expenses	-	-	-	-	-	-	-	-	-	-	-
3.4- Other Operating Expenses	16.785.768	1.727.293	273.525	152.469	(1.504.562)	4.995.488	(433.711)	18	2.561	-	21.998.849
4- Other Technical Expenses (Net of Reinsurer Share) (-)	(3.230.234)	(3.026)	(13.130.669)	(229.880)	(193.105)	-	-	(1.975.204)	-	-	(18.762.117)
	<b>2.720.669</b>	<b>6.581.929</b>	<b>1.464.497</b>	<b>(221.910.067)</b>	<b>54.103.915</b>	<b>3.933.723</b>	<b>(3.408.979)</b>	<b>453.522</b>	<b>(121.893)</b>	-	<b>(156.182.683)</b>
Investment income	-	-	-	-	-	-	-	-	-	86.779.811	86.779.811
Depreciation expense	-	-	-	-	-	-	-	-	-	(4.858.270)	(4.858.270)
Provisions account	-	-	-	-	-	-	-	-	-	(8.842.888)	(8.842.888)
Tax expense	-	-	-	-	-	-	-	-	-	-	-
Financial expenses	-	-	-	-	-	-	-	-	-	(74.847.382)	(74.847.382)
Other	-	-	-	-	-	-	-	-	-	28.407.699	28.407.699
<b>Net Profit / (Loss)</b>	<b>2.720.669</b>	<b>6.581.929</b>	<b>1.464.497</b>	<b>(221.910.067)</b>	<b>54.103.915</b>	<b>3.933.723</b>	<b>(3.408.979)</b>	<b>453.522</b>	<b>(121.893)</b>	<b>26.638.970</b>	<b>129.543.713</b>

**AKSIGORTA A.Ş.**

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2016**

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

**6. Property, plant and equipment**

**June 30, 2016**

<u>Cost Value</u>	Owner	Vehicles	Furnitures and	Other Tangible	Advances for	Total
	Occupied		Fixtures and			
	Properties		Leased	Leasehold	Tangible	
			Tangible	Improvements)	Assets	
			Assets			
January 1	1.598.569	-	16.861.760	20.034.606	7.376	38.502.311
Additions	-	-	3.234.402	196.954	-	3.431.356
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
June 30	1.598.569	-	20.096.162	20.231.560	7.376	41.933.667
<u>Accumulated Depreciation</u>						
January 1	(896.329)	-	(10.338.950)	(727.715)	-	(11.962.994)
Charge for the Period	(149.078)	-	(883.924)	(881.631)	-	(1.914.633)
Disposals	-	-	-	-	-	-
June 30	(1.045.407)	-	(11.222.874)	(1.609.346)	-	(13.877.627)
Net Book Value as of June 30	553.162	-	8.873.288	18.622.214	7.376	28.056.040

**June 30, 2015**

<u>Cost Value</u>	Owner	Vehicles	Furnitures and	Other Tangible	Advances for	Total
	Occupied		Fixtures and			
	Properties		Leased	Leasehold	Tangible	
			Tangible	Improvements)	Assets	
			Assets			
January 1	2.465.348	-	14.827.725	18.312.709	28.504	35.634.286
Additions	-	-	4.127.989	539.093	118.021	4.785.103
Disposals	-	-	(564.650)	-	-	(564.650)
June 30	2.465.348	-	18.391.064	18.851.802	146.525	39.854.739
<u>Accumulated Depreciation</u>						
January 1	(633.328)	-	(8.724.065)	(1.399.823)	-	(10.757.216)
Charge for the Period	(135.723)	-	(759.162)	(745.320)	-	(1.640.205)
Disposals	-	-	398.992	-	-	398.992
June 30	(769.051)	-	(9.084.235)	(2.145.143)	-	(11.998.429)
Net Book Value as of June 30	1.696.297	-	9.306.829	16.706.660	146.525	27.856.310

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 JUNE 30, 2016

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

#### 7. Investment Properties

##### June 30, 2016

<u>Cost Value</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
January 1	80.126	-	80.126
Disposals	-	-	-
June 30	80.126	-	80.126

##### Accumulated Depreciation

January 1	-	-	-
Charge for the Period	-	-	-
Disposals	-	-	-
June 30	-	-	-
Net Book Value as of June 30	80.126	-	80.126

##### June 30, 2015

<u>Cost Value</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
January 1	36.578	504.543	541.121
Disposals	-	-	-
June 30	36.578	504.543	541.121

##### Accumulated Depreciation

January 1	-	(48.571)	(48.571)
Charge for the Period	-	(41.998)	(41.998)
Disposals	-	-	-
June 30	-	(90.568)	(90.568)
Net Book Value as of June 30	36.578	413.975	450.553

In the period of January 1- June 30, 2016, the Company has no obtained rental income from investment properties (January 1 – June 30, 2015: None).



# AKSİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2016

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

### 8. Intangible Fixed Assets

#### June 30, 2016

<u>Cost Value</u>	<u>Advances for Intangible Assets (*)</u>	<u>Rights</u>	<u>Total</u>
1 January	2.666.428	52.085.155	54.751.583
Additions	395.375	3.872.412	4.267.787
Disposals	(83.885)	-	(83.885)
Transfers	(1.374.214)	1.374.214	-
<b>June 30</b>	<b>1.603.704</b>	<b>57.331.781</b>	<b>58.935.485</b>

#### Accumulated Amortization

1 January	-	(20.757.045)	(20.757.045)
Charge for the Period	-	(4.113.184)	(4.113.184)
Disposals	-	-	-
<b>June 30</b>	<b>-</b>	<b>(24.870.229)</b>	<b>(24.870.229)</b>
<b>Net Book Value as of June 30</b>	<b>1.603.704</b>	<b>32.461.552</b>	<b>34.065.256</b>

#### June 30, 2015

<u>Cost Value</u>	<u>Advances for Intangible Assets (*)</u>	<u>Rights</u>	<u>Total</u>
1 January	12.217.024	28.879.266	41.096.290
Additions	670.881	6.559.279	7.230.160
Disposals	-	-	-
Transfer	(984.193)	984.193	-
<b>June 30</b>	<b>11.903.712</b>	<b>36.422.738</b>	<b>48.326.450</b>

#### Accumulated Amortization

1 January	-	(15.246.083)	(15.246.083)
Charge for the Period	-	(3.174.842)	(3.174.842)
Disposals	-	-	-
<b>June 30</b>	<b>-</b>	<b>(18.420.925)</b>	<b>(18.420.925)</b>
<b>Net Book Value as of June 30</b>	<b>11.903.712</b>	<b>18.001.813</b>	<b>29.905.525</b>

(\*) 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 June 30, 2016, the Company has not recognized any impairment loss for its intangible fixed assets in the current period (June 30, 2015: None).

The Company has no goodwill amount in its financial statements.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 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 June 30, 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 June 30, 2016 (Note: 11.4).

**10. Reinsurance Assets**

Reinsurance assets are disclosed in Note 17.16.

**11. Financial Assets**

**11.1 Subcategories of Financial Assets**

Financial Assets and Financial Investments with Risks on Policy Holders

	June 30, 2016	December 31, 2015
Financial Assets Available for Sale	816.702.074	678.300.658
Financial Investments with Risks on Policy Holders	2.616.436	7.753.279
<b>Total</b>	<b>819.318.510</b>	<b>686.053.937</b>

Financial Assets Available for Sale

	June 30, 2016			December 31, 2015		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	517.420.996	515.152.501	515.152.501	427.963.378	422.249.213	422.249.213
Private sector bond	110.684.022	112.015.161	112.015.161	97.302.245	99.327.442	99.327.442
Investment fund	104.187.296	118.407.000	118.407.000	80.311.808	89.334.398	89.334.398
Eurobond	70.921.181	70.906.523	70.906.523	69.293.388	67.168.716	67.168.716
Equity Shares (Unlisted)	220.889	-	220.889	220.889	-	220.889
<b>Total</b>	<b>803.434.384</b>	<b>816.481.185</b>	<b>816.702.074</b>	<b>675.091.708</b>	<b>678.079.769</b>	<b>678.300.658</b>

# AKSİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 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

	June 30, 2016			December 31, 2015		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	2.495.766	2.616.436	2.616.436	7.540.028	7.753.279	7.753.279

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

#### June 30, 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
<b>Total</b>		<b>220.889</b>	<b>-</b>	<b>220.889</b>

#### 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
<b>Total</b>		<b>220.889</b>	<b>-</b>	<b>220.889</b>

The Company does not have assets held for trading as of June 30, 2015 and December 31, 2015.

As of June 30, 2015 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 JUNE 30, 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:

	June 30, 2016			December 31, 2015		
	Participation	Cost Value TL	Book Value TL	Participation	Cost Value TL	Book Value TL
	Rate %			Rate %		
Merter BV	25	30.116.653	30.116.653	25	30.116.653	30.116.653
Impairment						
(-)		-	(22.155.402)		-	(22.155.402)
<b>Affiliates (Net)</b>		<b>30.116.653</b>	<b>7.961.251</b>		<b>30.116.653</b>	<b>7.961.251</b>

**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**

Type of Financial Asset	June 30, 2016	December 31, 2015	December 31, 2014
Financial Assets Available for Sale	(1.473.278)	(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 JUNE 30, 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

	June 30, 2016	December 31, 2015
<b>Receivables from insurance operations</b>		
Receivables from agencies	262.425.790	235.112.053
Bank Guaranteed Credit Card Receivables More than Three Months	100.478.470	100.576.813
Receivables from reinsurance companies	28.201.633	38.891.156
Receivables for salvage and claim recovery - net (Note 2.1.1)	23.479.053	21.786.353
<b>Receivables from insurance operations</b>	<b>414.584.946</b>	<b>396.366.375</b>
Other receivables	103.807	71.183
Cash deposited for insurance and reinsurance companies	30.954	30.954
<b>Receivables from insurance and reinsurance companies</b>	<b>134.761</b>	<b>102.137</b>
Claim recovery receivables under legal follow-up	53.778.655	38.864.823
Doubtful receivables from main operations	24.656.267	32.524.008
<b>Receivables from main operations</b>	<b>493.154.629</b>	<b>467.857.343</b>
Provision for due from insurance operations (-) (*)	(11.530.462)	(9.860.324)
Provision for doubtful receivables from main operations (-) (**)	(21.263.435)	(21.195.854)
Provision for net claim recovery receivables under legal follow-up (-) (**)	(44.153.008)	(38.864.823)
<b>Total provision amount for doubtful receivables</b>	<b>(76.946.905)</b>	<b>(69.921.001)</b>
<b>Receivables from main operations - net</b>	<b>416.207.724</b>	<b>397.936.342</b>

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

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

## AKSIGORTA A.Ş.

### CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 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:

	June 30, 2016	December 31, 2015
0-60 days	10.176.147	(1.611.642)
61-90 days	1.977.474	734.785
90+	3.394.045	2.672.030
Not due receivables	399.172.041	394.673.339
<b>Total</b>	<b>414.719.707</b>	<b>396.468.512</b>

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

	June 30, 2016		December 31, 2015	
Type of Guarantee	Receivables	Doubtful Receivables	Receivables	Doubtful Receivables
Letters of Guarantee	36.492.665	5.000	35.962.761	5.000
Real Estate Pledges	60.192.666	4.317.397	61.180.530	4.407.397
Government Bonds and Equity	131.312	-	113.178	-
Other	451.859	-	451.859	-
<b>Total</b>	<b>97.268.502</b>	<b>4.322.397</b>	<b>97.708.328</b>	<b>4.412.397</b>

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:

	2016	2015
Opening Balance, 1 January	(60.060.677)	(60.266.898)
Charge for the Period	(5.691.126)	(10.260.547)
Collections	335.360	11.954.825
<b>Closing Balance, June 30</b>	<b>(65.416.443)</b>	<b>(58.572.620)</b>

Aging of receivables from insurance operations is as follows:

	June 30, 2016	December 31, 2015
0-30 days	-	31.869
90+	78.434.922	71.356.962
<b>Total</b>	<b>78.434.922</b>	<b>71.388.831</b>

# AKSIGORTA A.Ş.

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 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 June 30, 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 97.268.502 as at June 30, 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:

June 30, 2016			
	<u>Amount in Foreign Currency</u>	<u>Exchange Rate</u>	<u>Amount (TL)</u>
<b>Banks (Foreign Currency)</b>			
USD	4.470.797	2,8936	12.936.698
EUR	1.113.155	3,2044	3.566.994
GBP	47.751	3,8690	184.749
CHF	52.183	2,9440	153.627
Total			<u>16.842.068</u>
<b>Prepaid Expenses</b>			
USD	1.957.520	2,8936	<u>5.664.280</u>
			<u>5.664.280</u>
<b>Stocks and Bonds</b>			
USD	7.143.336	2,8936	<u>20.669.957</u>
			<u>20.669.957</u>
<b>Receivables from Insurance Operations</b>			
USD	35.781.323	2,8936	103.536.836
EUR	7.518.408	3,2044	24.091.987
GBP	119.945	3,8690	464.067
CHF	5.680	2,9440	16.722
Other			3.787
Total			<u>128.113.399</u>
<b>Outstanding Claims Reserve</b>			
USD	(5.665.737)	2,8988	(16.423.838)
EUR	(2.079.458)	3,2102	(6.675.476)
Other			(216.133)
Total			<u>(23.315.447)</u>
<b>Payables from Insurance Operations</b>			
USD	(40.233.838)	2,8988	(116.629.850)
EUR	(2.819.870)	3,2102	(9.052.347)
Other			(376.572)
Total			<u>(126.058.769)</u>
<b>Net Foreign Currency Position</b>			<u>21.915.488</u>

**AKSIGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 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
CHF	46.479	2,9278	136.081
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>

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 JUNE 30, 2016**

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

**13. Derivative Financial Instruments**

During the period between January 1 – June, 30, 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 1.362.948 (January 1 – March 31, 2015: TL 412.975, January 1 – June 30, 2015: TL 14.963.079, January 1 – December 31, 2015: TL 38.493.917).

**14. Cash and Cash Equivalents**

	June 30, 2016	December 31, 2015
Cash at Banks	200.674.141	374.800.368
Time Deposit	168.377.770	369.162.666
Demand Deposit	32.296.371	5.637.702
Bank Guaranteed Credit Card Receivables with Maturities less than three months	238.689.993	176.503.394
<b>Total</b>	<b>439.364.134</b>	<b>551.303.762</b>
Interest Accrual on Cash and Cash Equivalents (-)	(370.959)	(798.285)
<b>Cash Flow Based Grand Total</b>	<b>438.993.175</b>	<b>550.505.477</b>
<b>Blocked Deposits</b>	<b>138.749.468</b>	<b>148.476.703</b>

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

As of June 30, 2016 and December 31, 2015, interest rate of time deposits are as follows:

	June 30, 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 June 30, 2016 maturity of TL deposits are changed between July 1, 2016 to September 29, 2016, foreign exchange maturity are changed between July 1, 2016 to July 29, 2016.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 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 June 30, 2016 are as follows:

	June 30, 2016			
	Cost	Interest Rate	Maturity	Book Value
Time Deposit	20.000.000	11,65%	14.06.2016 - 18.07.2016	20.102.813
Bond	452.700.000	8,50%	01.07.2016	452.988.722
<b>Toplam</b>	<b>472.700.000</b>			<b>473.091.535</b>

The details of funds received from reverse repo agreements accounted for undershort term other financial borrowings in the balance sheet. As of June 30, 2016 are as follows:

	June 30, 2016			
	Cost	Interest Rate	Maturity	Book Value
Bond	20.000.000	9,60%	14.06.2016 - 19.07.2016	20.089.425
<b>Total</b>	<b>20.000.000</b>			<b>20.089.425</b>

**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 June 30, 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 JUNE 30, 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	
	June 30, 2016	December 31, 2015
Beginning of the Period, January 1	30.600.000.000	30.600.000.000
Issued in the Current Period	-	-
End of the Period, December 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.

## AKSIGORTA A.Ş.

### CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2016

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

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#### 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

	June 30, 2016	December 31, 2015
Valuation difference of financial assets available for sale	(1.473.278)	(7.432.490)
Deferred Tax Effect	294.656	1.486.498
Total	<u>(1.178.622)</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 4.610.199 (Deferred tax effect: TL 922.040) resulting from retirement pay liability calculation has been accounted to “Other Reserves and Retained Earnings” under equity.

As of June 30, 2016, effect of hedge accounting amount of TL (11.488.020) (Deferred tax effect: TL 2.289.604) 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 JUNE 30, 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**

	2016	2015
	<u>Increase / (Decrease)</u>	<u>Increase / (Decrease)</u>
Beginning of the Period, 1 January	(5.945.992)	(838.117)
Increase / decrease in value recognized under the shareholders' equity in the current period	4.767.370	(5.107.875)
End of the Period, December 31	<u>(1.178.622)</u>	<u>(5.945.992)</u>

**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	June 30, 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
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 JUNE 30, 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	-	-	-	17.301
Leavings in the Current Period	(85)	(330.396)	(7)	(63.087)
End of Period, June 30	300	1.580.099	395	1.926.416

Mathematical reserves amounting to TL 1.422.089 (December 31, 2015: TL 1.711.117) and Reserves for the policies, investment risk of which belongs to life insurance polich holders amounting to TL 158.010 (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 June 30, 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	June 30, 2016	December 31, 2015
Motor Crafts Liability	599.838.935.722	862.114.750.643
Fire and Natural Disaster	838.097.819.836	526.559.025.553
General Losses	282.605.408.527	265.309.807.601
Transportation	93.702.328.136	81.895.226.185
Accident	38.852.065.757	36.064.872.852
Financial Losses	70.302.550.178	61.731.083.844
General Liability	50.181.190.673	39.095.209.261
Air Crafts Liability	24.254.433.880	22.250.156.540
Motor Own Damage	36.396.701.388	30.495.506.795
Health	10.911.696.312	9.288.557.000
Legal Protection	9.570.746.831	8.258.673.613
Air Crafts	2.734.777.301	2.604.171.853
Credit	2.157.367.719	2.914.064.890
Water Crafts	725.472.855	649.210.601
Suretyship	669.885.449	648.109.469
Life	-	825.527
Total	2.061.001.380.564	1.949.879.252.227

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2016**

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

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**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 (June 30, 2015: None).

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

None (June 30, 2015: None).

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

None (June 30, 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 (June 30, 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 (June 30, 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 (June 30, 2015: None).

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

None (June 30, 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 JUNE 30, 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- June 30, 2016 Profit Share (%)	January 1- June 30, 2015 Profit Share Distribution (%)
TL (Life Insurance)	9,00	9,49

**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

	June 30, 2016	December 31, 2015
Receivables from Reinsurance Companies	28.201.633	38.891.156
Cash Deposited For Insurance & Reinsurance Companies	30.954	30.954
Reinsurance Share of Unearned Premiums Reserve	428.251.456	320.273.585
Reinsurance Share of Outstanding Claims Reserve	257.591.476	210.698.731
Reinsurance Share of Unexpired Risks Reserve	5.960.058	7.094.384
Reinsurance Share of Equalization Reserve	34.743.927	21.953.456
<b>Total</b>	<b>754.779.504</b>	<b>598.942.267</b>

Reinsurance Liabilities

	June 30, 2016	December 31, 2015
Payables to Insurance and Reinsurance Companies	248.226.310	149.033.440
Deferred Commissions Income	56.451.963	35.555.383
<b>Total</b>	<b>304.678.273</b>	<b>184.588.823</b>

Income / Expense on Reinsurance Agreements

	January 1- June 30, 2016	April 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2015
Premiums Ceded to Reinsurers (-)	(418.075.446)	(156.448.367)	(292.026.051)	(161.013.555)
Commissions Received	48.056.452	27.431.746	21.996.288	16.931.079
Reinsurance Share of Unearned Premiums Reserve	106.052.825	(9.717.805)	104.645.237	57.460.237
Reinsurance Share of Unexpired Risks Reserve	(1.134.326)	2.029.717	989.064	(5.043.924)
Reinsurance Share of Outstanding Claims Reserve	46.892.744	17.206.960	44.073.135	33.348.388
Reinsurance Share of Claims Paid	84.448.322	59.022.207	56.437.825	31.171.616
<b>Total</b>	<b>(133.759.429)</b>	<b>(60.475.542)</b>	<b>(63.884.502)</b>	<b>(27.146.159)</b>



# AKSIGORTA A.Ş.

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 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 contracts recognized when the insurer is a ceding company: (Continued)

Branch	June 30, 2016			December 31, 2015		
	Premiums Ceded	Reinsurance Share of Technical	Reinsurance Share of Claims Paid	Premiums Ceded	Reinsurance Share of Technical Reserves	Reinsurance Share of Claims Paid
Fire and Natural Disaster	(166.027.796)	38.722.717	18.656.443	(156.128.896)	48.265.886	22.759.984
General Losses	(75.910.201)	13.639.679	18.834.983	(68.815.402)	65.192.082	23.432.297
General Liability	(21.789.365)	16.972.422	4.116.161	(21.954.875)	(13.761.441)	4.257.797
Financial Losses	(19.457.067)	6.702.152	38.561	(16.860.170)	4.984.523	89.350
Transportation	(5.852.074)	7.034.862	2.424.895	(7.883.072)	(565.337)	1.683.379
Motor Crafts Liability	(8.931.464)	8.952.180	3.325	(4.753.602)	(2.661.704)	12.565
Motor Own Damage	(424.403)	4.351	(377)	(513.995)	41.403	(526)
Accident	(3.191.750)	2.749.039	598.423	(1.819.804)	3.323.288	226.917
Support	(1.419.450)	75.992	-	(1.664.069)	278.855	-
Credit	(2.231.482)	(2.129.545)	2.782.063	(3.274.191)	300.109	2.953.042
Air Crafts	(3.051.886)	283.467	842.733	(1.854.675)	622.480	-
Air Crafts Liability	(1.100.261)	(5.776.886)	1.319.044	(4.223.701)	(770.617)	757.606
Water Crafts	(1.226.168)	460.829	103.685	(859.852)	593.233	193.377
Health	(107.303.415)	66.697.618	33.847.372	(1.084.475)	75.287	-
Suretyship	(158.664)	(2.577.845)	881.011	(333.459)	24.420.883	72.037
Life	-	-	-	(1.813)	168	-
Legal Protection	-	-	-	-	-	-
<b>Total</b>	<b>(418.075.446)</b>	<b>151.811.032</b>	<b>84.448.322</b>	<b>(292.026.051)</b>	<b>130.339.102</b>	<b>56.437.825</b>

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 JUNE 30, 2016**

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

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**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	120.089.450	155.837.238
End of the Period, June 30	304.678.273	754.779.504

	2015	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, 1 January	137.613.081	473.058.132
Net Change for the Year	72.996.393	125.884.135
End of the Period, December 31	210.609.474	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 JUNE 30, 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

	June 30, 2016	December 31, 2015
Payables to agencies	26.965.095	26.020.651
Payables to insurance and reinsurance companies	248.226.310	149.033.440
<b>Payables from Insurance Operations</b>	<b>275.191.405</b>	<b>175.054.091</b>
Payables to contracted enterprises	10.360.666	11.767.312
Payables to Turkish Catastrophe Insurance Pool	15.331.062	14.540.068
Payables to suppliers	1.175.336	3.938.121
Turkish Catastrophe Insurance Pool Payables to agencies	649.896	566.223
Other	647.742	471.512
<b>Other Payables</b>	<b>28.164.702</b>	<b>31.283.236</b>
<b>Payables to SSI regarding medical expenses</b>	<b>6.304.507</b>	<b>6.356.378</b>
Deferred commission income	56.601.503	35.555.383
Expense accruals	20.497.841	20.687.893
<b>Deferred Other Income and Expense Accruals</b>	<b>77.099.344</b>	<b>56.243.276</b>
<b>Total Short Term Liabilities</b>	<b>386.759.958</b>	<b>268.936.981</b>
<b>Total Trade and Other Payables, Deferred Income</b>	<b>386.759.958</b>	<b>268.936.981</b>

##### 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 JUNE 30, 2016

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

### 20. Payables

Insurance Technical Reserves	June 30, 2016	December 31, 2015
Unearned Premiums Reserve- Net (*)	552.405.187	510.667.337
Unexpired Risks Reserve- Net	48.248.183	16.354.138
Outstanding Claims Reserve-Net (**)	538.820.171	526.216.475
Bonuses and rebates reserve-Net	1.200.000	1.200.000
Mathematical Reserves-Net	1.580.099	1.910.495
Equalization Reserve-Net	54.157.222	48.611.713
<b>Total</b>	<b>1.196.410.862</b>	<b>1.104.960.158</b>

(\*) 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 June 30, 2016 which is TL 7.982.140 (December 31, 2015: TL 2.740.332).

### The movement of technical reserves are as follows:

#### Unearned Premium Reserve:

	June 30, 2016			June 30, 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	149.715.721	(107.977.871)	41.737.850	59.715.428	(80.671.167)	(20.955.739)
<b>End of the Period, June 30</b>	<b>980.656.643</b>	<b>(428.251.456)</b>	<b>552.405.187</b>	<b>890.195.699</b>	<b>(344.997.081)</b>	<b>545.198.618</b>

#### Unexpired Risk Reserve:

	June 30, 2016			June 30, 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)	10.218.793
Net Change	30.759.719	1.134.326	31.894.045	13.151.848	(989.064)	12.162.785
<b>End of the Period, June 30</b>	<b>54.208.241</b>	<b>(5.960.058)</b>	<b>48.248.183</b>	<b>32.326.479</b>	<b>(9.944.902)</b>	<b>22.381.578</b>

## AKSIGORTA A.Ş.

### CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2016

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

#### 20. Payables (Continued)

##### Equalization Reserve:

	June 30, 2016			June 30, 2015		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	70.565.169	(21.953.456)	48.611.713	38.577.088	-	30.723.954
Net Change	18.335.980	(12.790.471)	5.545.509	22.428.407	(15.732.317)	14.549.224
<b>End of the Period, June 30</b>	<b>88.901.149</b>	<b>(34.743.927)</b>	<b>54.157.222</b>	<b>61.005.495</b>	<b>(15.732.317)</b>	<b>45.273.178</b>

##### Provision for bonus and discount

	June 30, 2016			June 30, 2015		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	1.200.000	-	1.200.000	-	-	-
Net Change	-	-	-	31.637	(31.637)	-
<b>End of the Period, June 30</b>	<b>1.200.000</b>	<b>-</b>	<b>1.200.000</b>	<b>31.637</b>	<b>(31.637)</b>	<b>-</b>

##### 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 JUNE 30, 2016**

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

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**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 JUNE 30, 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 June 30, 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 June 30, 2016, 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 4.610.199 (Deferred tax effect: TL 922.040) resulting from retirement pay liability calculation has been accounted to extraordinary reserves under equity.

As the maximum liability is updated semi annually, as of June 30, 2016, the maximum amount of TL 4.297,21 effective from July 1, 2016 has been taken into consideration in calculation of provision from employment termination benefits (December 31, 2015 : TL 4.092,53).

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

	2016	2015
Beginning of the Period, January 1	6.474.170	2.813.302
Charge for the Period	758.960	1.743.217
Actuarial Gain/Loss	(70.356)	3.480.442
Retirement Payments (-)	(1.040.486)	(1.562.791)
End of the Period, June 30	6.122.288	6.474.170

### 23. Other Liabilities and Expense Accruals

#### 23.1 Provisions related to employee benefits and others

	2016		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	344.407	76.538	396.476	62.228
End of the Period, June 30	1.415.258	1.515.587	1.913.404	1.409.234

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 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 June 30, 2016 and December 31, 2015 are presented below:

	June 30, 2016		December 31, 2015	
	Amount in Original Currency	Amount (TL)	Amount in Original Currency	Amount (TL)
<b>Collaterals, Pledges and Mortgages Given by the Company (CPM)</b>				
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		773.679		859.300
	TL	773.679	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
<b>Total</b>		1.338.929		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	June 30, 2016	December 31, 2015
Outstanding Claims under Litigation	255.769.307	243.934.118
<b>Total</b>	<b>255.769.307</b>	<b>243.934.118</b>

	June 30, 2016	December 31, 2015
Subrogation Receivable Litigations, Gross	60.280.336	54.140.919
Trade Receivable Litigations and Executions	11.889.280	12.238.146
<b>Total</b>	<b>72.169.616</b>	<b>66.379.065</b>

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 JUNE 30, 2016

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

#### 23. Other Liabilities and Expense Accruals

##### 23.4 Provision for Expense Accruals

	June 30, 2016	December 31, 2015
Commission provision	6.420.550	6.279.050
Expense provision	3.419.268	4.238.540
Unused vacation provision	1.415.258	1.070.851
Performance premium provision	5.135.441	4.378.053
Guarantee fund provision	918.887	683.871
Other	3.188.437	4.037.528
<b>Total</b>	<b>20.497.841</b>	<b>20.687.893</b>

#### 24. Net Insurance Premium Revenue

	January 1- June 30, 2016	April 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2015
Non-life Branches				
Motor Own Damage	268.552.361	156.646.684	212.180.404	115.721.957
Motor Crafts Liability	103.295.210	69.924.848	60.140.647	30.199.331
Health	28.443.874	15.898.428	120.158.698	44.044.634
Fire and Natural Disaster	72.782.934	35.307.783	72.101.917	37.041.358
General Losses	34.167.619	16.272.352	85.238.485	20.903.192
Financial Losses	14.300.605	7.485.348	14.229.286	7.224.610
Accident	8.269.451	4.468.239	8.091.767	4.174.480
General Liability	8.504.242	3.369.162	9.235.463	3.702.552
Transportation	10.359.860	3.351.613	8.245.356	3.264.704
Legal Protection	2.103.254	1.187.430	1.781.162	956.398
Water Crafts	825.417	438.552	741.046	478.377
Suretyship	446.930	208.143	255.877	117.361
Support	86.603	67.221	92.538	47.781
Credit	117.446	83.931	172.326	84.743
Air Crafts	181	57	162	59
Air Crafts Liability	90	4	109	22
<b>Total Non-life Branches</b>	<b>552.256.077</b>	<b>314.709.795</b>	<b>592.665.243</b>	<b>267.961.559</b>
Life	4.480	2.000	6.395	2.103
<b>Total</b>	<b>552.260.557</b>	<b>314.711.795</b>	<b>592.671.638</b>	<b>267.963.662</b>

#### 25. Fee Income

None (January 1 – June 30, 2015:None).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2016**

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

**26. Investment Income/(Expense)**

	January 1- June 30, 2016	April 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2015
Total Investment Income	51.776.364	25.530.033	34.445.155	13.711.632
Total	51.776.364	25.530.033	34.445.155	13.711.632

**27. Net Accrual Income on Financial Assets**

	January 1- June 30, 2016	January 1- June 30, 2015
Financial Assets Available for Sale		
Valuation differences recognized under shareholders' equity	(1.178.622)	(3.179.768)
Total	(1.178.622)	(3.179.768)

**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 6.514.898.as of June 30, 2016 (January 1 - June 30, 2015: TL 7.612.716).

**29. Insurance Rights and Demands**

	January 1- June 30, 2016	April 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2015
Outstanding Claims Reserve Expenses				
Legal Protection	(25.139)	30.710	175.919	35.511
Water Crafts	26.411	12.789	7.532	5.614.162
Air Crafts Liability	277	70	(76)	38
Air Crafts	(4)	(4)	-	-
Suretyship	(287.847)	(133.503)	(594.431)	(395.818)
Credit	118.041	(12.642)	44.231	611.079
Accident	175.780	(8.686)	217.462	240.461
Transportation	(1.349.079)	(344.676)	(124.728)	(283.849)
Financial Losses	457.203	615.921	1.391.536	212.665
Health	22.165.955	19.113.594	(714.134)	191.963
Motor Own Damage	(13.879.067)	(8.232.585)	(45.713)	4.087.351
General Liability	(6.368.605)	(3.236.405)	4.180.955	9.587.871
Fire and Natural Disaster	(10.066.900)	(12.227.596)	(8.925.290)	(10.511.509)
General Losses	(1.175.861)	113.288	(21.907.534)	(26.837.068)
Motor Crafts Liability	(2.848.138)	(2.616.733)	(174.212.726)	761.119
Total Non-life	(13.056.973)	(6.926.458)	(200.506.997)	(16.686.024)
Life	453.277	479.142	209.643	174.895
Total (*)	(12.603.696)	(6.447.316)	(200.297.354)	(16.511.129)

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

## AKSIGORTA A.Ş.

### CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2016

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

#### 30. Investment Agreement Rights

None (December 31, 2015:None).

#### 31. Mandatory Other Expenses

Types of expenses are disclosed in Note 32.

#### 32. Expense Types

	January 1- June 30, 2016	April 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2015
Production Commissions (-)	(140.612.976)	(72.434.774)	(145.701.272)	(68.990.417)
Reinsurance Commissions (+)	48.056.452	27.431.746	21.996.288	16.931.079
Employee Wages and Expenses (-) (*)	(34.309.142)	(16.466.251)	(36.026.552)	(18.295.942)
Information Technology Expenses (-)	(7.558.021)	(4.483.367)	(6.737.686)	(3.839.808)
Meeting and Training Expenses (-)	(1.747.395)	(688.865)	(1.658.683)	(807.013)
Transportation Expenses (-)	(2.038.498)	(1.081.123)	(1.820.094)	(909.529)
Rent Expenses (-)	(4.020.953)	(2.071.737)	(3.467.906)	(1.691.021)
Social Relief Expenses (-)	(1.872.420)	(715.328)	(1.892.357)	(842.442)
Repair and Maintenance Expenses (-)	(1.499.985)	(760.571)	(1.395.747)	(757.479)
Outsourcing Service Expenses (-)	(690.310)	(532.069)	(477.507)	(289.709)
Advertisement Expenses (-)	(1.845.713)	(810.626)	(1.504.563)	(585.670)
Communication Expenses (-)	(800.348)	(400.908)	(729.396)	(353.466)
Other (-)	(1.993.537)	(1.051.390)	(2.873.094)	(1.260.257)
Total	(150.932.846)	(74.065.263)	(182.288.569)	(81.691.674)

(\*) 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- June 30, 2016	April 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2015
Salary and Bonus Payments	(32.075.728)	(15.789.998)	(33.627.291)	(16.869.739)
Insurance Payments	(461.099)	(230.954)	(425.055)	(212.513)
Other Payments	(1.772.315)	(445.299)	(1.974.206)	(1.213.690)
Total (Note 32)	(34.309.142)	(16.466.251)	(36.026.552)	(18.295.942)

#### 34. Financing Costs

##### 34.1 Financial Expenses:

None (June 30, 2015: None).

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

None (June 30, 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 JUNE 30, 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 June 30, 2016 including the deferred tax effect of hedge accounting amount of TL (9.158.416) 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
17.361.268	USD	2,2342	2,8936	(11.448.020)

**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**

Tax (Expense) / Income is Formed by the Items Below:	January 1- June 30, 2016	April 1- June 30, 2016	January 1- December 31, 2015	January 1- December 31, 2014
Current Tax Income / (Expense)	-	-	-	-
Deferred Tax Income / (Expense) due to Temporary Differences	2.901.602	(27.426.957)	29.855.535	(3.364.055)
Total Tax Income / (Expense)	2.901.602	(27.426.957)	29.855.535	(3.364.055)

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 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>	2016	2015
Recognized in the Shareholders' Equity:		
Valuation of Financial Assets Available for Sale	294.656	1.486.498
Hedge Effect	(2.289.604)	(2.448.613)
Actuarial Gain/Loss Effect	922.040	936.111
<b>Total</b>	<b>(1.072.908)</b>	<b>(26.004)</b>

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

<u>Deferred Tax Assets / (Liabilities)</u>	June 30, 2016	December 31, 2015
Impairment Provision	4.431.080	4.431.080
Technical reserves	10.637.462	4.194.720
Marketable securities valuation difference	294.656	1.486.498
Performance bonus provision	1.027.088	875.611
Expense Provision	924.370	819.076
Doubtful receivable provisions	381.200	381.200
Retirement pay provision	1.224.458	1.294.834
Unused vacation provision	283.052	214.170
Useful life differences of tangible and intangible assets	(957.302)	(562.219)
Hedge Effect	(2.289.604)	(2.448.613)
Fiscal Expense	25.110.123	28.525.528
<b>Deferred Tax Assets / (Liabilities), Net</b>	<b>41.066.583</b>	<b>39.211.885</b>

<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	2.901.602	29.855.535
Deferred Tax Income Recognized in the Shareholders' Equity	(1.046.904)	(99.146)
<b>Closing Balance, June 30</b>	<b>41.066.583</b>	<b>38.780.756</b>

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 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	(15.782.354)	(166.274.119)
Tax Calculated: 20%	3.156.471	33.254.824
Effect of Additions	(22.281.017)	(15.393.542)
Effect of Allowances	15.709.141	10.664.246
Fiscal Expense	(3.415.405)	28.525.528
Carried Forward Losses Deducted	3.415.405	-
Corporate Tax Liability Provision on Period Profit	-	-

As of June 30, 2016, the Company has booked the deferred tax assets in amounting to TL 41.066.583 and TL 25.110.123 is calculated over the statutory financial tax losses in amounting to TL 125.550.615 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	125.550.615	142.627.640

**36. Net Foreign Exchange Gain/Loss**

	January 1- June 30, 2016	April 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2015
Recognized in Profit / Loss:				
Foreign Exchange Income	26.231.283	20.471.270	37.371.564	31.611.551
Foreign Exchange Expense	(27.584.827)	(17.944.711)	(28.835.812)	(19.195.696)
	(1.353.544)	2.526.559	8.535.752	12.415.855

**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, June 30	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)	(12.880.752)	(129.543.713)
Earnings / (Loss) per Share (TL)	(0,042)	(0,423)

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 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 no net profit consisted in financial statements which represents 2015 operating results.

**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)

	June 30, 2016	December 31, 2015
Shareholders	220.839	(107.314)
Related Parties	13.662.176	16.478.636
<b>Total</b>	<b>13.883.016</b>	<b>16.371.322</b>

(\*) Amount TL 95.667 (December 31, 2015: TL 80.678) of related party receivable 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- June 30, 2016	April 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2015
Shareholders	1.304.772	658.607	1.235.334	635.372
Related Parties	67.319.267	35.184.670	63.145.547	31.845.248
<b>Total</b>	<b>68.624.039</b>	<b>35.843.278</b>	<b>64.380.881</b>	<b>32.480.620</b>

# AKSİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2016

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

### 45. Related Parties (Continued)

#### Claims Paid

	January 1- June 30, 2016	April 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2015
Shareholders	969	(31)	457.654	(1.283.960)
Related Parties	6.637.493	3.814.152	18.863.195	(14.544.620)
Total	6.638.462	3.814.121	19.320.849	(15.828.580)

#### Bank Deposit

	June 30, 2016	December 31, 2015
Related Parties	41.857.496	67.670.586
Total	41.857.496	67.670.586

#### Private Sector Bonds

	June 30, 2016	December 31, 2015
Related Parties	-	28.794.288
Total	-	28.794.288

#### Investment Funds

	June 30, 2016	December 31, 2015
Related Parties	118.407.000	89.334.398
Total	118.407.000	89.334.398

#### Interest Income Received from Related Parties

	January 1- June 30, 2016	April 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2015
Related Parties	28.870.601	16.719.333	21.157.441	12.327.078
Total	28.870.601	16.719.333	21.157.441	12.327.078

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 JUNE 30, 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	June 30, 2016	December 31, 2015
Receivables from Tarım Sigortaları A.Ş.	12.834.795	2.446.238
Other Receivables	2.139.914	3.033.414
Receivables from Agencies due to DASK Premiums	1.598.153	1.459.834
<b>Total</b>	<b>16.572.862</b>	<b>6.939.486</b>

Other Short Term Payables	June 30, 2016	December 31, 2015
Payables to Turkish Catastrophe Insurance Pool	15.331.062	14.540.068
Payables to contracted enterprises	10.372.736	11.767.312
Payables to suppliers	1.175.336	3.938.121
Turkish Catastrophe Insurance Pool Payables to agencies	649.896	566.223
Other	647.742	471.512
<b>Total</b>	<b>28.176.772</b>	<b>31.283.236</b>

Other Prepaid Expenses	June 30, 2016	December 31, 2015
Prepaid Expenses (*)	15.104.345	2.539.182
<b>Total</b>	<b>15.104.345</b>	<b>2.539.182</b>

Other Prepaid Expenses (Long Term)	June 30, 2016	December 31, 2015
Prepaid Expenses	226.296	249.184
<b>Total</b>	<b>226.296</b>	<b>249.184</b>

(\*) The amount of TL 5.167.674 (December 31, 2015: TL 1.778.320) prepaid expenses has arisen from operational leases of the Company. Also, as of June 30, 2016, excess of loss is amounting to TL 9.210.715.

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 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- June 30, 2016	April 1- June 30, 2016	January 1- June 30, 2015	April 1- June 30, 2015
Provisions Account (+/-)	(10.627.075)	(5.961.636)	(8.842.888)	(3.350.494)
Provisions for doubtful receivable	(6.599.270)	(3.229.899)	(5.730.691)	(1.983.955)
Retirement pay provision	(758.960)	(490.784)	(803.733)	(475.040)
Portfolio Management	(823.203)	(356.780)	(957.213)	(611.129)
Unused vacation provision	(536.039)	(255.756)	(318.232)	(3.427)
Guarantee Fund Provision	(918.887)	(637.701)	(476.465)	(230.542)
Provisions for other expenses	(990.716)	(990.716)	(556.554)	(46.401)
Compulsory earthquake insurance account (+/-)	450.922	91.342	513.024	107.087
Deferred tax asset account (+/-)	2.901.602	1.778.774	29.855.535	(3.364.055)
Other income and profits	514.500	160.906	127.033	3.734
Other	514.500	160.906	127.033	3.734
Other expenses and losses (-)	(2.649.919)	(962.456)	(2.087.893)	(1.040.558)
Non-tax-deductible expenses	(399.250)	(266.009)	(194.607)	(165.601)
Bank Expenses	(1.232.933)	(668.127)	(1.431.663)	(619.328)
Certificate of Insolvency	(426.634)	-	-	-
Affiliate administrative expense	(162.831)	-	-	-
Other	(428.271)	(28.320)	(461.623)	(255.629)
Total	(9.409.970)	(4.893.070)	19.564.811	(7.644.286)

**AKSİGORTA A.Ş.**

**CONVENIENCE TRANSLATION OF THE STATEMENT OF PROFIT DISTRIBUTION  
AS OF JUNE 30, 2016**

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

<b>AKSİGORTA ANONİM ŞİRKETİ</b>			
<b>Profit Distribution Statement</b>			
	Note	Reviewed Current Period (01/01/2016 - 30/06/2016)	Reviewed Previous Period (01/01/2015 - 30/06/2015)
<b>I. Distribution of profit for the period</b>		-	-
1.1. Profit for the period		-	-
1.2. Taxes payable and legal liabilities		-	-
1.2.1. Corporation tax (Income tax)		-	-
1.2.2. Income tax deduction		-	-
1.2.3. Other taxes and legal liabilities		-	-
<b>A. Net profit for the period (1.1 - 1.2)</b>		-	-
1.3. Previous years' losses (-)		-	-
1.4. First legal reserve		-	-
1.5. Legal reserves kept in the company (-)		-	-
<b>B. Net distributable Profit for the period [ (a - (1.3 + 1.4 + 1.5) ]</b>		-	-
1.6. First dividend to shareholders (-)		-	-
1.6.1. To common shareholders		-	-
1.6.2. To preferred shareholders		-	-
1.6.3. To owners of participating redeemed shares		-	-
1.6.4. To owners of profit-sharing securities		-	-
1.6.5. To owners of profit and loss sharing securities		-	-
1.7. Dividends to personnel (-)		-	-
1.8. Dividends to founders (-)		-	-
1.9. Dividends to 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		-	-
<b>II. Distribution from reserves</b>		-	-
2.1. distributed reserves		-	-
2.2. second legal reserve (-)		-	-
2.3. dividends to shareholders (-)		-	-
2.3.1. To common shareholders		-	-
2.3.2. To preferred shareholders		-	-
2.3.3. To owners of participating redeemed shares		-	-
2.3.4. To owners of profit-sharing securities		-	-
2.3.5. To owners of profit and loss sharing securities		-	-
2.4. Dividends to employees (-)		-	-
2.5. Dividends to board of directors (-)		-	-
<b>III. Profit per share</b>		-	-
3.1. To common shareholders		-	-
3.2. To common shareholders (%)		-	-
3.3. To preferred shareholders		-	-
3.4. To preferred shareholders (%)		-	-
<b>IV. Dividends per share</b>		-	-
4.1. To common shareholders		-	-
4.2. To common shareholders (%)		-	-
4.3. To preferred shareholders		-	-
4.4. To preferred shareholders (%)		-	-

As of June 30, 2016 the profit distribution table has not been prepared since there has been loss.