

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

Aksigorta Anonim Őirketi

**Financial Statements as of June 30, 2014 together
with the Independent Auditor's Review Report**



Building a better
working world

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

**Aksigorta Anonim Şirketi
Independent auditors' review report as of June 30, 2014**

To the Board of Directors of Aksigorta Anonim Şirketi,

Introduction

1. We have reviewed the accompanying interim balance sheet of Aksigorta Anonim Şirketi ("the Company") as of June 30, 2014 and the related statement of income, statement of changes in equity, cash flow statement for the period then ended and a summary of significant accounting policies and other explanatory notes. The Company management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the prevailing accounting principles and standards set out as per the insurance legislation. Our responsibility is to express a conclusion on the interim financial statements based on our review.

Scope of the review

2. We have conducted our review in accordance with regulation regarding limited review policies in force due to the insurance legislation. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with related insurance legislation. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

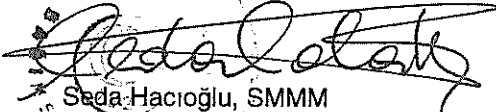
Conclusion

3. Based on our review, nothing has come to our attention that causes us to believe that interim financial statements do not give a true and fair view of the financial position of Aksigorta Anonim Şirketi as of June 30, 2014 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 (see financial statement Note 2) set out by the insurance legislation.

Additional paragraph for convenience translation to English:

4. As of June 30, 2014, 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 25, 2014
Istanbul, Turkey

CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON THE FINANCIAL STATEMENT PREPARED AS AT 30 JUNE 2014

We confirm that the accompanying financial statements and notes to these financial statements as of 30 June 2014 are prepared in accordance with the accounting principles and standards as set out in the insurance legislation and in conformity with the provisions of the Decree on "Financial Reporting of Insurance and Reinsurance Companies and Pension Funds" and our Company's accounting records.

İstanbul, 25 July 2014

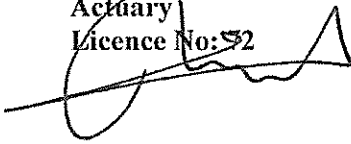


Erkan ŞAHİNLER
Chief Financial Officer



Uğur GÜLEN
Chief Executive Officer

Halil KOLBAŞI
Actuary
Licence No: 92



Gülnur KURT
Accounting Manager

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE BALANCE SHEET
AT JUNE 30, 2014**

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

AKSİGORTA ANONİM ŞİRKETİ			
DETAILED BALANCE SHEET			
ASSETS			
I- CURRENT ASSETS	Note	Reviewed	Audited
		Current Period (30/06/2014)	Previous Period (31/12/2013)
A- Cash and Cash Equivalents		851.862.153	901.772.398
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	624.742.732	732.774.746
4- Cheques Given and Payment Orders (-)		-	-
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	14	227.119.421	168.997.652
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Investments with Risks on Policy Holders	11.1	230.866.624	167.948.572
1- Financial Assets Available for Sale	11.1	223.882.832	161.409.883
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	6.983.792	6.538.689
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)		-	-
C- Receivables From Main Operations	12.1	386.059.378	295.482.821
1- Receivables From Insurance Operations	12.1	389.863.460	298.597.419
2- Provision for Receivables From Insurance Operations (-)	12.1	(8.201.844)	(7.511.240)
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	57.824.402	55.089.273
10- Provisions for Doubtful Receivables From Main Operations (-)	12.1	(53.457.594)	(50.723.585)
D- Due from Related Parties		71.160	67.314
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	71.160	67.314
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		23.809.874	5.792.454
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		108.074	106.174
4- Other Receivables	47	23.701.800	5.686.280
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
F- Prepaid Expenses and Income Accruals	4.2.2	143.043.185	124.153.715
1- Deferred Commission Expenses		128.817.387	122.435.253
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses	47	14.225.798	1.718.462
G- Other Current Assets		2.106.603	2.189.899
1- Inventories		22	22
2- Prepaid Taxes and Funds	4.2.2	1.913.984	2.189.877
3- Deferred Tax Assets		-	-
4- Business Advances		192.597	-
5- Advances Given to Personnel		-	-
6- Stock Count Differences		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		1.637.818.977	1.497.407.173

The accompanying notes form an integral part of these financial statements

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE BALANCE SHEET
AT JUNE 30, 2014**

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

AKSIGORTA ANONİM ŞİRKETİ			
DETAILED BALANCE SHEET			
ASSETS			
II- NON CURRENT ASSETS	Note	Reviewed Current Period (30/06/2014)	Audited Previous Period (31/12/2013)
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		13.807.542	11.374.660
1- Investment Properties	7	791.121	844.152
2- Diminution in Value for Investment Properties (-)		-	-
3- Owner Occupied Properties	6	8.270.093	8.270.093
4- Machinery and Equipments		-	-
5- Furnitures and Fixtures	6	21.404.130	21.364.536
6- Vehicles	6	-	-
7- Other Tangible Assets (Including Leasehold Improvements)	6	1.759.198	1.122.357
8- Leased Tangible Fixed Assets	6	351.395	351.395
9- Accumulated Depreciation (-)	6, 7	(21.220.983)	(20.577.873)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		2.452.588	-
F- Intangible Fixed Assets		23.280.913	19.986.929
1- Rights	8	21.844.145	18.183.940
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortizations (-)	8	(13.609.703)	(12.341.338)
8- Advances Regarding Intangible Assets	8	15.046.471	14.144.327
G- Prepaid Expenses and Income Accruals		3.936.804	-
1- Deferred Commission Expenses		-	-
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses	47	3.936.804	-
H- Other Non-current Assets		11.271.622	10.534.419
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	35	11.271.622	10.534.419
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
II- Total Non-current Assets		60.258.132	49.857.259
TOTAL ASSETS (I+II)		1.698.077.109	1.547.264.432

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE BALANCE SHEET
AT JUNE 30, 2014**

(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	Previous Period
		(30/06/2014)	(31/12/2013)
A- Borrowings		-	-
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Current Portion of Long Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Financial Assets Issued		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)		-	-
B- Payables From Main Operations	19.1	154.179.021	104.789.191
1- Payables Due to Insurance Operations	19.1	154.179.021	104.789.191
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		318.622	527.168
1- Due to Shareholders		1.145	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		317.477	527.168
6- Due to Other Related Parties		-	-
D- Other Payables	19.1	40.412.776	43.075.754
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses	19.1	12.381.206	15.622.370
3- Other Payables	19.1	28.031.570	27.453.384
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves		904.441.075	763.083.383
1- Unearned Premiums Reserve - Net	20	613.590.556	539.546.893
2- Unexpired Risk Reserves - Net	20	9.890.686	9.189.638
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	4.1, 20	280.959.833	214.346.852
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Relevant Provisions		13.222.263	19.841.340
1- Taxes and Dues Payable		11.046.514	11.030.542
2- Social Security Premiums Payable	23.1	1.383.435	1.347.006
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		4.977	7.734
5- Corporate Tax Liability Provision on Period Profit	35	6.648.059	25.734.660
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	35	(5.860.722)	(18.278.602)
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks		16.380.902	17.530.429
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	19.1, 23.4	16.380.902	17.530.429
H- Deferred Income and Expense Accruals	19.1	34.104.487	28.724.910
1- Deferred Commission Income	19.1	34.104.487	28.724.910
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		1.163.059.146	977.572.175

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEET AT JUNE 30, 2014

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

AKSİGORTA ANONİM ŞİRKETİ			
DETAILED BALANCE SHEET			
LIABILITIES			
IV- LONG TERM LIABILITIES	Note	Reviewed Current Period (30/06/2014)	Audited Previous Period (31/12/2013)
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	-	1.867.930
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses	19.1	-	1.867.930
3- Other Payables		-	-
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves		37.840.547	32.891.128
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net	17.2, 20	2.073.247	2.167.174
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net	20	35.767.300	30.723.954
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		2.543.287	2.244.706
1- Provision for Employment Termination Benefits	22	2.543.287	2.244.706
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		40.383.834	37.003.764

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE BALANCE SHEET
AT JUNE 30, 2014**

(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 (30/06/2014)	Previous Period (31/12/2013)
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		91.155.206	4.460.787
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital		91.155.206	4.460.787
4- Translation Reserves		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		75.236.310	62.313.603
1- Legal Reserves		80.665.151	68.138.419
2- Statutory Reserves		62	62
3- Extraordinary Reserves		-	-
4- Special Funds (Reserves)	22, 34.5	(2.477.355)	(512.446)
5- Revaluation of Financial Assets	11.6, 16.1	(2.951.548)	(5.312.432)
6- Other Profit Reserves		-	-
D- Previous Years' Profits		13.151	139.064
1- Previous Years' Profits		13.151	139.064
E- Previous Years' Losses (-)		-	-
1- Previous Years' Losses		-	-
F- Net Profit of the Period		22.229.462	159.775.039
1- Net Profit of the Period		22.229.462	73.080.620
2- Net Loss of the Period (-)		-	-
3- Net Income not subject to distribution		-	86.694.419
Total Shareholders' Equity		494.634.129	532.688.493
Total Liabilities and Shareholders' Equity (III+IV+V)		1.698.077.109	1.547.264.432

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, 2014**
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

AKSIGORTA ANONİM ŞİRKETİ					
DETAILED INCOME STATEMENT					
I-TECHNICAL PART	Note	Reviewed		Reviewed	
		Current Period 01/01/2014-30/06/2014	Current Period 01/01/2014-30/06/2014	Previous Period 01/01/2013-30/06/2013	Previous Period 01/01/2013-30/06/2013
A- Non-Life Technical Income		615.741.762	315.598.272	522.941.475	259.885.191
1- Earned Premiums (Net of Reinsurer Share)		577.476.088	299.281.972	500.355.223	249.651.326
1.1 - Written Premiums (Net of Reinsurer Share)	24	653.611.266	343.630.933	542.252.975	261.228.744
1.1.1 - Gross Written Premiums (+)		951.225.934	474.868.742	765.315.246	354.422.373
1.1.2 - Ceded Premiums to Reinsurers (-)	17.16	(288.295.558)	(125.499.029)	(215.619.096)	(89.187.099)
1.1.3 - Ceded Premiums to SSI (-)	17.16	(9.319.110)	(5.738.780)	(7.443.175)	(4.806.530)
1.2 - Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		(75.434.130)	(48.263.030)	(46.213.492)	(19.121.455)
1.2.1 - Unearned Premiums Reserve (-)		(152.052.669)	(63.982.847)	(99.605.383)	(14.803.092)
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	17.16	81.329.157	18.830.521	56.317.411	6.027.621
1.2.3 - SSI of Unearned Premiums Reserve (+)	17.16	(4.710.618)	(3.110.704)	(2.925.520)	(345.984)
1.3 - Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		(701.048)	3.914.069	4.315.740	(2.455.963)
1.3.1 - Unexpired Risks Reserve (-)		(3.722.483)	25.371.891	4.916.574	(3.329.374)
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)	17.16	3.021.435	(21.457.822)	(600.834)	873.411
2 - Investment Income Transferred from Non-Technical Part		37.602.103	17.511.557	16.791.855	9.233.505
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 (+)		663.571	(1.195.257)	4.894.397	1.000.270
B- Non-Life Technical Expense (-)		(584.566.676)	(307.234.448)	(485.345.020)	(239.485.681)
1- Total Claims (Net of Reinsurer Share)		(400.467.323)	(214.468.492)	(323.553.778)	(156.309.195)
1.1 - Claims Paid (Net of Reinsurer Share)		(335.173.671)	(172.385.877)	(313.094.211)	(149.678.252)
1.1.1 - Gross Claims Paid (-)		(379.099.411)	(195.912.547)	(391.899.655)	(192.031.132)
1.1.2 - Reinsurance Share of Claims Paid (+)	17.16	43.925.740	23.526.670	78.805.444	42.352.880
1.2 - Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(65.293.652)	(42.082.615)	(10.459.567)	(6.630.943)
1.2.1 - Outstanding Claims Reserve (-)	17.16	(116.331.535)	(69.354.229)	49.302.067	(1.739.127)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)		51.037.883	27.271.614	(59.761.634)	(4.891.816)
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 Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		(5.043.346)	(2.165.249)	(1.531.014)	(2.205.231)
4 - Operating Expenses (-)	32	(160.449.687)	(81.859.157)	(138.678.741)	(70.925.982)
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 (-)		(18.600.320)	(8.741.550)	(18.581.487)	(10.045.273)
6.1 - Gross Other Technical Expenses (-)		(18.600.320)	(8.741.550)	(18.581.487)	(10.045.273)
6.2 - Reinsurance Share of Other Technical Expenses (+)		-	-	-	-
C- Non Life Technical Net Profit (A-B)		31.181.086	8.363.824	36.696.455	20.399.510
D- Life Technical Income		28.732	(58.593)	451.971	199.773
1- Earned Premiums (Net of Reinsurer Share)		6.045	3.365	13.223	7.500
1.1 - Written Premiums (Net of Reinsurer Share)	24	7.768	2.852	14.113	6.817
1.1.1 - Gross Written Premiums (+)		9.776	3.578	17.746	8.421
1.1.2 - Ceded Premiums to Reinsurers (-)	17.16	(2.008)	(726)	(3.633)	(1.604)
1.2 - Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		(1.723)	513	(894)	683
1.2.1 - Unearned Premiums Reserve (-)		(852)	513	(649)	683
1.2.2 - Unearned Premiums Reserve Reinsurer Share (+)	17.16	(871)	-	(1.543)	-
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		167.851	86.131	326.967	133.457
3 - Unrealized Income from Investments		-	-	-	-
4 - Other Technical Income (Net of Reinsurer Share) (+/-)		(145.164)	(148.089)	111.783	58.816
4.1 - Gross Other Technical Income (+/-)		(145.164)	(148.089)	111.783	58.816
4.2 - Reinsurance Share of Other Technical Income (+/-)		-	-	-	-
5 - Accrued Subrogation and Salvage Income (+)		-	-	-	-
E- Life Technical Expense		(373.902)	(232.313)	(457.339)	(263.225)
1- Total Claims (Net of Reinsurer Share)		(202.312)	(104.408)	(420.277)	(158.213)
1.1 - Claims Paid (Net of Reinsurer Share)		(238.459)	(144.441)	(416.532)	(153.783)
1.1.1 - Gross Claims Paid (-)		(238.459)	(144.441)	(416.532)	(153.783)
1.1.2 - Claims Paid Reinsurer Share (+)		-	-	-	-
1.2 - Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	36.147	40.033	(3.745)	(4.430)
1.2.1 - Outstanding Claims Reserve (-)	17.16	36.194	40.033	(3.401)	(4.350)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)		(47)	-	(344)	(80)
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) (+/-)		95.616	66.604	197.260	37.969
3.1 - Mathematical Reserves (-)		93.927	67.052	196.225	38.526
3.1.1 - Actuarial Mathematical Reserve (-)		330.959	32.639	541.843	28.827
3.1.2 - Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		(237.032)	34.413	(345.618)	9.699
3.2 - Reinsurer Share of Mathematical Reserves (+)		1.689	(448)	1.035	(617)
3.2.1 - Reinsurance Share of Actuarial Mathematical Reserve (+)		1.689	(448)	1.035	(617)
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) (+/-)		-	-	-	-
5 - Operating Expenses (-)	32	(274.464)	(201.913)	(229.187)	(140.002)
6 - Investment Expenses (-)		-	-	-	-
7 - Unrealized Losses from Investments (-)		-	-	-	-
8 - Investment Income Transferred to Non-Technical Part (-)		7.258	7.404	(5.135)	(2.919)
F- Life Technical Profit (D-E)		(345.170)	(298.906)	(5.368)	(63.452)
G- Individual Retirement Technical Income		-	-	-	-
1 - Fund Management Fee		-	-	-	-
2 - Management Fee Deduction		-	-	-	-
3 - Initial Contribution Fee		-	-	-	-
4 - Management Fee in Case Of Temporary Suspension		-	-	-	-
5 - Withholding Tax		-	-	-	-
6 - Increase in Market Value of Capital Commitment Advances		-	-	-	-
7-Other Technical Income		-	-	-	-
H- Individual Retirement Technical Expense		-	-	-	-
1 - Fund Management Expenses (-)		-	-	-	-
2 - Decrease in Market Value of Capital Commitment Advances (-)		-	-	-	-
3 - Operating Expenses (-)		-	-	-	-
4 - Other Technical Expense (-)		-	-	-	-
I- Individual Retirement Technical Profit (G-H)		-	-	-	-

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME
FOR THE PERIOD JANUARY 1 – JUNE 30, 2014**

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

AKSİGORTA ANONİM ŞİRKETİ					
DETAILED INCOME STATEMENT					
I-NON TECHNICAL PART	Note	Reviewed		Reviewed	
		Current Period 01/01/2014-30/06/2014	Current Period 01/01/2014-30/06/2014	Previous Period 01/01/2013-30/06/2013	Previous Period 01/01/2013-30/06/2013
C- Non Life Technical Profit (A-B)		31.181.086	8.363.824	36.696.455	20.399.510
F- Life Technical Profit (D-E)		(345.170)	(290.906)	(5.368)	(63.452)
I - Individual Retirement Technical Profit (G-H)		-	-	-	-
J- Total Technical Profit (C+F+I)		30.835.916	8.072.918	36.691.087	20.336.058
K- Investment Income		64.805.850	25.989.019	34.617.960	20.985.447
1- Income From Financial Investment	26	22.449.158	11.573.673	13.910.214	7.122.635
2- Income from Sales of Financial Investments	26	1.836.127	1.221.418	527.768	(226.955)
3- Revaluation of Financial Investments	26	10.992.598	6.226.090	6.666.141	3.252.765
4- Foreign Exchange Gains	36	22.083.444	4.194.411	13.360.599	10.760.763
5- Income from Affiliates		-	-	-	-
6- Income from Subsidiaries and Joint Ventures		-	-	-	-
7- Income Received from Land and Building	26	101.210	39.154	148.103	73.320
8- Income from Derivatives	13	7.350.571	2.741.677	-	-
9- Other Investments		-	-	-	-
10- Investment Income transferred from Life Technical Part		(7.258)	(7.404)	5.135	2.919
L- Investment Expenses (-)		(56.863.552)	(25.523.588)	(28.963.110)	(17.323.559)
1- Investment Management Expenses (including interest) (-)		-	-	-	-
2- Valuation Allowance of Investments (-)		-	-	-	-
3- Losses On Sales of Investments (-)		-	-	-	-
4- Investment Income Transferred to Non-Life Technical Part (-)		(37.602.103)	(17.511.557)	(16.791.855)	(9.233.595)
5- Losses from Derivatives (-)		-	-	-	-
6- Foreign Exchange Losses (-)	36	(17.307.643)	(7.004.148)	(10.324.351)	(7.457.288)
7- Depreciation Expenses (-)	32	(1.953.806)	(1.007.883)	(1.846.904)	(632.676)
8- Other Investment Expenses (-)		-	-	-	-
M- Other Income and Expenses (+/-)		(9.900.693)	(3.233.574)	89.876.596	96.301.695
1- Provisions Account (+/-)	47	(7.089.408)	(2.434.503)	(23.357.315)	(17.930.023)
2- Discount account (+/-)	47	-	-	-	-
3- Mandatory Earthquake Insurance Account (+/-)	47	342.371	100.184	218.628	(4.585)
4- Inflation Adjustment Account (+/-)		-	-	-	-
5- Deferal Tax Asset Accounts(+/-)	35	836.197	(156.883)	2.641.869	3.774.600
6- Deferal Tax Expense Accounts (-)		-	-	-	-
7- Other Income and Revenues	47	85.162	59.581	116.501.412	115.409.095
8- Other Expense and Losses (-)	47	(4.075.015)	(801.933)	(6.127.998)	(4.947.392)
9- Prior Period Income	47	-	-	-	-
10- Prior Period Losses (-)		-	-	-	-
N- Net Profit / (Loss)		22.229.462	4.324.450	119.911.333	109.854.103
1- Profit/(Loss) Before Tax		28.877.521	5.304.375	132.222.533	120.299.641
2- Corporate Tax Liability Provision (-)	35	(6.648.059)	(980.325)	(12.311.200)	(10.445.538)
3- Net Profit (Loss)		22.229.462	4.324.450	119.911.333	109.854.103
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, 2014**

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

AKSIGORTA ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN EQUITY
(Reviewed)

CERRİH PERİYOD	Capital	Equity Shares Owned by the Company (i)	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	-	(5.312.437)	-	-	68.138.419	62	3.948.341	159.775.039	139.064	532.084.493
II - Amendments in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
III - Current Balances (I - II) (01/01/2014)	306.000.000	-	(5.312.437)	-	-	68.138.419	62	3.948.341	159.775.039	139.064	532.084.493
A- Capital increase (A1 - A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- Internal sources	-	-	-	-	-	-	-	-	-	-	-
B- Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity	-	-	-	-	-	-	-	(1.964.908)	-	-	(1.964.908)
D- Revaluation of financial assets (Items 16.1)	-	-	2.360.844	-	-	-	-	-	-	-	2.360.844
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income - (expenses)	-	-	-	-	-	-	-	86.694.418	-	-	86.694.418
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	22.229.462	-	22.229.462
H- Pending profit (Note 57)	-	-	-	-	-	-	-	-	-	(60.679.890)	(60.679.890)
I- Dividend distributed	-	-	-	-	-	-	-	-	(159.775.039)	69.233.887	(90.541.152)
J- Transfer	-	-	-	-	-	12.526.732	-	-	-	-	12.526.732
II- Closing Balance (30.06.2014) (I+ A+B+C+D+E+F+G+H+I+J)	306.000.000	-	(2.951.593)	-	-	80.665.151	62	83.677.851	21.229.462	13.151	494.634.129

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, 2014**

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

**AKSIGORTA ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN EQUITY
(Revised)**

	Capital	Equity Shares Owned by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Transition Reserve	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
CURRENT PERIOD											
I - Closing Balance of Prior Period (31/12/2013)	306.000.000	-	183.320	-	-	62.767.184	62	4.460.787	48.672.723	1.513.576	423.597.652
II - Amendments in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
III - Current Balance (I - II) (01/01/2014)	306.000.000	-	183.320	-	-	62.767.184	62	4.460.787	48.672.723	1.513.576	423.597.652
A - Capital Increase (A1 - A2)	-	-	-	-	-	-	-	-	-	-	-
1. Cash	-	-	-	-	-	-	-	-	-	-	-
2. Internal reserves	-	-	-	-	-	-	-	-	-	-	-
B. Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C. Income / (expense) recognized directly in the equity	-	-	-	-	-	-	-	607.909	-	-	(607.909)
D. Revaluation of financial assets	-	-	(2.912.757)	-	-	-	-	-	-	-	(2.912.757)
E. Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F. Other income / (expenses)	-	-	-	-	-	-	-	-	-	-	-
G. Inflation adjustment Differences	-	-	-	-	-	-	-	-	119.911.333	-	119.911.333
H. Period net profit (Note 37)	-	-	-	-	-	-	-	-	(44.676.000)	43.301.488	(44.676.000)
I. Dividend distributed	-	-	-	-	-	3.371.235	-	-	-	-	3.371.235
J. Transfer	-	-	-	-	-	68.138.419	62	3.852.578	119.911.333	139.064	495.312.319
III - Closing Balance (30.06.2014) (I - A - B - C - D - E - F - G - H - I - J)	306.000.000	-	(2.729.437)	-	-	68.138.419	62	3.852.578	119.911.333	139.064	495.312.319

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, 2014**

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

AKSİGORTA ANONİM ŞİRKETİ			
CASH FLOW STATEMENT			
	Note	Reviewed	Reviewed
		Current Period 30/06/2014	Previous Period 30/06/2013
A. CASH FLOWS FROM THE OPERATING ACTIVITIES			
1. Cash inflows from the insurance operations		818.088.018	661.887.532
2. Cash inflows from the reinsurance operations		-	-
3. Cash inflows from the pension operations		-	-
4. Cash outflows due to the insurance operations (-)		(682.130.596)	(562.795.239)
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)		135.957.422	99.092.293
8. Interest payments (-)		-	-
9. Income tax payments (-)		(2.701.321)	(11.549.267)
10. Other cash inflows		10.106.830	29.084.477
11. Other cash outflows (-)		(72.286.728)	(53.844.398)
12. Net cash generated from the operating activities	39	71.076.203	62.783.105
B. CASH FLOWS FROM THE INVESTING ACTIVITIES			
1. Sale of tangible assets		(2.432.882)	132.080.945
2. Purchase of tangible assets (-)		-	-
3. Acquisition of financial assets (-)		(73.465.547)	(120.576.851)
4. Sale of financial assets		(445.103)	(90.755)
5. Interest received		42.966.475	20.441.786
6. Dividends received		-	-
7. Other cash inflows		23.200.682	11.281.756
8. Other cash outflows (-)		(58.210.080)	(36.337.139)
9. Net cash generated from the investing activities	39	(68.386.455)	6.799.742
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 (-)		(60.679.800)	(44.676.000)
5. Other cash inflows		-	-
6. Other cash outflows (-)		-	-
7. Cash generated from the financing activities	39	(60.679.800)	(44.676.000)
D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS			
		4.775.801	3.036.248
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		(53.214.251)	27.943.095
F. Cash and cash equivalents at the beginning of the period	14	899.783.192	738.410.283
G. Cash and cash equivalents at the end of the period (E+F)	14	846.568.941	766.353.378

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, 2014

(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, 2014. 38,02% (December 31, 2013: %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 belong o 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 (exclusing the corrections) of USD 220.029.000. According to the joint administration agreement that signed with Ageas Insurance International N.V. at February 18, 2011, Holding's previous administrative controls over Aksigorta A.Ş. are going to remain equally with Ageas Insurance International N.V.

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 Company is located at Meclis-i Mebusan Cad. No: 67, 34427 Fındıklı, İstanbul.

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, 2014	January 1- December 31, 2013
Top executive	11	12
Manager and assistant manager	112	122
Specialist/responsible	538	541
Total	661	675

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 3.216.458 in total for the period January 1 – June 30, 2014 (January 1- June 30, 2013: TL 3.104.561).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

1. General Information (Continued)

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, 2014.

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 informations 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 January 1- June 30, 2014 are approved and authorized for issuance as of July 25, 2014 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 issue is disclosed in Note 46.

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.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

2. Summary of the Accounting Policies (Continued)

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

The 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 in accordance with the "Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested," ("Regulation on Technical Reserves") dated July 28, 2010 and published in official gazette numbered 27655 and published in Official Gazzette dated 17 July 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.

The Public Oversight, Accounting and Auditing Standards Agency (KGK), 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.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

(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)

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, 2014, non-monetary balance sheet assets and liabilities and equity items, including capital share, are calculated by indexing of inputs as of December 31, 2004 (for inputs prior to December 31, 2004) and carrying inputs subsequent to December 31, 2004 at nominal value.

b. Comparative Information and Restatement of Prior Period Financial Statements

The Company’s balance sheet as of June 30, 2014 is presented in comparison with its balance sheet as of December 31, 2013; income statement, statement of changes in equity and cash flow statement for the interim period between January 1 – June 30, 2014 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, 2013.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

(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)

c. Technical Reserves

Unearned Premium Reserve

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

Deferred commission expense and income

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

Unexpired Risks Reserve

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

In accordance with the "Regulation to Revise the Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested" numbered 2012/13 and dated July 18, 2012, the opening outstanding claims provision amount as of December 31, 2013 used in the derivation of expected loss ratio determined for the calculation of unexpired risk reserve as of June 30, 2014 has been recalculated in accordance with the new methodology to conform to the current period.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

2. Summary of the Accounting Policies (Continued)

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

The Company has calculated and accounted for net unexpired risk reserve amounting to TL 9.890.686 at June 30, 2014 (December 31, 2013: TL 9.189.638) (Note 20).

Claims provision

The Company accounts for outstanding claims provision for ultimate cost of the claims incurred, but not paid in the current or previous periods or, for the estimated ultimate cost if the cost is not certain yet, and for the incurred but not reported claims. Claim provisions are accounted for based on reports of experts or initial assessments of policyholders and experts, and salvage, subrogation and similar gains are not deducted.

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.

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 June 30, 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.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

(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 this respect, the Company has taken 100% (December 31, 2013: 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 61.415.677 as at June 30, 2014 (December 31, 2013: TL 45.359.046)

In scope of December 26, 2011 dated and 2011/23 numbered "Notice about the Calculation of Incurred But Not Reported Compensation Reserve (IBNR)" ("2011/23 numbered Notice), the Insurance Companies, for the first time as of December 31, 2011, can calculate a recover ratio over the case amounts regarding to the cases against the Company by branch and according to realizations of the last five years by taking into account completion dates of the cases, and can make a deduction using this recover rate over the current outstanding compensation reserve amount. As of June 30, 2014, the Company has calculated recover ratios by dividing the lawsuit amount finalized in the favour of the Company to the all lawsuit cases finalized by using claim files all stages of the judicial in the last three years for motor own damage and compulsory traffic branches and in the two years for the other branches. The principal amounts have been taken into consideration and interest and other charges have been excluded from recover ratio calculations. In accordance with the Communiqué numbered 2011/23, the deduction from the outstanding claims under legal follow-up has been made using the ratio 25% for the branches with recover ratios over 25%. The Company has made the calculation from the information in gross basis and has determined reinsurance share of the discounted amount based on the average reinsurance share of legal claim files in branch basis.

The net deduction amount from outstanding claim files using the winning ratios calculated on a sub-branch basis is TL 17.254.477 as of June 30, 2014 (December 31, 2013 : TL 11.893.970). Besides, in accordance with the Communiqué numbered 2011/23, claim amounts are taken into consideration without any deduction for all calculations performed to determine incurred but not reported claim provision.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

2. Summary of the Accounting Policies (Continued)

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

The winning ratios calculated on a sub-branch basis as of June 30, 2014 and December 31, 2013, are explained below:

Sub-branch	June 30, 2014	December 31, 2013
Third Party Liability	25,0%	25,0%
Electronic Device	1,0%	1,1%
Commodity	25,0%	25,0%
Personal Accident	20,6%	25,0%
Theft	25,0%	25,0%
Glass Breakage	25,0%	25,0%
Employer Financial Liability	19,6%	23,6%
Obligatory Liability Insurance for Motor Cars	25,0%	25,0%
LPG Compulsory Liability Insurance	0,0%	0,0%
Construction	25,0%	25,0%
Employment	25,0%	25,0%
Motor Crafts Liability	25,0%	25,0%
Machinery Breakdown	25,0%	25,0%
Professional Indemnity Insurance	25,0%	25,0%
Bus Compulsory Personal Accident	25,0%	25,0%
Health	25,0%	25,0%
Water Craft	14,2%	14,4%
Compulsory Traffic	13,8%	16,2%
Fire	25,0%	25,0%
Compulsory Highway Transportation Liability	10,8%	15,3%

In accordance with the Communique, Company has selected the most appropriate method based the structure of the company portfolio and in accordance with the decision the Actuary of the Company as of December 31, 2010, has used these methods selected during the calculations performed as of June 30, 2014 and December 31, 2013. The gross and net reserve amounts on branch basis calculated by using ACLM and as a result of these calculations to be allocate as additional or to be deducted from reserves in the event of negative results of the calculated, as of June 30, 2014 and December 31, 2013 are explained below:

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

(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)**

Branch	Applied Method (*)	June 31, 2014		December 31, 2013	
		Gross Additional Reserve (100%)	Net Additional Reserve (100%)	Gross Additional Reserve (100%)	Net Additional Reserve (100%)
Motor Vehicles Liability	Standard Chain	63.416.213	62.746.465	55.307.921	54.247.114
General Liability	Standard Chain	59.883.154	23.224.759	50.198.413	17.118.046
Financial Losses	Standard Chain	3.430.563	3.175.860	1.914.397	1.823.775
Legal Protection	Standard Chain	(218.220)	(218.220)	991.700	991.700
Fire and Natural Disaster	Standard Chain	(495.745)	(197.611)	(587.807)	(189.672)
Air Vehicles Liability	Standard Chain	2.908.361	166	(302.945)	(107)
Credit	Standard Chain	2.413.591	51.780	553.581	18.493
Water vehicles	Standard Chain	200.280	90.016	437.093	346.907
Air Vehicles	Standard Chain	-	-	(3.702)	-
Accident	Standard Chain	1.195.264	873.041	231.931	177.499
Health	Standard Chain	(2.211.798)	(2.208.957)	(1.775.203)	(1.771.175)
Breach of Trust	Standard Chain	(362.637)	(59.912)	(553.474)	(152.547)
Transportation	Standard Chain	(363.620)	(178.083)	(482.468)	(179.077)
General Losses	Standard Chain	17.252.570	694.390	574.814	21.953
Motor Own Damage	Standard Chain	(26.846.487)	(26.578.017)	(27.646.840)	(27.093.903)
Total		120.201.489	61.415.677	78.857.411	45.359.006

(*) The Company applied to the Undersecretariat of Treasury through the letter dated July 9, 2014. The Company have interfered in the development coefficient in the ACLM calculation in the Motor Vehicles Liability. As of June 30, 2014, as a result of the interference in the development coefficient in Motor Vehicles Liability branch, the gross IBNR amount was increased by TL 4.510.404 (Net IBNR: TL 4.463.057). Besides, through the said letter, in line with the actuarial opinion in the Fire and Natural Disaster branch, the gross IBNR amount was increased by TL 4.013.304 (Net IBNR: TL 1.599.755).

The Company eliminated the peak claims which are mentioned as big claims by using prescribed statistical methods in the Communique in order to perform the ACLM calculations with a homogeneous data. The big claim limits which are used for the elimination in branch basis are as follows:

Branch	June 31, 2014	December 31, 2013
Compulsory Traffic	97.668	93.387

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

2. Summary of the Accounting Policies (Continued)

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

In accordance with the Communiqué numbered 2011/18, since the Company does not have any liabilities for the medical care coverage for the policies in "Compulsory Transportation Liability", "Compulsory Traffic", "Compulsory Motor Personal Accident", the medical care claims are excluded from the incurred but not reported claims reserve calculation performed with ACLM and the test IBNR method.

The provision calculated by ACLM are performed in gross basis; and is net off based on the reinsurance agreements in force. The Company has used the reinsurance share of outstanding claims to net off the provision by considering its reinsurance agreements in force. In this context, the Company has taken into consideration reinsurance ratio of total outstanding claim reserves, as the method of netting, as of June 30, 2014 and December 31, 2013.

Equalization Reserve

In accordance with the Regulation on Technical Reserves, insurance companies are required to record an equalisation reserve for the insurance contracts including earthquake and credit coverage, in order to cover the catastrophic risks and in order to equalise 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 equalisation reserve for earthquake compensations from equalisation reserve for outstanding compensation reserve, but not current year's equalisation 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 equalisation reserve.

The Company has calculated TL 35.767.300 (December 31, 2013: TL 30.723.954) of equalisation reserve as of June 30, 2014 (Note 20).

Life mathematical reserves

Life mathematical reserves comprise actuarial mathematical reserves (those with minimum income guarantee determined by the tariffs approved by the Treasury and those including risk guarantees over one year) and life profit share reserves and represent the Company's total liability to the policyholders in the life branch.

Mathematical reserve; is the sum of the reserves specified in the contract's technical terms and calculated using statistical and actuarial methods in order to cover the liabilities of insurance companies to policyholders and beneficiaries for life, health, sickness and personal accident insurance contracts with periods longer than a year, and if it is committed, the reserves for the part allocated to insured from the revenues derived from the investment of such reserves. In accordance with the Insurance Law, the remaining amount of life branch premiums that are collected in accordance with life insurance agreements, after deduction of expense charges, mortality risk premium and commissions are accounted for as life mathematical reserves. The approval of mathematical reserves is made by the actuaries based on current mortality tables valid for Turkish insurance companies and prepared by considering mortality statistics prepared abroad.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

2. Summary of the Accounting Policies (Continued)

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

d. Subrogation and salvage income

Within the framework of the "Circular on Salvage and Subrogation Income" numbered 2010/13 and dated September 20, 2010 issued by the Treasury, the Company recognizes receivables from salvage and subrogation under the account "Receivables from main operations" on an accrual basis as of March 31, 2014 up to coverage limit of debtor insurance company, on conditions that following the payment of claim, the Company receives the acquittance 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 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, 2014 are TL 19.106.532 (December 31, 2013: TL 20.693.466) and TL 6.132.489 (December 31, 2013: TL 5.644.886) 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 as at June 30, 2014 and December 31, 2013 for the claims paid by the Company are as follows:

	June 30, 2014					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Fire and Natural Disaster	238.503	(58.009)	180.494	365.024	(121.684)	243.340
Transportation	674.322	(297.853)	376.469	75.742	(26.635)	49.107
Accident	18.780	-	18.780	20.600	-	20.600
Motor Own Damage	81.104.392	(813.402)	80.290.990	11.853.380	(122.740)	11.730.640
Water Crafts	11.500	(8.625)	2.875	-	-	-
General Losses	202.739	(132.759)	69.980	16.203	(10.041)	6.162
Motor Crafts Liability	2.421.692	(19.179)	2.402.513	926.913	(9.269)	917.644
Breach of Trust	1.118	(847)	271	-	-	-
General Liability	133.703	(31)	133.672	6.550	-	6.550
Financial Losses	1.321	(865)	456	-	-	-
Legal Protection	8.936	-	8.936	-	-	-
Health	-	-	-	-	-	-
Total	84,817,006	(1,331,570)	83,485,436	13,264,412	(290,369)	12,974,043

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

2. Summary of the Accounting Policies (Continued)

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

	December 31, 2013					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Fire and Natural Disaster	1.355.886	(385.599)	970.287	1.283.239	(212.340)	1.070.899
Transportation	1.393.970	(620.511)	773.459	110.841	(14.062)	96.779
Accident	39.577	-	39.577	12.692	-	12.692
Motor Own Damage	140.980.184	(2.839.153)	138.141.031	11.379.508	205.900	11.585.408
Water Crafts	152.837	(127.855)	24.982	-	-	-
General Losses	142.612	(104.648)	37.964	12.463	(8.469)	3.994
Motor Crafts Liability	4.234.542	(93.087)	4.141.455	2.120.381	(42.408)	2.077.973
Breach of Trust	29.592	(21.102)	8.490	-	-	-
General Liability	251.533	(103.525)	148.008	125.670	(31)	125.639
Credit	-	-	-	313.000	(297.350)	15.650
Financial Losses	1.110	(999)	111	835	(418)	417
Legal Protection	-	-	-	26.923	-	26.923
Health	6.300	-	6.300	32.206	-	32.206
Total	148.588.143	(4.296.479)	144.291.664	15.417.758	(369.178)	15.048.580

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 and TAS 39 Impairment Principles, the Company provided provision for doubtful receivables by taking the nature and the value of the receivable into account. 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 23.819.529 (December 31, 2013: TL 17.691.138), 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 2.069.354 (December 31, 2013: TL 1.866.354). Furthermore, provision is accounted for the retention of claim recovery transactions under legal follow up amounting to TL 29.638.065 (December 31, 2013: TL 33.032.447) and it has been accounted in "Provision for doubtful receivables from main operations" account (Note 12).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

2. Summary of the Accounting Policies (Continued)

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

g. Earnings per Share

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

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

h. Subsequent Events

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

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

i. Provisions, Contingent Liabilities and Assets

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

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

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

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

j. Changes in Accounting Policies, Accounting Estimates and Errors

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

k. Corporate Taxation and Deferred Tax

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

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

(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)**

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 2014 (also in 2013) after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

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

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

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

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

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

There is no such application for the reconciliation of payable taxes with the tax authority. Corporate tax returns are submitted to the related tax office by the 25th day of the 4th month following the month when the accounting period ends. In tax reviews authorized bodies can review the accounting records for the past five years and if errors are detected, tax amounts may change due to tax assessment.

In accordance with Tax Law No.5024 "Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law" published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004 income and corporate taxpayers are required to prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (Wholesale Price Index increase rate). Since these conditions in question were not fulfilled in 2014 and 2013, no inflation adjustments were performed (Note 35).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

2. Summary of the Accounting Policies (Continued)

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

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are determined using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised 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 recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised (Note 35).

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.

Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to April 24, 2003. Subsequent to this date, companies can deduct 40% of their investments within the scope of the investment incentive certificate and that are directly related to production facilities of the Company. Investments without investment incentive certificates do not qualify for tax allowance.

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).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

2. Summary of the Accounting Policies (Continued)

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 2014 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 2014. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:

TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have an impact on the interim financial statements of the Company.

TFRS Interpretation 21 Levies

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is not applicable for the Company and did not have any impact on the financial position or performance of the Company.

TAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial assets

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. These amendments did not have an impact on the interim financial statements of the Company.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

(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 39 Financial Instruments: Recognition and Measurement (Amended)- Novation of Derivatives and Continuation of Hedge Accounting

Amendments provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. These amendments did not have an impact on the interim financial statements of the Company.

TFRS 10 Consolidated Financial Statements (Amendment)

TFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with TFRS. This amendment does not have any impact on the financial position or performance of the Company.

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the interim financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. 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 second package of amendments issued in November 2013 initiate further accounting requirements for financial instruments, which are explained separately below as 2013 amendment, and removed the 1 January 2015 mandatory effective date of IFRS 9. The IASB is currently working on drafting the final requirements on impairment. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

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 interim financial statements after the new standards and interpretations are issued and become effective under TFRS.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

(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 – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 -IFRS 9 (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging relationships. The standard does not have a mandatory effective date, but it is available for application now; a new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. The mandatory effective date of IFRS 9 has tentatively been decided as for annual periods beginning on or after 1 January 2018. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Improvements to IFRSs

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective for annual reporting periods beginning on or after 1 July 2014.

Annual Improvements to IFRSs – 2010–2012 Cycle

IFRS 2 Share-based Payment:

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

IFRS 3 Business Combinations

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

IFRS 8 Operating Segments

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. 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.

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.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

2. Summary of the Accounting Policies (Continued)

2.1.6 The new standards, amendments and interpretations (Continued)

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

The amendment to IAS 16.35(a) and IAS 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.

IAS 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. 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.

Amendment to the Basis for Conclusions on IFRS 13 Fair Value Measurement

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

IAS 40 Investment Property

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

The Company do not expect that these amendments will have significant impact on the financial position or performance of the Company.

IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

IAS 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 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, 2014**

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

In May 2014 the IASB amended IFRS 11 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 IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. 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.

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

In May 2014, the IASB issued amendments to IAS 16 and IAS 38, prohibiting 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.

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 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.

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

In June 2014, the IASB issued amendments that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in IAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. 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.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

(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)

Resolutions promulgated by the Public Oversight Authority

In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. "The financial statement examples and user guide" became immediately effective at its date of issuance; however, the other resolutions shall become effective for the annual reporting periods beginning after December 31, 2012.

2013-1 Financial Statement Examples and User Guide

The POA promulgated "financial statement examples and user guide" on May 20, 2012 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply Turkish Accounting Standards, excluding financial institutions established to engage in banking, insurance, private pensions or capital market. This amendment did not have any impact on the financial position or performance of the Company.

2013-2 Accounting of Combinations under Common Control

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. This resolution did not have any impact on the financial statements of the Company.

2013-3 Accounting of Redeemed Share Certificates

Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. This resolution did not have any impact on the financial statements of the Company.

2013-4 Accounting of Cross Shareholding Investments

If a subsidiary of an entity holds shares of the entity then this is defined as cross shareholding investment. Accounting of this cross investment is assessed based on the type of the investment and different recognition principles adopted accordingly. With this resolution, this topic has been assessed under three main headings below and the recognition principles for each one of them has been determined.

- i) the subsidiary holding the equity based financial instruments of the parent,
- ii) the associates or joint ventures holding the equity based financial instruments of the parent,
- iii) the parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 38 and TFRS 9 by the parent.

This resolution did not have any impact on the financial statements of the Company.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

2. Summary of the Accounting Policies (Continued)

2.2 Consolidation

The Company disposed of AvivaSA Emeklilik ve Hayat A.Ş., its joint venture, on January 14, 2010 by means of a partial spin-off and has no subsidiaries or joint ventures that fall within the scope of consolidation as per "TFRS 10- Consolidated and Seperate Financial Statements" as of March 31, 2014 (December 31, 2013: 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, 2014 and December 31, 2013.

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 analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised 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 are accounted for.

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.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

2. Summary of the Accounting Policies (Continued)

2.6 Property, Plant and Equipment (Continued)

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

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

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

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

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

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.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

2. Summary of the Accounting Policies (Continued)

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).

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".

Effective interest method

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

Available-for-sale financial assets

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

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

2. Summary of the Accounting Policies (Continued)

2.9 Financial Assets (Continued)

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

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

Financial Assets at Insured's Risk

Such assets are classified as available for sale and held to maturity financial assets. Available for sale financial assets are carried at fair value and revaluation difference arising from amortized cost is recognized under the statement of income. Also, 5% of the difference in between the fair value and amortized cost is recognized under equity and 95% of insurance technical reserves that are attributable to 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.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

2. Summary of the Accounting Policies (Continued)

2.10 Impairment of Assets

Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate, that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that are impaired, are reviewed for possible reversal of the impairment at each reporting date.

Impairment of financial assets

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

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

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

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

Except for AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised. 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 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, 2014, 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, 2014, the Company has no derivative instruments (December 31, 2013: None).

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

2. Summary of the Accounting Policies (Continued)

2.12 Offsetting Financial Instruments

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

2.13 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments, which have maturities with three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value (Note14).

2.14 Share Capital

As of June 30, 2014, the Company's nominal capital is TL 306.000.000 (December 31, 2013: 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, 2014		December 31, 2013	
	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 (exculding the corrections) of USD 220.029.000. According to the joint administration agreement that signed with Ageas Insurance International N.V. at February 18, 2011, Holding's previous administrative controls over Aksigorta A.Ş. are going to remain equally with Ageas Insurance International N.V.

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, 2014, Company has TL 500.000.000 registered share capital ceiling. (December 31, 2013: TL 500.000.000).

In accordance with the Article 5 of the Corporate Tax Law 5520, the amount of TL 86.694.419 arising from 75% of the gain on sale of associates and fixed assets which has been recognized in the "Non-Distributable Profit for the Period" account item under equity has been reclassified under "Profit on sale to be transferred to capital" account item under equity as of June 30, 2014.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

2. Summary of the Accounting Policies (Continued)

2.14 Share Capital (Continued)

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

2.15 Insurance and Investment Contracts

Insurance Contracts:

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

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

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

Investment Contracts:

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

Reinsurance agreements

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

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

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

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

2. Summary of the Accounting Policies (Continued)

2.15 Insurance and Investment Contracts (Continued)

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.

The liability of the insurance companies with respect to the service costs to be incurred in the context of abovementioned articles has been determined in accordance with the provisions of "The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated 27 August 2011 ("The Regulation"), "The Communiqué on the Principles of the Implementation of the Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated September 15, 2011 and numbered 2011/17 (the "Communiqué numbered 2011/17") and "The Communiqué on the Accounting of Payments to Social Security Institution ("SSI") with respect to Treatment Expenses and Introduction of New Account Codes to Insurance Account Chart" dated 17 October 2011 (the "Communiqué numbered 2011/18"), the regulation (the "Communique numbered 2012/3") making changes in "The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated March 16, 2012 and numbered 2012/3 and the communique about changes related "the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated April 30, 2012 and numbered 2012/6 (Note 2.24) (the "Communique numbered 2012/6"). Within this framework, the Group is required to cede a certain amount of premiums to be determined in accordance with the Regulation and the Communiqué numbered 2011/17 to SSI in relation to policies issued as of February 25, 2011 the notice numbered 2012/3 and the communique numbered 2012/6 in "Compulsory Transportation", "Compulsory Traffic" and "Compulsory Motor Personal Accident" branches regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law. Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI in January 1 - June 30, 2014 accounting period as TL 9.319.110 (January 1 - June 31, 2013: TL 7.443.175) and an unearned premium reserve amounting to TL 11.825.880 (June 30, 2013: 8.109.421) as of June 30, 2014; 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.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

2. Summary of the Accounting Policies (Continued)

2.16 Insurance and Investment Contracts With Discretionary Participation Features

None (December 31, 2013: None).

2.17 Investment Contracts without Discretionary Participation Features

None (December 31, 2013: None).

2.18 Borrowings

None (December 31, 2013: None).

2.19 Employee Benefits

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

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

2.20 Provisions

Provisions are recognised 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 recognised 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.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

2. Summary of the Accounting Policies (Continued)

2.21 Accounting for revenues (Continued)

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.

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). The Company has paid in advance in amounting to TL 6.377.555 arising from operational leases amount of TL 3.320.696 in short term and amount of TL 3.056.859 in long term. As of June 30, 2014, the Company's outstanding lease liability is TL 29.775.965 (USD 14.022.777) (December 31, 2013: None).

2.23 Profit Share Distribution

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

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

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

2. Summary of the Accounting Policies (Continued)

2.23 Profit Share Distribution (Continued)

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

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, 2014 the Company has booked the hedging transaction under "Special funds" account item under equity.

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.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

4. Insurance and Financial Risk Management

4.1 Insurance Risk

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

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

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

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

4.1.2.1 Sensitivity to insurance risk

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

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

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

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

4. Insurance and Financial Risk Management (Continued)

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

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:

	June 30, 2014			December 31, 2013		
	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	50.470.521	(30.332.167)	20.138.354	35.834.118	(24.248.563)	11.585.555
Transportation	7.670.098	(3.913.625)	3.756.473	6.334.093	(3.983.020)	2.351.073
Accident	3.003.407	(779.238)	2.224.169	1.539.617	(361.108)	1.178.509
Motor Own Damage	31.258.047	(312.585)	30.945.462	24.288.512	(485.770)	23.802.742
Air Vehicles	1	-	1	(3.700)	3.702	2
Water Vehicles	901.735	(495.968)	405.767	528.483	(108.862)	419.621
General Losses	132.151.832	(111.548.797)	20.603.035	87.037.263	(81.798.607)	5.238.656
Motor Vehicles Liability	142.061.968	(6.591.514)	135.470.454	123.440.292	(4.321.443)	119.118.849
Air Vehicles Liability	3.316.365	(3.316.175)	190	2.608.021	(2.607.103)	918
General Liability	82.818.127	(51.650.808)	31.167.319	72.448.420	(49.129.280)	23.319.140
Financial Losses	10.578.564	(788.840)	9.789.724	5.639.476	(267.639)	5.371.837
Legal Protection	(88.592)	-	(88.592)	1.054.022	-	1.054.022
Credit	8.322.694	(8.144.143)	178.551	1.747.275	(1.688.906)	58.369
Health	22.268.591	(29.332)	22.239.259	16.809.429	(38.146)	16.771.283
Breach of Trust	1.339.182	(1.117.933)	221.249	477.876	(346.165)	131.711
Life	3.908.418	-	3.908.418	3.944.612	(47)	3.944.565
Total	499.980.958	(219.021.125)	280.959.833	383.727.809	(169.380.957)	214.346.852

(*) Total claim liability includes all outstanding claims reserves as of the balance sheet date and incurred but not reported claims as the actuarial chain ladder method and additional reserves from outstanding claims reserve adequacy calculation.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

4. Insurance and Financial Risk Management (Continued)

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

Outstanding Claim and Compensation Provision:

	June 30, 2014				December 31, 2013		
	Effect on	Reinsurance			Gross Total	Reinsurance	Net Total
	Current Period (Net)	Gross Total Claims Liability	Share of Total Claims	Net Total Claims Liability	Claims Liability	Share of Total Claims	Claims Liability
Unpaid Claims	(50.592.503)	375.871.095	(160.235.311)	215.635.784	300.925.827	(135.882.546)	165.043.281
Claim Provisions (*)	(16.056.625)	120.201.445	(58.785.814)	61.415.631	78.857.370	(33.498.364)	45.359.006
Clean-cut Effect (**)	1.355.476	-	-	-	-	-	-
Non-life Total	(65.293.652)	496.072.540	(219.021.125)	277.051.415	379.783.197	(169.380.910)	210.402.287
Life	36.147	3.908.418	-	3.908.418	3.944.612	(47)	3.944.565
Grand Total	(65.257.505)	499.980.958	(219.021.125)	280.959.833	383.727.809	(169.380.957)	214.346.852

	June 30, 2013				December 31, 2012		
	Effect on	Gross Total	Share of Total	Net Total	Claims	Share of Total	Claims
	Current Period Liability	Claims Liability	Claims	Claims Liability	Liability	Claims	Liability
Unpaid Claims	(1.785.260)	310.229.195	(138.738.275)	171.490.920	348.643.696	(178.938.036)	169.705.660
Claim Provisions (*)	(15.723.105)	28.263.395	2.340.881	30.604.276	39.150.961	(24.269.790)	14.881.171
Clean-cut Effect (**)	7.048.798	-	-	-	-	-	-
Non-life Total	(10.459.567)	338.492.590	(136.397.394)	202.095.196	387.794.657	(203.207.826)	184.586.831
Life	(3.745)	3.918.688	(1.878)	3.916.810	3.915.287	(2.222)	3.913.065
Grand Total	(10.463.312)	342.411.278	(136.399.272)	206.012.006	391.709.944	(203.210.048)	188.499.896

(*) 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 2013 premium and claims portfolio outputs by December 31, 2013. As per the same agreement, portfolio inputs are also made in 2014. Effect of 2014 portfolio input has influenced fiscal year Ceded Reinsurance Share of Outstanding Claims Provision and Ceded Reinsurance Share of Unearned Premiums Provision.

	June 30, 2014			June 30, 2013		
	Reinsurance			Reinsurance		
	Gross Total Claims Liability	Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Share of Total Claims Liability	Net Total Claims Liability
Beginning of Period - January 1	300.925.827	(135.882.546)	165.043.281	348.643.696	(178.938.036)	169.705.660
Opened in the Period	454.283.138	(68.278.505)	386.004.633	353.901.686	(38.605.683)	315.296.003
Paid from Current Period (-)	(303.470.296)	35.140.592	(268.329.704)	(279.195.613)	56.082.657	(223.112.956)
Paid from Previous Period (-)	(75.867.574)	8.785.148	(67.082.426)	(113.120.574)	22.722.787	(90.397.787)
Period End Reported Claims	375.871.095	(160.235.311)	215.635.784	310.229.195	(138.738.275)	171.490.920
Life	3.908.418	-	3.908.418	3.918.688	(1.878)	3.916.810
IBNR	120.201.489	(58.785.812)	61.415.677	28.263.395	2.340.881	30.604.276
Total	499.981.002	(219.021.123)	280.959.879	342.411.278	(136.399.272)	206.012.006

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

4. Insurance and Financial Risk Management (Continued)

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

Gross claim development table prepared on the principles of incurred claims by June 30, 2014:

June 30, 2014								
Accident period	July 1, 2007- June 30, 2008	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	Gross Claim
Claim realized in the accident period	934.022.948	107.539.601	62.335.983	56.164.044	42.067.320	31.297.992	14.342.864	1.247.770.752
1 year later	1.138.482.119	182.771.757	97.265.561	63.170.360	39.736.588	23.084.487	-	1.544.510.872
2 years later	1.140.136.213	124.039.777	62.975.685	38.426.093	19.433.950	-	-	1.385.011.718
3 years later	1.127.047.080	98.320.183	51.448.816	29.312.704	-	-	-	1.306.128.783
4 years later	1.826.171.370	432.694.490	246.689.179	-	-	-	-	2.505.555.039
5 years later	1.302.130.706	86.543.508	-	-	-	-	-	1.388.674.214
6 years later	1.225.580.175	-	-	-	-	-	-	1.225.580.175
Total Gross Claims	8.693.570.611	1.031.909.316	520.715.224	187.073.201	101.237.858	54.382.479	14.342.864	10.603.231.553

Gross claim development table prepared on the principles of incurred claims by December 31, 2013:

December 31, 2013								
Accident period	January 1, 2007- December 30, 2007	January 1, 2008- December 31, 2008	January 1, 2009- December 31, 2009	January 1, 2010- December 31, 2010	January 1, 2011- December 30, 2011	January 1, 2012- December 31, 2012	January 1, 2013- December 31, 2013	Gross Claim
Claim realized in the accident period	826.036.581	105.993.624	55.169.870	51.348.014	43.276.159	28.194.497	12.825.310	1.122.844.055
1 year later	1.021.268.077	127.004.681	69.631.711	62.603.977	35.969.571	19.412.574	-	1.335.890.591
2 years later	1.168.132.827	162.465.227	91.242.060	49.147.038	25.567.897	-	-	1.496.555.049
3 years later	1.114.114.214	123.387.977	64.352.084	24.962.847	-	-	-	1.326.817.122
4 years later	1.290.845.424	302.431.170	88.142.034	-	-	-	-	1.681.418.628
5 years later	1.818.853.715	199.423.586	-	-	-	-	-	2.018.277.301
6 years later	1.081.928.781	-	-	-	-	-	-	1.081.928.781
Total Gross Claims	8.321.179.619	1.020.706.265	368.537.759	188.061.876	104.813.627	47.607.071	12.825.310	10.063.731.527

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, 2013. In accordance with these agreements, portfolio additions are also recognized in 2014. The reinsurance share of outstanding claim reserve and unearned premium reserve have been affected from these portfolio additions in 2014.

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

4. Insurance and Financial Risk Management (Continued)

4.2 Financial Risk

4.2.1 Capital risk management and capital requirement

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

The Company measures its adequacy semi-annually in accordance with the Decree "Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds" published in the Official Gazette No: 26761 on January 19, 2008. As of December 31, 2013, the Company's required capital is TL 328.159.883 (December 31, 2012: TL 267.349.097). As of December 31, 2013, the Company's capital is TL 235.252.563 higher than required capital amount. (December 31, 2012: TL 178.447.968)

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, 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, 2014		December 31, 2013	
	USD Effect	EUR Effect	USD Effect	EUR Effect
Profit / Loss Increase	5.830.671	931.996	8.854.172	1.305.116
Profit / Loss (Decrease)	(5.830.671)	(931.996)	(8.854.172)	(1.305.116)

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Interest rate risk

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

	June 30, 2014	December 31, 2013
Total	Effect on profit and profit reserves	
Market interest rate increase / (decrease)	TL	
+%1	(3.065.720)	(3.141.322)
-%1	3.272.441	3.319.461
Financial assets available for sale	Effect on profit and profit reserves	
Market interest rate increase / (decrease)	TL	
+%1	(3.065.720)	(3.141.322)
-%1	3.272.441	3.319.461

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, 2014.

	June 30, 2014	December 31, 2013
Total	Effect on Financial assets available for	
Price increase / (decrease)	TL	
+ % 10	22.388.283	16.140.988
-% 10	(22.388.283)	(16.140.988)

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, 2014, the Company has presented its receivables from insurance operations and guarantees received and provision for doubtful receivables in Note 12.1.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Liquidity risk

Liquidity risk is the possibility of non-performance of the Company's due liabilities. Events that give rise to funding shortages, such as; market deteriorations and decrease in credit ratings, are the main reasons of liquidity risk. The Company manages its liquidity risk through having adequate cash and cash equivalents in order to fulfill its current and possible liabilities by allocating its funds.

Liquidity risk table

June 30, 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	157.534.311	379.172.354	308.978.765	-	-	6.176.723	851.862.153
Financial Assets Available for Sale	-	-	17.830.618	81.595.545	80.872.972	43.583.697	223.882.832
Investments with Risks on Policy Holders	4.551.278	-	-	2.432.514	-	-	6.983.792
Receivables From Main Operations	100.954.527	129.522.921	155.581.930	-	-	-	386.059.378
Due from Related Parties	-	-	71.160	-	-	-	71.160
Other Receivables	-	23.809.874	-	-	-	-	23.809.874
Prepaid Expenses and Income Accruals	18.080.270	30.782.605	94.180.310	-	-	-	143.043.185
Other Current Assets	192.619	-	1.913.984	-	-	-	2.106.603
Financial Assets	-	-	-	-	-	7.961.251	7.961.251
Tangible Fixed Assets	-	-	-	-	-	13.807.542	13.807.542
Intangible Fixed Assets	-	-	-	-	-	23.280.913	23.280.913
Prepaid Expenses and Income Accruals	-	-	-	3.936.804	-	-	3.936.804
Other Non-current Assets	-	-	-	-	-	11.271.622	11.271.622
Total Assets	281.313.005	563.287.754	578.556.767	87.964.863	80.872.972	106.081.748	1.698.077.109
Payables From Main Operations	-	-	154.179.021	-	-	-	154.179.021
Due to Related Parties	317.477	-	1.145	-	-	-	318.622
Other Payables	-	40.412.776	-	-	-	-	40.412.776
Insurance Technical Reserves	190.946.389	285.785.284	427.709.402	-	-	-	904.441.075
Taxes and Other Liabilities and Provisions	-	13.222.263	-	-	-	-	13.222.263
Cost Expense Provisions	-	-	16.380.902	-	-	-	16.380.902
Accruals	4.786.763	8.149.715	21.168.009	-	-	-	34.104.487
Long Term Insurance Technical Reserves	-	-	-	2.073.247	35.767.300	-	37.840.547
Provisions for Other Risks	-	-	-	-	-	2.543.287	2.543.287
Shareholders' Equity	-	-	-	-	-	494.634.129	494.634.129
Total Liabilities and Shareholders' Equity	196.050.629	347.570.038	619.438.479	2.073.247	35.767.300	497.177.416	1.698.077.109
Liquidity Surplus / (Deficit)	85.262.376	215.717.716	(40.881.712)	85.891.616	45.105.672	(391.095.668)	-

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Liquidity risk table

December 31, 2013

	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	131.378.448	672.756.564	91.724.119	-	-	5.913.267	901.772.398
Financial Assets Available for Sale	-	7.323.443	24.788.495	101.274.744	3.803.072	24.220.129	161.409.883
Investments with Risks on Policy Holders	-	-	6.538.689	-	-	-	6.538.689
Receivables From Main Operations	77.268.758	99.134.486	119.079.577	-	-	-	295.482.821
Due from Related Parties	-	-	67.314	-	-	-	67.314
Other Receivables	-	5.792.454	-	-	-	-	5.792.454
Prepaid Expenses and Income Accruals	17.184.500	29.257.510	77.711.705	-	-	-	124.153.715
Other Current Assets	22	-	2.189.877	-	-	-	2.189.899
Financial Assets	-	-	-	-	-	7.961.251	7.961.251
Tangible Fixed Assets	-	-	-	-	-	11.374.660	11.374.660
Intangible Fixed Assets	-	-	-	-	-	19.986.929	19.986.929
Other Non-current Assets	-	-	-	-	-	10.534.419	10.534.419
Total Assets	225.831.728	814.264.457	322.099.776	101.274.744	3.803.072	79.990.655	1.547.264.432
Payables From Main Operations	-	-	104.789.191	-	-	-	104.789.191
Due to Related Parties	527.168	-	-	-	-	-	527.168
Other Payables	-	43.075.754	-	1.867.930	-	-	44.943.684
Insurance Technical Reserves	156.574.775	237.026.518	369.482.090	-	-	-	763.083.383
Taxes and Other Liabilities and Provisions	-	19.841.340	-	-	-	-	19.841.340
Cost Expense Provisions	-	-	17.530.429	-	-	-	17.530.429
Accruals	4.031.708	6.864.194	17.829.008	-	-	-	28.724.910
Long Term Insurance Technical Reserves	-	-	-	2.167.174	30.723.954	-	32.891.128
Provisions for Other Risks	-	-	-	-	-	2.244.706	2.244.706
Shareholders' Equity	-	-	-	-	-	532.688.493	532.688.493
Total Liabilities and Shareholders' Equity	161.133.651	306.807.806	509.630.718	4.035.104	30.723.954	534.933.199	1.547.264.432
Liquidity Surplus / (Deficit)	64.698.077	507.456.651	(187.530.942)	97.239.640	(26.920.882)	(454.942.544)	-

Categories of Financial Assets:

Current Financial Assets	June 30, 2014		December 31, 2013	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets Available for Sale	223.882.832	223.882.832	161.409.883	161.409.883
Financial Assets Held for Trading	-	-	-	-
Financial Investments with Risks on Policy Holders	6.983.792	6.983.792	6.538.689	6.538.689
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	238.827.875	238.827.875	175.909.823	175.909.823

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

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, 2014	Category 1	Category 2	Category 3
Financial Assets Available for sale	223.882.832	223.882.832	-	-
Unlisted Equity Shares	211.320	211.320	-	-
Government Bonds & Treasury Bills	183.854.459	183.854.459	-	-
Investment Funds	39.817.053	39.817.053	-	-
Financial Investments with Risks on Policy Holders	6.983.792	6.983.792	-	-
Affiliates, net (*)	7.961.251	-	-	7.961.251
Total	238.827.875	230.866.624	-	7.961.251

	31 December 2013	Category 1	Category 2	Category 3
Financial Assets Available for sale	161.409.883	161.409.883	-	-
Unlisted Equity Shares	220.125	220.125	-	-
Government Bonds & Treasury Bills	161.189.758	161.189.758	-	-
Financial Investments with Risks on Policy Holders	6.538.689	6.538.689	-	-
Affiliates, net (*)	7.961.251	-	-	7.961.251
Total	175.909.823	167.948.572	-	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, 2014 (December 31, 2013: 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:

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

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.

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

5. Segment information (Continued)

5.1 Operating segments (Continued)

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

Segment results for the year ended 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	126.871.272	57.549.949	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	14.759.390	92.699.095	6.045	-	577.482.133
1.2 - Change in Unearned Premiums Reserve (Net of Reinsurer Shares 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 Unexpired 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)	(26.170.781)	(103.843.255)	(373.902)	-	(584.934.578)
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 Operating 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)	-	-	102.874	-	(4.940.472)
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)
	(2.584.931)	(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)	(345.170)	-	30.835.916
Investment income	-	-	-	-	-	-	-	-	-	64.805.848	64.805.848
Depreciation expense	-	-	-	-	-	-	-	-	-	(1.953.806)	(1.953.806)
Provisions account	-	-	-	-	-	-	-	-	-	(7.089.408)	(7.089.408)
Tax expenses	-	-	-	-	-	-	-	-	-	(6.648.059)	(6.648.059)
Financial expenses	-	-	-	-	-	-	-	-	-	(54.909.746)	(54.909.746)
Other	-	-	-	-	-	-	-	-	-	(2.811.283)	(2.811.283)
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)	(345.170)	(8.606.454)	22.229.462

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

5. Segment information (Continued)

5.1 Operating segments (Continued)

Segment results for the period ended at June 30, 2013:

Segment results for the year ended June 30, 2013

	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)	47.279.193	6.428.876	212.524.815	102.623.401	45.952.611	7.548.939	11.593.296	88.090.343	451.972	-	522.493.446
1.1 - Premiums (Net of Reinsurer Share)	43.412.702	5.882.465	203.808.881	100.597.154	43.623.135	6.880.011	10.854.138	85.296.737	13.221	-	500.368.444
1.2- Change in Unearned Premiums Reserve (Net of Reinsurer Shares and Reserves Carried Forward) (+/-)	57.591.369	6.127.588	231.173.408	69.080.380	45.320.816	9.110.592	16.155.066	107.693.756	14.115	-	542.267.090
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	(14.178.667)	(132.128)	(27.364.527)	27.040.438	(1.650.080)	(2.230.581)	(5.300.928)	(22.397.019)	(894)	-	(46.214.386)
2- Other Technical Income (Net of Reinsurance Share)	3.866.491	(112.995)	8.715.934	4.476.336	(47.601)	-	-	-	-	-	4.315.740
		546.411		2.026.247	2.329.476	668.928	739.158	2.793.606	438.751	-	22.125.002
TECHNICAL EXPENSES											
1- Total Claims (Net of Reinsurer Share)	(35.396.970)	(3.695.120)	(177.530.223)	(115.113.683)	(34.261.639)	(4.466.883)	(17.931.974)	(96.948.528)	(457.339)	-	(485.802.359)
1.1- Claims Paid (Net of Reinsurer Share)	(12.090.227)	(2.272.039)	(122.756.008)	(87.098.054)	(11.322.778)	(1.966.270)	(15.339.633)	(70.708.769)	(420.277)	-	(323.974.055)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(13.633.064)	(1.229.485)	(127.101.990)	(88.337.182)	(9.644.514)	(3.126.063)	(4.755.673)	(65.266.240)	(416.532)	-	(313.510.743)
2- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other Technical Expenses	1.542.837	(1.042.554)	4.345.982	1.239.128	(1.678.264)	1.159.793	(10.583.960)	(5.442.529)	(3.745)	-	(10.463.312)
3- Operating Expenses	(2.962.601)	-	(1.479.285)	-	(17.248)	(71.880)	-	-	192.125	-	(4.338.889)
4- Other Technical Expenses (Net of Reinsurer Share) (-)	(18.830.870)	(1.416.410)	(42.970.084)	(23.585.812)	(22.972.150)	(2.171.837)	(2.570.289)	(24.161.289)	(229.187)	-	(138.907.928)
	(1.513.272)	(6.671)	(10.324.846)	(4.429.817)	50.537	(256.896)	(22.052)	(2.078.470)	-	-	(18.581.487)
	11.882.223	2.733.756	34.994.592	(12.490.282)	11.690.972	3.082.056	(6.338.678)	(8.858.185)	(5.367)	-	36.691.087
Investment income	-	-	-	-	-	-	-	-	-	34.617.960	34.617.960
Depreciation expense	-	-	-	-	-	-	-	-	-	(1.846.904)	(1.846.904)
Provisions account	-	-	-	-	-	-	-	-	-	(23.357.315)	(23.357.315)
Tax expense	-	-	-	-	-	-	-	-	-	(12.311.200)	(12.311.200)
Financial expenses	-	-	-	-	-	-	-	-	-	(27.116.206)	(27.116.206)
Other	-	-	-	-	-	-	-	-	-	113.233.911	113.233.911
Net Profit / (Loss)	11.882.223	2.733.756	34.994.592	(12.490.282)	11.690.972	3.082.056	(6.338.678)	(8.858.185)	(5.367)	83.220.246	119.911.333

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

6. Property, plant and equipment

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
January 1	8.270.093	-	21.715.931	1.122.357	-	31.108.381
Additions	-	-	39.594	636.841	2.452.588	3.129.023
June 30	8.270.093	-	21.755.525	1.759.198	2.452.588	34.237.404
<u>Accumulated Depreciation</u>						
January 1	(1.754.216)	-	(17.725.909)	(1.007.201)	-	(20.487.326)
Charge for the Period	(81.636)	-	(560.092)	(35.538)	-	(677.266)
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

June 30, 2013

<u>Cost Value</u>	Owner Occupied Properties	Vehicles	Furnitures and Fixtures and Leased Tangible Assets	Other Tangible Assets (Including Leasehold Improvements)	Advances for Tangible Assets	Total
January 1	38.837.294	32.050	21.545.184	2.447.156	-	62.861.684
Additions	-	-	383.510	-	-	383.510
Disposals	(30.567.201)	(32.050)	(223.905)	(1.324.799)	-	(32.147.955)
June 30	8.270.093	0	21.704.789	1.122.357	-	31.097.239
<u>Accumulated Depreciation</u>						
January 1	(12.082.503)	(32.050)	(16.951.006)	(2.256.932)	-	(31.322.491)
Charge for the Period	(28.813)	-	(546.913)	(7.734)	-	(583.460)
Disposals	10.491.885	-	209.793	1.267.958	-	11.969.636
June 30	(1.619.431)	(32.050)	(17.288.126)	(996.708)	-	(19.936.315)
Net Book Value as of June 30	6.650.662	(32.050)	4.416.663	125.649	-	11.160.924

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

7. Investment Properties

June 30, 2014

<u>Cost Value</u>	Land	Buildings	Total
January 1	286.578	557.574	844.152
Disposals	-	(53.031)	(53.031)
June 30	286.578	504.543	791.121
<u>Accumulated Depreciation</u>			
January 1	-	(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

June 30, 2013

<u>Cost Value</u>	Land	Buildings	Total
January 1	286.578	567.611	854.189
Disposals	-	(10.037)	(10.037)
June 30	286.578	557.574	844.152
<u>Accumulated Depreciation</u>			
January 1	-	(118.232)	(118.232)
Charge for the Period	-	(89.094)	(89.094)
Disposals	-	76.819	76.819
June 30	-	(130.507)	(130.507)
Net Book Value as of June 30	286.578	427.067	713.645

The fair value of investment properties was determined by an independent valuation company as of June 30, 2014 and 2013. Since it has not been detected any impairment, the fair values of investment properties have not been disclosed in financial statements.

In the period of January 1- June 30, 2014, the Company has obtained rental income from investment properties amounting to TL 101.210 (April 1 – June 30, 2013: TL 39.154, January 1- June 30, 148.103, April 1 – June 30, 2013: TL 73.320).

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

8. Intangible Fixed Assets**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	-	-	-
Transferred	(3.605.425)	3.605.425	-
June 30	15.046.471	21.844.145	36.890.616
<u>Accumulated Amortization</u>			
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

June 30, 2013

<u>Cost Value</u>	<u>Advances for Intangible Assets (*)</u>	<u>Rights</u>	<u>Total</u>
1 January	4.709.039	17.310.744	22.019.783
Additions	3.725.716	799.934	4.525.650
Disposals	0	-478.832	-478.832
June 30	8.434.755	17.631.846	26.066.601
<u>Accumulated Amortization</u>			
1 January	-	(10.006.232)	(10.006.232)
Charge for the Period	-	(1.174.350)	(1.174.350)
Disposals	-	176.728	176.728
June 30	-	(11.003.854)	(11.003.854)
Net Book Value as of June 30	8.434.755	6.627.992	15.062.747

(*) 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, 2014, the Company has not recognized any impairment loss for its intangible fixed assets in the current period (December 31, 2013: None).

The Company has no goodwill amount in its financial statements.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

9. Investments in Affiliates

An affiliate is an entity, over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. As of June 30, 2014, the Company has an affiliate as Merter BV amounting to TL 30.116.653 (December 31, 2013: 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 impairment has been detected and disclosed in financial statement as at March 31, 2014 (Note: 11.4).

10. Reinsurance Assets

Reinsurance assets are disclosed in Note 17.16.

11. Financial Assets

11.1 Subcategories of Financial Assets

Financial Assets and Financial Investments with Risks on Policy Holders

	June 30, 2014	December 31, 2013
Financial Assets Available for Sale	223.882.832	161.409.883
Financial Investments with Risks on Policy Holders	6.983.792	6.538.689
Total	230.866.624	167.948.572

Financial Assets Available for Sale

	June 30, 2014			December 31, 2013		
	Cost Value	Fair Value	Book Value	Cost Value	Fair Value	Book Value
	TL	TL	TL	TL	TL	TL
Debt Securities	46.049.652	40.862.815	40.862.815	9.235.694	3.122.516	3.122.516
Private sector bond	96.577.851	99.619.267	99.619.267	132.633.243	134.067.238	134.067.238
Investment fund	41.744.789	43.372.377	43.372.377	24.000.000	24.000.004	24.000.004
Eurobonds	40.383.652	39.817.016	39.817.053	-	-	-
Equity Shares (Unlisted)	211.320	-	211.320	220.125	-	220.125
Total	224.967.264	223.671.475	223.882.832	166.089.062	161.189.758	161.409.883

Financial Investments with Risks on Policy Holders

	June 30, 2014			December 31, 2013		
	Cost Value	Fair Value	Book Value	Cost Value	Fair Value	Book Value
	TL	TL	TL	TL	TL	TL
Government Bonds	6.812.535	6.983.792	6.983.792	6.333.933	6.538.689	6.538.689

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

11. Financial Assets (Continued)

11.1 Subcategories of Financial Assets (Continued)

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

June 30, 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

December 31, 2013

Equity Shares	Participation Rate %	Cost Value TL	Fair Value TL	Book Value TL
Tarsim Tarım Sigortaları Havuz İşletmesi A.Ş.	4,35	220.125	-	220.125
Unlisted		220.125	-	220.125
Total		220.125	-	220.125

The Company do not have assets held for trading as of June 30, 2014 and December 31, 2013.

As of June 30, 2014 and December 31, 2013, 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, 2013: None).

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

None (December 31, 2013: None).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

11. Financial Assets (Continued)

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

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

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

Unlisted	June 30, 2014				December 31, 2013		
	Participation Rate %	Cost Value TL	Book Value TL	Participation Rate %	Cost Value TL	Book Value TL	
Merter BV	25	30.116.653	30.116.653	25	30.116.653	30.116.653	
Impairment (-)		-	(22.155.402)		-	(22.155.402)	
Affiliates, (Net)		30.116.653	7.961.251		30.116.653	7.961.251	

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

None (December 31, 2013: None).

11.6 Value increases of financial assets in the last three years

Type of Financial Asset	June 30, 2014	December 31, 2013	December 31, 2012
Financial Assets Available for Sale	(2.951.548)	(5.312.432)	183.320

Value increases 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.

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

11. Financial Assets (Continued)

11.8. Financial Instruments

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

11.9 Effects of Exchange Rate Differences

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

12. Receivables and Payables

12.1 Details of the Company's receivables

	June 30, 2014	December 31, 2013
Receivables from insurance operations		
Receivables from agencies	257.600.411	183.910.286
Bank Guaranteed Credit Card Receivables More than Three Months	106.828.590	81.420.070
Receivables from reinsurance companies	12.385.446	18.142.690
Receivables for salvage and claim recovery - net (Note 2.1.1)	12.974.043	15.048.580
Receivables from insurance operations	389.788.490	298.521.626
Other receivables	74.970	75.793
Cash deposited for insurance and reinsurance companies	30.954	30.954
Receivables from insurance and reinsurance companies	105.924	106.747
Claim recovery receivables under legal follow-up	35.770.554	33.032.447
Doubtful receivables from main operations	22.053.848	22.056.826
Receivables from main operations	447.718.816	353.717.646
Provision for due from insurance operations (-) (*)	(8.201.844)	(7.511.240)
Provision for doubtful receivables from main operations (-) (**)	(17.687.040)	(17.691.138)
Provision for net claim recovery receivables under legal follow-up (-) (**)	(35.770.554)	(33.032.447)
Total provision amount for doubtful receivables	(61.659.438)	(58.234.825)
Receivables from main operations - net	386.059.378	295.482.821

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

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

12. Receivables and Payables (Continued)

12.1 Details of the Company's Receivables

Aging of receivables from insurance operations is as follows:

	June 30, 2014	December 31, 2013
0-60 days	15.165.448	6.533.852
61-90 days	1.524.903	1.418.385
90+	4.147.109	3.793.890
Not due receivables	369.056.954	286.882.246
Total	389.894.414	298.628.373

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

Type of Guarantee	June 30, 2014		December 31, 2013	
	Receivables	Doubtful Receivables	Receivables	Doubtful Receivables
Letters of Guarantee	31.932.982	131.131	30.503.113	5.000
Real Estate Pledges	65.321.061	5.005.897	67.089.321	5.340.947
Government Bonds and Equity	351.925	-	436.925	-
Other	184.565	-	171.664	-
Total	97.790.532	5.137.028	98.201.023	5.345.947

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:

	2014	2013
Opening Balance, 1 January	(50.723.585)	(45.025.162)
Charge for the Period	(11.310.562)	(9.981.516)
Collections	8.576.553	5.669.996
Closing Balance, June 30	(53.457.594)	(49.336.682)

Aging of receivables from insurance operations is as follows:

	June 30, 2014	December 31, 2013
0-30 days	-	-
90+	57.824.402	55.089.273
Total	57.824.402	55.089.273

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

12. Receivables and Payables (Continued)

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

The Company have no payables to shareholders as at June 30, 2014 (December 31, 2013:None).

12.3 Total of pledges and other guarantees received for receivables amount

Total amount of pledges and other guarantees received for receivables amounts to TL 102.927.560 (December 31, 2013: TL 103.546.970).

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

(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)

June 30, 2014

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	18.156.497	2,1234	38.553.506
EUR	1.820.270	2,8919	5.264.039
GBP	25.385	3,6094	91.625
CHF	43.680	2,3722	103.618
Other			4.995
Total			44.017.783
Long term / short term other prepaid expenses	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	3.003.464	2,1234	6.377.555
			6.377.555
Marketable securities valuation difference	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	18.751.538	2,1234	39.817.016
			39.817.016
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	37.304.474	2,1234	79.212.320
EUR	10.152.322	2,8919	29.359.500
GBP	56.644	3,6094	204.451
CHF	24.449	2,3722	57.998
Other			409
Total			108.834.678
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(5.277.796)	2,1272	(11.226.928)
EUR	(879.967)	2,8971	(2.549.352)
Other			(335)
Total			(13.776.615)
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(41.475.587)	2,1234	(88.069.261)
EUR	(7.869.843)	2,8919	(22.758.799)
Other			(504.423)
Total			(111.332.483)
Net Foreign Currency Position			67.560.379

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

(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, 2013

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	40.320.235	2,1343	86.055.478
EUR	3.478.836	2,9365	10.215.602
GBP	110.799	3,5114	389.060
CHF	32.361	2,3899	77.340
Other			4.995
Total			96.742.475
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	20.031.933	2,1343	42.754.155
EUR	5.206.617	2,9365	15.289.231
GBP	56.644	3,5114	198.900
CHF	24.449	2,3899	58.431
Other			409
Total			58.301.126
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(2.064.461)	2,1381	(4.414.024)
EUR	(567.107)	2,9418	(1.668.315)
Other			(591)
Total			(6.082.930)
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(16.802.576)	2,1343	(35.861.738)
EUR	(3.673.886)	2,9365	(10.788.366)
Other			(472.294)
Total			(47.122.398)
Net Foreign Currency Position			101.838.273

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

13. Derivative Financial Instruments

As of June 31, 2014 and December 31, 2013, the Company has no derivative financial instruments. During the period between January 1 – June 30, 2014, total income amounting to TL 7.350.571 resulting from short-term swap contracts' market valuation has booked under the income statement as an income from derivatives (January 1 – June 30, 2013 : TL 2.741.675).

14. Cash and Cash Equivalents

	June 30, 2014	December 31, 2013
Cash at Banks	624.742.732	732.774.746
Time Deposit	618.566.009	726.861.479
Demand Deposit	6.176.723	5.913.267
Bank Guaranteed Credit Card Receivables with Maturities less than three months	227.119.421	168.997.652
Total	851.862.153	901.772.398
Interest Accrual on Cash and Cash Equivalents (-)	(5.293.212)	(1.989.207)
Cash Flow Based Grand Total	846.568.941	899.783.191
Blocked Deposits (*)	113.258.297	109.499.385

(*) As of June 30, 2014 and December 31, 2013, the blockage on cash and cash equivalents has been disclosed in Note 17.1.

As of June 30, 2014 and December 31, 2013, interest rate of time deposits are as follows:

	June 30, 2014	December 31, 2013
	Annual Interest Rate (%)	Annual Interest Rate (%)
TL	10,10 - 11,00	5,85 - 9,80
USD	0,50	1,00 - 3,55
EUR	-	2,85

As of June 30, 2014 maturity of TL deposits are changed between July 11, 2014 to December 29, 2014, foreign exchange maturity are changed between July 1, 2014.

As of December 31, 2013 maturity of TL deposits are changed between January 2, 2014 to September 26, 2014, foreign exchange maturity are changed between January 3, 2014 to February 7, 2014.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

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, 2014 and December 31, 2013 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, 2013: 30.600.000.000 shares with a nominal amount of TL 0,01each).

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

None (December 31, 2013: 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, 2013: TL 0,01 per share).

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

	June 30, 2014	December 31, 2013
Beginning of the Period, January 1	30.600.000.000	30.600.000.000
Issued in the Current Period	-	-
End of the Period, June 30	30.600.000.000	30.600.000.000

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

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, 2013: 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, 2013: None).

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

None (December 31, 2013: None).

15.4 Share based payments

None (December 31, 2013: None).

15.5 Subsequent events

Disclosed in note 46.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

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, 2014	December 31, 2013
Valuation difference of financial assets available for sale	(3.689.435)	(6.640.540)
Deferred tax effect	737.887	1.328.108
Total	<u>(2.951.548)</u>	<u>(5.312.432)</u>

In accordance with changes regarding "TAS 19 – Employee Benefits" effective as of January 1, 2013, actuarial loss amounting to TL 720.756 (Deferred tax effect: TL 144.151) resulting from retirement pay liability calculation has been accounted to extraordinary reserves 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, 2013: None).

16.3 Hedging for forecasted transactions and net investment hedging

None (December 31, 2013: 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

	2014	2013
	<u>Increase / (Decrease)</u>	<u>Increase / (Decrease)</u>
Beginning of the Period, January 1	(2.729.437)	183.320
Increase / decrease in value recognized under the shareholders' equity in the current period	<u>(222.111)</u>	<u>(2.912.757)</u>
End of the Period, June 30	<u>(2.951.548)</u>	<u>(2.729.437)</u>

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

None (December 31, 2013: None). Disclosed in note 34.5.

16.7 Revaluation increases in tangible fixed assets

None (December 31, 2013: None).

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

None (December 31, 2013: None).

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

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, 2014		December 31, 2013	
	Amount to be		Amount to be	
	Provided TL	Current Blockage TL	Provided TL	Current Blockage TL
Life	6.120.261	7.167.229	6.120.261	9.346.970
Government Bonds		6.975.608		6.538.418
Time Deposit		191.621		2.808.552
Non-Life	109.386.628	113.066.676	101.498.161	106.690.833
Government Bonds		-		-
Time Deposit		113.066.676		106.690.833
Total	115.506.889	120.233.905	107.618.422	116.037.803

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

	2014		2013	
	Mathematical Reserves		Mathematical Reserves	
	Unit	TL	Unit	TL
Beginning of the Period, January 1	432	2.167.174	490	2.597.676
Participations in the Current Period	-	57.624	-	31.803
Leavings in the Current Period	(15)	(151.551)	(30)	(228.028)
End of Period, June 30	417	2.073.247	460	2.401.451

Mathematical reserves amounting to TL 1.857.260 (December 31, 2013: TL 1.924.105) and Reserves for the policies, investment risk of which belongs to life insurance polich holders amounting to TL 237.032 (December 31, 2013: TL 243.069) 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, 2014, there is no difference in the value accounted in Life Mathematical Reserve account discounted with current value (December 31, 2013: None).

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

17. Insurance Liabilities and Reinsurance Assets (Continued)

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

Branch	June 30, 2014	December 31, 2013
Motor Vehicles Liability	3.374.219.438.483	2.928.484.514.020
Fire and Natural Disaster	385.728.333.892	346.803.096.110
General Losses	179.327.096.514	132.937.032.433
Transportation	51.639.720.568	36.946.440.146
Accident	33.701.423.272	30.701.620.815
Financial Losses	31.424.007.077	27.399.434.619
General Losses	31.290.671.051	25.309.532.406
Air Vehicles Liability	13.226.527.480	22.863.679.840
Motor Own Damage	24.854.219.976	20.448.800.280
Health	8.811.741.100	6.969.471.500
Legal Protection	6.548.815.428	6.633.820.376
Air Vehicles	5.601.034.931	5.228.068.240
Credit	1.329.962.500	2.009.379.900
Water Vehicles	531.170.972	378.524.179
Breach of Trust	488.138.191	404.286.660
Life	3.222.292	3.735.219
Total	4.148.725.523.727	3.593.521.436.743

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

None (December 31, 2013: None).

17.5 Number and amount of participation certificates in portfolio and circulation

None (December 31, 2013: None).

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

None (June 30, 2013: None).

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

None (December 31, 2013: None).

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

None (June 30, 2013: None).

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

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, 2013: 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, 2013: 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, 2013: None).

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

None (June 30, 2013: 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, 2014	January 1- June 30, 2013
	Profit Share Distribution Rate	Profit Share Distribution Rate
	(%)	(%)
TL (Life Insurance)	9,52	7,16

17.15 Explanation of information that describes amounts arose from insurance agreements

None (December 31, 2013: None).

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

17. Insurance Liabilities and Reinsurance Assets (Continued)

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

Reinsurance Assets

	June 30, 2014	December 31,
Receivables from Reinsurance Companies	12.385.446	18.142.690
Cash Deposited For Insurance & Reinsurance Companies	30.954	30.954
Reinsurance Share of Unearned Premiums Reserve	299.564.177	201.635.515
Reinsurance Share of Outstanding Claims Reserve	219.021.125	169.380.958
Reinsurance Share of Unexpired Risks Reserve	24.739.007	21.717.571
Total	555.740.709	410.907.688

Reinsurance Liabilities

	June 30, 2014	December 31,
Payables to Insurance and Reinsurance Companies	127.670.602	88.171.883
Payables to Agencies	26.508.419	16.617.308
Deferred Commissions Income	34.104.487	28.724.910
Total	188.283.508	133.514.101

Income / Expense on Reinsurance Agreements

	January 1- June 30, 2014	April 1- June 30, 2014	January 1- June 30, 2013	April 1- June 30, 2013
Premiums Ceded to Reinsurers (-)	(297.616.676)	(131.238.535)	(223.065.902)	(93.195.233)
Commissions Received	31.335.001	16.177.733	24.729.136	13.240.711
Reinsurance Share of Unearned Premiums Reserve	98.506.566	18.755.755	53.392.508	5.680.337
Reinsurance Share of Unexpired Risks Reserve	3.021.435	(21.457.822)	(600.836)	873.410
Reinsurance Share of Outstanding Claims Reserve	51.037.883	27.271.614	(59.759.756)	(4.891.937)
Reinsurance Share of Claims Paid	43.925.740	23.526.670	78.805.444	42.352.880
Total	(69.790.051)	(66.964.585)	(126.499.406)	(35.939.832)

Branch	June 30, 2014			June 30, 2013		
	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	(123.078.363)	28.298.177	14.396.251	(108.965.524)	27.453.059	8.177.554
General Losses	(113.794.257)	86.339.508	13.898.657	(61.092.617)	(41.912.494)	58.400.880
General Liability	(14.842.006)	12.820.274	5.257.962	(10.018.833)	6.393.441	3.530.957
Financial Losses	(11.568.575)	1.370.847	19.628	(13.464.961)	4.987.173	178.200
Transportation	(10.600.539)	1.860.240	2.414.973	(7.174.884)	2.083.480	1.656.053
Motor Vehicles Liability	(10.446.748)	(5.799.014)	1.028.207	(9.295.824)	(2.953.232)	1.821.251
Motor Own Damage	(2.762.398)	547.597	1.317.888	(4.084.132)	(1.623.295)	2.591.686
Accident	(1.741.967)	346.367	417.163	(1.384.829)	(668.266)	876.584
Support	(1.534.535)	24.908	-	(1.635.860)	(210.759)	-
Credit	(1.403.836)	6.788.537	206.353	(1.554.113)	605.919	491.668
Air Vehicles	(2.151.585)	402.946	215.563	(1.247.460)	486.354	46.315
Air Vehicles Liability	(1.679.838)	(2.875.630)	4.653.934	(1.704.884)	(1.145.660)	325.979
Water Vehicles	(805.778)	582.659	37.515	(625.171)	(459.500)	397.261
Health	(699.608)	157.684	3.103	(488.138)	(63.382)	110.061
Breach of Trust	(504.635)	(187.243)	58.543	(325.041)	56.585	200.995
Life	(2.008)	771	-	(3.631)	(852)	-
Legal Protection	-	-	-	-	-	-
Total	(297.616.676)	130.678.628	43.925.740	(223.065.902)	(6.971.429)	78.805.444

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

17. Insurance Liabilities and Reinsurance Assets (Continued)

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.

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

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

	2013	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, January 1	97.261.747	383.474.340
Net Change for the Year	35.514.391	(23.945.087)
End of the Period, June 30	132.776.138	359.529.253

18. Investment Contract Liabilities

Disclosed in Note 17.3.

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

19. Trade and Other Payables, Deferred Income

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

	June 30, 2014	December 31, 2013
Payables to agencies	26.508.419	16.617.308
Payables to insurance and reinsurance companies	127.670.602	88.171.883
Payables from Insurance Operations	154.179.021	104.789.191
Payables to contracted enterprises	6.603.428	10.648.998
Payables to Turkish Catastrophe Insurance Pool	12.626.547	11.359.601
Payables to suppliers	6.497.493	4.399.758
Turkish Catastrophe Insurance Pool Payables to agencies	551.234	505.882
Other	1.752.868	539.145
Other Payables	28.031.570	27.453.384
Payables to SSI regarding medical expenses (*)	12.381.206	15.622.370
Deferred commission income	34.104.487	28.724.910
Expense accruals	16.380.902	17.530.429
Deferred Income and Expense Accruals	50.485.389	46.255.339
Total Short Term Liabilities	245.077.186	194.120.284
Payables to SSI regarding medical expenses (*)	-	1.867.930
Total Long Term Liabilities	-	1.867.930
Total Trade and Other Payables, Deferred Income	245.077.186	195.988.214

(*) Movement of the payable to SSI related to medical expenses is presented below:

Beginning of the period; January 1, 2013	21.296.266
Premiums ceded to SSI (4)	24.718.602
Correction notified in 2012 related to premium ceded to SSI between 25 February 2011 - 26 August 2011 (5)	1.082.977
The difference between notified liabilities for the year 2011 amount and the amount calculated (6)	5.497.269
Premium payments to SSI	(35.104.814)
End of the period - December 31, 2013	17.490.300

Beginning of the period; January 1, 2014	17.490.300
Premiums ceded to SSI (4)	9.319.110
Correction notified in 2012 related to premium ceded to SSI between 25 February 2011 - 26 August 2011 (5)	1.082.977
The difference between notified liabilities for the year 2011 amount and the amount calculated (6)	503.056
Premium payments to SSI	(16.014.237)
End of the period - June 30, 2014	12.381.206

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

19. Trade and Other Payables, Deferred Income (Continued)

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

- (1) As disclosed in Note 2.15, in accordance with the Communiqué numbered 2011/18, the Company has closed outstanding claim files regarding the claims related to treatment expenses dated before the enforcement of the Law and "incurred but not reported claims to be closed" calculated with respect to the related treatment expenses and classified the respective amounts to the "Paid claims" account. In accordance with the Communiqué numbered 2011/18, the Company has performed the ACLM provision calculations both including and excluding data related to treatment expenses as of March 31, 2011 and the difference between these calculations is determined as "incurred but not reported claims to be closed". Accordingly, the Company transferred the closed claim files regarding the claims related to treatment expenses dated before the enforcement of the Law amounting to TL 3.783.062 and "incurred but not reported claims to be closed" calculated in accordance with the Communiqué numbered 2011/18 amounting to TL 816.183 totally amounting to TL 4.599.245 to the account "Paid Claims" and classified the total amount to the account "Payables to SSI regarding medical expenses-long term". In accordance with the Communiqué numbered 2011/18, the difference between the respective liability amount notified by Treasury to the companies and the amount calculated as a result of the abovementioned calculations with respect to the related period is accounted for under "Payables to SSI regarding medical expenses- short term", "Payables to SSI regarding medical expenses- long term" and charged to other technical income or expense account. In this context, the Company has deducted TL 1.533.082 from short term payables, TL 3.066.163 from long term payables from the related liability accounts and recognized a corresponding amount of income in the current period income statement.
- (2) As disclosed in Note 2.15, regarding the treatment expenses resulting from traffic accidents happening after the date of the promulgation of the Code, the Company has to transfer the premiums determined within the scope of the Circular numbered 2011/17 regarding the policies in the related branches issued after February 25, 2011 to SSI (Social Security Institution). Within the frame of the above mentioned principles, the Company has recorded the amount of TL 11.113.969 as premiums transferred to SSI and calculated a reinsurance share for provisions for unearned premiums on daily basis amounting to TL 6.303.656 over the said amount. In accordance with the principles stated in the Circulars numbered 2011/17 and 2011/18, as of December 31, 2011, the part of the premiums transferred to SSI within the period amounting to TL 4.494.840 was recorded under "Payables to SSI regarding Treatment Expenses – Short Term" account and the payments made until December 31, 2011 were deducted from this account. The part of the premiums transferred to SSI within the period amounting to TL 6.619.129 was recognized under the "Payables to SSI regarding Treatment Expenses – Long Term" account.
- (3) Within the frame of the provisions of the Communiqué numbered 2011/17, in the event that a difference occurs between the liabilities communicated to the companies by the Treasury and one third of the amounts found after the mentioned calculation, corresponding to the related period, this difference is reflected under the "Payables to SSI regarding treatment expenses" account in the balance sheet and under other technical income or expense account in the income statement. Regarding to this methodology, The Company has excluded amount to TL 2.001.016 in accounts in order to account as other technical incomes for year of 2011 within notified liabilities.
- (4) As disclosed in Note 2.15, in certain branches, regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law, the Company is required to cede a certain amount of premiums written within the period of January 1 - June 30, 2014 to SSI to be determined in accordance with the Communiqué numbered 2011/17 and 2012/6 numbered Sector Notice. Based on the aforementioned regulations, the Company has recorded the amount of the premiums to be ceded to SSI as TL 9.319.110 as of January 1 - June 30, 2014 (January 1 - June 30, 2013: TL 7.443.175) and calculated a reinsurance share of unearned premium reserve amounting to TL 11.825.880 as of June 30, 2014 (June 30, 2013: TL 8.109.421). The amount of ceded premiums to SSI is classified under the account "Payables to SSI regarding treatment expenses - short term" and the payments made till March 31, 2014 are excluded from that account.
- (5) In accordance with the 2012/3 numbered Communiqué, the Company has recalculated the certain amount of premiums to be ceded to SSI in relation with the policies issued after February 25, 2011 till the effective date of the regulation August 26, 2011 in "Compulsory Transportation", "Compulsory Traffic" and "Compulsory Motor Personal Accident" branches according to the fixed prices designated in accordance with the vehicle types in 2012/3 numbered Communiqué. Based on the aforementioned regulations, the Company has recorded the additional amount of the premiums to be ceded to SSI as TL 1.540.003 as of January 1 – June 30, 2014.
- (6) In accordance with the Communiqué numbered 2011/17 and 2012/4, the difference between the respective liability amount notified by Treasury to the companies and the amount calculated as a result of the abovementioned calculations with respect to the related period is accounted for under "Payables to SSI regarding medical expenses" in balance sheet and charged to other technical income or expense account in income statement. In this context, the Company has added TL 503.056 to the related liability account by considering the January 1 – June 30, 2014 liability and recognized a corresponding amount of income in the current period "Other Technical Income". The provision calculated in accordance with the abovementioned principles with respect to the claims related to treatment expenses dated before the enforcement of the Law for the charges to be received in the subsequent years will be determined in accordance with the liability notifications by Treasury in 2013 and 2014 and the difference between the calculated provision and finalised liability will be accounted for under the income statements of related periods.

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

19. Trade and Other Payables, Deferred Income (Continued)

19.2 Related Parties

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

20. Payables

Insurance Technical Reserves	June 30, 2014	December 31, 2013
Unearned Premiums Reserve- Net (*)	613.590.556	539.546.893
Unexpired Risks Reserve- Net	9.890.686	9.189.638
Outstanding Claims Reserve-Net (**)	280.959.833	214.346.852
Mathematical Reserves-Net	2.073.247	2.167.174
Equalization Reserve-Net	35.767.300	30.723.954
Total	942.281.622	795.974.511

(*) While calculating the income statement effect of the provisions for unearned premiums, TL 3.857.671, the deferral effect of the premiums transferred to assistance companies, which is included in operating expenses, has been netted off (December 31, 2013: TL 3.414.886).

As disclosed in note 2.15, the reinsurers' share of unearned premiums includes SSI share as of June 30, 2014 which is TL 11.825.880 (December 31, 2013: TL 16.536.498).

(**) Company owns clean cut agreement in motor own damage branch, according to the agreement the premium and claim disposals for 2012 has taken part on December 31, 2012. According to the same agreements the portfolio additions have been made within the year 2013. The effect of portfolio additions TL 1.355.476 in 2013 netted – off from outstanding claims (note 4.1.2.3) (December 31, 2013: TL 7.048.798).

Unearned Premium Reserve:

	June 30, 2014		
	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	761.101.163	(221.554.269)	539.546.893
Net Change	152.051.682	(78.008.019)	74.043.663
End of the Period	913.152.844	(299.562.288)	613.590.556
	June 30, 2013		
	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	631.424.993	(183.310.985)	448.114.008
Net Change	99.604.734	(40.065.591)	59.539.143
End of the Period	731.029.727	(223.376.576)	507.653.151

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

20. Payables (Continued)**Unexpired Risk Reserve:**

	June 30, 2014		
	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	30.907.209	(21.717.572)	9.189.638
Net Change	3.722.483	(3.021.434)	701.048
End of the Period	34.629.692	(24.739.006)	9.890.686

	June 30, 2013		
	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	12.224.918	(2.204.046)	10.020.873
Net Change	(4.916.574)	600.834	(4.315.740)
End of the Period	7.308.344	(1.603.211)	5.705.133

Equalization Reserve:

	June 30, 2014		
	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	30.723.954	-	30.723.954
Net Change	5.043.346	-	5.043.346
End of the Period	35.767.300	-	35.767.300

	June 30, 2013		
	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	22.199.697	-	22.199.697
Net Change	4.531.014	-	4.531.014
End of the Period	26.730.711	-	26.730.711

Outstanding Claims Reserve:

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

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

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.

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.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

22. Retirement and Welfare Liabilities (continued)

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:

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, 2014 and December 31, 2013, 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. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 6,2% and a discount rate of 9,9%, resulting in a real interest rate of approximately 3,5%. The anticipated rate of forfeitures is considered and estimated rate of the Company's retirement pay is also taken into account.

As the maximum liability is updated semi annually, as of June 30, 2014, the maximum amount of TL 3.438,22 effective from January 1, 2014 has been taken into consideration in calculation of provision from employment termination benefits (December 31, 2013 : TL 3.254,44).

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

	June 30, 2014	June 30, 2013
Beginning of the Period, January 1	2.244.706	2.290.103
Charge for the Period	30.708	152.019
Actuarial Gain/Loss	720.756	607.909
Retirement Payments (-)	(452.883)	(213.381)
End of the Period	2.543.287	2.836.650

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

23. Other Liabilities and Expense Accruals

23.1 Provisions related to employee benefits and others

	June 30, 2014		June 30, 2013	
	Unused Vacation Provisions	Security Premiums Payable	Unused Vacation Provisions	Social Security Premiums Payable
Beginning of the Period, January 1	1.516.928	1.347.006	1.625.430	99.887
Movements in the Current Period	396.476	36.429	548.678	1.079.050
End of the Period	1.913.404	1.383.435	2.174.108	1.178.937

23.2 Contingent Liabilities

Company' s statement of pledges and commitments as of June 30, 2014 and December 31, 2013 are presented below:

	June 30, 2014		December 31, 2013	
	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		35.481		74.222
	TL	23.000	61.700	61.700
	USD	5.878	5.867	12.522
D. Total amount of other CPMs given		2.980.135		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		2.980.135		11.156.609
	TL	2.980.135	11.156.609	11.156.609
Total		3.015.616		11.230.831

There is no ratio of CPMs given by the Company to the equity (December 31, 2013 : None).

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

23. Other Liabilities and Expense Accruals (Continued)

23.3 Provisions, Contingents Assets and Liabilities

Contingent Liabilities	June 30, 2014	December 31, 2013
Outstanding Claims under Litigation (*)	90.250.202	83.510.317
Total	90.250.202	83.510.317

	June 30, 2014	December 31, 2013
Subrogation Receivable Litigations, Gross	42.757.509	40.289.610
Trade Receivable Litigations and Executions	8.576.553	10.883.230
Total	51.334.062	51.172.840

(*) As disclosed in note 2.1.1, as of June 30, 2014 net amount of discount was made over outstanding claim amount is TL 13.269.597 (December 31, 2013: 11.893.970 TL).

(**) The Company was subject to tax investigation in the year 2012 regarding corporate tax calculation for the year 2010 and additional tax amounting to TL 60,9 million and related penalty amounting to TL 91,4 million were charged to the Company on February 4, 2013. The tax investigation was related to the spin off transaction which was subject to tax investigation in 2010. The tax charged to the Company as a result of the first investigation in 2010 amounting to TL 101,5 million and the tax penalty amounting to TL 152,3 million were reconciled with the Ministry of Finance, where the tax penalty amounting to TL 152,3 million was waived, the total tax burden of TL 101,5 million was decreased to TL 8,5 million and paid in the year 2011. The Company appealed for a reconciliation settlement process on March 4, 2013. No reconciliation was provided in the meeting held between the Company and the Ministry of Finance Central Reconciliation Commission on October 10, 2013 and the Company filed a lawsuit by the Tax Court as of October 24, 2013. As a result of the judgment made by the 6th Tax Court of Istanbul, the court decided with its judgement dated June 19, 2014 that the tax assessment with penalty levied to the plaintiff was unlawful and cancelled the respective tax assessment with penalty and decided that the ruling could be appealed at the Council of State within 30 days upon the communication of the ruling.

(***) As at June 24, 2014; T.C. Ministry of Finance Turkish Tax Inspection Board has launched a limited tax investigation related to the Banking and Insurance Transaction Tax for the years 2009, 2010, 2011 and 2012.

23.4 Provision for Expense Accruals

	June 30, 2014	December 31, 2013
Commission provision	4.415.379	6.939.180
Expense provision	4.221.494	1.362.226
Unused vacation provision	1.913.404	1.516.928
Performance premium provision	2.410.529	4.341.964
Grant provision (*)	1.475.859	-
Guarantee fund provision	942.935	2.420.461
Other	1.001.302	949.670
Total	16.380.902	17.530.429

(*) Since the Company has paid TL 9.500.000 as donation to Hacı Ömer Sabancı Vakfı there has not been booked any provision as of December 31, 2013 as disclosed in Note 45.

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

24. Net Insurance Premium Revenue

	January 1- June 30, 2014	April 1- June 30, 2014	January 1- June 30, 2013	April 1- June 30, 2013
Non-life Branches				
Motor Own Damage	263.752.374	152.724.229	231.173.408	119.449.362
Fire and Natural Disaster	127.912.419	56.428.059	57.591.368	29.228.781
Health	104.091.604	61.787.600	107.693.756	34.143.733
Motor Vehicles Liability	67.003.498	33.010.840	69.080.380	42.421.417
General Losses	46.549.913	19.044.507	36.589.189	16.128.414
Financial Losses	15.810.317	7.555.285	18.187.165	9.115.100
Accident	9.809.868	5.305.020	8.301.455	4.077.810
General Liability	7.770.590	2.746.284	5.453.941	2.999.156
Transportation	7.668.205	3.437.880	5.620.150	2.246.809
Legal Protection	2.107.307	1.187.545	1.736.454	900.068
Water Crafts	718.592	467.999	507.437	373.873
Breach of Trust	241.543	98.765	172.900	73.192
Support	109.175	(199.222)	112.782	47.950
Credit	65.583	36.029	32.319	22.896
Air Crafts	187	68	162	124
Air Crafts Liability	91	45	109	59
Total Non-life Branches	653.611.266	343.630.933	542.252.975	261.228.744
Life	7.768	2.852	14.115	6.817
Total	653.619.034	343.633.785	542.267.090	261.235.561

25. Fee Income

None (December 31, 2013:None).

26. Investment Income/(Expense)

	January 1- June 30, 2014	April 1- June 30, 2014	January 1- June 30, 2013	April 1- June 30, 2013
Interest Income	35.277.883	19.021.181	21.104.123	10.148.445
Rent Income	101.210	39.154	148.103	73.320
Total	35.379.093	19.060.335	21.252.226	10.221.765

27. Net Accrual Income on Financial Assets

	January 1- June 30, 2014	January 1- June 30, 2013
Financial Assets Available for Sale		
Valuation differences recognized under shareholders' equity	(2.951.548)	(2.729.437)
Total	(2.951.548)	(2.729.437)

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

28. Assets Held At Fair Value through Profit and Loss

Net gain/ loss of assets held at fair value through profit and loss reflected to the income statement as of the balance sheet date is TL 9.848.033 (April 1 – June 30, 2013: TL 7.184.697, January 1 – June 30, 2013: TL 3.025.811).

29. Insurance Rights and Demands

Outstanding Claims Reserve Expenses	January 1- June 30, 2014	April 1- June 30, 2014	January 1- June 30, 2013	April 1- June 30, 2013
Legal Protection	1.142.614	780.435	(1.678.385)	(1.615.887)
Water Crafts	13.854	(43.543)	167.715	(1.179.002)
Air Crafts Liability	729	729	-	-
Air Crafts	-	337	-	870.911
Breach of Trust	(89.538)	(84.052)	(118.534)	(118.534)
Credit	(120.181)	(97.177)	3.594	(938.309)
Accident	(1.045.661)	(962.553)	575.704	310.807
Transportation	(1.405.400)	(1.073.724)	(1.210.269)	(2.322.440)
Financial Losses	(4.417.886)	(3.959.122)	1.092.864	7.649.374
Health	(5.467.976)	(4.459.681)	(5.442.530)	(3.009.834)
Motor Own Damage	(6.392.093)	(4.169.512)	4.345.982	4.343.698
General Liability	(7.848.186)	(5.047.267)	(1.527.905)	4.533.152
Fire and Natural Disaster	(8.552.799)	(9.232.524)	1.542.837	(10.411.987)
General Losses	(15.364.374)	(11.212.591)	(9.145.204)	(5.600.540)
Motor Vehicles Liability	(15.746.755)	(2.522.370)	934.564	857.648
Total Non-life	(65.293.652)	(42.082.615)	(10.459.567)	(6.630.943)
Life	36.147	40.033	(3.745)	(4.430)
Total (*)	(65.257.505)	(42.042.582)	(10.463.312)	(6.635.373)

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

30. Investment Agreement Rights

None. (December 31, 2013:None).

31. Mandatory Other Expenses

Types of expenses are disclosed in Note 32.

32. Expense Types

	January 1- June 30, 2014	April 1- June 30, 2014	January 1- June 30, 2013	April 1- June 30, 2013
Production Commissions (-)	(138.455.035)	(70.341.151)	(117.635.552)	(60.918.023)
Reinsurance Commissions (+)	31.335.001	16.177.733	24.729.136	13.240.711
Employee Wages and Expenses (-) (*)	(32.602.311)	(17.075.583)	(26.577.533)	(13.369.438)
Information Technology Expenses (-)	(4.968.122)	(2.225.182)	(4.221.479)	(2.413.076)
Meeting and Training Expenses (-)	(3.499.271)	(2.012.281)	(3.361.788)	(1.581.790)
Transportation Expenses (-)	(2.060.270)	(1.049.125)	(2.091.929)	(1.208.751)
Rent Expenses (-)	(2.265.807)	(1.313.100)	(1.483.926)	(744.566)
Social Relief Expenses (-)	(1.538.438)	(726.673)	(1.442.372)	(720.835)
Repair and Maintenance Expenses (-)	(1.377.733)	(712.023)	(1.019.992)	(217.990)
Outsourcing Service Expenses (-)	(1.021.220)	(476.307)	(881.519)	(373.962)
Advertisement Expenses (-)	(714.583)	(198.035)	(815.615)	(447.767)
Communication Expenses (-)	(752.546)	(393.348)	(590.790)	(292.739)
Other (-)	(2.803.816)	(1.715.995)	(3.514.569)	(2.017.758)
Total	(160.724.151)	(82.061.070)	(138.907.928)	(71.065.984)

(*) 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, 2014	April 1- June 30, 2014	January 1- June 30, 2013	April 1- June 30, 2013
Salary and Bonus Payments	(30.440.277)	(15.929.665)	(25.180.392)	(12.884.080)
Insurance Payments	(401.550)	(207.895)	(331.437)	(175.328)
Other Payments	(1.760.484)	(938.023)	(1.065.704)	(310.030)
Total (Note 32)	(32.602.311)	(17.075.583)	(26.577.533)	(13.369.438)

34. Financing Costs

34.1 Financial Expenses:

None (December 31, 2013:None).

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

None (December 31, 2013:None).

34.3 Sales transactions with shareholders, affiliates and subsidiaries

None (December 31, 2013:None).

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

34. Financing Costs (Continued)

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

None (January 1 – June 30, 2013 : None).

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, 2014 effect of hedge accounting amount of TL 2.375.937 has been recognized in the "Special Funds (Reserves)" account item under equity.

Amount	Currency type	Exchange rate at the beginning of the period	Exchange rate at the end of the period	Hedging cash flow
21.443.471	USD	2,2342	2,1234	2.375.937

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 18.751.538 Eurobond and USD 2.691.933 time deposit.

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

None (December 31, 2013:None).

35. Income Tax

	June 30, 2014	December 31, 2013
<u>Current Tax Liability</u>		
Corporate Tax Liability Provision on Period Profit	6.648.059	25.734.660
Prepaid Taxes and Other Liabilities on Period Profit (-)	(5.860.722)	(18.278.602)
	<u>787.337</u>	<u>7.456.058</u>

	January 1- June 30, 2014	April 1- June 30, 2014	January 1- June 30, 2013	April 1- June 30, 2013
<u>Tax (Expense) / Income is Formed by the Items Below:</u>				
Current Tax Income / (Expense)	(6.648.059)	(980.325)	(12.311.200)	(10.445.538)
Deferred Tax Income / (Expense) due to Temporary Differences	836.197	(156.883)	2.641.869	3.774.600
Total Tax Income / (Expense)	<u>(5.811.862)</u>	<u>(1.137.208)</u>	<u>(9.669.331)</u>	<u>(6.670.938)</u>

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

35. Corporate Tax (Continued)**Deferred Tax**

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

<u>Deferred Tax</u>	<u>June 30, 2014</u>	<u>December 31, 2013</u>
Recognized in the Shareholders' Equity:		
Valuation of Financial Assets Available for Sale	737.887	1.328.108
Cash flow hedging	475.187	-
Actuarial loss	144.151	128.112
	<u>1.357.225</u>	<u>1.456.220</u>

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

<u>Deferred Tax Assets / (Liabilities)</u>	<u>June 30, 2014</u>	<u>December 31, 2013</u>
Impairment Provision for Affiliates	4.431.080	4.431.080
Technical reserves	2.761.259	2.415.323
Marketable securities valuation difference	737.887	1.328.109
Performance bonus provision	482.106	868.393
Expense Provision	1.026.894	277.260
Doubtful receivable provisions	413.871	373.271
Retirement pay provision	508.657	448.942
Unused vacation provision	382.681	303.386
Useful life differences of tangible and intangible assets	52.000	88.655
Other	475.187	-
<u>Deferred Tax Assets / (Liabilities), Net</u>	<u>11.271.622</u>	<u>10.534.419</u>

<u>Movements of Deferred Tax Assets / (Liabilities):</u>	<u>January 1- June 30, 2014</u>	<u>January 1- June 30, 2013</u>
Beginning of the Period, January 1	10.534.419	4.551.823
Deferred Tax Income Recognized in the Income Statement	836.197	2.641.869
Deferred Tax Income Recognized in the Shareholders' Equity	(98.994)	728.190
<u>End of the Period, June 30</u>	<u>11.271.622</u>	<u>7.921.882</u>

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

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

35. Corporate Tax (Continued)

	January 1- June 30, 2014	January 1- June 30, 2013
Income Before Tax	28.041.324	129.580.664
Tax Calculated: 20%	(5.608.266)	(25.916.133)
Effect of Additions	(11.633.502)	(7.662.224)
Effect of Allowances	10.593.709	21.267.157
Corporate Tax Payable and Provision for Other Statutory Liabilities	(6.648.059)	(12.311.200)
Deferred Tax Income / (Expense)	836.197	2.641.869

36. Net Foreign Exchange Gain/Loss

	January 1- June 30, 2014	April 1- June 30, 2014	January 1- June 30, 2013	April 1- June 30, 2013
Recognized in Profit / Loss:				
Foreign Exchange Income	22.083.444	4.194.411	13.360.599	10.760.763
Foreign Exchange Expense	(17.307.643)	(7.004.148)	(10.324.351)	(7.457.288)
	4.775.801	(2.809.737)	3.036.248	3.303.475

37. Earnings per Share

	2014	2013
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)	22.229.462	119.911.333
Earnings / (Loss) per Share (TL)	0,073	0,392

38. Dividends per share

Pursuant to the decision taken in the Company's Ordinary General Meeting held on March 28, 2014, all of the net profit consisted in financial statements which represents 2013 operating results have been distributed to shareholders after legal reserves are calculated over. The amount that distributed starting from April 1, 2014 is TL 60.679.800 and profit per share is TL 0,20.

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

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, 2013:None).

41. Cash Convertible Privileged Equity Shares

None (December 31, 2013: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.

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

44. Business Combinations

None (December 31, 2013:None).

45. Related Parties

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

Company	June 30, 2014	December 31, 2013
Enerjisa Enerji Üretim A.Ş	9.917.998	3.030.116
Ak Finansal Kiralama A.Ş	7.604.215	4.551.632
Başkent Elektrik Dağıtım A.Ş	2.522.212	222.337
Akçansa Çimento San. ve Tic. A.Ş	2.306.721	38.012
Temsa Global San. ve Tic. A.Ş	1.367.471	365.550
Brisa Bridgestone Sabancı Last. San. Ve Tic. A.Ş.	771.779	423.491
Teknosa İç ve Dış Ticaret A.Ş	566.821	57.919
Advansa SASA	467.972	198.130
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş.	423.965	43.603
Avivasa Emeklilik ve Hayat A.Ş	386.706	32.576
Akbank Türk A.Ş.	180.115	258.442
Yünsa Yünlü San. ve Tic. A.Ş	146.892	31.650
Hacı Ömer Sabancı Holding A.Ş	131.677	42.019
Çimsa Çimento San. ve Tic. A.Ş	127.336	(80.954)
Sabancı Üniversitesi	114.950	4.748.793
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş	78.901	17.818
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş	74.820	26.358
Ak Yatırım Ortaklığı A.Ş.	62.280	(114)
Pmsa Philip Morris Sabancı Pazarlama ve Satış A.Ş.	49.216	6.586
Philsa Philip Morris Sabancı Sigara ve Tütüncülük A.Ş.	16.219	(29.791)
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	8.301	(830)
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	3.954	(1.350)
Dönkasan Dönüşen Kağıt Ham Maddeleri San. ve Tic. A.Ş	2.949	14.371
Hacı Ömer Sabancı Vakfı	1.614	-
AEO	1.464	-
Total	27.336.546	13.996.365

(*) Amount TL 71.160 (December 31, 2013: TL 67.314) 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.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

45. Related Parties (Continued)

Related party financial assets

Bank Deposit

Company	June 30, 2014	December 31, 2013
Akbank T.A.Ş.	434.691.237	277.661.529
Total	434.691.237	277.661.529

Private Sector Debt Securities

Company	June 30, 2014	December 31, 2013
Akbank T.A.Ş.	12.492.710	16.782.390
Başkent Elektrik Dağıtım A.Ş	38.369.575	40.728.800
Total	50.862.285	57.511.190

Investment Funds

Company	June 30, 2014	December 31, 2013
Akbank T.A.Ş.	43.372.377	24.000.004
Total	43.372.377	24.000.004

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

45. Related Parties (Continued)

Premium production

Insured	January 1- June 30, 2014	April 1- June 30, 2014	January 1- June 30, 2013	April 1- June 30, 2013
Enerjisa Enerji Üretim A.Ş.	17.080.914	8.890.348	12.847.170	6.433.091
Ak Finansal Kiralama A.Ş.	6.103.389	3.222.784	4.583.100	2.352.263
Brisa Bridgestone Sabancı Last. San. Ve Tic. A.Ş.	4.799.643	2.395.288	4.381.085	2.121.582
Carrefour Sabancı Ticaret Merkezi A.Ş.	4.704.997	2.430.251	2.716.292	1.374.915
Başkent Elektrik	3.406.872	1.749.770	3.047.354	1.596.616
Temsa Global	3.275.775	1.606.522	3.109.740	1.538.950
Sabancı Üniversitesi	3.162.422	1.609.164	2.831.169	1.495.094
Akbank Türk A.Ş.	2.501.409	1.261.574	3.362.409	1.694.952
Advansa SASA	2.303.365	1.157.252	3.986.152	1.616.895
Kordsa Sabancı Global	2.266.011	1.142.725	1.945.827	982.622
Philsa Philip Morris Sabancı Sigara ve Tütüncülük A.Ş.	2.242.092	1.133.184	1.520.420	713.504
Çimsa Çimento san. Ve Tic. A.Ş.	2.202.418	1.123.859	1.700.425	854.064
Pmsa Philip Morris Sabancı Pazarlama ve Satış A.Ş.	1.965.414	987.231	1.604.281	853.905
Teknosa İç Ve Dış Tic A.Ş.	1.874.401	1.009.270	1.803.789	919.280
Akçansa Çimento San. Ve Tic. A.Ş.	1.660.942	1.349.967	1.561.263	1.091.271
Avivasa Hayat ve Emeklilik A.Ş.	1.353.656	725.266	1.178.517	585.089
Hacı Ömer Sabancı Holding	1.196.883	604.918	522.912	276.338
Yünsa Yünlü San. Ve Tic. A.Ş.	722.729	364.344	661.664	326.942
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	189.934	95.319	147.635	74.453
Bimsa Uluslar. İş, Bilgi ve Yönetim Sist. A.Ş.	172.445	90.822	163.023	81.967
Akyatırım Menkul Değerler A.Ş.	169.794	86.258	157.406	80.027
Akpörföy Yönetimi A.Ş.	97.829	49.581	94.251	46.595
Dönkasan A.Ş.	86.005	(81.469)	76.185	38.800
Exsa Export San. Mam. Satış Araş. A.Ş.	52.695	26.493	44.050	22.147
Hacı Ömer Sabancı Vakfı	38.901	19.707	42.454	20.564
Aeo (Hilton International)	4.615	2.314	4.585	2.289
Total	63.635.549	33.052.742	54.093.157	27.194.212

Interest Income Received from Related Parties

Company	January 1- June 30, 2014	April 1- June 30, 2014	January 1- June 30, 2013	April 1- June 30, 2013
Akbank T.A.Ş	16.337.334	10.966.527	11.095.139	4.498.813
Total	16.337.334	10.966.527	11.095.139	4.498.813

The detail of dividend income received from related parties is presented in Note 26.

The Company has donated TL 9.500.000 to Hacı Ömer Sabancı Vakfı in 2013.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2014

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

46. Subsequent Events

None.

47. Other

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

Other receivables	June 30, 2014	December 31, 2013
Prepaid excess of loss premiums (*)	9.080.205	-
Receivables from Tarm Sigortaları A.Ş.	11.062.565	2.852.394
Other receivables	3.559.030	2.833.886
Total	23.701.800	5.686.280

Other short term payables	June 30, 2014	December 31, 2013
Payables to contracted enterprises	12.626.547	11.359.603
Payables to Turkish Catastrophe Insurance Pool	6.603.428	10.648.998
Payables to suppliers	6.497.493	4.399.758
Turkish Catastrophe Insurance Pool payables to agencies	551.234	505.882
Other	1.752.868	539.143
Total	28.031.570	27.453.384

Short term other prepaid expenses	June 30, 2014	December 31, 2013
Prepaid expenses (**)	14.225.798	1.718.462
Total	14.225.798	1.718.462

Long term other prepaid expenses	June 30, 2014	December 31, 2013
Prepaid expenses (**)	3.936.804	-
Total	3.936.804	-

(*) There is no balance since all prepaid excess of loss premiums have been expensed as of December 31, 2013.

(**) Amounting of TL 4.270.309 TL from the short term prepaid expense and the total of the long term prepaid expense belongs to operational leasing of the Company's new headquarter.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2014**

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

47. Other (Continued)

Income and Profit / Expenses and Losses from Other and Extraordinary Activities	January 1- June 30, 2014	April 1- June 30, 2014	January 1- June 30, 2013	April 1- June 30, 2013
Provisions Account (+/-)	(7.089.408)	(2.434.503)	(23.357.315)	(17.930.023)
Provision for Diminution in Value of Affiliates	-	-	(10.155.402)	(10.155.402)
Provisions for doubtful receivable	(2.929.995)	(1.110.687)	(4.321.613)	(402.417)
Retirement pay provision	(671.266)	(290.520)	(375.618)	(261.670)
Donation Provision	(1.475.859)	(287.456)	(6.821.087)	(6.133.949)
Portfolio Management	(375.000)	-	(488.163)	(353.568)
Vacation Provision	(396.476)	(33.879)	(548.679)	(307.938)
Provisions for other expenses	(1.240.812)	(711.961)	(646.753)	(315.079)
Compulsory earthquake insurance account (+/-)	342.371	100.184	218.628	(4.585)
Deferred tax asset account (+/-)	836.197	(156.883)	2.641.869	3.774.600
Other income and profit	85.162	59.581	116.501.412	115.409.095
Gain on property sale (*)	-	-	114.925.418	114.291.438
Other	85.162	59.581	1.575.994	1.117.657
Other expenses and losses (-)	(4.075.015)	(801.953)	(6.127.998)	(4.947.392)
Disallowable expense	(2.463.040)	(73.608)	(287.628)	(246.442)
Bank Expenses	(1.400.364)	(672.801)	(1.838.563)	(752.080)
Real estate sales expense	-	-	(3.245.054)	(3.245.054)
Other	(211.611)	(55.544)	(756.753)	(703.816)
Total	(9.900.693)	(3.233.574)	89.876.596	96.301.695

(*) The Company has booked the gain through the sale of Headquarters Office at May 30, 2013 in other income and profit in the financial statements as of December 31, 2013. According to the declarations dated November 20, 2008, numbered 27060 and issued as serial number 3th of Turkish Corporate Tax General Communique, excluded amount of TL 86.194.419 at the rate of %75 of TL 114.925.418 profit is booked under the equity as a special fund account booked from the sale of Headquarters Office is classified in balance Sheet for the year of 2014.

AKSİGORTA A.Ş.

Appendix I

CONVENIENCE TRANSLATION OF THE STATEMENT OF PROFIT DISTRIBUTION

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

AKSİGORTA ANONİM ŞİRKETİ			
Profit Distribution Statement			
	Note	Reviewed Current Period (01/01/2014 - 30/06/2014) (*)	Reviewed Current Period (01/01/2014 - 30/06/2013) (*)
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, 2014 and 2013, the profit distribution table has not been prepared since there has not been profit distribution.