

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

Aksigorta Anonim Őirketi

Financial Statements as of June 30, 2015 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, 2015

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, 2015. 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 is not prepared in all material respects of the financial position of Aksigorta Anonim Şirketi as of June 30, 2015 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, 2015, 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 Hacıoğlu, SMMM
Engagement Partner

July 31, 2015
Istanbul, Turkey

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEET AT JUNE 30, 2015

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET			
ASSETS			
I- CURRENT ASSETS	Note	Reviewed	Audited
		Current Period (30/06/2015)	Previous Period (31/12/2014)
A- Cash and Cash Equivalents		785.439.249	819.757.469
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	609.800.201	623.405.482
4- Cheques Given and Payment Orders (-)		-	-
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	14	175.639.048	196.351.987
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Investments with Risks on Policy Holders	11.1	345.113.879	278.999.622
1- Financial Assets Available for Sale	11.1	337.637.412	271.703.627
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	7.476.467	7.295.995
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)		-	-
C- Receivables From Main Operations	12.1	437.165.603	324.806.900
1- Receivables From Insurance Operations	12.1	435.638.826	323.102.389
2- Provision for Receivables From Insurance Operations (-)	12.1	(9.562.192)	2.135.354
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	69.630.635	64.075.809
10- Provisions for Doubtful Receivables From Main Operations (-)	12.1	(58.572.620)	(60.266.898)
D- Due from Related Parties		80.954	71.723
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	80.954	71.723
7- Rediscount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
E- Other Receivables		29.859.881	7.880.125
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		271.734	167.026
4- Other Receivables	47	29.588.147	7.713.099
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
F- Prepaid Expenses and Income Accruals	4.2.2	138.755.510	133.164.145
1- Deferred Commission Expenses		122.299.983	128.065.399
2- Accrued Interest and Rent Income		-	-
3- Income Accruals	13	10.747.616	-
4- Other Prepaid Expenses	47	5.707.911	5.098.746
G- Other Current Assets	4.2.2	3.868.847	6.510.652
1- Inventories		22	22
2- Prepaid Taxes and Funds	4.2.2	3.597.401	6.284.761
3- Deferred Tax Assets		-	-
4- Business Advances		220.611	121.896
5- Advances Given to Personnel		50.813	103.973
6- Stock Count Differences		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		1.740.283.923	1.571.190.636

The accompanying notes form an integral part of these financial statements

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEET AT JUNE 30, 2015

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

AKSIGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET			
ASSETS			
B- NON CURRENT ASSETS	Note	Reviewed Current Period (30/06/2015)	Audited Previous Period (31/12/2014)
A- Receivables From Main Operations		-	-
1- Receivables From Insurance Operations		-	-
2- Provision for Receivables From Insurance Operations (-)		-	-
3- Receivables From Reinsurance Operations		-	-
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited for Insurance & Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables From Pension Operations		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-
B- Due from Related Parties		-	-
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties (+)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
C- Other Receivables		-	-
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Discount on Other Receivables (+)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
D- Financial Assets		7.961.251	7.961.251
1- Investments in Associates		-	-
2- Affiliates	9, 11, 4	30.116.653	30.116.653
3- Capital Commitments to Affiliates (+)		-	-
4- Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (+)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (+)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)	4, 2, 2, 11, 4	(22.155.402)	(22.155.402)
E- Tangible Fixed Assets		28.306.863	25.369.620
1- Investment Properties	7	541.121	541.121
2- Diminution in Value for Investment Properties (-)		-	-
3- Owner Occupied Properties	6	2.465.348	2.465.348
4- Machinery and Equipments		-	-
5- Furnitures and Fixtures	6	18.039.669	14.476.330
6- Vehicles	6	-	-
7- Other Tangible Assets (Including Leasehold Improvements)	6	18.851.802	18.312.709
8- Leased Tangible Fixed Assets	6	351.395	351.395
9- Accumulated Depreciation (-)	6, 7	(12.088.997)	(10.805.787)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		146.525	28.504
F- Intangible Fixed Assets		29.905.525	25.850.207
1- Rights	8	36.422.738	28.879.266
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortizations (-)	8	(18.420.925)	(15.246.083)
8- Advances Regarding Intangible Assets	8	11.903.712	12.217.024
G- Prepaid Expenses and Income Accruals		278.713	1.784.100
1- Deferred Commission Expenses		-	-
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses	47	278.713	1.784.100
H- Other Non-current Assets		38.780.757	9.024.367
1- Ineffective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	35	38.780.757	9.024.367
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
H- Total Non-current Assets		105.233.109	69.989.545
TOTAL ASSETS (I+H)		1.845.517.032	1.641.180.181

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEET AT JUNE 30, 2015

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

AKSİGORTA ANONİM ŞİRKETİ			
DETAILED BALANCE SHEET			
LIABILITIES			
III- SHORT TERM LIABILITIES	Note	Reviewed	Audited
		Current Period (30/06/2015)	Previous Period (31/12/2014)
A- Borrowings		42.557.836	-
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (+)		-	-
4- Current Portion of Long Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Financial Assets Issued		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)	13.14	42.557.836	-
B- Payables From Main Operations	19.1	213.557.416	108.035.614
1- Payables Due to Insurance Operations	19.1	213.557.416	108.035.614
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		295.181	344.736
1- Due to Shareholders	45	1.143	1.145
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		294.038	343.591
6- Due to Other Related Parties		-	-
D- Other Payables	19.1	38.342.439	39.282.651
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses	19.1	7.742.409	10.522.958
3- Other Payables	19.1	30.600.030	28.759.693
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves		1.073.653.959	880.164.352
1- Unearned Premiums Reserve - Net	20	545.198.618	566.154.357
2- Unexpired Risk Reserves - Net	20	22.381.578	10.218.793
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	4.1, 20	506.073.763	303.791.202
5- Provision for Bonus and Discounts - Net	20	-	-
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Relevant Provisions		12.049.901	14.507.838
1- Taxes and Dues Payable		10.640.667	11.494.317
2- Social Security Premiums Payable	23.1	1.409.234	1.327.563
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		-	4.977
5- Corporate Tax Liability Provision on Period Profit	35	-	7.541.703
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	35	-	(5.860.722)
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks		18.740.689	17.924.032
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	19.1, 23.4	18.740.689	17.924.032
H- Deferred Income and Expense Accruals	19.1	37.772.410	29.577.467
1- Deferred Commission Income	19.1	37.772.410	29.577.467
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
I- Other Short Term Liabilities		-	-
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		-	-
III - Total Short Term Liabilities		1.436.969.831	1.089.836.690

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEET AT JUNE 30, 2015

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

AKSİGORTA ANONİM ŞİRKETİ			
DETAILED BALANCE SHEET			
LIABILITIES			
IV- LONG TERM LIABILITIES	Note	Reviewed	Audited
		Current Period (30/06/2015)	Previous Period (31/12/2014)
A- Borrowings		-	-
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Bonds Issued		-	-
5- Other Issued Financial Assets		-	-
6- Value Differences on Issued Financial Assets (-)		-	-
7- Other Financial Borrowings (Liabilities)		-	-
B- Payables From Main Operations		-	-
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Discount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables	19.1	-	-
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses	19.1	-	-
3- Other Payables		-	-
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves		47.199.593	40.549.290
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net	17.2, 20	1.926.416	1.972.202
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net	20	45.273.177	38.577.088
F- Other Liabilities and Provisions		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks		6.473.632	2.813.302
1- Provision for Employment Termination Benefits	22	6.473.632	2.813.302
2- Provisions for Employee Pension Fund Deficits		-	-
H- Deferred Income and Expense Accruals		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
I- Other Long Term Liabilities		-	-
1- Deferred Tax Liability		-	-
2- Other Long Term Liabilities		-	-
IV- Total Long Term Liabilities		53.673.225	43.362.592

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEET AT JUNE 30, 2015

(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 (30/06/2015)	Previous Period (31/12/2014)
A- Paid in Capital		306.000.000	306.000.000
1- (Nominal) Capital	15	306 000 000	306 000 000
2- Unpaid Capital (-)		-	-
3- Positive Inflation Adjustment on Capital		-	-
4- Negative Inflation Adjustment on Capital (-)		-	-
5- Unregistered Capital		-	-
B- Capital Reserves		95.377.201	91.155.206
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital		95 377 201	91 155 206
4- Translation Reserves		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		83.027.337	80.205.060
1- Legal Reserves		83 064 172	80 665 151
2- Statutory Reserves		62	62
3- Extraordinary Reserves		26 666	-
4- Special Funds (Reserves)	22, 34.5	3 116 205	377 964
5- Revaluation of Financial Assets	11.6, 16.1	(3 179 768)	(838 117)
6- Other Profit Reserves		-	-
D- Previous Years' Profits		13.151	13.151
1- Previous Years' Profits		13 151	13 151
E- Previous Years' Losses (-)		-	-
1- Previous Years' Losses		-	-
F- Net Profit of the Period		(129.543.713)	30.607.482
1- Net Profit of the Period		(129 543 713)	26 385 487
2- Net Loss of the Period (-)		-	-
3- Net Income not subject to distribution		-	4 221 995
Total Shareholders' Equity		354.873.976	507.980.899
Total Liabilities and Shareholders' Equity (III+IV+V)		1.845.517.032	1.641.180.181

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, 2015**
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

AKSIGORTA ANONİM ŞİRKETİ DETAILED INCOME STATEMENT					
I-TECHNICAL PART	Note	Restated		Restated	
		Current Period 01.01.2015-30.06.2015	Current Period 01.01.2015-30.06.2015	Previous Period 01.01.2014-30.06.2014	Previous Period 01.01.2014-30.06.2014
A- Non-Life Technical Income		655.046.939	324.970.389	615.743.762	315.590.272
1- Earned Premiums (Net of Reinsurer Share)		606.063.933	299.608.106	577.476.088	299.281.972
1.1 - Written Premiums (Net of Reinsurer Share)	24	592.663.243	267.961.359	631.611.206	343.630.933
1.1.1 - Gross Written Premiums (+)		884.689.481	428.974.547	931.225.934	474.868.742
1.1.2 - Ceded Premiums to Reinsurers (-)	17.16	(287.296.386)	(158.719.437)	(288.295.518)	(125.499.029)
1.1.3 - Ceded Premiums to S3 (+)	17.16	(4.727.852)	(2.293.551)	(9.319.110)	(5.738.780)
1.2 - Change in Unearned Premiums Reserve (Net of Reinsurer Shares and Reserves Carried Forward) (-)		25.561.474	27.291.242	(73.434.130)	(48.261.030)
1.2.1 - Unearned Premiums Reserve (-)		(59.713.263)	(10.800.493)	(152.052.609)	(61.982.847)
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	17.16	89.634.975	40.079.361	81.329.157	18.830.521
1.2.3 - S3 of Unearned Premiums Reserve (+)	17.16	(4.358.240)	(1.987.626)	(4.719.618)	(1.110.704)
1.3 - Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (-)		(12.162.784)	4.335.305	(701.648)	3.914.069
1.3.1 - Unexpired Risks Reserve (-)		(13.151.848)	9.399.229	(1.722.481)	2.371.891
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)	17.16	989.064	(5.043.924)	3.021.433	(21.457.822)
2- Investment Income Transferred from Non-Technical Part		46.011.570	26.979.722	37.602.013	17.511.557
3- Other Technical Income (Net of Reinsurer Share)		-	-	-	-
3.1 - Gross Other Technical Income (+)		-	-	-	-
3.2 - Reinsurance Share of Other Technical Income (-)		-	-	-	-
4- Accrued Subrogation and Salvage Income (+)		2.971.436	(1.617.439)	663.371	(1.195.257)
B- Non-Life Technical Expense (-)		(811.107.729)	(307.369.080)	(584.546.676)	(307.234.448)
1- Total Claims (Net of Reinsurer Share)		(603.508.400)	(213.069.899)	(400.467.321)	(214.468.492)
1.1 - Claims Paid (Net of Reinsurer Share)		(403.001.403)	(196.383.806)	(335.173.671)	(172.385.877)
1.1.1 - Gross Claims Paid (+)		(459.439.228)	(227.555.482)	(379.099.411)	(195.912.547)
1.1.2 - Reinsurance Share of Claims Paid (+)	17.16	56.437.825	31.171.616	43.925.740	23.526.670
1.2 - Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (-)	29	(200.506.997)	(16.806.024)	(63.293.672)	(42.082.615)
1.2.1 - Outstanding Claims Reserve (-)		(244.580.132)	(91.483.906)	(116.331.512)	(69.354.229)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	17.16	44.073.135	54.797.882	51.017.888	27.271.614
2 - Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (-)		-	-	-	-
2.1 - Bonus and Discount Reserve (-)		(31.637)	2.045	-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		31.637	(2.045)	-	-
3 - Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (-)		(6.696.690)	(3.441.197)	(5.641.346)	(2.163.249)
4 - Operating Expenses (-)	32	(182.141.122)	(81.627.015)	(160.449.687)	(81.859.157)
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 (-)		(18.762.117)	(8.828.978)	(18.600.370)	(8.741.550)
6.1 - Gross Other Technical Expenses (-)		(18.762.117)	(8.828.978)	(18.600.370)	(8.741.550)
6.2 - Reinsurance Share of Other Technical Expenses (+)		-	-	-	-
C- Non-Life Technical Net Profit (A-B)		(156.060.790)	17.601.309	31.187.086	8.363.824
D- Life Technical Income		126.612	62.281	28.722	(58.593)
1- Earned Premiums (Net of Reinsurer Share)		6.055	2.341	6.045	3.365
1.1 - Written Premiums (Net of Reinsurer Share)	24	6.395	2.103	7.708	2.832
1.1.1 - Gross Written Premiums (+)		8.208	2.670	9.770	3.578
1.1.2 - Ceded Premiums to Reinsurers (-)	17.16	(1.813)	(567)	(2.062)	(726)
1.2 - Change in Unearned Premiums Reserve (Net of Reinsurer Shares and Reserves Carried Forward) (-)		(340)	238	(1.723)	513
1.2.1 - Unearned Premiums Reserve (-)		(167)	238	(87)	513
1.2.2 - Unearned Premiums Reserve Reinsurer Share (+)	17.16	(173)	-	(187)	-
1.3 - Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (-)		-	-	-	-
1.3.1 - Unexpired Risks Reserve (-)		-	-	-	-
1.3.2 - Unexpired Risks Reserve Reinsurer Share (+)		-	-	-	-
2- Life Branch Investment Income		120.838	61.465	167.851	86.131
3- Unrealized Income from Investments		-	-	-	-
4- Other Technical Income (Net of Reinsurer Share) (-)		(101)	(1.525)	(145.164)	(148.089)
4.1 - Gross Other Technical Income (+)		(101)	(1.525)	(145.164)	(148.089)
4.2 - Reinsurance Share of Other Technical Income (-)		-	-	-	-
5- Accrued Subrogation and Salvage Income (+)		-	-	-	-
E- Life Technical Expense		(248.505)	(117.975)	(288.418)	(246.829)
1- Total Claims (Net of Reinsurer Share)		(147.170)	(107.562)	(202.312)	(104.408)
1.1 - Claims Paid (Net of Reinsurer Share)		(156.813)	(282.457)	(238.459)	(144.441)
1.1.1 - Gross Claims Paid (+)		(156.813)	(282.457)	(238.459)	(144.441)
1.1.2 - Claims Paid Reinsurer Share (+)		-	-	-	-
1.2 - Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (-)	29	209.643	174.895	36.147	40.031
1.2.1 - Outstanding Claims Reserve (-)		209.643	174.895	36.194	40.031
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	17.16	-	-	(47)	-
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) (-)		46.127	54.722	95.616	66.604
3.1 - Mathematical Reserves (-)		43.786	54.958	93.927	67.052
3.1.1 - Actuarial Mathematical Reserve (-)		246.915	46.087	330.959	32.639
3.1.2 - Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		(201.129)	8.871	(237.032)	34.413
3.2 - Reinsurer Share of Mathematical Reserves (+)		341	(236)	1.689	(448)
3.2.1 - Reinsurance Share of Actuarial Mathematical Reserve (+)		341	(236)	1.689	(448)
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	(147.447)	(64.659)	(274.464)	(201.913)
6 - Investment Expenses (-)		-	-	-	-
7 - Unrealized Losses from Investments (-)		-	-	-	-
8 - Investment Income Transferred to Non-Technical Part (-)		(15)	(76)	(7.258)	(7.112)
F- Life Technical Profit (D-E)		(121.893)	(55.294)	(159.696)	(305.422)
G- Individual Retirement Technical Income		-	-	-	-
1- Fund Management Fee		-	-	-	-
2- Management Fee Deduction		-	-	-	-
3- Initial Contribution Fee		-	-	-	-
4- Management Fee in Case of Temporary Suspension		-	-	-	-
5- Withholding Tax		-	-	-	-
6- Increase in Market Value of Capital Commitment Advances		-	-	-	-
7- Other Technical Income		-	-	-	-
H- Individual Retirement Technical Expense		-	-	-	-
1- Fund Management Expenses (-)		-	-	-	-
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-	-	-
3- Operating Expenses (-)		-	-	-	-
4- Other Technical Expense (-)		-	-	-	-
I- Individual Retirement Technical Profit (G-H)		-	-	-	-

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME FOR THE PERIOD JANUARY 1 – JUNE 30, 2015 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

AKSIGORTA ANONİM ŞİRKETİ					
DETAILED INCOME STATEMENT					
I-NON TECHNICAL PART	Note	Reviewed	Reviewed	Reviewed	Reviewed
		Current Period	Current Period	Previous Period	Previous Period
		01/01/2015-30/06/2015	01/04/2015-30/06/2015	01/01/2014-30/06/2014	01/04/2014-30/06/2014
C- Non Life Technical Profit (A-B)		(156.060.790)	17.601.309	31.181.086	8.363.824
F- Life Technical Profit (D-E)		(121.893)	(55.294)	(359.686)	(305.422)
I- Individual Retirement Technical Profit (G-H)		-	-	-	-
J- Total Technical Profit (C+F+I)		(156.182.683)	17.546.015	30.821.400	8.058.402
K- Investment Income		86.779.811	41.532.652	64.820.366	26.003.535
1- Income From Financial Investment	26	28.140.089	13.403.268	22.449.158	11.573.673
2- Income from Sales of Financial Investments	26	824.285	418.688	1.836.127	1.221.418
3- Revaluation of Financial Investments	26	5.480.781	(110.324)	10.992.598	6.226.090
4- Foreign Exchange Gains	36	37.371.564	13.270.842	22.083.444	4.194.411
5- Income from Affiliates		-	-	-	-
6- Income from Subsidiaries and Joint Ventures		-	-	-	-
7- Income Received from Land and Building	26	-	-	101.210	39.154
8- Income from Derivatives	13	14.963.079	14.550.104	7.350.571	2.741.677
9- Other Investments		-	-	-	-
10- Investment Income transferred from Life Technical Part		13	74	7.258	7.112
L- Investment Expenses (-)		(79.705.652)	(40.760.580)	(56.863.552)	(25.523.580)
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 (-)		(46.011.570)	(26.979.722)	(37.602.103)	(17.511.557)
5- Losses from Derivatives (-)		-	-	-	-
6- Foreign Exchange Losses (-)	36	(28.835.812)	(11.143.802)	(17.307.643)	(7.004.148)
7- Depreciation Expenses (-)	32	(4.858.270)	(2.637.056)	(1.953.806)	(1.007.883)
8- Other Investment Expenses (-)		-	-	-	-
M- Other Income and Expenses (+/-)	47	19.564.811	(7.644.286)	(9.900.693)	(3.233.574)
1- Provisions Account (+/-)	47	(8.842.888)	(3.350.494)	(7.089.408)	(2.434.503)
2- Discount account (+/-)	47	-	-	-	-
3- Mandatory Earthquake Insurance Account (+/-)	47	513.024	107.087	342.371	100.184
4- Inflation Adjustment Account (+/-)		-	-	-	-
5- Deferred Tax Asset Accounts(+/-)	35	29.855.535	(3.364.055)	836.197	(156.883)
6- Deferred Tax Expense Accounts (-)		-	-	-	-
7- Other Income and Revenues	47	127.033	3.734	85.162	59.581
8- Other Expense and Losses (-)	47	(2.087.893)	(1.040.558)	(4.075.015)	(801.953)
9- Prior Period Income	47	-	-	-	-
10- Prior Period Losses (-)		-	-	-	-
N- Net Profit / (Loss)		(129.543.713)	10.673.801	22.229.462	4.324.450
1- Profit (Loss) Before Tax		(129.543.713)	10.673.801	28.877.521	5.304.775
2- Corporate Tax Liability Provision (-)	35	-	-	(6.648.059)	(980.325)
3- Net Profit (Loss)		(129.543.713)	10.673.801	22.229.462	4.324.450
4- Inflation Adjustment Account		-	-	-	-

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

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD JANUARY 1 – JUNE 30, 2015**

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

**AKSIGORTA 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
I - Closing Balance of Prior Period (31/12/2014)	306.000.000	-	(838.117)	-	-	80.665.151	62	91.533.170	30.607.482	13.151	507.980.899
II - Amendments in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
III - Current Balance (I + II) (01/01/2015)	306.000.000	-	(838.117)	-	-	80.665.151	62	91.533.170	30.607.482	13.151	507.980.899
A - Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
I - 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)	-	-	(2.341.651)	-	-	-	-	-	-	-	(2.341.651)
E - Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F - Other income / (expenses)	-	-	-	-	-	-	-	2.738.241	-	-	2.738.241
G - Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
II - Period net profit (Note 37)	-	-	-	-	-	-	-	-	(129.543.713)	-	(129.543.713)
J - Dividend distributed	-	-	-	-	-	-	-	-	-	(23.959.800)	(23.959.800)
J - Transfer	-	-	-	-	-	2.399.021	-	4.248.661	(30.607.482)	23.959.800	-
II - Closing Balance (30/06/2015) (I+ A+B+C+D+E+F+G+H+I+J)	306.000.000	-	(3.179.768)	-	-	83.064.172	62	98.520.072	(129.543.713)	13.151	354.873.976

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

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD JANUARY 1 – JUNE 30, 2015**

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

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

PREVIOUS PERIOD	Capital	Equity Shares Owned by the Company ()	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
I - Closing Balance of Prior Period (31/12/2013)	306.000.000	-	(5.312.432)	-	-	68.138.419	62	3.948.341	159.775.039	139.064	532.688.493
II - Amendments in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
III - Current Balance (I + II) (01/01/2014)	306.000.000	-	(5.312.432)	-	-	68.138.419	62	3.948.341	159.775.039	139.064	532.688.493
A- Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
I- 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)	-	-	2.360.884	-	-	-	-	(1.964.908)	-	-	(1.964.908)
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)	-	-	-	-	-	-	-	86.694.418	-	-	86.694.418
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Period net profit (Note 37)	-	-	-	-	-	-	-	-	22.229.462	-	22.229.462
I- Dividend distributed	-	-	-	-	-	-	-	-	-	(60.679.800)	(60.679.800)
J- Transfer	-	-	-	-	-	12.426.732	-	-	(159.775.039)	60.553.887	(86.694.420)
II- Closing Balance (30/06/2014) (I+ A+B+C+D+E+F+G+H+I+J)	306.000.000	-	(2.951.548)	-	-	80.665.151	62	89.677.851	22.229.462	13.151	494.634.129

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENTS OF CASH FLOW
FOR THE PERIOD JANUARY 1 – JUNE 30, 2015**

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

AKSİGORTA ANONİM ŞİRKETİ			
CASH FLOW STATEMENT			
	Note	Reviewed June 30, 2015	Reviewed June 30, 2014
A. CASH FLOWS FROM THE OPERATING ACTIVITIES			
1. Cash inflows from the insurance operations		771.447.755	818.088.018
2. Cash inflows from the reinsurance operations		-	-
3. Cash inflows from the pension operations		-	-
4. Cash outflows due to the insurance operations (-)		(727.078.325)	(682.130.596)
5. Cash outflows due to the reinsurance operations (-)		-	-
6. Cash outflows due to the pension operations (-)		-	-
7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		44.369.430	135.957.422
8. Interest payments (-)		-	-
9. Income tax payments (-)		(3.597.401)	(2.701.321)
10. Other cash inflows		81.281.674	10.106.830
11. Other cash outflows (-)		(66.776.055)	(72.286.728)
12. Net cash generated from the operating activities	39	55.277.648	71.076.203
B. CASH FLOWS FROM THE INVESTING ACTIVITIES			
1. Sale of tangible assets		-	(2.432.882)
2. Purchase of tangible assets (-)		(2.937.242)	-
3. Acquisition of financial assets (-)		(76.926.383)	(73.465.547)
4. Sale of financial assets		(180.472)	(445.103)
5. Interest received		48.130.960	42.966.475
6. Dividends received		-	-
7. Other cash inflows		30.815.095	23.200.682
8. Other cash outflows (-)		(70.380.571)	(58.210.080)
9. Net cash generated from the investing activities	39	(71.478.613)	(68.386.455)
C. CASH FLOWS FROM THE FINANCING ACTIVITIES			
1. Issue of equity shares		-	-
2. Cash inflows from the loans to policyholders		-	-
3. Payments of financial leases (-)		-	-
4. Dividend paid (-)		(23.959.800)	(60.679.800)
5. Other cash inflows		-	-
6. Other cash outflows (-)		-	-
7. Cash generated from the financing activities	39	(23.959.800)	(60.679.800)
D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS			
		8.535.752	4.775.801
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		(31.625.013)	(53.214.251)
F. Cash and cash equivalents at the beginning of the period	14	816.206.332	899.783.192
G. Cash and cash equivalents at the end of the period (E+F)	14	784.581.319	846.568.941

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, 2015

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

1. General Information

1.1 Name of the Parent Company and the ultimate owner

Aksigorta Anonim Şirketi ("the Company") is a subsidiary of Hacı Ömer Sabancı Holding A.Ş. and Ageas Insurance International N.V. as of June 30, 2015. 38,02% (December 31, 2014: %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 Meclis-i Mebusan Cad. No: 67 34427 Fındıklı / İstanbul, has moved to address 'Poligon Cad. Buyaka 2 Site, No. 8, Kule 1, Kat: 0-6 34771 Ümraniye – İstanbul' as of October 20, 2014.

1.3 Main operations of the Company

The Company's main operations include insurance activities based on non-life insurance branches, including primarily fire, marine, 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, 2015	January 1- December 31, 2014
Top executive	9	11
Manager and assistant manager	112	111
Specialist/responsible	564	538
Total	685	660

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

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

1. General Information (Continued)

1.6 Remuneration and fringe benefits provided to top management

Remuneration and fringe benefits provided to top management such as; chairman and members of the board of directors, managing director and assistant managing directors amount to TL 3.447.409 in total for the period January 1 – June 30, 2015 (April 1- June 30, 2015: TL 1.826.270) (January 1- June 30, 2014: TL 3.216.458) (April 1- June 30, 2014: TL 872.908) .

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, 2015.

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, 2015 are approved and authorized for issuance as of July 31, 2015 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, 2015**

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

2. Summary of the Accounting Policies

2.1 Basis of Preparation

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

Accounting Standards

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

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

The Company accounts and recognizes its insurance technical provisions in its financial statements as of June 30, 2015 in accordance with the "Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested," ("Regulation on Technical Reserves") dated July 28, 2010 and published in official gazette numbered 27655 and published in Official Gazette dated 17 July 2012 numbered 28356 effective and the regulations issued for insurance and reinsurance companies by the Undersecretariat of Treasury ("Treasury").

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

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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.

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, 2015, non-monetary balance sheet assets and liabilities and equity items, including capital share, are calculated by indexing of inputs as of December 31, 2004 (for inputs prior to December 31, 2004) and carrying inputs subsequent to December 31, 2004 at nominal value.

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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)

b. Comparative Information and Restatement of Prior Period Financial Statements

The Company's balance sheet as of June 30, 2015 is presented in comparison with its balance sheet as of December 31, 2014; income statement, statement of changes in equity and cash flow statement for the interim period between January 1 – June30, 2015 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, 2014.

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 7.316.838. In accordance with the same circular; prior year reclassification has not been reflected in the financial statements. As of December 31, 2014, Provision for Receivables From Insurance Operations should be amounting to TL 4.740.915.

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.

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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)**

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.

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 22.381.578 at June 30, 2015 (December 31, 2014: TL 10.218.793) (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.

Claims provision

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.

The Company accounts for additional provision for claims incurred but not reported which is calculated as the difference between the outstanding claims provision and the amount calculated by using the actuarial chain ladder methods in accordance with the framework of the Circular on "Actuarial Chain Ladder Method" numbered 2010/12 and dated September 20, 2010 effective from September 30, 2010 and other related regulations.

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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 Communiqué which is effective from September 30, 2010, the insurance companies has to make the calculations on each branch based on actuarial chain ladder method ("ACLM") with using 5 methods which are mentioned in the Communiqué which are all based on incurred loss (total of outstanding and paid claims).

The right of choosing one of the methods is given to the insurance companies which will determine the method for each branch as at December 31, 2010 by evaluating the best adequate method for the portfolio company and will not change the method for 3 years. The peak claims which are mentioned as big claims are eliminated in a individual file by using prescribed statistical methods in the Communiqué in order to make the ACLM calculations with a more homogeneous data set. Additionally, the ACLM calculations are performed on gross basis and the net amounts are determined according to in force reinsurance treaties of the Company.

In accordance with the circular dated December 26, 2011 and numbered 2011/23 "Explanations Related Calculation of Incurred But Not Reported Claims Provision (IBNR)" (the "Circular numbered 2011/23"), unlike the previous year, accrued claim recovery, salvage income is taken into account in ACLM calculations as of December 31, 2014 and December 31, 2013. In addition, according to the Circular numbered 2011/23, negative results in the ACLM calculations are fully included in IBNR calculation.

The claims incurred before the accounting period but reported after those dates are considered as incurred but not reported (IBNR) claims.

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.

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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 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:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Branch	Applied Method	Applied Method
Motor Vehicles Liability	Frequency/Severity	Standard Chain
Facultative Public Liability	Bornhuetter-Ferguson	Standard Chain
General Liability	Standard Chain	Standard Chain
Financial Losses	Standard Chain	Standard Chain
Legal Protection	Standard Chain	Standard Chain
Fire and Natural Disaster	Bornhuetter-Ferguson	Standard Chain
Air Vehicles Liability	Standard Chain	Standard Chain
Credit	Standard Chain	Standard Chain
Water vehicles	Standard Chain	Standard Chain
Air Vehicles	Standard Chain	Standard Chain
Accident	Bornhuetter-Ferguson	Standard Chain
Health	Standard Chain	Standard Chain
Suretyship	Standard Chain	Standard Chain
Transportation	Bornhuetter-Ferguson	Standard Chain
General Losses	Bornhuetter-Ferguson	Standard Chain
Motor Own Damage	Bornhuetter-Ferguson	Standard Chain
Total		

The Company has accounted 100% (December 31, 2014: 100%) of the provision for claims incurred but not reported into account and has accounted for a net additional outstanding claim provision amounting to TL 226.305.313 as at June 30, 2015 (December 31, 2014: TL 82.448.161).

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

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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. The net deduction amount from outstanding claim files using the winning ratios calculated on a sub-branch basis is TL 14.778.013 as of December 31, 2014.

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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 numbered 2010/12, the Company determined the branch-basis ACLM calculation method within the framework of the Company's actuary in accordance with the structure of the relevant branch and the structure of the company's portfolio and used for these methods in the calculation of ACLM as of December 31, 2014. As of December 31, 2014, ACLM for branch-basis and additional gross and net negative or positive result are as follows:

Branch	Applied Method (*)	June 30, 2015		December 31, 2014		
		Gross Additional Reserve (100%)	Net Additional Reserve (100%)	Gross Additional Reserve (100%)	Net Additional Reserve (100%)	
Motor Vehicles Liability	Frequency/Severity/Bornhaetter-Ferguson	222 979 643	222 979 643	Standard Chan	74 021 824	73 281 607
General Liability	Standard Chan	45 115 295	21 877 994	Standard Chan	79 760 536	31 493 244
Financial Losses	Standard Chan	33 992	(181 191)	Standard Chan	1 193 455	1 097 755
Legal Protection	Standard Chan	93 913	93 910	Standard Chan	199 021	199 021
Fire and Natural Disaster	Bornhaetter-Ferguson	2 140 521	(598 711)	Standard Chan	(1 551 964)	(636 936)
Air Vehicles Liability	Standard Chan	479 275	151	Standard Chan	2 176 698	60
Creda	Standard Chan	722 482	35 085	Standard Chan	361 580	16 551
Water vehicles	Standard Chan	503 369	145 866	Standard Chan	1 122 221	199 127
Air Vehicles	Standard Chan	30 924	-	Standard Chan	(1 328)	-
Accident	Bornhaetter-Ferguson	321 777	255 751	Standard Chan	764 452	566 322
Health	Standard Chan	175 668	175 668	Standard Chan	(2 299 809)	(2 296 993)
Suretyship	Standard Chan	161 732	7 571	Standard Chan	7 605	1 149
Transportation	Bornhaetter-Ferguson	(621 370)	(304 380)	Standard Chan	(169 396)	(53 204)
General Losses	Bornhaetter-Ferguson	2 382 902	65 853	Standard Chan	(4 376 781)	(254 705)
Motor Own Damage	Bornhaetter-Ferguson	(18 247 897)	(18 247 897)	Standard Chan	(21 378 636)	(21 164 837)
Total		256 272 226	226 305 313		129 829 478	82 448 161

(*) "The Company applied to the Undersecretariat of Treasury through the letter dated January 21, 2015. The Company have interfered in the development coefficient in the ACLM calculation in the Compulsory Traffic, and General Liability. As of December 31, 2014, as a result of the interference in the development coefficient in Compulsory Traffic branch, the gross IBNR amount was decreased by TL 11.244.238 (Net IBNR: TL 11.131.794). As a result of the interference in the development coefficient in General Liability branch, the gross IBNR amount was decreased by TL 20.387.058 (Net IBNR: TL 8.049.799). Besides, through the said letter, in line with the actuarial opinion in the Fire and Natural Disaster branch and general losses, the gross IBNR amount was increased by TL 22.689.160 (Net IBNR: TL 9.311.770) and TL 37.844.012 (Net IBNR: TL 2.202.321), respectively."

(**)As of December 31, 2014, had the Company used the method that were used on June 30, 2015, the gross IBNR amount was TL 249.859.164 (Net IBNR : TL 228.607.161).

(***)As of June 30, 2014, had the Company used the method that were used on June 30, 2015, the gross IBNR amount was TL 242.152.042 (Net IBNR : TL 224.289.748).

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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)**

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 ACLM before the Circular 2014/16, the threshold values have been determined using the plot analysis starting from 2015 in accordance with the Circular.

Branch	June 30, 2015	December 31, 2014
	Limit	Limit
General Liability	200.000	Significant Claim Elimination is not performed
General Losses	999.999	Significant Claim Elimination is not performed
Transportation	499.999	Significant Claim Elimination is not performed
Fire and Natural Disaster	999.999	Significant Claim Elimination is not performed
Accident	299.999	Significant Claim Elimination is not performed
Compulsory Automobile Liability Insurance	149.999	Significant Claim Elimination is not performed
Financial Losses	50.000	Significant Claim Elimination is not performed
Compulsory Traffic	-	103.065

In branches where significant claim elimination is performed, additional provision calculations were performed for these files based on the development of the eliminated files. Gross TL 15.688.745 and Net TL 3.118.419 added to the Outstanding Claims Provisions.

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 December 31, 2014 as of quarterly periods from 2015 to 2017. The Company did not prefer the mentioned gradual recognition in order to recognize its liabilities arising from insurance policies issued in the past in accordance with the most accurate estimations in its financial statements and recognized the full amount of the increase which occurred based on the IBNR calculation performed in the period ended December 31, 2014 in its financial statements as of June 30, 2015.

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.

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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)**

Equalization Reserve

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

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

The Company has calculated TL 45.273.178 (December 31, 2014: TL 38.577.088) of equalization reserve as of June 30, 2015 (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).

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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)

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, 2015, the Company recognizes receivables from salvage and subrogation on an accrual basis up to coverage limit of debtor insurance company, on conditions that following the payment of claim, the Company receives the acquaintance or document agreed on payment from individuals and notification is made to individuals or insurance company. However, a doubtful receivables provision for these receivables is accounted under "Provisions for Doubtful Receivables From Main Operations" in case where related amounts are not collected from insurance companies after six months and from individuals after four months following the payment of claim

Accordingly, accrued receivables from salvage and subrogation and doubtful receivables provision for salvage and subrogation as of June 30, 2015 are TL 27.654.560 (December 31, 2014: TL 27.862.549) and TL 7.316.838 (December 31, 2014: TL 4.740.915) 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, 2015					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Fire and Natural Disaster	1 158 451	(317 811)	840 640	364 619	(133 620)	230 999
Transportation	856 900	(461 345)	395 555	104 990	(35 755)	69 235
Motor Own Damage	72 071 963	(765)	72 071 198	19 356 785	(1)	19 356 784
Water Crafts	48 000	(36 000)	12 000	-	-	-
General Losses	225 260	(214 698)	10 562	2 488	(1 139)	1 349
Motor Crafts Liability	1 406 134	(180)	1 405 954	665 656	-	665 656
Suretyship	1 401	(1 086)	315	-	-	-
General Liability	56 963	(669)	56 294	13 280	419	13 699
Financial Losses	618	(585)	33	-	-	-
Legal Protection	8 682	-	8 682	-	-	-
Total	75 834 372	(1 033 139)	74 801 233	20 507 818	(170 096)	20 337 722

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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)

	December 31, 2014					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Fire and Natural Disaster	1 364 204	(499 430)	864 774	406 360	(74 937)	331 423
Transportation	2 161 427	(552 298)	1 609 129	155 148	-	155 148
Accident	95 018	-	95 018	14 500	-	14 500
Motor Own Damage	168 588 883	(1 688 629)	166 900 254	21 868 014	(217 848)	21 650 166
Water Crafts	78 500	(58 875)	19 625	-	-	-
General Losses	339 231	(242 190)	97 041	2 265	(1 106)	1 159
Motor Crafts Liability	(12 836 701)	(36 770)	(12 873 471)	973 263	(9 733)	963 530
Suretyship	1 118	(847)	271	-	-	-
General Liability	151 955	(31)	151 924	5 708	-	5 708
Financial Losses	1 951	(1 450)	501	-	-	-
Legal Protection	8 936	-	8 936	-	-	-
Total	159 954 522	(3 080 520)	156 874 002	23 425 258	(303 624)	23 121 634

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, 2015, 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 21.617.717. (December 31, 2014: TL 25.266.142), 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 9.562.192 (December 31, 2014: TL 2.135.354). Furthermore, provision is accounted for the retention of claim recovery transactions under legal follow up amounting to TL 36.954.903 (December 31, 2014: TL 35.000.756) and it has been accounted in "Provision for doubtful receivables from main operations" account (Note 12).

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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).

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(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)

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.

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 2015 (2014: 20%) after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

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

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

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

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

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

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

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

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

2. Summary of the Accounting Policies (Continued)

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

In 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 2015 and 2014, no inflation adjustments were performed (Note 35).

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, 2015, the Company has booked the deferred tax assets in amounting to TL 38.780.757 and TL 26.085.317 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.

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

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

2. Summary of the Accounting Policies (Continued)

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

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.

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 financial statements as at 30 June 2015 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2015. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

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

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

2. Summary of the Accounting Policies (Continued)

- i) **The new standards, amendments and interpretations which are effective as at 1 January 2015 are as follows:**

TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendment did not have an impact on the financial statements of the Company.

Annual Improvements to TAS/TFRSs

In September 2014, POA issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle. The changes are effective for annual reporting periods beginning on or after 1 July 2014.

Annual Improvements - 2010–2012 Cycle

TFRS 2 Share-based Payment:

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

TFRS 3 Business Combinations

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

TFRS 8 Operating Segments

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

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

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

2. Summary of the Accounting Policies (Continued)

**2.1.6 The new standards, amendments and interpretations (Continue
TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets**

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

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

TAS 24 Related Party Disclosures

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

Annual Improvements – 2011–2013 Cycle

IFRS 3 Business Combinations

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

IFRS 13 Fair Value Measurement

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

TAS 40 Investment Property

The amendment clarifies the interrelationship of IFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

The amendments did not have a significant impact on the interim financial statements of the Company.

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

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

2. Summary of the Accounting Policies (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

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 financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 9 Financial Instruments – Classification and measurement

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

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

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

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

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments 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, 2015**

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

2. Summary of the Accounting Policies (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

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

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

In February 2015, Public Oversight Accounting and Auditing Standards Authority (POA) of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

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

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

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

In February 2015, amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

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

2. Summary of the Accounting Policies (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

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

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

TAS 1: Disclosure Initiative (Amendments to TAS 1)

In February 2015, amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the consolidated financial statements of the Company.

Annual Improvements to TFRSs - 2012-2014 Cycle

In February 2015, POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

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

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Summary of the Accounting Policies (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

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

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

Annual Improvements – 2010–2012 Cycle

IFRS 13 Fair Value Measurement

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

Annual Improvements – 2011–2013 Cycle

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 original effective date was 1 January 2017. However, in July 2015, IASB decided to defer the effective date to is effective for reporting periods beginning on or after 1 January 2017, 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.

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

2. Summary of the Accounting Policies (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 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.

2.2 Consolidation

The Company has no subsidiaries or joint ventures that fall within the scope of consolidation as per "IFRS 10- Consolidated and Separate Financial Statements" as of June 30, 2015 (December 31, 2014: 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, 2015 and December 31, 2014.

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

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

2. Summary of the Accounting Policies (Continued)

2.5 Foreign Currency Translation

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

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

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

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

2.6 Property, Plant and Equipment

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

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

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

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

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

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

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

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

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 (not exceeding 3 years).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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, 2015, the Company has no financial assets at fair value through profit and loss (December 31, 2014: 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, 2015**

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

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 insureds 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.

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.

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2. Summary of the Accounting Policies (Continued)

2.10 Impairment of Assets (Continued)

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.

2.11 Derivative Financial Instruments

The Company uses foreign currency swap and option contracts, the Company uses end of period market exchange rates and interest rates to calculate market value of foreign exchange swap contracts. During the period between January 1 – June 30, 2015, 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, 2015, detail of derivative financial instruments has been disclosed in Note 13. (December 31, 2014: 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).

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2. Summary of the Accounting Policies (Continued)

2.14 Share Capital

As of June 30, 2015, the Company's nominal capital is TL 306.000.000 (December 31, 2014: 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, 2015		December 31, 2014	
	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, 2015, Company has TL 500.000.000 registered share capital ceiling. (December 31, 2014: TL 500.000.000).

In accordance with the Article 5 of the Corporate Tax Law 5520, the amount of TL 4.221.995 arising from 75% of the gain on sale of associates and fixed assets which has been recognized in the "Profit on sale to be transferred to capital" account item under equity has been reclassified under "Legal reserves" account item under equity as of June 30, 2015.

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.

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2. Summary of the Accounting Policies (Continued)

2.15 Insurance and Investment Contracts (Continued)

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 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.

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.

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2. Summary of the Accounting Policies (Continued)

2.15 Insurance and Investment Contracts (Continued)

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

Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI in January 1 - June 30, 2015 accounting period as TL 2.434.301 (January 1 - June 30, 2014: TL 9.319.119) and an unearned premium reserve amounting to TL 8.609.973 (January 1 - June 30, 2014: TL 11.825.880) for the period ended as of January 1 - June 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, 2014: None).

2.17 Investment Contracts without Discretionary Participation Features

None (December 31, 2014: None).

2.18 Borrowings

None (December 31, 2014: None).

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2. Summary of the Accounting Policies (Continued)

2.19 Employee Benefits

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

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

2.20 Provisions

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

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

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

2.21 Accounting for revenues

Written Premium and Commission

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

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

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

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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, 2015, the Company has paid in advance in amounting to TL 3.931.024 As at June 30, 2015, amount of TL 36.602.252 (USD 14.022.777), the maturity of outstanding operational lease liability is between June 5, 2016 – May 5, 2024 (December 31, 2014: TL 32.517.418).

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.

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2. Summary of the Accounting Policies (Continued)

2.23 Profit Share Distribution (Continued)

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.

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)

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2. Summary of the Accounting Policies (Continued)

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.
- (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, 2015 and December 31, 2014, 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, 2015		December 31, 2014	
	USD/ TL	EUR/ TL	USD/ TL	EUR/ TL
Buying rate	2,6863	2,9822	2,3189	2,8207
Selling rate	2,6911	2,9875	2,3265	2,8300

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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.

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4. Insurance and Financial Risk Management (Continued)

4.1.2.1 Sensitivity to insurance risk (Continued)

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	A+	Scor	A+
Covea	A+	Sompo Japan	A+
Everest Re	A+	Toa Re	A+
GIC	-	Trust Re	A-
Hannover Re	AA-	VIG	A+

Reinsurance Company 2014

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

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4. Insurance and Financial Risk Management (Continued)

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

Total Claims Liability (*)	June 30, 2015			December 31, 2014		
	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	63.480.451	(36.779.164)	26.701.287	43.265.040	(25.489.043)	17.775.997
Transportation	11.129.030	(7.401.090)	3.727.940	11.472.082	(7.868.869)	3.603.213
Accident	2.472.813	(849.749)	1.623.064	2.449.642	(609.116)	1.840.526
Motor Own Damage	37.050.880	(129)	37.050.751	37.042.070	(370.444)	36.671.626
Air Vehicles	394.224	(394.202)	22	46.461	(46.460)	1
Water Vehicles	3.453.154	(2.921.409)	531.745	3.035.112	(2.495.834)	539.278
General Losses	114.158.635	(87.085.244)	27.073.391	63.256.558	(58.090.702)	5.165.856
Motor Vehicles Liability	331.727.376	(7.333.683)	324.393.693	157.376.989	(1.835.327)	155.541.662
Air Vehicles Liability	1.845.117	(1.844.955)	162	3.088.695	(3.088.609)	86
General Liability	97.266.982	(46.563.134)	50.703.848	121.560.785	(73.688.451)	47.872.334
Financial Losses	5.732.997	(979.434)	4.753.563	6.687.558	(542.459)	6.145.099
Legal Protection	129.318	(3)	129.315	305.234	-	305.234
Credit	3.262.135	(3.101.905)	160.230	4.466.852	(4.262.391)	204.461
Health	24.698.643	(34.799)	24.663.844	23.979.802	(30.093)	23.949.709
Direct Bail	27.632.357	(26.762.589)	869.767	1.821.097	(1.545.760)	275.337
Life	3.691.140	-	3.691.140	3.900.783	-	3.900.783
Total	728.125.252	(222.051.489)	506.073.763	483.754.760	(179.963.558)	303.791.202

(*) Total claim liability includes all outstanding claims reserves as of the balance sheet date and additional reserves from outstanding claims reserve as the best estimate method.

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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, 2015				December 31, 2014		
	Effect on	Reinsurance		Net Total	Gross Total	Reinsurance	Net Total
	Current Period	Gross Total	Share of Total				
(Net)	Claims	Liability	Claims	Claims	Liability	Liability	Liability
Unpaid Claims	(58.641.790)	468.161.886	(192.084.575)	276.077.311	350.017.763	(132.582.242)	217.435.521
Claim Provisions (*)	(143.857.151)	256.272.226	(29.966.913)	226.305.313	129.829.478	(47.381.316)	82.448.162
Clean-cut Effect (**)	1.985.205	-	-	-	-	-	-
Non-life Total	(200.513.736)	724.434.112	(222.051.488)	502.382.624	479.847.241	(179.963.558)	299.883.683
Life	216.379	3.691.140	-	3.691.140	3.907.519	-	3.907.519
Grand Total	(200.297.357)	728.125.252	(222.051.488)	506.073.764	483.754.760	(179.963.558)	303.791.202

	June 30, 2015				December 31, 2013		
	Effect on	Share of Total		Net Total	Gross Total	Share of Total	Net Total
	Current Period	Gross Total	Claims				
(Net)	Claims	Liability	Liability	Claims	Liability	Liability	Liability
Unpaid Claims	(1.785.260)	375.871.095	(160.235.311)	215.635.784	300.925.827	(135.882.546)	165.043.281
Claim Provisions (*)	(15.723.105)	120.201.445	(58.785.814)	61.415.631	78.857.370	(33.498.364)	45.359.006
Clean-cut Effect (**)	7.048.798	-	-	-	-	-	-
Non-life Total	(10.459.567)	496.072.540	(219.021.125)	277.051.415	379.783.197	(169.380.910)	210.402.287
Life	(3.745)	3.908.418	-	3.908.418	3.944.612	(47)	3.944.565
Grand Total	(10.463.312)	499.980.958	(219.021.125)	280.959.833	383.727.809	(169.380.957)	214.346.852

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

(**) Company has clean-cut agreement in auto-accident branch and as per these agreements, the Company has realized 2014 premium and claims portfolio outputs by December 31, 2014. As per the same agreement, portfolio inputs are also made in 2015. Effect of 2015 portfolio input has influenced fiscal year Ceded Reinsurance Share of Outstanding Claims Provision and Ceded Reinsurance Share of Unearned Premiums Provision.

	June 30, 2015			June 30, 2014		
	Gross Total	Reinsurance	Net Total	Gross Total	Reinsurance	Net Total
	Claims	Share of Total	Claims	Claims	Share of Total	Claims
	Liability	Claims	Liability	Liability	Claims	Liability
Beginning of Period	350.017.763	(132.582.242)	217.435.521	300.925.827	(135.882.546)	165.043.281
Opened in the Period	577.940.164	(115.940.158)	462.000.006	454.283.138	(68.278.505)	386.004.633
Paid from Current Period (-)	(367.836.833)	45.150.260	(322.686.573)	(303.470.296)	35.140.592	(268.329.704)
Paid from Previous Period (-)	(91.959.208)	11.287.565	(80.671.643)	(75.867.574)	8.785.148	(67.082.426)
Period End						
Reported Claims	468.161.886	(192.084.575)	276.077.311	375.871.095	(160.235.311)	215.635.784
Life	3.691.140	-	3.691.140	3.908.418	-	3.908.418
IBNR	256.272.226	(29.966.913)	226.305.313	120.201.489	(58.785.812)	61.415.677
Total	728.125.252	(222.051.488)	506.073.764	499.981.002	(219.021.123)	280.959.879

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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, 2015:

Accident period	July 1, 2008- June 30, 2009	July 1, 2009- June 30, 2010	July 1, 2010- June 30, 2011	July 1, 2011- June 30, 2012	July 1, 2012- June 30, 2013	July 1, 2013- June 30, 2014	July 1, 2014- June 30, 2015	Gross Claim
Claim realized in the accident period	570 380 815	576 344 133	567 852 481	688 854 301	642 728 392	676 081 243	837 653 668	4 559 895 034
1 year later	113 531 335	115 447 244	109 213 529	134 226 449	122 359 366	157 872 131		752 650 054
2 years later	30 097 096	25 410 258	24 928 474	38 913 498	52 474 998			171 824 325
3 years later	24 071 216	20 258 304	20 184 397	31 757 019				96 270 936
4 years later	21 840 796	15 352 261	19 587 591					56 780 647
5 years later	19 429 746	19 593 977						39 023 723
6 years later	20 508 033							20 508 033
Total Gross Claims	799 859 037	772 406 177	731 766 471	893 751 267	817 562 756	833 953 374	837 653 668	5 696 952 752

Gross claim development table prepared on the principles of incurred claims by December 31, 2014:

Accident period	January 1, 2008- December 31, 2008	January 1, 2009- December 31, 2009	January 1, 2010- December 31, 2010	January 1, 2011- December 31, 2011	January 1, 2012- December 31, 2012	January 1, 2013- December 31, 2013	January 1, 2014- December 31, 2014	Gross Claim
Claim realized in the accident period	531 999 424	616 212 315	566 777 551	638 856 997	773 653 448	668 953 154	831 017 822	4 627 470 710
1 year later	126 075 323	120 697 431	112 860 318	110 501 135	180 838 536	142 782 131		793 754 874
2 years later	32 954 700	26 242 200	20 036 966	23 325 278	46 352 651			148 911 796
3 years later	21 172 842	16 369 924	13 952 338	19 827 727				71 322 830
4 years later	12 191 420	11 841 021	15 704 464					39 736 905
5 years later	9 686 312	15 546 657						25 232 970
6 years later	10 955 049							10 955 049
Total Gross Claims	745 035 069	806 909 548	729 331 636	792 311 137	1 000 844 635	811 735 285	831 017 822	5 717 385 133

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

The Company has clean-cut agreements in relation to its car-accident branch, and premium and loss portfolio withdrawals related to these agreements are recognized by the Company as of December 31, 2014. In accordance with these agreements, portfolio additions are also recognized in 2015. The reinsurance share of outstanding claim reserve and unearned premium reserves have been affected from these portfolio additions in 2015.

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4. Insurance and Financial Risk Management (Continued)

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 June 30, 2015, the Company's required capital is TL 396.244.872 (December 31, 2014: TL 372.490.878). As of June 30, 2015, the Company's capital is TL 3.889.130 higher than required capital amount. (December 31, 2014: TL 174.067.110).

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, 2015 and December 31, 2014 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, 2015		December 31, 2014	
	USD Effect	EUR Effect	USD Effect	EUR Effect
Profit / Loss Increase	15.803.392	770.098	6.741.596	1.076.443
Profit / Loss (Decrease)	(15.803.392)	(770.098)	(6.741.596)	(1.076.443)

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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, 2015	December 31, 2014
Total	Effect on profit and profit reserves	
Market interest rate increase / (decrease)	TL	
+%1	(2.715.049)	(2.543.897)
-%1	2.856.344	2.711.985
+%1 Financial Assets with Risks on Policy Holders	(68.239)	(81.581)
-%1 Financial Assets with Risks on Policy Holders	70.761	84.548
Financial assets available for sale	Effect on profit and profit reserves	
Market interest rate increase / (decrease)	TL	
+%1	(2.783.287)	(2.625.477)
-%1	2.927.105	2.796.533

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, 2015.

	June 30, 2015	December 31, 2014
Total	Effect on Financial assets available for	
Price increase / (decrease)	TL	
+%10	33.763.741	27.170.363
-%10	(33.763.741)	(27.170.363)

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, 2015, the Company has presented its receivables from insurance operations and guarantees received and provision for doubtful receivables in Note 12.1.

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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, 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	132 265 422	564 452 207	80 999 999	-	-	7 721 621	785 439 249
Financial Assets Available for Sale	261 455	-	90 230 881	87 943 765	71 494 608	87 706 703	337 637 412
Investments with Risks on Policy Holders	-	-	4 917 849	2 558 618	-	-	7 476 467
Receivables From Main Operations	114 318 805	146 669 060	176 177 738	-	-	-	437 165 603
Due from Related Parties	-	-	80 954	-	-	-	80 954
Other Receivables	-	29 859 881	-	-	-	-	29 859 881
Prepaid Expenses and Income Accruals	27 913 131	29 225 185	81 617 194	-	-	-	138 755 510
Other Current Assets	271 446	-	3 597 401	-	-	-	3 868 847
Financial Assets	-	-	-	-	-	7 961 251	7 961 251
Tangible Fixed Assets	-	-	-	-	-	28 306 863	28 306 863
Intangible Fixed Assets	-	-	-	-	-	29 905 525	29 905 525
Prepaid Expenses and Income Accruals (Long Terms)	-	-	-	278 713	-	-	278 713
Other Non-current Assets	-	-	-	-	-	38 780 757	38 780 757
Total Assets	275 030 259	770 206 333	437 622 016	90 781 096	71 494 608	200 382 720	1 845 517 032
Financial Liabilities	-	42 557 836	-	-	-	-	42 557 836
Payables From Main Operations	-	-	213 557 416	-	-	-	213 557 416
Due to Related Parties	294 038	-	1 143	-	-	-	295 181
Other Payables	-	38 342 439	-	-	-	-	38 342 439
Insurance Technical Reserves	253 652 887	397 494 097	422 506 975	-	-	-	1 073 653 959
Taxes and Other Liabilities and Provisions	-	12 049 901	-	-	-	-	12 049 901
Cost Expense Provisions	-	-	18 740 689	-	-	-	18 740 689
Prepaid Income and Accruals	5 301 578	9 026 213	23 444 619	-	-	-	37 772 410
Long Term Insurance Technical Reserves	-	-	-	1 926 416	45 273 177	-	47 199 593
Provisions for Other Risks	-	-	-	-	-	6 473 632	6 473 632
Shareholders' Equity	-	-	-	-	-	354 873 976	354 873 976
Total Liabilities and Shareholders' Equity	259 248 503	499 470 486	678 250 842	1 926 416	45 273 177	361 347 608	1 845 517 032
Liquidity Surplus / (Deficit)	15 781 756	270 735 847	(240 628 826)	88 854 680	26 221 431	(160 964 888)	-

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4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Liquidity risk table

December 31, 2014	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	244 207 214	505 796 200	68 597 569	-	-	1 156 486	819 757 469
Financial Assets Available for Sale	-	4 083 265	20 050 893	90 372 668	84 632 019	72 564 782	271 703 627
Investments with Risks on Policy Holders	-	-	4 723 103	2 572 892	-	-	7 295 995
Receivables From Main Operations	84 937 004	108 972 715	130 897 181	-	-	-	324 806 900
Due from Related Parties	-	-	71 723	-	-	-	71 723
Other Receivables	-	7 880 125	-	-	-	-	7 880 125
Prepaid Expenses and Income Accruals	17 974 724	30 602 907	84 586 514	1 784 100	-	-	134 948 245
Other Current Assets	225 891	-	6 284 761	-	-	-	6 510 652
Financial Assets	-	-	-	-	-	7 961 251	7 961 251
Tangible Fixed Assets	-	-	-	-	-	25 369 620	25 369 620
Intangible Fixed Assets	-	-	-	-	-	25 850 207	25 850 207
Other Non-current Assets	-	-	-	-	-	9 024 367	9 024 367
Total Assets	347 344 833	657 335 212	315 211 744	94 729 660	84 632 019	141 926 713	1 641 180 181
Payables From Main Operations	-	-	108 035 614	-	-	-	108 035 614
Due to Related Parties	343 591	-	1 145,00	-	-	-	344 736
Other Payables	-	39 282 651	-	-	-	-	39 282 651
Insurance Technical Reserves	192 470 025	287 351 543	400 342 784	-	-	-	880 164 352
Taxes and Other Liabilities and Provisions	-	14 507 838	-	-	-	-	14 507 838
Cost Expense Provisions	-	-	17 924 032	-	-	-	17 924 032
Prepaid Income and Accruals	4 151 370	7 067 924	18 358 173	-	-	-	29 577 467
Long Term Insurance Technical Reserves	-	-	-	1 972 202	38 577 088	-	40 549 290
Provisions for Other Risks	-	-	-	-	-	2 813 302	2 813 302
Shareholders' Equity	-	-	-	-	-	507 980 899	507 980 899
Total Liabilities and Shareholders' Equity	196 964 986	348 209 956	544 661 748	1 972 202	38 577 088	510 794 201	1 641 180 181
Liquidity Surplus / (Deficit)	150 379 847	309 125 256	(229 450 004)	92 757 458	46 054 931	(368 867 488)	-

Categories of Financial Assets:

Current Financial Assets	June 30, 2015		December 31, 2014	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets Available for Sale	337 637 412	337 637 412	271 703 627	271 703 627
Financial Investments with Risks on Policy Holders	7 476 467	7 476 467	7 295 995	7 295 995
Non-Current Financial Assets				
Affiliates	30 116 653	30 116 653	30 116 653	30 116 653
Impairment Provision for Affiliates	(22 155 402)	(22 155 402)	(22 155 402)	(22 155 402)
Total Financial Assets	353 075 130	353 075 130	286 960 873	286 960 873

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4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

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.

	June 30, 2015	Category 1	Category 2	Category 3
Financial Available for Sale	337.637.412	337.637.412	-	-
Unlisted Equity Shares	220.889	220.889	-	-
Government Bonds & Treasury Bills	275.773.947	275.773.947	-	-
Investment Funds	61.642.575	61.642.575	-	-
Financial Investment with Risks on Policy Holders	7.476.467	7.476.467	-	-
Affiliates , net (*)	7.961.251	-	-	7.961.251
Total	353.075.130	345.113.879	-	7.961.251

	December 31, 2014	Category 1	Category 2	Category 3
Financial Available for Sale	271.703.627	271.703.627	-	-
Unlisted Equity Shares	211.320	211.320	-	-
Government Bonds & Treasury Bills	199.138.845	199.138.845	-	-
Investment Funds	72.353.462	72.353.462	-	-
Financial Investment with Risks on Policy Holders	7.295.995	7.295.995	-	-
Affiliates , net (*)	7.961.251	-	-	7.961.251
Total	286.960.873	278.999.622	-	7.961.251

(*) The Company has booked the impairment provision for Merter BV, one of the affiliates, amounting to TL 22.155.402 in its financial statements as of June 30, 2015 (December 31, 2014: 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:

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4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

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.

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 "TFRS 8 - Operating Segments" is disclosed in this part.

Numerical limits in "TFRS 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.

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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 Owe Damage	Land Vehicles Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
TECHNICAL INCOME	74,376,023	10,878,110	348,562,192	79,345,080	96,240,704	10,373,880	27,954,659	107,216,291	126,612	-	655,173,551
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 Reinsurer Share 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- Other Technical Income (Net of Reinsurance Share)	10,875,778	2,111,760	8,680,531	(7,455,738)	15,598,352	1,876,468	6,370,664	10,925,191	120,557	-	49,103,563
TECHNICAL EXPENSES	(71,655,354)	(4,296,181)	(247,097,695)	(301,355,147)	(42,136,789)	(6,440,156)	(31,363,638)	(106,762,770)	(248,505)	-	(811,356,334)
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)	(29,751,716)	(2,103,145)	(177,746,370)	(100,785,813)	(10,026,400)	(3,571,246)	(5,816,046)	(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	(5,292,633)	(3,128)	(143,615)	-	(1,109,829)	(146,885)	-	-	-46,112	-	(6,649,978)
Technical Expenses	(24,455,483)	(2,069,686)	(56,031,328)	(26,127,549)	(35,851,749)	(8,807,075)	(5,723,289)	(30,071,963)	(147,447)	-	(182,288,569)
3- Operating Expenses	(3,230,234)	(3,026)	(13,130,669)	(229,880)	(193,105)	-	-	(1,975,204)	-	-	(18,762,117)
4- Other Technical Expenses (Net of Reinsurer Share) (-)	3,730,669	6,581,939	1,464,497	(321,910,067)	54,103,915	3,533,724	(3,408,979)	453,521	(121,893)	-	(156,182,683)
Investment income	-	-	-	-	-	-	-	-	-	86,779,813	86,779,813
Depreciation expense	-	-	-	-	-	-	-	-	-	(4,858,270)	(4,858,270)
Provisions account	-	-	-	-	-	-	-	-	-	(8,842,888)	(8,842,888)
Tax expenses	-	-	-	-	-	-	-	-	-	-	-
Financial expenses	-	-	-	-	-	-	-	-	-	(74,847,384)	(74,847,384)
Other	-	-	-	-	-	-	-	-	-	28,407,699	28,407,699
Net Profit/(Loss)	3,730,669	6,581,939	1,464,497	(321,910,067)	54,103,915	3,533,724	(3,408,979)	453,521	(121,893)	26,638,970	(129,543,713)

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5. Segment information (Continued)

5.1 Operating segments (Continued)

Segment results for the period ended at June 30, 2014:

	Fire and Natural Disaster	Transportation	Motor Own Damage	Land Vehicles Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
TECHNICAL INCOME											
1- Earned Premiums (Net of Reinsurer Share)	66,061,703	9,011,078	231,932,891	126,871,372	57,549,549	7,867,049	16,797,676	99,650,144	28,732	-	615,770,494
1.1 - Premiums (Net of Reinsurer Share)	59,970,608	8,171,558	217,547,238	124,159,053	53,072,073	7,097,073	14,749,390	92,699,095	6,045	-	577,482,133
1.2 - Changes in Uncarried Premiums Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	67,003,498	8,489,182	263,752,374	104,091,604	50,929,826	9,608,359	21,824,004	127,912,419	7,768	-	653,619,034
1.3 - Changes in Uncarried Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(7,032,890)	(317,624)	(46,205,136)	20,067,449	2,843,295	(2,511,286)	(7,064,614)	(35,213,324)	(1,723)	-	(75,435,853)
2- Other Technical Income (Net of Reinsurance Share)	6,091,095	839,520	14,385,653	2,712,219	(701,048)	769,976	2,038,286	6,951,049	22,687	-	38,288,361
TECHNICAL EXPENSES											
1- Total Claims (Net of Reinsurer Share)	(54,079,184)	(4,753,259)	(200,127,214)	(147,617,120)	(43,556,389)	(4,413,474)	(36,170,781)	(103,843,255)	(388,418)	-	(584,949,094)
1.1 - Claims Paid (Net of Reinsurer Share)	(26,650,278)	(2,746,275)	(137,573,627)	(114,578,193)	(23,599,430)	(4,575,881)	(17,951,692)	(72,791,947)	(202,312)	-	(400,669,635)
1.2 - Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(18,097,480)	(1,354,730)	(131,181,534)	(100,105,459)	(9,866,207)	(3,186,892)	(4,057,398)	(67,323,971)	(238,459)	-	(335,412,130)
2- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-) and Other Technical Expenses	(8,552,798)	(1,391,545)	(6,392,093)	(14,472,734)	(13,733,223)	(1,388,989)	(13,894,294)	(5,467,976)	36,147	-	(65,257,505)
3- Operating Expenses	(3,885,659)	-	(1,028,626)	-	(55,074)	(73,987)	-	-	88,358	-	(4,954,988)
4- Other Technical Expenses (Net of Reinsurer Share) (-)	(20,988,316)	(1,974,284)	(48,834,153)	(31,196,757)	(21,015,579)	383,894	(8,182,735)	(28,641,757)	(274,464)	-	(160,724,151)
	(2,554,931)	(32,700)	(12,690,808)	(1,842,170)	1,113,694	(147,500)	(36,354)	(2,409,551)	-	-	(18,600,320)
	11,982,519	4,257,819	31,805,677	(20,745,848)	13,993,560	3,453,575	(9,373,105)	(4,193,111)	(359,686)	-	30,821,400
Investment income	-	-	-	-	-	-	-	-	-	64,820,366	64,820,366
Depreciation expense	-	-	-	-	-	-	-	-	-	(1,953,806)	(1,953,806)
Provisions account	-	-	-	-	-	-	-	-	-	(7,089,408)	(7,089,408)
Tax expense	-	-	-	-	-	-	-	-	-	(6,648,059)	(6,648,059)
Financial expenses	-	-	-	-	-	-	-	-	-	(54,909,746)	(54,909,746)
Other	-	-	-	-	-	-	-	-	-	(2,811,285)	(2,811,285)
Net Profit / (Loss)	11,982,519	4,257,819	31,805,677	(20,745,848)	13,993,560	3,453,575	(9,373,105)	(4,193,111)	(359,686)	(8,591,938)	22,229,462

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6. Property, plant and equipment

June 30, 2015

<u>Cost Value</u>	Owner Occupied Properties	Vehicles	Furnitures and Fixtures and Leased Tangible Assets	Other Tangible Assets (Including Leasehold Improvements)	Advances for Tangible Assets	Total
1 January	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>						
1 January	(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

June 30, 2014

<u>Cost Value</u>	Owner Occupied Properties	Vehicles	Furnitures and Fixtures and Leased Tangible Assets	Other Tangible Assets (Including Leasehold Improvements)	Advances for Tangible Assets	Total
1 January	8.270.093	-	21.715.931	1.122.357	0	31.108.381
Additions	-	-	39.594	636.841	2.452.588	3.129.023
Disposals	-	-	-	-	-	-
June 30	8.270.093	-	21.755.525	1.759.198	2.452.588	34.237.404
<u>Accumulated Depreciation</u>						
1 January	(1.754.216)	-	(17.725.909)	(1.007.201)	-	(20.487.326)
Charge for the Period	(81.636)	-	(560.092)	(35.538)	-	(677.266)
Disposals	-	-	-	-	-	-
June 30	(1.835.852)	-	(18.286.001)	(1.042.739)	-	(21.164.592)
Net Book Value as of June 30	6.434.241	-	3.469.524	716.459	2.452.588	13.072.812

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

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7. Investment Properties**June 30, 2015**

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

June 30, 2014

<u>Cost Value</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
1 January	286.578	557.574	844.152
Disposals	-	(53.031)	(53.031)
June 30	286.578	504.543	791.121
<u>Accumulated Depreciation</u>			
1 January	-	(58.497)	(58.497)
Charge for the Period	-	(8.175)	(8.175)
Disposals	-	10.281	10.281
June 30	-	(56.391)	(56.391)
Net Book Value as of June 30	286.578	448.152	734.730

In the period of January 1- June 30, 2015, the Company has no obtained rental income from investment properties and the Company took a decision held on June 6, 2015 regarding to sale of this building (April 1 – June 30, 2015: None; January 1 – June 30, 2014: TL 101.210; April 1 – June 30, 2014: TL 39.154).

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8. Intangible Fixed Assets**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
Transfers	(984.193)	984.193	-
June 30	11.903.712	36.422.738	48.326.450

Accumulated Amortization

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

June 30, 2014

<u>Cost Value</u>	<u>Advances for Intangible Assets (*)</u>	<u>Rights</u>	<u>Total</u>
1 January	14.144.327	18.183.940	32.328.267
Additions	4.507.569	54.780	4.562.349
Disposals	-	-	-
Transfers	(3.605.425)	3.605.425	-
June 30	15.046.471	21.844.145	36.890.616

Accumulated Amortization

1 January	-	(12.341.338)	(12.341.338)
Charge for the Period	-	(1.268.365)	(1.268.365)
Disposals	-	-	-
June 30	-	(13.609.703)	(13.609.703)
Net Book Value as of June 30	15.046.471	8.234.442	23.280.913

(*) 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, 2015, the Company has not recognized any impairment loss for its intangible fixed assets in the current period (December 31, 2014: None).

The Company has no goodwill amount in its financial statements.

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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, 2015, the Company has an affiliate as Merter BV amounting to TL 30.116.653 (December 31, 2014: 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, 2014: TL 22.155.402) impairment has been detected and disclosed in financial statement as at June 30, 2015 (Note: 11.4).

10. Reinsurance Assets

Reinsurance assets are disclosed in Note 17.16.

11. Financial Assets

11.1 Subcategories of Financial Assets

	June 30, 2015	December 31,
Financial Assets Available for Sale	337.637.412	271.703.627
Financial Investments with Risks on Policy Holders	7.476.467	7.295.995
Total	345.113.879	278.999.622

Financial Assets Available for Sale

	June 30, 2015			December 31, 2014		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	59 655 623	56 054 693	56 054 693	45 977 771	44 224 473	44 224 473
Private sector bond	129 652 234	132 233 440	132 233 440	100 866 757	102 909 210	102 909 210
Investment fund	79 400 726	87 485 814	87 485 814	67 885 811	72 353 462	72 353 462
Eurobond	62 273 911	61 642 538	61 642 576	52 273 063	52 005 162	52 005 162
Equity Shares (Unlisted)	220 889	-	220 889	211 320	-	211 320
Total	331 203 383	337 416 485	337 637 412	267 214 722	271 492 307	271 703 627

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(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, 2015			December 31, 2014		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	7 025 420	7 476 467	7 476 467	6 916 542	7 295 995	7 295 995

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

June 30, 2015

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

December 31, 2014

Equity Shares	Participation Rate %	Cost Value TL	Fair Value TL	Book Value TL
Tarsim Tarım Sigortaları Havuz İşletmesi A.Ş.	4,35	211.320	-	211.320
Unlisted		211.320	-	211.320
Total		211.320	-	211.320

The Company does not have assets held for trading as of June 30, 2015 and December 31, 2014.

As of June 30, 2015 and December 31, 2014, 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, 2014: None).

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

None (December 31, 2014: None).

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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, 2015			December 31, 2014		
	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)
Affiliates (Net)		30.116.653	7.961.251		30.116.653	7.961.251

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

None (December 31, 2014: None).

11.6 Value increases of financial assets in the last three years

	June 30, 2015	December 31, 2014	December 31, 2013
Financial Assets Available for Sale	(3.179.768)	(838.117)	(5.312.432)

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.

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(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

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Receivables from insurance operations		
Receivables from agencies	293.616.778	199.704.460
Bank Guaranteed Credit Card Receivables More than Three Months	82.581.142	80.433.726
Receivables from reinsurance companies	39.024.300	19.781.691
Receivables for salvage and claim recovery - net (Note 2.1.1)	20.337.722	23.121.634
Receivables from insurance operations	435.559.942	323.041.511
Other receivables	78.884	60.878
Cash deposited for insurance and reinsurance companies	30.954	30.954
Receivables from insurance and reinsurance companies	109.838	91.832
Claim recovery receivables under legal follow-up	36.954.903	35.000.756
Doubtful receivables from main operations	32.675.732	29.075.053
Receivables from main operations	505.300.415	387.209.152
Provision for due from insurance operations (-) (*)	(9.562.192)	(2.135.354)
Provision for doubtful receivables from main operations (-) (**)	(21.617.717)	(25.266.142)
Provision for net claim recovery receivables under legal follow-up (-) (**)	(36.954.903)	(35.000.756)
Total provision amount for doubtful receivables	(68.134.812)	(62.402.252)
Receivables from main operations - net	437.165.603	324.806.900

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

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

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

12. Receivables and Payables (Continued)

12.1 Details of the Company's Receivables (Continued)

Aging of receivables from insurance operations is as follows:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>			
0-60 days	7.196.697	2.356.713			
61-90 days	1.431.930	1.519.694			
90+	3.529.794	2.982.514			
Not due receivables	430.828.197	321.015.336			
Total	442.986.618	327.874.258	The	details	of

guarantees for the Company's receivables are presented below:

Type of Guarantee	<u>June 30, 2015</u>		<u>December 31, 2014</u>	
	Receivables	Doubtful Receivables	Receivables	Doubtful Receivable
Letters of Guarantee	35.116.761	5.000	33.450.078	21.000
Real Estate Pledges	62.709.500	5.033.897	69.410.917	5.116.497
Government Bonds and Equity	94.682	-	89.747	-
Other	454.359	-	454.359	-
Total	98.375.302	5.038.897	103.405.101	5.137.497

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

	<u>2015</u>	<u>2014</u>
Opening Balance, 1 January	(60.266.898)	(45.025.162)
Charge for the Period	(10.260.547)	(9.981.516)
Collections	11.954.825	5.669.996
Closing Balance, June 30	(58.572.620)	(49.336.682)

Aging of receivables from insurance operations is as follows:

	<u>June 30, 2015</u>	<u>December 31, 2014</u>
90+	69.630.635	64.075.809
Total	69.630.635	64.075.809

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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, 2015, the Company has liabilities amounting to TL 1.143 to shareholders. (December 31, 2014: TL 1.145)

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 98.375.302 as at June 30, 2015 (December 31, 2014: TL 103.405.101).

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12. Receivables and Payables (Continued)**12.4 Details of the Company's foreign currency denominated receivables without exchange rate guarantees are presented below:****June 30, 2015**

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	16.841.802	2,6863	45.242.133
EUR	295.797	2,9822	882.126
GBP	10.184	4,2104	42.879
CHF	4.783	2,8636	13.697
Total			46.180.835

Prepaid Expenses	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	1.960.178	2,6863	5.265.626
			5.265.626

Stocks and Bonds	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	22.947.004	2,6863	61.642.537
			61.642.537

Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	56.494.963	2,6863	151.762.419
EUR	9.660.715	2,9822	28.810.184
GBP	56.644	4,2104	238.494
CHF	24.449	2,8636	70.012
Other			409
Total			180.881.518

Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(3.823.090)	2,1272	(8.132.477)
EUR	(1.456.208)	2,8971	(4.218.780)
Other			(34.247)
Total			(12.385.504)

Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(33.631.090)	2,6863	(90.343.197)
EUR	(5.917.988)	2,9822	(17.648.624)
Other			(230.196)
Total			(108.222.017)

Net Foreign Currency Position			168.097.369
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(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, 2014**

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	6.334.148	2,3189	14.688.256
EUR	3.609.429	2,8207	10.181.116
GBP	188	3,5961	676
CHF	-	2,3397	-
Other			-
Total			24.870.048

Prepaid Expenses	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	2.768.885	2,3189	6.420.767
			6.420.767

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

Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	27.606.553	2,3189	64.016.836
EUR	6.680.703	2,8207	18.844.259
GBP	80.253	3,5961	288.598
CHF	22.061	2,3397	51.616
Other			215
Total			83.201.524

Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(4.020.728)	2,3230	(9.340.151)
EUR	(986.640)	2,8258	(2.788.047)
Other			(46.374)
Total			(12.174.572)

Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(26.158.652)	2,3189	(60.659.298)
EUR	(5.487.266)	2,8207	(15.477.931)
Other			(710.988)
Total			(76.848.217)

Net Foreign Currency Position			77.742.613
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13. Derivative Financial Instruments

As of June 30, 2015, the Company has short-term swap contracts that total purchase price Euro 155.297.170 and the total sales price Euro 155.886.237 and their maturities of transactions are changed between July 13, 2015 to December 30, 2015. Total assets accounted under "Income accruals" in the balance sheet is TL 10.390.319 and total liabilities accounted under "Other financial liabilities" in the balance sheet is TL 842.197 (December 31, 2014 : None).

As of June 30, 2015, the Company has option transaction in amounting to USD 10.000.000 in total with the maturity December 31, 2015. Total liability arising from purchase option transaction has been accounted under short-term financial liabilities in amounting to TL 423.869. Total assets arising from sale option transaction has been accounted under short-term financial liabilities in amounting to TL 357.297 (December 31, 2014 : None).

During the period between January 1 – June 30, 2015, 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 14.963.079. (April 1 – June 30, 2015 : TL 14.550.104; January 1 – June 30, 2014 : TL 7.530.571; April 1 – June 30, 2014 : TL 2.741.677).

14. Cash and Cash Equivalents

	June 30, 2015	December 31, 2014
Cash at Banks	609.800.201	623.405.482
Time Deposit	602.078.580	622.248.996
Demand Deposit	7.721.621	1.156.486
Bank Guaranteed Credit Card Receivables with Maturities less than three months	175.639.048	196.351.987
Total	785.439.249	819.757.469
Interest Accrual on Cash and Cash Equivalents (-)	(857.930)	(3.551.136)
Cash Flow Based Grand Total	784.581.319	816.206.333
Blocked Deposits	135.971.621	131.314.451

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

As of June 30, 2015 and December 31, 2014, interest rate of time deposits are as follows:

	June 30, 2015	December 31, 2014
	Annual Interest Rate (%)	Annual Interest Rate (%)
TL	8,25 – 11,85	8,25 - 11,50
USD	0,10 – 2,40	0,50 - 2,00
EUR	0,30 – 2,00	0,75

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

14. Cash and Cash Equivalents(Continued)

As of June 30, 2015 maturity of TL deposits are changed between July 1, 2015 to August 6, 2015, foreign exchange maturity are changed between July 3, 2015 to December 30, 2015.

As of December 31, 2014 maturity of TL deposits are changed between January 2, 2015 to June 23, 2015, foreign exchange maturity are changed between January 2, 2014 to January 23, 2014.

There is no reverse repurchase assets and liabilities as of December 31, 2014.

The details of reverse repo receivables accounted for under cash and cash equivalents in the balance sheet as of June 30, 2015 are as follows:

	June 30, 2015			
	Cost	Interest Rate	Maturity	Book Value
Time Deposit	41.000.000	11,30%	14.07.2015	41.096.467
Total	41.000.000			41.096.467

The details of funds received from reverse repo agreements accounted for undershort term other financial borrowings in the balance sheet. as of June 30, 2015 are as follows:

	June 30, 2015			
	Cost	Interest Rate	Maturity	Book Value
Government Bonds	4.000.000	9,90%	14.07.2015	4.028.208
Government Bonds	37.000.000	10,00%	14.07.2015	37.669.041
Total	41.000.000			41.697.249

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

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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, 2015 and December 31, 2014 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.

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.

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, 2014: 30.600.000.000 shares with a nominal amount of TL 0,01 each).

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

None (December 31, 2014: 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, 2014: TL 0,01 per share).

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

	<u>June 30, 2015</u> <u>December 31, 2014</u>	
Beginning of the Period, 1 January	30.600.000.000	30.600.000.000
Issued in the Current Period	-	-
End of the Period	<u>30.600.000.000</u>	<u>30.600.000.000</u>

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15. Share Capital(Continued)

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, 2014: 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.

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

None (December 31, 2014: None).

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

None (December 31, 2014: None).

15.4 Share based payments

None (December 31, 2014: None).

15.5 Subsequent events

Disclosed in note 46.

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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, 2015	December 31, 2014
Valuation difference of financial assets available for sale	(3.974.710)	(1.047.646)
Deferred Tax Effect	794.942	209.529
Total	(3.179.768)	(838.117)

In accordance with changes regarding "TAS 19 – Employee Benefits" effective as of January 1, 2013, actuarial loss amounting to TL 4.678.355 (Deferred tax effect: TL 935.671) resulting from retirement pay liability calculation has been accounted to extraordinary reserves under equity.

As of June 30, 2015, effect of hedge accounting amount of TL (8.573.611) (Deferred tax effect: TL 1.714.722) 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, 2014: None).

16.3 Hedging for forecasted transactions and net investment hedging

None (December 31, 2014: None).

16.4 Hedging against financial risks

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

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

	2015	2014
	<u>Increase / (Decrease)</u>	<u>Increase / (Decrease)</u>
Beginning of the Period, 1 January	(838.117)	(2.729.437)
Increase / decrease in value recognized under the shareholders' equity in the current period	(2.341.651)	(222.111)
End of the Period	(3.179.768)	(2.951.548)

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

Disclosed in note 34.5

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

16.7 Revaluation increases in tangible fixed assets

None (December 31, 2014: None).

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

None (December 31, 2014: 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, 2015		December 31, 2014	
	Amount to be Provided TL	Current Blockage TL	Amount to be Provided TL	Current Blockage TL
Life	6.120.261	7.477.957	6.663.986	7.014.153
Government Bonds		7.477.957		6.822.532
Time Deposit		-		191.621
Non-Life	109.386.628	135.971.621	110.924.551	131.122.830
Time Deposit		135.971.621		131.122.830
Total	115.506.889	143.449.578	117.588.537	138.136.983

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

	2015		2014	
	Unit	Mathematical Reserves TL	Unit	Mathematical Reserves TL
Beginning of the Period, 1 January	402	1.972.202	432	2.167.174
Participations in the Current Period	-	17.301	-	57.624
Leavings in the Current Period	(7)	(63.087)	(15)	(151.551)
End of Period	395	1.926.416	417	2.073.247

Mathematical reserves amounting to TL 1.725.287 (December 31, 2014: TL 1.765.452) and Reserves for the policies, investment risk of which belongs to life insurance polich holders amounting to TL 201.129 (December 31, 2014: TL 206.750) 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, 2015, there is no difference in the value accounted in Life Mathematical Reserve account discounted with current value (December 31, 2014: None).

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17. Insurance Liabilities and Reinsurance Assets (Continued)

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

Branch	June 30, 2015	December 31, 2014
Motor Vehicles Liability	2.811.976.240.383	2.749.912.022.379
Fire and Natural Disaster	493.004.280.867	401.507.218.558
General Losses	181.864.317.266	286.605.330.906
Transportation	52.286.348.175	149.923.190.369
Accident	34.620.941.485	47.635.716.522
Financial Losses	35.946.597.885	35.208.773.175
General Losses	32.167.017.721	34.747.991.402
Air Vehicles Liability	16.663.493.546	29.260.438.332
Motor Own Damage	29.736.045.544	24.897.311.537
Health	8.171.098.564	15.752.119.800
Legal Protection	7.072.063.196	8.275.341.500
Air Vehicles	2.092.295.547	7.006.920.272
Credit	1.979.797.792	2.132.858.236
Water Vehicles	521.887.391	1.143.233.376
Direct Bail	543.210.795	477.441.619
Life	-	2.860.202
Total	3.708.645.636.157	3.794.488.768.185

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

None (December 31, 2014: None).

17.5 Number and amount of participation certificates in portfolio and circulation

None (December 31, 2014: None).

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

None (June 30, 2014: None).

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

None (June 30, 2014: None).

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

None (June 30, 2014: None).

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17. Insurance Liabilities and Reinsurance Assets (Continued)

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, 2014: 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, 2014: 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, 2014: None).

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

None (June 30, 2014: 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.

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, 2015 Profit Share (%)	January 1- June 30, 2014 Profit Share Distribution (%)
TL (Life Insurance)	9,49	9,52

17.15 Explanation of information that describes amounts arose from insurance agreements

None (December 31, 2014: None).

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17. Insurance Liabilities and Reinsurance Assets (Continued)

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

Reinsurance Assets

	June 30, 2015	December 31, 2014
Receivables from Reinsurance Companies	39.024.300	19.781.691
Cash Deposited For Insurance & Reinsurance Companies	30.954	30.954
Reinsurance Share of Unearned Premiums Reserve	344.997.081	264.326.090
Reinsurance Share of Outstanding Claims Reserve	222.051.489	179.963.559
Reinsurance Share of Unexpired Risks Reserve	9.944.902	8.955.838
Total	616.048.726	473.058.132

Reinsurance Liabilities

	June 30, 2015	December 31, 2014
Payables to Insurance and Reinsurance Companies	187.246.831	84.547.691
Payables to Agencies	26.310.585	23.487.923
Deferred Commissions Income	37.772.410	29.577.467
Total	251.329.826	137.613.081

Income / Expense on Reinsurance Agreements

	January 1- June 30, 2015	April 1- June 30, 2015	January 1- June 30, 2014	April 1- June 30, 2014
Premiums Ceded to Reinsurers (-)	(292.026.051)	(161.013.555)	(297.616.676)	(131.238.535)
Commissions Received	21.996.288	16.931.079	31.335.001	16.177.733
Reinsurance Share of Unearned Premiums Reserve	104.645.237	57.460.237	98.506.566	18.755.755
Reinsurance Share of Unexpired Risks Reserve	989.064	(5.043.924)	3.021.435	(21.457.822)
Reinsurance Share of Outstanding Claims Reserve	44.073.135	33.348.388	51.037.883	27.271.614
Reinsurance Share of Claims Paid	56.437.825	31.171.616	43.925.740	23.526.670
Total	(63.884.502)	(27.146.159)	(69.790.051)	(66.964.585)

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17. Insurance Liabilities and Reinsurance Assets (Continued)

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

Branch	June 30, 2015			June 30, 2014		
	Premiums Ceded	Reinsurance Share of Technical Reserves	Reinsurance Share of Claims Paid	Premiums Ceded	Reinsurance Share of Technical Reserves	Reinsurance Share of Claims Paid
Fire and Natural Disaster	(156.128.896)	48.265.886	22.759.984	(123.078.363)	28.298.177	14.396.251
General Losses	(68.815.402)	65.192.082	23.432.297	(113.794.257)	86.339.508	13.898.657
General Liability	(21.954.875)	(13.761.441)	4.257.797	(14.842.006)	12.820.274	5.257.962
Financial Losses	(16.860.170)	4.984.523	89.350	(11.568.575)	1.370.847	19.628
Transportation	(7.883.072)	(565.337)	1.683.379	(10.600.539)	1.860.240	2.414.973
Motor Vehicles Liability	(4.753.602)	(2.661.704)	12.565	(10.446.748)	(5.799.014)	1.028.207
Motor Own Damage	(513.995)	41.403	(526)	(2.762.398)	547.597	1.317.888
Accident	(1.819.804)	3.323.288	226.917	(1.741.967)	346.367	417.163
Support	(1.664.069)	278.855	-	(1.534.535)	24.908	-
Credit	(3.274.191)	300.109	2.953.042	(1.403.836)	6.788.537	206.353
Air Vehicles	(1.854.675)	622.480	-	(2.151.585)	402.946	215.563
Air Vehicles Liability	(4.223.701)	(770.617)	757.606	(1.679.838)	(2.875.630)	4.653.934
Water Vehicles	(859.852)	593.233	193.377	(805.778)	582.659	37.515
Health	(1.084.475)	75.287	-	(699.608)	157.684	3.103
Suretyship	(333.459)	24.420.883	72.037	(504.635)	(187.243)	58.543
Life	(1.813)	168	-	(2.008)	771	-
Total	(292.026.051)	130.339.102	56.437.825	(297.616.676)	130.678.628	43.925.740

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.

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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

	2015	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, 1 January	137.613.081	473.058.132
Net Change for the Year	113.716.745	142.990.594
End of the Period, 30 June	<u>251.329.826</u>	<u>616.048.726</u>

	2014	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, 1 January	133.514.101	410.907.688
Net Change for the Year	54.769.407	144.833.021
End of the Period, 30 June	<u>188.283.508</u>	<u>555.740.709</u>

18. Investment Contract Liabilities

Disclosed in Note 17.3.

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19. Trade and Other Payables, Deferred Income

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

	June 30, 2015	December 31, 2014
Payables to agencies	26.310.585	23.487.923
Payables to insurance and reinsurance companies	187.246.831	84.547.691
Payables from Insurance Operations	213.557.416	108.035.614
Payables to contracted enterprises	9.027.693	11.527.206
Payables to Turkish Catastrophe Insurance Pool	14.181.615	13.491.799
Payables to suppliers	5.535.900	2.535.941
Turkish Catastrophe Insurance Pool Payables to agencies	612.507	525.595
Other	1.242.315	679.152
Other Payables	30.600.030	28.759.693
Payables to SSI regarding medical expenses	7.742.409	10.522.958
Deferred commission income	37.772.410	29.577.467
Expense accruals	18.740.689	17.924.032
Deferred Income and Expense Accruals	56.513.099	47.501.499
Total Short Term Liabilities	308.412.954	194.819.764
Total Trade and Other Payables, Deferred Income	308.412.954	194.819.764

19.2 Related Parties

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

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20. Payables

Insurance Technical Reserves	June 30, 2015	December 31, 2014
Unearned Premiums Reserve- Net (*)	545.198.618	566.154.357
Unexpired Risks Reserve- Net	22.381.578	10.218.793
Outstanding Claims Reserve-Net (**)	506.073.763	303.791.202
Mathematical Reserves-Net	1.926.416	1.972.202
Equalization Reserve-Net	45.273.178	38.577.088
Total	1.120.853.553	920.713.642

(*) While calculating the income statement effect of the provisions for unearned premiums, TL 1.792.126, the deferral effect of the premiums transferred to assistance companies, which is included in operating expenses, has been netted off (December 31, 2014: TL 4.793.020).

As disclosed in note 2.15, the reinsurers' share of unearned premiums includes SSI share as of June 30, 2015 which is TL 6.622.349 (December 31, 2014: TL 10.980.587).

(**) The Company owns clean cut agreement in motor own damage branch, according to the agreement the premium and claim disposals for 2014 has taken part on December 31, 2014. According to the same agreements the portfolio additions have been made within the year 2015. The effect of portfolio additions TL 1.985.205 in 2015 netted – off from outstanding claims (note 4.1.2.3) (December 31, 2014: TL 1.355.476).

The movement of technical reserves are as follows:

Unearned Premium Reserve:

	2015			2014		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	830.480.271	(264.325.914)	566.154.357	761.101.163	(221.554.269)	539.546.893
Net Change	59.715.428	(80.671.167)	(20.955.739)	152.051.682	(78.008.019)	74.043.663
End of the Period	890.195.699	(344.997.081)	545.198.618	913.152.844	(299.562.288)	613.590.556

Unexpired Risk Reserve:

	2015			2014		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	19.174.631	(8.955.838)	10.218.793	30.907.209	(21.717.572)	9.189.638
Net Change	13.151.848	(989.064)	12.162.785	3.722.483	(3.021.434)	701.048
End of the Period	32.326.479	(9.944.902)	22.381.578	34.629.692	(24.739.006)	9.890.686

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20. Payables (Continued)

Equalization Reserve:

	2015			2014		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	38.577.088	-	30.723.954	30.723.954	-	30.723.954
Net Change	22.428.407	(15.732.317)	14.549.224	5.043.346	-	5.043.346
End of the Period	61.005.495	(15.732.317)	45.273.178	35.767.300	-	35.767.300

Provision for bonus and discount

As of December 31, 2014 and June 30, 2015, there is no Provision for bonus and discount.

	2015		
	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	-	-	-
Net Change	31.637	(31.637)	-
End of the Period	31.637	(31.637)	-

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.

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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:

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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, 2015 and December 31, 2014, 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, 2015, the provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 6,98% (December 31, 2014: %6) and a discount rate of 9,91% (December 31, 2014: 7,7%), resulting in a real interest rate of approximately 2% (December 31, 2014: 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 6.473.632 (Deferred tax effect: TL 1.294.726) 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, 2015, the maximum amount of TL 3.709,98 effective from July 1, 2015 has been taken into consideration in calculation of provision from employment termination benefits (December 31, 2014 : TL 3.541,37).

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

	2015	2014
Beginning of the Period, January 1	2.813.302	2.244.706
Charge for the Period	803.733	30.708
Actuarial Gain/Loss	3.478.243	720.756
Retirement Payments (-)	(621.646)	(452.883)
End of the Period, June 30	6.473.632	2.543.287

23. Other Liabilities and Expense Accruals

23.1 Provisions related to employee benefits and others

	2015		2014	
	Unused Vacation Provisions	Social Security Premiums Payable	Unused Vacation Provisions	Social Security Premiums Payable
Beginning of the Period, January 1	1.360.307	1.327.563	1.516.928	1.347.006
Movements in the Current Period	172.103	81.671	396.476	62.228
End of the Period, June 30	1.532.410	1.409.234	1.913.404	1.409.234

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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, 2015 and December 31, 2014 are presented below:

	June 30, 2015		December 31, 2014	
	Amount in Original Currency	Amount (TL)	Amount in Original Currency	Amount (TL)
Collaterals, Pledges and Mortgages Given by the Company (CPM)				
A. Total amount of CPMs given on behalf of the Company' legal entity	-	-	-	-
B. Total amount of CPMs given in favor of joint ventures included in full consolidation	-	-	-	-
C. Total amount of CPMs given as the guarantee of the third parties' debts for the maintenance purpose of the ordinary activities		219 082		74 222
	TL	219 082	61 700	61 700
	USD	-	5 867	12 522
D. Total amount of other CPMs given		565 250		11 156 609
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		11 156 609
	TL	565 250	11 156 609	11 156 609
Total		784 332		11 230 831

There is no ratio of CPMs given by the Company to the equity (December 31, 2014 : None).

23.3 Provisions, Contingents Assets and Liabilities

Contingent Liabilities	June 30, 2015	December 31, 2014
Outstanding Claims under Litigation (*)	145.434.570	122.813.636
Total	145.434.570	122.813.636

	June 30, 2015	December 31, 2014
Subrogation Receivable Litigations, Gross	52.939.867	50.090.760
Trade Receivable Litigations and Executions	12.682.582	12.883.105
Total	65.622.449	62.973.865

(*) 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.

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23. Other Liabilities and Expense Accruals

23.4 Provision for Expense Accruals

	June 30, 2015	December 31, 2014
Commission provision	6.040.498	9.312.517
Expense provision	3.814.271	1.065.946
Unused vacation provision	1.532.410	1.360.307
Performance premium provision	5.401.252	2.286.276
Guarantee fund provision	482.869	2.005.064
Other	1.469.389	1.893.922
Total	18.740.689	17.924.032

24. Net Insurance Premium Revenue

	January 1- June 30, 2015	April 1- June 30, 2015	January 1- June 30, 2014	April 1- June 30, 2014
Non-life Branches				
Motor Own Damage	212.180.404	115.721.957	263.752.374	152.724.229
Motor Vehicles Liability	60.140.647	30.199.331	127.912.419	56.428.059
Health	120.158.698	44.044.634	104.091.604	61.787.600
Fire and Natural Disaster	72.101.917	37.041.358	67.003.498	33.010.840
General Losses	85.238.485	20.903.192	46.549.913	19.044.507
Financial Losses	14.229.286	7.224.610	15.810.317	7.555.285
Accident	8.091.767	4.174.480	9.809.868	5.305.020
General Liability	9.235.463	3.702.552	7.770.590	2.746.284
Transportation	8.245.356	3.264.704	7.668.205	3.437.880
Legal Protection	1.781.162	956.398	2.107.307	1.187.545
Water Crafts	741.046	478.377	718.592	467.999
Direct Bail	255.877	117.361	241.543	98.765
Support	92.538	47.781	109.175	(199.222)
Credit	172.326	84.743	65.583	36.029
Air Crafts	162	59	187	68
Air Crafts Liability	109	22	91	45
Total Non-life Branches	592.665.243	267.961.559	653.611.266	343.630.933
Life	6.395	2.103	7.768	2.852
Total	592.671.638	267.963.662	653.619.034	343.633.785

25. Fee Income

None (January 1 – June 30, 2014:None).

26. Investment Income/(Expense)

	January 1- June 30, 2015	April 1- June 30, 2015	January 1- June 30, 2014	April 1- June 30, 2014
Interest Income	34.445.155	13.711.632	35.277.883	19.021.181
Rent Income	-	-	101.210	39.154
Total	34.445.155	13.711.632	35.379.093	19.060.335

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27. Net Accrual Income on Financial Assets

Financial Assets Available for Sale	January 1- June 30, 2015	January 1- June 30, 2014
Valuation differences recognized under shareholders' equity	(3.179.768)	(2.951.548)
Total	(3.179.768)	(2.951.548)

28. Assets Held At Fair Value through Profit and Loss

The net gain which is booked in income statement from the fair value difference reflected to gain or loss of the financial assets, is amounting to TL 7.612.716.as of June 30, 2015 (January 1 - June 30, 2014: TL 10.471.324).

29. Insurance Rights and Demands

Outstanding Claims Reserve Expenses	January 1- June 30, 2015	April 1- June 30, 2015	January 1- June 30, 2014	April 1- June 30, 2014
Legal Protection	175.919	35.511	1.142.614	780.435
Water Crafts	7.532	5.614.162	13.854	(43.543)
Air Crafts Liability	(76)	38	729	729
Air Crafts	-	-	-	337
Direct Bail	(594.431)	(395.818)	(89.538)	(84.052)
Credit	44.231	611.079	(120.181)	(97.177)
Accident	217.462	240.461	(1.045.661)	(962.553)
Transportation	(124.728)	(283.849)	(1.405.400)	(1.073.724)
Financial Losses	1.391.536	212.665	(4.417.886)	(3.959.122)
Health	(714.134)	191.963	(5.467.976)	(4.459.681)
Motor Own Damage	(45.713)	4.087.351	(6.392.093)	(4.169.512)
General Liability	4.180.955	9.587.871	(7.848.186)	(5.047.267)
Fire and Natural Disaster	(8.925.290)	(10.511.509)	(8.552.799)	(9.232.524)
General Losses	(21.907.534)	(26.837.068)	(15.364.374)	(11.212.591)
Motor Vehicles Liability	(174.212.726)	761.119	(15.746.755)	(2.522.370)
Total Non-life	(200.506.997)	(16.686.024)	(65.293.652)	(42.082.615)
Life	209.643	174.895	36.147	40.033
Total (*)	(200.297.354)	(16.511.129)	(65.257.505)	(42.042.582)

(*)For current previous period comparison please refer to note 4.1.2.4.

30. Investment Agreement Rights

None (December 31, 2014:None).

31. Mandatory Other Expenses

Types of expenses are disclosed in Note 32.

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32. Expense Types

	January 1- June 30, 2015	April 1- June 30, 2015	January 1- June 30, 2014	April 1- June 30, 2014
Production Commissions (-)	(145.701.272)	(68.990.417)	(138.455.035)	(70.341.151)
Reinsurance Commissions (+)	21.996.288	16.931.079	31.335.001	16.177.733
Employee Wages and Expenses (-) (*)	(36.026.552)	(18.295.942)	(32.602.311)	(17.075.583)
Information Technology Expenses (-)	(6.737.686)	(3.839.808)	(4.968.122)	(2.225.182)
Meeting and Training Expenses (-)	(1.658.683)	(807.013)	(3.499.271)	(2.012.281)
Transportation Expenses (-)	(1.820.094)	(909.529)	(2.060.270)	(1.049.125)
Rent Expenses (-)	(3.467.906)	(1.691.021)	(2.265.807)	(1.313.100)
Social Relief Expenses (-)	(1.892.357)	(842.442)	(1.538.438)	(726.673)
Repair and Maintenance Expenses (-)	(1.395.747)	(757.479)	(1.377.733)	(712.023)
Outsourcing Service Expenses (-)	(477.507)	(289.709)	(1.021.220)	(476.307)
Advertisement Expenses (-)	(1.504.563)	(585.670)	(714.583)	(198.035)
Communication Expenses (-)	(729.396)	(353.466)	(752.546)	(393.348)
Other (-)	(2.873.094)	(1.260.257)	(2.803.816)	(1.715.995)
Total	(182.288.569)	(81.691.674)	(160.724.151)	(82.061.070)

(*) 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, 2015	April 1- June 30, 2015	January 1- June 30, 2014	April 1- June 30, 2014
Salary and Bonus Payments	(33.627.291)	(16.869.739)	(30.440.277)	(15.929.665)
Insurance Payments	(425.055)	(212.513)	(401.550)	(207.895)
Other Payments	(1.974.206)	(1.213.690)	(1.760.484)	(938.023)
Total (Note 32)	(36.026.552)	(18.295.942)	(32.602.311)	(17.075.583)

34. Financing Costs

34.1 Financial Expenses:

None (June 30, 2014: None).

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

None (June 30, 2014: None).

34.3 Sales transactions with shareholders, affiliates and subsidiaries

Disclosed in Note 45.

34.4 Interest, rent and similar balances with shareholders, affiliates and subsidiaries:

Disclosed in Note 45

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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, 2015 effect of hedge accounting amount of TL (6.858.889) 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
18.963.971	USD	2,2342	2,6863	(8.573.611)

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 18.963.971 Eurobond.

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

None (June 30, 2014: None).

35. Corporate Tax

	<u>June 30, 2015</u>		<u>December 31, 2014</u>	
<u>Current Tax Liability</u>				
Corporate Tax Liability Provision on Period Profit		-		7.541.703
Prepaid Taxes and Other Liabilities on Period Profit (-)		-		(5.860.722)
		-		1.680.981
<u>Tax (Expense) / Income is Formed by the Items Below:</u>	<u>January 1- June 30, 2015</u>	<u>April 1- June 30, 2015</u>	<u>January 1- June 30, 2014</u>	<u>April 1- June 30, 2014</u>
Current Tax Income / (Expense)	-	-	(6.648.059)	(980.325)
Deferred Tax Income / (Expense) due to Temporary Differences	29.855.535	(3.364.055)	836.197	(156.883)
Total Tax Income / (Expense)	29.855.535	(3.364.055)	(5.811.862)	(1.137.208)

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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>	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Recognized in the Shareholders' Equity:		
Valuation of Financial Assets Available for Sale	794.942	209.529
Cash flow hedge effect	(1.714.722)	(334.514)
Actuarial Gain/Loss effect	935.671	240.022
Total	15.891	115.037

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

<u>Deferred Tax Assets / (Liabilities)</u>	<u>June 30, 2015</u>	<u>December 31, 2014</u>
Impairment Provision	4.431.080	4.431.080
Technical reserves	5.359.220	2.897.939
Marketable securities valuation difference	794.942	209.529
Performance bonus provision	1.080.250	457.255
Expense Provision	694.462	11.357
Doubtful receivable provisions	449.000	427.000
Retirement pay provision	1.294.726	562.660
Unused vacation provision	306.482	272.061
Useful life differences of tangible and intangible assets	-	90.000
Cash flow hedge	(1.714.722)	(334.514)
Financial Losses	26.085.317	-
Deferred Tax Assets / (Liabilities), Net	38.780.757	9.024.367

<u>Movements of Deferred Tax Assets / (Liabilities):</u>	<u>2015</u>	<u>2014</u>
Beginning of the Period, 1 January	9.024.367	10.534.419
Deferred Tax Income Recognized in the Income Statement	29.855.535	836.197
Deferred Tax Income Recognized in the Shareholders' Equity	(99.146)	(98.994)
Closing Balance, June 30	38.780.756	11.271.622

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35 Corporate Tax (Continued)

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

Confirmation of Tax Provision	January 1- June 30, 2015	January 1- June 30, 2014
Income Before Tax	(159.399.250)	28.041.324
Tax Calculated: 20%	31.879.849	(5.608.266)
Effect of Additions	(15.896.560)	(11.633.502)
Effect of Allowances	10.102.029	10.593.709
Financial Losses	(26.085.317)	-
Corporate Tax Liability Provision on Period Profit	-	(6.648.059)

As of June 30, 2015, the Company has booked the deferred tax assets in amounting to TL 38.780.757 and TL 26.085.317 is calculated over the statutory financial tax losses in amounting to TL 130.426.585. 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:

	2015	2014
Ended in 2020	28.908.571	-

36. Net Foreign Exchange Gain/Loss

	January 1- June 30, 2015	April 1- June 30, 2015	January 1- June 30, 2014	April 1- June 30, 2014
Recognized in Profit / Loss:				
Foreign Exchange Income	37.371.564	13.270.842	22.083.444	4.194.411
Foreign Exchange Expense	(28.835.812)	(11.143.802)	(17.307.643)	(7.004.148)
	8.535.752	2.127.040	4.775.801	(2.809.737)

37. Earnings per Share

	2015	2014
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)	(129.543.713)	22.229.462
Earnings / (Loss) per Share (TL)	(0,423)	0,073

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38. Dividends per share

Pursuant to the decision taken in the Company's Ordinary General Meeting held on March 20, 2015, all of the net profit consisted in financial statements which represents 2014 operating results have been distributed to shareholders after legal reserves are calculated over. The amount that distributed is TL 23.959.800 and profit per share is TL 0,07.

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, 2014:None).

41. Cash Convertible Privileged Equity Shares

None (December 31, 2014: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, 2014:None).

45. Related Parties

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

Related Party Receivables / (Payables)

	June 30, 2015	December 31, 2014
Shareholders	31.656	10.239
Related Parties	23.538.307	18.790.344
Total	23.569.963	18.800.583

(*) Amount TL 80.954 (December 31, 2014: TL 71.723) 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, 2015	April 1- June 30, 2015	January 1- June 30, 2014	April 1- June 30, 2014
Shareholders	1.235.334	635.372	1.235.784	643.818
Related Parties	63.145.547	31.845.248	62.399.765	32.408.924
Total	64.380.881	32.480.620	63.635.549	33.052.742

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45. Related Parties (Continued)**Claims Paid**

	January 1- June 30, 2015	April 1- June 30, 2015	January 1- June 30, 2014	April 1- June 30, 2014
Shareholders	457.654	193.250	1.741.614	1.722.420
Related Parties	18.863.195	10.703.495	33.407.815	2.258.672
Total	19.320.849	10.896.745	35.149.429	3.981.092

Bank Deposit

	June 30, 2015	December 31, 2014
Related Parties	596.228.787	535.553.520
Total	596.228.787	535.553.520

Private Sector Bonds

	June 30, 2015	December 31, 2014
Related Parties	38.902.475	29.935.210
Total	38.902.475	29.935.210

Investment Funds

	June 30, 2015	December 31, 2014
Related Parties	87.911.347	72.353.462
Total	87.911.347	72.353.462

Interest Income Received from Related Party

	January 1- June 30, 2015	April 1- June 30, 2015	January 1- June 30, 2014	April 1- June 30, 2014
Related Parties	21.157.441	12.327.078	16.337.334	10.966.527
Total	21.157.441	12.327.078	16.337.334	10.966.527

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

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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, 2015	December 31, 2014
Excess of Claims Receivables	8.081.017	-
Receivables from Tarım Sigortaları A.Ş.	17.640.771	1.849.582
Other Receivables	1.917.774	2.749.761
Turkish Catastrophe Insurance Pool premiums receivables from agencies	1.948.584	1.513.756
Receivables from Hacı Ömer Sabancı Foundation	-	1.600.000
Total	29.588.147	7.713.099

Other Short Term Payables	June 30, 2015	December 31, 2014
Payables to Turkish Catastrophe Insurance Pool	14.181.615	13.491.799
Payables to contracted enterprises	9.027.693	11.527.206
Payables to suppliers	5.535.900	2.535.941
Turkish Catastrophe Insurance Pool Payables to agencies	612.507	525.595
Other	1.242.315	679.152
Total	30.600.030	28.759.693

Other Prepaid Expenses	June 30, 2015	December 31, 2014
Prepaid Expenses	5.707.911	4.426.799
Other	-	671.947
Total	5.707.911	5.098.746

Other Prepaid Expenses (Long Term)	June 30, 2015	December 31, 2014
Prepaid Expenses	278.713	1.784.100
Total	278.713	1.784.100

(*)The amount of TL 3.931.024 (December 31, 2014: TL 4.270.309) prepaid expenses has arised from operational leases of the Company.

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47. Other (Continued)

Income and Profit / Expenses and Losses from Other and Extraordinary Activities	January 1- June 30, 2015	April 1- June 30, 2015	January 1- June 30, 2014	April 1- June 30, 2014
Provisions Account (+/-)	(8.842.888)	(3.350.494)	(7.089.408)	(2.434.503)
Provisions for doubtful receivable	(5.730.691)	(1.983.955)	(2.929.995)	(1.110.687)
Retirement pay provision	(803.733)	(475.040)	(671.266)	(290.520)
Donation Provision	-	-	(1.475.859)	(287.456)
Portfolio Management	(957.213)	(611.129)	(375.000)	-
Unused vacation provision	(318.232)	(3.427)	(396.476)	(33.879)
Guarantee Fund Provision	(476.465)	(230.542)	(936.442)	(378.106)
Provisions for other expenses	(556.554)	(46.401)	(304.370)	(333.855)
Compulsory earthquake insurance account (+/-)	513.024	107.087	342.371	100.184
Deferred tax asset account (+/-)	29.855.535	(3.364.055)	836.197	(156.883)
Other income and profit	127.033	3.734	85.162	59.581
Other	127.033	3.734	85.162	59.581
Other expenses and losses (-)	(2.087.893)	(1.040.558)	(4.075.015)	(801.953)
Non-tax-deductible expenses	(194.607)	(165.601)	(2.463.040)	(73.608)
Bank Expenses	(1.431.663)	(619.328)	(1.400.364)	(672.801)
Other	(461.623)	(255.629)	(211.611)	(55.544)
Total	19.564.811	(7.644.286)	(9.900.693)	(3.233.574)

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENT OF PROFIT DISTRIBUTION
AS OF JUNE 30, 2015**

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

AKSİGORTA ANONİM ŞİRKETİ			
Profit Distribution Statement			
	Note	Reviewed Current Period (01/01/2014 - 30/06/2015)	Audited Current Period (01/01/2013 - 31/12/2014)
I. Distribution of profit for the period		-	-
1.1 Profit for the period		-	-
1.2 Taxes payable and legal liabilities		-	-
1.2.1 Corporation tax (Income tax)		-	-
1.2.2 Income tax deduction		-	-
1.2.3 Other taxes and legal liabilities		-	-
A. Net profit for the period (1.1 - 1.2)		-	-
1.3 Previous years' losses (-)		-	-
1.4 First legal reserve		-	-
1.5 Legal reserves kept in the company (-)		-	-
B. Net distributable Profit for the period [(a - (1.3 + 1.4 + 1.5)]		-	-
1.6 First dividend to shareholders (-)		-	-
1.6.1 To common shareholders		-	-
1.6.2 To preferred shareholders		-	-
1.6.3 To owners of participating redeemed shares		-	-
1.6.4 To owners of profit-sharing securities		-	-
1.6.5 To owners of profit and loss sharing securities		-	-
1.7 Dividends to personnel (-)		-	-
1.8 Dividends to founders (-)		-	-
1.9 Dividends to board of directors (-)		-	-
1.10 Second dividends to shareholders (-)		-	-
1.10.1 To common shareholders		-	-
1.10.2 To preferred shareholders		-	-
1.10.3 To owners of participating redeemed shares		-	-
1.10.4 To owners of profit-sharing securities		-	-
1.10.5 To owners of profit and loss sharing securities		-	-
1.11 Second legal reserve (-)		-	-
1.12 Statutory reserves (-)		-	-
1.13 Extraordinary reserves		-	-
1.14 Other reserves		-	-
1.15 Special funds		-	-
II. Distribution from reserves		-	-
2.1 distributed reserves		-	-
2.2 second legal reserve (-)		-	-
2.3 dividends to shareholders (-)		-	-
2.3.1 To common shareholders		-	-
2.3.2 To preferred shareholders		-	-
2.3.3 To owners of participating redeemed shares		-	-
2.3.4 To owners of profit-sharing securities		-	-
2.3.5 To owners of profit and loss sharing securities		-	-
2.4 Dividends to employees (-)		-	-
2.5 Dividends to board of directors (-)		-	-
III. Profit per share		-	-
3.1 To common shareholders		-	-
3.2 To common shareholders (%)		-	-
3.3 To preferred shareholders		-	-
3.4 To preferred shareholders (%)		-	-
IV. Dividends per share		-	-
4.1 To common shareholders		-	-
4.2 To common shareholders (%)		-	-
4.3 To preferred shareholders		-	-
4.4 To preferred shareholders (%)		-	-

As of June 30, 2015 and 2014, the profit distribution table has not been prepared since there has not been profit distribution.