

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

# **Aksigorta Anonim Őirketi**

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

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

**Aksigorta Anonim Şirketi  
Independent auditors' review report as of September 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 September 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 September 30, 2014 and its financial performance and its cash flows regarding to the nine-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 September 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

October 30, 2014  
İstanbul, Turkey

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

We confirm that the accompanying financial statements and notes to these financial statements as of 30 September 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, 30 October 2014

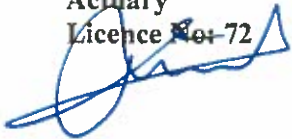


**Erkan ŞAHİNLER**  
Chief Financial Officer



**Uğur GÜLEN**  
Chief Executive Officer

**Halil KOLBAŞI**  
Actuary  
Licence No: 72



**Gülnur KURT**  
Accounting Manager

**AKSİGORTA A.Ş.**

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

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

<b>AKSİGORTA ANONİM ŞİRKETİ DETAILED BALANCE SHEET</b>			
<b>ASSETS</b>			
<b>I- CURRENT ASSETS</b>	Note	Reviewed Current Period (30/09/2014)	Audited Previous Period (31/12/2013)
<b>A- Cash and Cash Equivalents</b>		<b>892.731.063</b>	<b>901.772.398</b>
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	647 722 518	732 774 746
4- Cheques Given and Payment Orders (-)		-	-
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	14	245 008 545	168 997 652
6- Other Cash and Cash Equivalents		-	-
<b>B- Financial Assets and Investments with Risks on Policy Holders</b>	<b>11.1</b>	<b>244.769.801</b>	<b>167.948.572</b>
1- Financial Assets Available for Sale	11.1	237 796 083	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	6 973 718	6 538 689
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)		-	-
<b>C- Receivables From Main Operations</b>	<b>12.1</b>	<b>324.209.917</b>	<b>295.482.821</b>
1- Receivables From Insurance Operations	12.1	325 510 260	298 597 419
2- Provision for Receivables From Insurance Operations (-)	12.1	(5 634 795)	(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	62 069 592	55 089 273
10- Provisions for Doubtful Receivables From Main Operations (-)	12.1	(57 766 094)	(50 723 585)
<b>D- Due from Related Parties</b>		<b>71.600</b>	<b>67.314</b>
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties	45	71 600	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 (-)		-	-
<b>E- Other Receivables</b>		<b>12.824.669</b>	<b>5.792.454</b>
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		185 145	106 174
4- Other Receivables	47	12 639 524	5 686 280
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
<b>F- Prepaid Expenses and Income Accruals</b>	<b>4.2.2</b>	<b>144.235.253</b>	<b>124.153.715</b>
1- Deferred Commission Expenses		129 184 586	122 435 253
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	-
4- Other Prepaid Expenses	47	15 050 667	1 718 462
<b>G- Other Current Assets</b>		<b>3.338.998</b>	<b>2.189.899</b>
1- Inventories		22	22
2- Prepaid Taxes and Funds	4.2.2	3 105 233	2 189 877
3- Deferred Tax Assets		-	-
4- Business Advances		233 743	-
5- Advances Given to Personnel		-	-
6- Stock Count Differences		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
<b>I- Total Current Assets</b>		<b>1.622.181.301</b>	<b>1.497.407.173</b>

The accompanying notes form an integral part of these financial statements

**AKSİGORTA A.Ş.**

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

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

<b>AKSİGORTA ANONİM ŞİRKETİ</b>			
<b>DETAILED BALANCE SHEET</b>			
<b>ASSETS</b>			
<b>II- NON CURRENT ASSETS</b>	<b>Note</b>	<b>Reviewed Current Period (30/09/2014)</b>	<b>Audited Previous Period (31/12/2013)</b>
<b>A- Receivables From Main Operations</b>		-	-
1- Receivables From Insurance Operations		-	-
2- Provision for Receivables From Insurance Operations (-)		-	-
3- Receivables From Reinsurance Operations		-	-
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited for Insurance & Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables From Pension Operations		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-
<b>B- Due from Related Parties</b>		-	-
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
<b>C- Other Receivables</b>		-	-
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
<b>D- Financial Assets</b>		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)
<b>E- Tangible Fixed Assets</b>		21,205,214	11,374,660
1- Investment Properties	7	542,903	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	22,575,776	21,364,536
6- Vehicles	6	-	-
7- Other Tangible Assets (Including Leasehold Improvements)	6	1,760,437	1,122,357
8- Leased Tangible Fixed Assets	6	351,395	351,395
9- Accumulated Depreciation (-)	6, 7	(21,588,787)	(20,577,873)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		9,293,397	-
<b>F- Intangible Fixed Assets</b>		24,548,359	19,986,929
1- Rights	8	22,459,677	18,183,940
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortizations (-)	8	(14,428,313)	(12,341,338)
8- Advances Regarding Intangible Assets	8	16,516,995	14,144,327
<b>G- Prepaid Expenses and Income Accruals</b>		2,860,452	-
1- Deferred Commission Expenses		-	-
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses	47	2,860,452	-
<b>II- Other Non-current Assets</b>		10,483,658	10,534,419
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	35	10,483,658	10,534,419
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
<b>II- Total Non-current Assets</b>		67,058,934	49,857,259
<b>TOTAL ASSETS (I+II)</b>		1,689,240,235	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 SEPTEMBER 30, 2014**

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

<b>AKSİGORTA ANONİM ŞİRKETİ</b>			
<b>DETAILED BALANCE SHEET</b>			
<b>LIABILITIES</b>			
<b>III- SHORT TERM LIABILITIES</b>	<b>Note</b>	<b>Reviewed Current Period (30/09/2014)</b>	<b>Audited Previous Period (31/12/2013)</b>
<b>A- Borrowings</b>		-	-
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Current Portion of Long Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Financial Assets Issued		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)		-	-
<b>B- Payables From Main Operations</b>	<b>19.1</b>	<b>124.820.941</b>	<b>104.789.191</b>
1- Payables Due to Insurance Operations	<b>19.1</b>	<b>124.820.941</b>	<b>104.789.191</b>
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- Rediscout on Other Payables From Main Operations (-)		-	-
<b>C- Due to Related Parties</b>		<b>275.025</b>	<b>527.168</b>
1- Due to Shareholders	<b>12.2.45</b>	<b>1.145</b>	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		<b>273.880</b>	<b>527.168</b>
6- Due to Other Related Parties		-	-
<b>D- Other Payables</b>	<b>19.1</b>	<b>54.853.990</b>	<b>43.075.754</b>
1- Deposits and Guarantees Received	<b>19.1</b>	<b>10.000.000</b>	-
2- Due to SSI regarding Treatment Expenses	<b>19.1</b>	<b>10.933.912</b>	<b>15.622.370</b>
3- Other Payables	<b>19.1</b>	<b>33.920.078</b>	<b>27.453.384</b>
4- Discount on Other Payables (-)		-	-
<b>E- Insurance Technical Reserves</b>		<b>898.986.804</b>	<b>763.083.383</b>
1- Unearned Premiums Reserve - Net	<b>20</b>	<b>598.943.872</b>	<b>539.546.893</b>
2- Unexpired Risk Reserves - Net	<b>20</b>	<b>6.130.038</b>	<b>9.189.638</b>
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	<b>4.1, 20</b>	<b>293.912.894</b>	<b>214.346.852</b>
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net		-	-
<b>F- Taxes and Other Liabilities and Relevant Provisions</b>		<b>13.544.638</b>	<b>19.841.340</b>
1- Taxes and Dues Payable		<b>9.257.850</b>	<b>11.030.542</b>
2- Social Security Premiums Payable	<b>23.1</b>	<b>1.429.911</b>	<b>1.347.006</b>
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		<b>4.977</b>	<b>7.734</b>
5- Corporate Tax Liability Provision on Period Profit	<b>35</b>	<b>8.712.622</b>	<b>25.734.660</b>
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	<b>35</b>	<b>(5.860.722)</b>	<b>(18.278.602)</b>
7- Provisions for Other Taxes and Liabilities		-	-
<b>G- Provisions for Other Risks</b>		<b>18.877.632</b>	<b>17.530.429</b>
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	<b>19.1, 23.4</b>	<b>18.877.632</b>	<b>17.530.429</b>
<b>II- Deferred Income and Expense Accruals</b>	<b>19.1</b>	<b>30.990.998</b>	<b>28.724.910</b>
1- Deferred Commission Income	<b>19.1</b>	<b>30.990.998</b>	<b>28.724.910</b>
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
<b>I- Other Short Term Liabilities</b>		-	-
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		-	-
<b>III - Total Short Term Liabilities</b>		<b>1.142.350.028</b>	<b>977.572.175</b>

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

**AKSİGORTA A.Ş.**

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

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

<b>AKSİGORTA ANONİM ŞİRKETİ</b>			
<b>DETAILED BALANCE SHEET</b>			
<b>LIABILITIES</b>			
<b>IV- LONG TERM LIABILITIES</b>	<b>Note</b>	<b>Reviewed Current Period (30/09/2014)</b>	<b>Audited Previous Period (31/12/2013)</b>
<b>A- Borrowings</b>		-	-
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Bonds Issued		-	-
5- Other Issued Financial Assets		-	-
6- Value Differences on Issued Financial Assets (-)		-	-
7- Other Financial Borrowings (Liabilities)		-	-
<b>B- Payables From Main Operations</b>		-	-
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Discount on Other Payables From Main Operations (-)		-	-
<b>C- Due to Related Parties</b>		-	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
<b>D- Other Payables</b>	<b>19.1</b>	-	<b>1.867.930</b>
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses	<b>19.1</b>	-	<b>1.867.930</b>
3- Other Payables		-	-
4- Discount on Other Payables (-)		-	-
<b>E- Insurance Technical Reserves</b>		<b>39.043.581</b>	<b>32.891.128</b>
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net	<b>17.2, 20</b>	<b>2.033.500</b>	<b>2.167.174</b>
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net	<b>20</b>	<b>37.010.081</b>	<b>30.723.954</b>
<b>F- Other Liabilities and Provisions</b>		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
<b>G- Provisions for Other Risks</b>		<b>2.628.591</b>	<b>2.244.706</b>
1- Provision for Employment Termination Benefits	<b>22</b>	<b>2.628.591</b>	<b>2.244.706</b>
2- Provisions for Employee Pension Fund Deficits		-	-
<b>H- Deferred Income and Expense Accruals</b>		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
<b>I- Other Long Term Liabilities</b>		-	-
1- Deferred Tax Liability		-	-
2- Other Long Term Liabilities		-	-
<b>IV- Total Long Term Liabilities</b>		<b>41.672.172</b>	<b>37.003.764</b>

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

**AKSİGORTA A.Ş.**

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

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

<b>AKSİGORTA ANONİM ŞİRKETİ</b>			
<b>DETAILED BALANCE SHEET</b>			
<b>SHAREHOLDERS' EQUITY</b>			
<b>V- SHAREHOLDERS' EQUITY</b>	<b>Note</b>	<b>Reviewed</b>	<b>Audited</b>
		<b>Current Period</b>	<b>Previous Period</b>
		<b>(30/09/2014)</b>	<b>(31/12/2013)</b>
<b>A- Paid in Capital</b>		<b>306.000.000</b>	<b>306.000.000</b>
1- (Nominal) Capital	<b>15</b>	306 000 000	306 000 000
2- Unpaid Capital (-)		-	-
3- Positive Inflation Adjustment on Capital		-	-
4- Negative Inflation Adjustment on Capital (-)		-	-
5- Unregistered Capital		-	-
<b>B- Capital Reserves</b>		<b>91.155.206</b>	<b>4.460.787</b>
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital	<b>15.1</b>	91 155 206	4 460 787
4- Translation Reserves		-	-
5- Other Capital Reserves		-	-
<b>C- Profit Reserves</b>		<b>74.881.437</b>	<b>62.313.603</b>
1- Legal Reserves		80 665 151	68 138 419
2- Statutory Reserves		62	62
3- Extraordinary Reserves		-	-
4- Special Funds (Reserves)	<b>22, 34.5</b>	8 989	(512 446)
5- Revaluation of Financial Assets	<b>11.6, 16.1</b>	(5 792 765)	(5 312 432)
6- Other Profit Reserves		-	-
<b>D- Previous Years' Profits</b>		<b>13.151</b>	<b>139.064</b>
1- Previous Years' Profits		13 151	139 064
<b>E- Previous Years' Losses (-)</b>		<b>-</b>	<b>-</b>
1- Previous Years' Losses		-	-
<b>F- Net Profit of the Period</b>		<b>33.168.241</b>	<b>159.775.039</b>
1- Net Profit of the Period		33 168 241	73 080 620
2- Net Loss of the Period (-)		-	-
3- Net Income not subject to distribution		-	86 694 419
<b>Total Shareholders' Equity</b>		<b>505.218.035</b>	<b>532.688.493</b>
<b>Total Liabilities and Shareholders' Equity (III+IV+V)</b>		<b>1.689.240.235</b>	<b>1.547.264.432</b>

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 – SEPTEMBER 30, 2014

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

AKSİGORTA ANONİM ŞİRKETİ DETAILED INCOME STATEMENT					
I-TECHNICAL PART	Note	Reviewed		Reviewed	
		Current Period 01/01/2014-30/09/2014	Current Period 01/07/2014-30/09/2014	Previous Period 01/01/2013-30/09/2013	Previous Period 01/07/2013-30/09/2013
<b>A- Non-Life Technical Income</b>		948.474.749	344.733.087	799.943.184	276.901.789
1- Earned Premiums (Net of Reinsurer Share)		891.535.950	314.059.862	766.866.162	259.718.939
1.1 - Written Premiums (Net of Reinsurer Share)	24	950.198.990	296.587.714	833.548.384	291.295.409
1.1.1 - Gross Written Premiums (+)		1.351.764.916	402.538.982	1.144.122.655	378.887.489
1.1.2 - Ceded Premiums to Reinsurers (-)	17.16	(389.023.471)	(100.722.913)	(293.461.655)	(77.842.559)
1.1.3 - Ceded Premiums to SSI (-)	17.16	(14.542.465)	(5.223.355)	(17.112.616)	(9.669.441)
1.2 - Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		(61.722.630)	11.711.306	(78.674.620)	(32.461.128)
1.2.1 - Unearned Premiums Reserve (-)		(126.238.429)	25.814.240	(123.308.347)	(23.782.924)
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	17.16	69.817.581	(11.511.376)	46.831.807	(18.286.484)
1.2.3 - SSI of Unearned Premiums Reserve (+)	17.16	(5.301.782)	(591.164)	(1.397.328)	1.528.308
1.3 - Changes in Unsecured Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		3.059.600	3.760.648	5.192.398	876.638
1.3.1 - Unsecured Risks Reserve (-)		14.129.084	17.851.567	(7.725.864)	(12.642.138)
1.3.2 - Reinsurance Share of Unsecured Risks Reserve (+)	17.16	(11.069.484)	(14.090.919)	(12.917.962)	13.518.796
2- Investment Income Transferred from Non-Technical Part		56.204.092	18.601.989	33.478.608	16.678.753
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 (+)		12.774.727	12.071.156	5.486.414	512.017
<b>B- Non-Life Technical Expense (-)</b>		(918.965.847)	(327.485.178)	(734.302.567)	(248.957.547)
1- Total Claims (Net of Reinsurer Share)		(634.239.737)	(233.782.434)	(489.932.477)	(164.378.699)
1.1 - Claims Paid (Net of Reinsurer Share)		(556.001.720)	(220.828.049)	(465.888.113)	(152.785.981)
1.1.1 - Gross Claims Paid (-)		(643.852.593)	(264.753.182)	(567.848.398)	(175.948.743)
1.1.2 - Reinsurance Share of Claims Paid (+)	17.16	87.850.873	43.925.133	100.968.286	23.162.842
1.2 - Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(78.248.017)	(12.954.365)	(24.052.345)	(13.592.799)
1.2.1 - Outstanding Claims Reserve (-)		(117.359.144)	(1.027.609)	23.237.846	(26.964.221)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	17.16	39.111.127	(11.926.756)	(47.296.211)	12.471.423
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) (+/-)		(6.286.127)	(1.242.781)	(6.270.698)	(1.739.676)
4 - Operating Expenses (-)	32	(242.664.444)	(82.214.757)	(289.958.468)	(71.279.727)
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 (-)		(28.765.539)	(10.165.218)	(28.148.932)	(9.559.445)
6.1 - Gross Other Technical Expenses (-)		(28.765.539)	(10.165.218)	(28.148.932)	(9.559.445)
6.2 - Reinsurance Share of Other Technical Expenses (+)		-	-	-	-
<b>C- Non-Life Technical Net Profit (A-B)</b>		48.508.932	17.327.836	64.640.617	27.944.162
<b>D- Life Technical Income</b>		72.384	43.650	646.692	214.721
1- Earned Premiums (Net of Reinsurer Share)		13.089	7.044	23.336	10.185
1.1 - Written Premiums (Net of Reinsurer Share)	24	15.257	7.489	24.727	10.612
1.1.1 - Gross Written Premiums (+)		18.506	8.730	31.089	15.343
1.1.2 - Ceded Premiums to Reinsurers (-)	17.16	(3.249)	(1.241)	(7.342)	(4.751)
1.2 - Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		(2.168)	(443)	(1.481)	(587)
1.2.1 - Unearned Premium Reserves (-)		(1.297)	(443)	142	(587)
1.2.2 - Unearned Premium Reserves Reinsurer Share (+)	17.16	(871)	-	(1.543)	-
1.3 - Changes in Unsecured Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-	-	-
1.3.1 - Unsecured Risks Reserve (-)		-	-	-	-
1.3.2 - Unsecured Risks Reserves Reinsurer Share (+)		-	-	-	-
2- Life Branch Investment Income		226.135	58.284	448.350	141.383
3- Unrealized Income from Investments		-	-	-	-
4- Other Technical Income (Net of Reinsurer Share) (+/-)		(166.842)	(21.678)	175.816	63.233
4.1 - Gross Other Technical Income (+/-)		(166.842)	(21.678)	175.816	63.233
4.2 - Reinsurance Share of Other Technical Income (+/-)		-	-	-	-
5- Accrued Subrogation and Salvage Income (+)		-	-	-	-
<b>E- Life Technical Expense</b>		(554.640)	(166.243)	(663.281)	(205.972)
1- Total Claims (Net of Reinsurer Share)		(319.082)	(116.770)	(653.917)	(233.640)
1.1 - Claims Paid (Net of Reinsurer Share)		(161.315)	(124.856)	(641.584)	(224.972)
1.1.1 - Gross Claims Paid (-)		(161.315)	(124.856)	(641.584)	(224.972)
1.1.2 - Claims Paid Reinsurer Share (+)		-	-	-	-
1.2 - Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	44.213	8.086	(12.413)	(8.648)
1.2.1 - Outstanding Claims Reserve (-)		44.210	8.086	(12.009)	(8.608)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	17.16	(47)	-	(484)	(60)
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) (+/-)		156.688	61.072	316.846	119.686
3.1 - Mathematical Reserves (-)		154.718	60.793	315.448	119.243
3.1.1 - Actuarial Mathematical Reserve (-)		175.145	44.186	613.827	71.184
3.1.2 - Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (+)		(220.427)	16.605	(297.559)	48.859
3.2 - Reinsurer Share of Mathematical Reserves (+)		1.970	281	3.398	343
3.2.1 - Reinsurer Share of Actuarial Mathematical Reserve (+)		1.970	281	3.398	343
3.2.2 - Reinsurer Share of Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-	-	-
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	(181.924)	(109.466)	(318.813)	(88.836)
6 - Investment Expenses (-)		-	-	-	-
7 - Unrealized Losses from Investments (-)		-	-	-	-
8 - Investment Income Transferred to Non-Technical Part (-)		8.342	(1.084)	(8.237)	(3.102)
<b>F- Life Technical Profit (D-E)</b>		(482.278)	(122.593)	3.301	8.749
<b>G- Individual Retirements Technical Income</b>		-	-	-	-
1- Fund Management Fee		-	-	-	-
2- Management Fee Deduction		-	-	-	-
3- Initial Contribution Fee		-	-	-	-
4- Management Fee in Case Of Temporary Suspension		-	-	-	-
5- Withholding tax		-	-	-	-
6- Increase in Market Value of Capital Commitment Advances		-	-	-	-
7- Other Technical Income		-	-	-	-
<b>H- Individual Retirement Technical Expense</b>		-	-	-	-
1- Fund Management Expenses (-)		-	-	-	-
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-	-	-
3- Operating Expenses (-)		-	-	-	-
4- Other Technical Expense (-)		-	-	-	-
<b>I- Individual Retirement Technical Profit (G-H)</b>		-	-	-	-

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

# AKSİGORTA A.Ş.

## CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME FOR THE PERIOD JANUARY 1 – SEPTEMBER 30, 2014 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

AKSİGORTA ANONİM ŞİRKETİ				
DETAILED INCOME STATEMENT				
I-NON TECHNICAL PART	Note	Reviewed	Reviewed	Reviewed
		Current Period 01/01/2014-30/09/2014	Current Period 01/07/2014-30/09/2014	Previous Period 01/01/2013-30/09/2013
		Current Period 01/01/2014-30/09/2014	Previous Period 01/07/2014-30/09/2014	Previous Period 01/01/2013-30/09/2013
C- Non Life Technical Profit (A-B)		48.500.923	17.327.826	64.640.617
F- Life Technical Profit (D-E)		(481.278)	(122.592)	3.201
I- Individual Retirement Technical Profit (G-H)		-	-	-
J- Total Technical Profit (C+F+I)		48.019.645	17.205.234	64.643.998
K- Investment Income		108.554.839	35.734.472	67.509.268
1- Income From Financial Investment	26	30.011.086	7.561.928	27.935.135
2- Income from Sales of Financial Investments	26	2.101.661	267.534	1.637.611
3- Revaluation of Financial Investments	26	22.827.052	11.834.454	4.737.112
4- Foreign Exchange Gains	36	37.395.831	15.312.387	32.969.749
5- Income from Affiliates		-	-	-
6- Income from Subsidiaries and Joint Ventures		-	-	-
7- Income Received from Land and Building	26	141.631	40.421	221.424
8- Income from Derivatives	13	8.067.235	716.664	-
9- Other Investments		-	-	-
10- Investment Income transferred from Life Technical Part		8.342	1.084	8.237
L- Investment Expenses (-)		(88.763.925)	(31.900.373)	(58.124.779)
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 (-)		(56.204.092)	(18.601.989)	(33.678.688)
5- Losses from Derivatives (-)		-	-	-
6- Foreign Exchange Losses (-)	36	(29.419.326)	(12.111.683)	(23.726.198)
7- Depreciation Expenses (-)	32	(1.140.507)	(1.386.701)	(2.927.973)
8- Other Investment Expenses (-)		-	-	-
M- Other Income and Expenses (+/-)	47	(17.936.694)	(8.026.001)	87.278.928
1- Provisions Account (+/-)	47	(13.141.684)	(6.052.276)	(25.774.325)
2- Discount account (+/-)	47	-	-	-
3- Mandatory Earthquake Insurance Account (+/-)	47	423.791	81.420	215.493
4- Inflation Adjustment Account (+/-)		-	-	-
5- Deferred Tax Asset Account(+/-)	35	(40.484)	(876.681)	2.805.949
6- Deferred Tax Expense Account(-)		-	-	-
7- Other Income and Revenues	47	94.223	9.060	117.137.558
8- Other Expense and Losses (-)	47	(5.272.539)	(1.197.524)	(7.005.749)
9- Prior Period Income	47	-	-	-
10- Prior Period Losses (-)		-	-	-
N- Net Profit / (Loss)		33.168.241	10.928.779	143.029.423
1- Profit (Loss) Before Tax		41.880.861	13.003.342	161.307.415
2- Corporate Tax Liability Provision (-)	35	(8.712.622)	(2.064.563)	(18.277.992)
3- Net Profit (Loss)		33.168.241	10.938.779	143.029.423
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 – SEPTEMBER 30, 2014**

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

AKSIGORTA ANONİM ŞİRKETİ  
STATEMENT OF CHANGES IN EQUITY  
(Revised)

CURRENT PERIOD	Capital	Equity Shares Owned by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Transition Revenues	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
I- Closing Balance of Prior Period (31/12/2013)	306,000,000	-	(5,312,432)	-	-	68,138,419	62	3,948,341	159,775,039	139,064	532,088,493
II - Amendments in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
III - Current Balance (I + II) (01/01/2014)	306,000,000	-	(5,312,432)	-	-	68,138,419	62	3,948,341	159,775,039	139,064	532,088,493
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	-	-	-	-	-	-	-	331,435	-	-	521,435
D- Revaluation of financial assets (Note 16.1)	-	-	(480,333)	-	-	-	-	-	-	-	(480,333)
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)	-	-	-	-	-	-	-	86,094,419	-	-	86,094,419
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Period net profit (Note 37)	-	-	-	-	-	-	-	-	33,168,244	-	33,168,244
I- Dividends distributed	-	-	-	-	-	-	-	-	(60,679,800)	(60,679,800)	(60,679,800)
J- Transfer	-	-	-	-	-	12,526,722	-	-	(159,775,039)	60,533,887	(86,694,420)
II- Closing Balance (I0+II+III+IV+V+VI+VII+VIII+IX+X)	306,000,000	-	(5,792,765)	-	-	80,665,151	62	91,164,195	33,168,244	13,151	505,218,035

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 – SEPTEMBER 30, 2014**

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

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

CURRENT PERIOD	Capital	Equity Shares Owned by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
I - Closing Balance of Prior Period (31/12/2013)	306.000.000	-	183.339	-	-	62.767.184	62	3.667.787	-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	-	183.339	-	-	62.767.184	62	3.667.787	-48.672.723	1.513.576	423.597.652
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	-	-	-	-	-	-	-	1578.014	-	-	(578.004)
D - Revaluation of financial assets (Note (6.1))	-	-	(4.418.023)	-	-	-	-	-	-	-	(4.418.023)
E - Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F - Other income / (expense)	-	-	-	-	-	-	-	-	-	-	-
G - Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H - Period net profit (Note 17)	-	-	-	-	-	-	-	-	143.029.423	-	143.029.423
I - Dividend distributed	-	-	-	-	-	-	-	-	-	(44.676.000)	(44.676.000)
J - Transfer	-	-	-	-	-	5.311.215	-	-	(48.672.723)	48.301.808	-
III - Closing Balance (30/09/2014) (I + A + B + C + D + E + F + G + H + I + J)	306.000.000	-	(4.234.703)	-	-	68.138.419	62	3.302.783	143.029.423	139.064	516.265.818

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 – SEPTEMBER 30, 2014**

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

<b>AKSİGORTA ANONİM ŞİRKETİ</b>			
<b>CASH FLOW STATEMENT</b>			
	Note	Reviewed	Reviewed
		Current Period 30/09/2014	Previous Period 30/09/2013
<b>A. CASH FLOWS FROM THE OPERATING ACTIVITIES</b>			
1. Cash inflows from the insurance operations		1 113 136 182	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 (-)		(931 811 199)	(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)		<b>181.324.983</b>	<b>99.092.293</b>
8. Interest payments (-)		-	-
9. Income tax payments (-)		(5 948 156)	(11 549 267)
10. Other cash inflows		31 533 445	29 084 477
11. Other cash outflows (-)		(75 890 607)	(53 844 398)
12. Net cash generated from the operating activities	39	<b>131.019.665</b>	<b>62.783.105</b>
<b>B. CASH FLOWS FROM THE INVESTING ACTIVITIES</b>			
1. Sale of tangible assets		(9 830 554)	132 080 945
2. Purchase of tangible assets (-)		-	-
3. Acquisition of financial assets (-)		(99 213 251)	(120 576 851)
4. Sale of financial assets		(435 029)	(90 755)
5. Interest received		68 032 724	20 441 786
6. Dividends received		-	-
7. Other cash inflows		26 973 190	11 281 756
8. Other cash outflows (-)		(82 620 910)	(36 337 139)
9. Net cash generated from the investing activities	39	<b>(97.093.830)</b>	<b>6.799.742</b>
<b>C. CASH FLOWS FROM THE FINANCING ACTIVITIES</b>			
1. Issue of equity shares		-	-
2. Cash inflows from the loans to policyholders		-	-
3. Payments of financial leases (-)		-	-
4. Dividend paid (-)	38	(60 679 800)	(44 676 000)
5. Other cash inflows		-	-
6. Other cash outflows (-)		-	-
7. Cash generated from the financing activities	39	<b>(60.679.800)</b>	<b>(44.676.000)</b>
<b>D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>			
		7 976 505	3 036 248
<b>E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)</b>		<b>(18.777.460)</b>	<b>27.943.095</b>
<b>F. Cash and cash equivalents at the beginning of the period</b>	14	899 783 192	738 410 283
<b>G. Cash and cash equivalents at the end of the period (E+F)</b>	14	<b>881.005.732</b>	<b>766.353.378</b>

The accompanying notes form an integral part of these financial statements

## AKSIGORTA A.Ş.

### CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF SEPTEMBER 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 September 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 belongs to H.Ö. Sabancı Holding ("Holding") portfolio was signed with Ageas Insurance International N.V. at February 18, 2011. At the date of July 29, 2011, 9.482.940.100 units of Aksigorta A.Ş. shares that correspond to %50 of the Holding's portfolio have been transferred to Ageas Insurance International N.V. with the sale price (excluding the corrections) of USD 220.029.000

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

The Company is a corporation, which was established in accordance with the requirements of Turkish Commercial Code and registered in Turkey as at April 25, 1960. The 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- September 30, 2014	January 1- December 31, 2013
Top executive	11	12
Manager and assistant manager	111	122
Specialist/responsible	536	541
Total	658	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 4.717.671 in total for the period January 1 – September 30, 2014 (July 1 – September 30, 2014: TL 1.501.213, January 1- September 30, 2013: TL 4.783.632, July 1 - September 30, 2013: TL 1.679.071).

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**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 September 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- September 30, 2014 are approved and authorized for issuance as of October 30, 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.

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

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

The 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 Gazette dated 17 July 2012 numbered 28356 effective and the regulations issued for insurance and reinsurance companies by the Undersecretariat of Treasury ("Treasury").

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

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.



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

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

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 September 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 September 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 – September 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 – September 30, 2013.

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

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

**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.

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

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

The Company has calculated and accounted for net unexpired risk reserve amounting to TL 6.130.038 at September 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 September 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.

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

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

In 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 71.418.306 as at September 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 September 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 11.515.827 as of September 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.

## AKSİGORTA A.Ş.

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

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

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

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

<b>Sub-branch</b>	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Third Party Liability	%25,0	%25,0
Electronic Device	%25,0	%1,1
Commodity	%25,0	%25,0
Personal Accident	%21,9	%25,0
Theft	%25,0	%25,0
Glass Breakage	%25,0	%25,0
Employer Financial Liability	%19,0	%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	%13,7	%14,4
Compulsory Traffic	%12,0	%16,2
Fire	%25,0	%25,0
Compulsory Highway Transportation Liability	%10,3	%15,3

In accordance with the Communiqué, 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 September 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 September 30, 2014 and December 31, 2013 are explained below:

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

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

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

Branch	Applied Method (*)	September 30, 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	66 030.512	65 334.054	55 307.921	54 247 114
General Liability	Standard Chain	65 152 867	25 963 580	50 198 413	17 118 046
Financial Losses	Standard Chain	1 418 177	1 318 176	1 914 397	1 823 775
Legal Protection	Standard Chain	243 850	243 850	991 700	991 700
Fire and Natural Disaster	Standard Chain	1 517 833	778 904	(587 807)	(189 672)
Air Vehicles Liability	Standard Chain	1 986 064	118	(302 945)	(107)
Credit	Standard Chain	2 732 480	98 957	553 581	18 493
Water vehicles	Standard Chain	367 302	50 682	437 093	346 907
Air Vehicles	Standard Chain	-	-	(3 702)	-
Accident	Standard Chain	315 549	234 497	231 931	177 499
Health	Standard Chain	(2 127 502)	(2 124 304)	(1 775 203)	(1 771 175)
Breach of Trust	Standard Chain	(179 550)	(47 316)	(553 474)	(152 547)
Transportation	Standard Chain	2 786 316	1 442 036	(482 468)	(179 077)
General Losses	Standard Chain	7 699 712	321 171	574 814	21 953
Motor Own Damage	Standard Chain	(22 420 306)	(22 196 099)	(27 646 840)	(27 093 903)
<b>Total</b>		<b>125 523 304</b>	<b>71 418 306</b>	<b>78 857 411</b>	<b>45 359 006</b>

(\*) The Company applied to the Undersecretariat of Treasury through the letter dated October 10, 2014. The Company have interfered in the development coefficient in the ACLM calculation in the Motor Vehicles Liability, Motor Own Damage and General Liability. As of September 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 3.422.148 (Net IBNR: TL 3.387.926. As a result of the interference in the development coefficient in Motor Own Damage branch, the gross IBNR amount was decreased by TL 1.909.876 (Net IBNR: TL 1.890.776. As a result of the interference in the development coefficient in General Liability branch, the gross IBNR amount was decreased by TL 22.279.421 (Net IBNR: TL 8.878.419. 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 22.875.987 (Net IBNR: TL 11.739.241).

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	September 30, 2014	December 31, 2013
Compulsory Traffic	99.257	93.387

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

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

In accordance with the Communiqué 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 September 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 37.010.081 (December 31, 2013: TL 30.723.954) of equalisation reserve as of September 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 (Note 20).

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

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

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

###### 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 September 30, 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 September 30, 2014 are TL 26.311.494 (December 31, 2013: TL 20.693.466) and TL 3.565.440 (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 September 30, 2014 and December 31, 2013 for the claims paid by the Company are as follows:

	September 30, 2014					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Fire and Natural Disaster	468.411	(109.163)	359.248	204.961	(16.165)	188.796
Transportation	1.161.684	(398.115)	763.569	79.478	(23.003)	56.475
Accident	90.318	-	90.318	-	-	-
Motor Own Damage	123.701.140	(1.239.419)	122.461.721	20.207.398	(207.691)	19.999.707
Water Crafts	38.500	(28.875)	9.625	-	-	-
General Losses	242.859	(158.202)	84.657	43.428	(33.149)	10.279
Motor Crafts Liability	3.244.359	(27.503)	3.216.856	418.169	(4.182)	413.987
Breach of Trust	1.118	(847)	271	-	-	-
General Liability	139.882	(31)	139.851	7.455	-	7.455
Credit	-	-	-	-	-	-
Financial Losses	1.570	(1.090)	480	-	-	-
Legal Protection	8.936	-	8.936	-	-	-
Health	-	-	-	-	-	-
Total	129.098.777	(1.963.245)	127.135.532	20.960.889	(284.190)	20.676.699



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

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

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

	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. As of September 30, 2014, the Company has provided provision for the doubtful receivables under legal and management follow up in the account of "Provision for doubtful receivables from insurance operations" amounting to TL 21.194.914. (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 36.571.180 (December 31, 2013: TL 33.032.447) and it has been accounted in "Provision for doubtful receivables from main operations" account (Note 12).

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

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

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

**g. Earnings per Share**

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

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

**h. Subsequent Events**

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

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

**i. Provisions, Contingent Liabilities and Assets**

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

The amount 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.

## AKSIGORTA A.Ş.

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

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

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

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

###### 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 (2013: 20%) after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

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

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

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

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

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

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

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

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

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

**Deferred income tax**

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

**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.

## **AKSİGORTA A.Ş.**

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

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

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

##### **2.1.4 Rounding degree used in the financial statements**

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

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

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

##### **2.1.6 The new standards, amendments and interpretations**

###### **The new standards, amendments and interpretations**

The accounting policies adopted in preparation of the interim financial statements as at 30 September 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.

###### **TRFS 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.

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**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 Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

**TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)**

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

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

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

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

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

**Annual Improvements to TAS/IFRSs**

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

**Annual Improvements - 2010–2012 Cycle**

*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.

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

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

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

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

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

*TAS 24 Related Party Disclosures*

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

**Annual Improvements – 2011–2013 Cycle**

*TFRS 3 Business Combinations*

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

*Amendment to the Basis for Conclusions on TFRS 13 Fair Value Measurement*

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

*TAS 40 Investment Property*

The amendment clarifies the interrelationship of TFRS 3 and TAS 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.

**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.

**Annual Improvements – 2010–2012 Cycle**

**IFRS 13 Fair Value Measurement**

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



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

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

**Annual Improvements – 2011–2013 Cycle**

**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.

**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.

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

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

**IFRS 9 Financial Instruments - Final standard (2014)**

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

**IAS 27 - Equity Method in Separate Financial Statements -Amendments to IAS 27**

In August 2014, IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
  - In accordance with IFRS 9 (or IAS 39),
- Or
- Using the equity method

The entity must apply the same accounting for each category of investments. A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment. The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company, or the amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

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

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

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits – regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting – disclosure of information ‘elsewhere in the interim financial report’

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

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

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors’ interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company, or the amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

***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.

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

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

*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.

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**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 September 30, 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 September 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.

**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.

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**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.

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**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". As of September 30, 2014, the Company has no financial assets at fair value through profit and loss (December 31, 2013: None).

Effective interest method

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

Available-for-sale financial assets

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

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

**2.9 Financial Assets (Continued)**

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

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

**Financial Assets at Insured's Risk**

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

**Loans and receivables**

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

**Associates**

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



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

**2.10 Impairment of Assets**

Impairment of non-financial assets

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

Impairment of financial assets

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

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

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

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

Except for AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was 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 – September 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 September 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 SEPTEMBER 30, 2014

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#### 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 (Note 14).

##### 2.14 Share Capital

As of September 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:

	September 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 (excluding the corrections) of USD 220.029.000.

The Company has accepted the registered capital system set out in accordance with the provisions of Law No: 2499 and applied the system as of 15 June 2000 upon the permission no: 67/1039 granted by the Capital Markets Board.

As of September 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 September 30, 2014.

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

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

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

Catastrophic excess of loss re-insurance agreement, natural disasters such as flood and earthquake is also protected in these branches.

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

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

**2.15 Insurance and Investment Contracts (Continued)**

***Premiums Transferred to Social Security Institution***

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

The liability of the insurance companies with respect to the service costs to be incurred in the context of abovementioned articles has been determined in accordance with the provisions of "The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated 27 August 2011 ("The Regulation"), "The Communiqué on the Principles of the Implementation of the Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated September 15, 2011 and numbered 2011/17 (the "Communiqué numbered 2011/17") and "The Communiqué on the Accounting of Payments to Social Security Institution ("SSI") with respect to Treatment Expenses and Introduction of New Account Codes to Insurance Account Chart" dated 17 October 2011 (the "Communiqué numbered 2011/18"), the regulation (the "Communiqué 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 "Communiqué 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 - September 30, 2014 accounting period as TL 14.542.465 (January 1 - September 30, 2013: TL 17.112.616) and an unearned premium reserve amounting to TL 11.234.715 (September 30, 2013: 9.637.621) as of September 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.

**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).

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

**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.

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**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 Company has paid in advance in amounting to TL 7.124.921 arising from operational leases amount of TL 4.270.309 in short term and amount of TL 2.854.672 in long term. (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.

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

**2.23 Profit Share Distribution (Continued)**

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

**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 September 30, 2014 the Company has booked the hedging transaction under "Special funds" account item under equity (Note 34.5)

**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.

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**4. Insurance and Financial Risk Management**

**4.1 Insurance Risk**

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

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

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

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

**4.1.2.1 Sensitivity to insurance risk**

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

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

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



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

**4.1.2.2 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:

Total Claims Liability (*)	September 30, 2014			December 31, 2013		
	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Fire and Natural Disaster	42.429.395	(20.639.651)	21.789.744	35.834.118	(24.248.563)	11.585.555
Transportation	10.975.279	(5.295.049)	5.680.230	6.334.093	(3.983.020)	2.351.073
Accident	1.875.580	(454.186)	1.421.394	1.539.617	(361.108)	1.178.509
Motor Own Damage	49.214.286	(492.151)	48.722.135	24.288.512	(485.770)	23.802.742
Air Vehicles	45.661	(45.660)	1	(3.700)	3.702	2
Water Vehicles	2.269.889	(1.955.933)	313.956	528.483	(108.862)	419.621
General Losses	117.646.286	(105.251.093)	12.395.193	87.037.263	(81.798.607)	5.238.656
Motor Vehicles Liability	144.758.709	(7.303.712)	137.454.997	123.440.292	(4.321.443)	119.118.849
Air Vehicles Liability	2.405.496	(2.405.352)	144	2.608.021	(2.607.103)	918
General Liability	88.466.507	(54.335.843)	34.130.664	72.448.420	(49.129.280)	23.319.140
Financial Losses	8.736.091	(619.928)	8.116.163	5.639.476	(267.639)	5.371.837
Legal Protection	344.567		344.567	1.054.022		1.054.022
Credit	7.959.588	(7.671.331)	288.257	1.747.275	(1.688.906)	58.369
Health	19.172.476	(30.064)	19.142.412	16.809.429	(38.146)	16.771.283
Breach of Trust	807.161	(594.456)	212.705	477.876	(346.165)	131.711
Life	3.900.332		3.900.332	3.944.612	(47)	3.944.565
<b>Total</b>	<b>501.007.303</b>	<b>(207.094.409)</b>	<b>293.912.894</b>	<b>383.727.809</b>	<b>(169.380.957)</b>	<b>214.346.852</b>

(\*) 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.

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

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

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

Outstanding Claim and Compensation Provision:

	September 30, 2014				December 31, 2013		
	Effect on	Reinsurance		Net Total	Gross Total	Reinsurance	Net Total
	Current Period	Gross Total	Share of Total				
	(Net)	Claims Liability	Claims	Claims Liability	Liability	Claims	Liability
Unpaid Claims	(53.550.975)	371.583.667	(152.989.411)	218.594.256	300.925.827	(135.882.546)	165.043.281
Claim Provisions (*)	(26.059.300)	125.523.304	(54.104.998)	71.418.306	78.857.411	(33.498.405)	45.359.006
Clean-cut Effect (**)	1.362.258	-	-	-	-	-	-
Non-life Total	(78.248.017)	497.106.971	(207.094.409)	290.012.562	379.783.238	(169.380.951)	210.402.287
Life	44.233	3.900.332	-	3.900.332	3.944.612	(47)	3.944.565
Grand Total	(78.203.784)	501.007.303	(207.094.409)	293.912.894	383.727.850	(169.380.998)	214.346.852

	September 30, 2013				December 31, 2012		
	Effect on	Reinsurance		Net Total	Claims	Share of Total	Claims
	Current Period	Gross Total	Share of Total				
	(Net)	Claims Liability	Claims	Claims Liability	Liability	Claims	Liability
Unpaid Claims	(11.580.007)	311.105.297	(129.819.630)	181.285.667	348.643.696	(178.938.036)	169.705.660
Claim Provisions (*)	(19.521.156)	53.451.554	(19.049.227)	34.402.327	39.150.961	(24.269.790)	14.881.171
Clean-cut Effect (**)	7.048.797	-	-	-	-	-	-
Non-life Total	(24.052.366)	364.556.851	(148.868.857)	215.687.994	387.794.657	(203.207.826)	184.586.831
Life	(12.412)	3.927.296	(1.819)	3.925.477	3.915.287	(2.222)	3.913.065
Grand Total	(24.064.778)	368.484.147	(148.870.676)	219.613.471	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.

	September 30, 2014			September 30, 2013		
	Reinsurance		Net Total Claims	Reinsurance		Net Total Claims
	Gross Total	Share of Total		Gross Total	Share of Total	
	Claims Liability	Claims Liability	Liability	Claims Liability	Claims Liability	Liability
Beginning of Period	300.925.827	(135.882.546)	165.043.281	348.643.696	(178.938.036)	169.705.660
Opened in the Period	714.873.708	(104.957.738)	609.915.970	530.951.503	(52.849.880)	478.101.623
Paid from Current Period (-)	(515.372.726)	70.280.698	(445.092.028)	(404.571.343)	72.566.718	(332.004.625)
Paid from Previous Period (-)	(128.843.182)	17.570.175	(111.273.007)	(163.918.559)	29.401.568	(134.516.991)
Period End						
Reported Claims	371.583.627	(152.989.411)	218.594.216	311.105.297	(129.819.630)	181.285.667
Life	3.900.332	-	3.900.332	3.927.296	(1.819)	3.925.477
IBNR	125.523.304	(54.104.998)	71.418.306	53.451.554	(19.049.187)	34.402.367
Total	501.007.263	(207.094.409)	293.912.854	368.484.147	(148.870.636)	219.613.511

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## CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF SEPTEMBER 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)

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

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

Accident period	October 1, 2007- September 30, 2008	October 1, 2008- September 30, 2009	October 1, 2009- September 30, 2010	October 1, 2010- September 30, 2011	October 1, 2011- September 30, 2012	October 1, 2012- September 30, 2013	October 1, 2013- September 30, 2014	Gross Claim
Claim realized in the accident period	982 054 291	105 729 441	72 513 413	66 877 390	41 360 352	30 435 385	15 319 653	1.314.289.925
1 year later	1.238 004 103	223 401 487	130 639 553	90 265 670	49 428 068	24 631 742	-	1.756 370 623
2 years later	1 095 867 481	115 329 771	57 237 951	36 082 740	18 993 496	-	-	1.323 511 439
3 years later	1 213 601 360	104 954 747	58 135 312	31.265.673	-	-	-	1.407 957 092
4 years later	1 837 903 502	435 478 239	313 508 993	-	-	-	-	2.586 890 734
5 years later	1 410 360 355	102 772 713	-	-	-	-	-	1.513 133 068
6 years later	1 266 692 109	-	-	-	-	-	-	1.266 692 109
<b>Total Gross Claims</b>	<b>9 044 483 201</b>	<b>1 087 666 398</b>	<b>632 035 222</b>	<b>224 491 473</b>	<b>109 781 916</b>	<b>55 067 127</b>	<b>15 319 653</b>	<b>11 168 844 990</b>

#### Gross claim development table prepared on the principles of incurred claims by 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
<b>Total Gross Claims</b>	<b>8 321 179 619</b>	<b>1 020 706 265</b>	<b>368 537 759</b>	<b>188 061 876</b>	<b>104 813 627</b>	<b>47.607.071</b>	<b>12 825 310</b>	<b>10 063 731 527</b>

#### 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.

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**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 June 31, 2014, the Company's required capital is TL 380.681.096 (December 31, 2013: TL 328.159.883). As of June 30, 2014, the Company's capital is TL 149.720.333 higher than required capital amount. (December 31, 2013: TL 235.252.563)

**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 September 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.

	September 30, 2014		December 31, 2013	
	USD Effect	EUR Effect	USD Effect	EUR Effect
Profit / Loss Increase	11.896.260	817.880	8.854.172	1.305.116
Profit / Loss (Decrease)	(11.896.260)	(817.880)	(8.854.172)	(1.305.116)

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### CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF SEPTEMBER 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.

	September 30, 2014	December 31, 2013
Total	Effect on profit and profit reserves	
Market interest rate increase / (decrease)		TL
+%1	(2.784.903)	(3.141.322)
-%1	2.974.462	3.319.461
Financial assets available for sale	Effect on profit and profit reserves	
Market interest rate increase / (decrease)		TL
+%1	(2.784.903)	(3.141.322)
-%1	2.974.462	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 September 30, 2014.

	September 30, 2014	December 31, 2013
Total	Effect on Financial assets available for sale	
Price increase / (decrease)		TL
+%10	23.779.608	16.140.988
-%10	(23.779.608)	(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 September 30, 2014, the Company has presented its receivables from insurance operations and guarantees received and provision for doubtful receivables in Note 12.1.

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

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

#### 4.2.2 Financial risk factors (Continued)

##### Liquidity risk

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

##### Liquidity risk table

September 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	370 598 811	475 386 626	35 062 351	-	-	11 683 275	892 731 063
Financial Assets Available for Sale	-	-	11 564 437	81 522 015	91 007 377	53 702 254	237 796 083
Investments with Risks on Policy Holders	-	-	4 591 579	2 382 139	-	-	6 973 718
Receivables From Main Operations	84 780 893	108 772 427	130 656 597	-	-	-	324 209 917
Due from Related Parties	-	-	71 600	-	-	-	71 600
Other Receivables	-	12 824 669	-	-	-	-	12 824 669
Prepaid Expenses and Income Accruals	18 131 809	30 870 352	95 233 092	-	-	-	144 235 253
Other Current Assets	233 764	-	3 105 233	-	-	-	3 338 997
Financial Assets	-	-	-	-	-	7 961 251	7 961 251
Tangible Fixed Assets	-	-	-	-	-	21 205 214	21 205 214
Intangible Fixed Assets	-	-	-	-	-	24 548 359	24 548 359
Long Term Prepaid Expenses and Income Accruals	-	-	-	2 860 452	-	-	2 860 452
Other Non-current Assets	-	-	-	-	-	10 483 660	10 483 660
<b>Total Assets</b>	<b>473 745 277</b>	<b>627 854 074</b>	<b>280 284 889</b>	<b>86 764 606</b>	<b>91 007 377</b>	<b>129 584 013</b>	<b>1 689 240 236</b>
Payables From Main Operations	-	-	124 820 941	-	-	-	124 820 941
Due to Related Parties	273 880	-	1 145	-	-	-	275 025
Other Payables	-	54 853 990	-	-	-	-	54 853 990
Insurance Technical Reserves	189 897 364	291 428 122	417 661 318	-	-	-	898 986 804
Taxes and Other Liabilities and Provisions	-	13 544 638	-	-	-	-	13 544 638
Cost Expense Provisions	-	-	18 877 632	-	-	-	18 877 632
Accruals	4 349 767	7 405 706	19 235 525	-	-	-	30 990 998
Long Term Insurance Technical Reserves	-	-	-	2 033 500	37 010 081	-	39 043 581
Provisions for Other Risks	-	-	-	-	-	2 628 591	2 628 591
Shareholders' Equity	-	-	-	-	-	505 218 036	505 218 036
<b>Total Liabilities and Shareholders' Equity</b>	<b>194 521 011</b>	<b>367 232 456</b>	<b>580 596 561</b>	<b>2 033 500</b>	<b>37 010 081</b>	<b>507 846 627</b>	<b>1 689 240 236</b>
<b>Liquidity Surplus / (Deficit)</b>	<b>279 224 266</b>	<b>260 621 618</b>	<b>(300 311 672)</b>	<b>84 731 106</b>	<b>53 997 296</b>	<b>(378 262 614)</b>	<b>-</b>

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

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### 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
<b>Total Assets</b>	<b>225 831 728</b>	<b>814 264 457</b>	<b>322 099 776</b>	<b>101 274 744</b>	<b>3 803 072</b>	<b>79 990 635</b>	<b>1 547 264 432</b>
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
<b>Total Liabilities and Shareholders' Equity</b>	<b>161 133 651</b>	<b>306 807 806</b>	<b>509 630 718</b>	<b>4 035 104</b>	<b>30 723 954</b>	<b>534 933 199</b>	<b>1 547 264 432</b>
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	September 30, 2014		December 31, 2013	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets Available for Sale	237.796.083	237.796.083	161.409.883	161.409.883
Financial Investments with Risks on Policy Holders	6.973.718	6.973.718	6.538.689	6.538.689
<b>Non-Current Financial Assets</b>				
Affiliates	30.116.653	30.116.653	30.116.653	30.116.653
Impairment Provision for Affiliates	(22.155.402)	(22.155.402)	(22.155.402)	(22.155.402)
<b>Total Financial Assets</b>	<b>252.731.052</b>	<b>252.731.052</b>	<b>175.909.823</b>	<b>175.909.823</b>

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

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

##### 4.2.2 Financial risk factors (Continued)

###### Fair value of financial assets

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

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

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

	September 30, 2014	Category 1	Category 2	Category 3
Financial Assets Available for sale	237.796.083	237.796.083	-	-
Unlisted Equity Shares	211.320	211.320	-	-
Government Bonds & Treasury Bills	184.093.829	184.093.829	-	-
Investment Funds	53.490.934	53.490.934	-	-
Financial Investments with Risks on Policy Holders	6.973.718	6.973.718	-	-
Affiliates, net (*)	7.961.250	-	-	7.961.251
Total	252.731.051	244.769.801	-	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 September 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:



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

**4.2.2 Financial risk factors (Continued)**

**Financial assets:**

It is anticipated that fair value of the financial assets including cash and cash equivalents and other financial assets carried at cost will approximate to their book value based on their short term nature and having insignificant potential losses. Market value is taken as a basis in the measurement of fair value of government bonds and equity shares.

**Financial liabilities:**

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

**5. Segment information**

**5.1 Operating segments**

Information related to the operational reporting made by the Company to the chief operating decision-maker in the accordance with the "TFRS 8 - Operating Segments" is disclosed in this part.

Numerical limits in "TFRS 8 - Operating Segments" is also considered as the reporting to the chief operating decision-maker in the determination of segments and segments those constitute premium production and net technical income are determined as a separate operating segment.

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

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**5. Segment information (Continued)**

**5.1 Operating segments (Continued)**

**Segment results for the period ended at September 30, 2014:**

	Fire and Natural Disaster	Transportation	Motor Own Damage	Land Vehicles Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
<b>TECHNICAL INCOME</b>											
1- Earned Premiums (Net of off Reinsurer Share)	94.698.935	11.322.025	349.738.711	189.692.984	138.029.226	10.977.661	23.072.895	142.942.332	72.382	-	960.547.151
1.1 - Premiums (Net of Reinsurer Share)	91.035.731	11.233.043	341.530.838	188.720.478	82.057.643	10.942.990	23.072.895	142.942.332	13.089	-	891.549.039
1.2 - Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	94.168.830	11.548.258	402.199.552	165.004.372	80.321.501	13.133.528	24.224.409	159.598.530	15.257	-	930.214.237
1.3 - Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(3.133.099)	(315.215)	(60.668.714)	23.716.106	(1.323.458)	(2.190.538)	(1.151.514)	(16.656.198)	(2.168)	-	(61.721.798)
2- Other Technical Income (Net of Reinsurance Share)	3.663.204	88.982	8.207.873	972.506	55.971.583	34.671	-	-	59.293	-	68.998.112
<b>TECHNICAL EXPENSES</b>											
1- Total Claims (Net of Reinsurer Share)	(85.307.931)	(8.841.045)	(342.710.514)	(225.719.277)	(60.608.504)	(7.028.505)	(30.781.418)	(150.968.653)	(554.662)	-	(912.520.509)
1.1 - Claims Paid (Net of Reinsurer Share)	(45.430.983)	(5.885.892)	(244.793.293)	(176.949.010)	(30.383.822)	(5.994.161)	(28.407.531)	(104.405.025)	(319.082)	-	(634.568.819)
1.2 - Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(35.226.794)	(2.662.401)	(220.624.526)	(161.341.163)	(14.330.228)	(5.130.591)	(14.632.122)	(102.033.895)	(363.315)	-	(556.365.035)
2- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-) and Other	(10.204.189)	(3.233.491)	(24.668.767)	(15.607.847)	(16.053.594)	(843.570)	(5.775.429)	(2.371.130)	44.233	-	(78.203.784)
Technical Expenses	(4.773.811)	(253)	(1.340.823)	-	(83.939)	(87.301)	-	-	148.344	-	(6.137.783)
3- Operating Expenses	(31.762.814)	(2.920.845)	(76.455.823)	(46.601.517)	(30.544.611)	(799.543)	(10.337.513)	(43.241.778)	(383.924)	-	(243.048.368)
4- Other Technical Expenses (Net of Reinsurer Share) (-)	(3.340.323)	(34.055)	(20.120.575)	(2.168.750)	403.868	(147.500)	(36.354)	(3.321.850)	-	-	(28.765.539)
	<b>9.391.004</b>	<b>2.480.980</b>	<b>7.028.197</b>	<b>(36.026.293)</b>	<b>77.420.722</b>	<b>3.949.156</b>	<b>(7.708.523)</b>	<b>(8.026.321)</b>	<b>(482.280)</b>	<b>-</b>	<b>48.026.642</b>
Investment income	-	-	-	-	-	-	-	-	-	100.554.838	100.554.838
Depreciation expense	-	-	-	-	-	-	-	-	-	(3.140.507)	(3.140.507)
Provisions account	-	-	-	-	-	-	-	-	-	(13.141.684)	(13,141,684)
Tax expenses	-	-	-	-	-	-	-	-	-	(8.712.622)	(8,712,622)
Financial expenses	-	-	-	-	-	-	-	-	-	(85.623,418)	(85,623,418)
Other	-	-	-	-	-	-	-	-	-	(4.795,008)	(4,795,008)
<b>Net Profit / (Loss)</b>	<b>9.391.004</b>	<b>2.480.980</b>	<b>7.028.197</b>	<b>(36.026.293)</b>	<b>77.420.722</b>	<b>3.949.156</b>	<b>(7.708.523)</b>	<b>(8.026.321)</b>	<b>(482.280)</b>	<b>(14.858.401)</b>	<b>33,168,241</b>

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**5. Segment information (Continued)**

**5.1 Operating segments (Continued)**

**Segment results for the period ended at September 30, 2013:**

	Fire and Natural Disaster	Transportation	Motor Own Damage	Land Vehicles Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life Undistributed	Total
<b>TECHNICAL INCOME</b>										
1- Earned Premiums (Net of Reinsurer Share)	74,664,923	9,144,227	327,616,983	152,460,939	71,553,144	11,546,561	18,190,390	133,766,017	666,692	- 799,609,876
1 1 - Premiums (Net of Reinsurer Share)	68,296,517	8,505,707	313,482,379	146,059,106	66,679,270	10,396,494	17,343,225	129,103,464	23,326	- 760,089,488
1.2- Changes in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	80,362,781	8,548,091	333,457,668	162,665,380	70,925,126	12,555,104	18,570,999	146,463,235	24,727	- 833,573,111
1 3- Changes in Unexpired Risk's Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(12,066,264)	(114,274)	(19,972,289)	(21,727,076)	(4,245,562)	(1,938,610)	(1,227,774)	(17,359,771)	(1,401)	- (78,676,021)
2- Other Technical Income (Net of Reinsurance Share)	-	71,890	-	5,120,802	(294)	-	-	-	-	- 5,197,398
	6,368,406	638,520	14,134,604	6,401,833	4,873,874	950,067	847,165	4,662,553	643,366	- 39,520,388
<b>TECHNICAL EXPENSES</b>										
1- Total Claims (Net of Reinsurer Share)	(53,892,489)	(4,729,738)	(283,596,380)	(165,490,817)	(58,138,238)	(7,586,361)	(21,432,106)	(139,436,439)	(663,310)	- (734,965,878)
1 1 - Claims Paid (Net of Reinsurer Share)	(19,016,579)	(2,593,088)	(199,441,328)	(122,770,139)	(25,581,392)	(3,533,409)	(17,065,799)	(99,910,744)	(633,916)	- (490,586,394)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(21,457,519)	(1,594,983)	(194,259,164)	(124,761,906)	(14,886,027)	(4,790,363)	(10,902,342)	(93,227,808)	(641,504)	- (466,521,616)
2- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-) and Other Technical Expenses	2,440,940	(998,105)	(5,182,164)	1,991,767	(10,695,365)	1,236,954	(6,163,457)	(6,682,936)	(12,412)	- (23,064,778)
3- Operating Expenses	(3,975,228)	-	(2,182,455)	-	(10,826)	(102,181)	-	-	308,629	- (5,962,061)
4- Other Technical Expenses (Net of Reinsurer Share) (-)	(28,637,193)	(2,129,979)	(65,948,604)	(36,312,634)	(32,491,375)	(3,579,091)	(4,344,255)	(36,515,337)	(318,023)	- (210,276,491)
	(2,263,489)	(6,671)	(16,023,993)	(6,408,044)	(54,645)	(351,680)	(22,052)	(3,010,358)	-	- (28,140,932)
	20,772,434	4,414,489	44,020,603	(13,029,878)	13,414,906	3,960,200	(3,241,716)	(5,670,422)	3,382	- 64,643,998
Investment income	-	-	-	-	-	-	-	-	-	67,509,268
Depreciation expense	-	-	-	-	-	-	-	-	-	(2,927,973)
Provisions account	-	-	-	-	-	-	-	-	-	(25,774,323)
Tax expense	-	-	-	-	-	-	-	-	-	(18,277,992)
Financial expenses	-	-	-	-	-	-	-	-	-	(55,196,806)
Other	-	-	-	-	-	-	-	-	-	113,053,251
<b>Net Profit / (Loss)</b>	<b>20,772,434</b>	<b>4,414,489</b>	<b>44,020,603</b>	<b>(13,029,878)</b>	<b>13,414,906</b>	<b>3,960,200</b>	<b>(3,241,716)</b>	<b>(5,670,422)</b>	<b>3,382</b>	<b>78,385,425</b>
										<b>143,029,423</b>

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

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#### 6. Property, plant and equipment

##### September 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	-	-	1.211.240	638.080	9.293.397	11.142.717
September 30	8.270.093	-	22.927.171	1.760.437	9.293.397	42.251.098
<u>Accumulated Depreciation</u>						
January 1	(1.754.216)	-	(17.725.622)	(1.007.201)	-	(20.487.039)
Charge for the Period	(152.299)	-	(858.343)	(30.627)	-	(1.041.269)
September 30	(1.906.515)	-	(18.583.965)	(1.037.828)	-	(21.528.308)
Net Book Value as of September 30	6.363.578	-	4.343.206	722.609	9.293.397	20.722.790

##### September 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	-	-	581.962	-	-	581.962
Disposals	(30.567.201)	(32.050)	(317.905)	(1.324.799)	-	(32.241.955)
September 30	8.270.093	-	21.809.241	1.122.357	-	31.201.691
<u>Accumulated Depreciation</u>						
January 1	(12.082.503)	(32.050)	(16.951.006)	(2.256.932)	-	(31.322.491)
Charge for the Period	(43.219)	-	(830.385)	(14.501)	-	(888.105)
Disposals	10.491.885	-	304.508	1.267.958	-	12.064.351
September 30	(1.633.837)	(32.050)	(17.476.883)	(1.003.475)	-	(20.146.245)
Net Book Value as of September 30	6.636.256	(32.050)	4.332.358	118.882	-	11.055.446

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

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

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

#### 7. Investment Properties

##### September 30, 2014

<u>Cost Value</u>	Land	Buildings	Total
January 1	286.578	557.574	844.152
Disposals	-	(301.249)	(301.249)
September 30	286.578	256.325	542.903
<u>Accumulated Depreciation</u>			
January 1	-	(58.497)	(58.497)
Charge for the Period	-	(12.263)	(12.263)
Disposals	-	10.281	10.281
September 30	-	(60.479)	(60.479)
Net Book Value as of September 30	286.578	195.846	482.424

##### September 30, 2013

<u>Cost Value</u>	Land	Buildings	Total
January 1	286.578	567.611	854.189
Disposals	-	(10.037)	(10.037)
September 30	286.578	557.574	844.152
<u>Accumulated Depreciation</u>			
January 1	-	(118.232)	(118.232)
Charge for the Period	-	(156.699)	(156.699)
Disposals	-	76.819	76.819
September 30	-	(198.112)	(198.112)
Net Book Value as of September 30	286.578	359.462	646.040

The fair value of investment properties was determined by an independent valuation company as of September 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- September 30, 2014, the Company has obtained rental income from investment properties amounting to TL 141.631 (July 1 – September 30, 2014: TL 40.421, January 1- September 30, 2013: 221.424, July 1 – September 30, 2013: TL 73.321).

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

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

#### 8. Intangible Fixed Assets

##### September 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	5.978.093	670.312	6.648.405
Disposals	-	-	-
Transfer	(3.605.425)	3.605.425	-
<b>September 30</b>	<b>16.516.995</b>	<b>22.459.677</b>	<b>38.976.672</b>

##### Accumulated Amortization

1 January	-	(12.341.338)	(12.341.338)
Charge for the Period	-	(2.086.975)	(2.086.975)
Disposals	-	-	-
<b>September 30</b>	<b>-</b>	<b>(14.428.313)</b>	<b>(14.428.313)</b>
<b>Net Book Value as of September 30</b>	<b>16.516.995</b>	<b>8.031.364</b>	<b>24.548.359</b>

##### September 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	6.281.956	944.836	7.226.792
Disposals	-	(478.832)	(478.832)
<b>September 30</b>	<b>10.990.995</b>	<b>17.776.748</b>	<b>28.767.743</b>

##### Accumulated Amortization

1 January	-	(10.006.232)	(10.006.232)
Charge for the Period	-	(1.883.169)	(1.883.169)
Disposals	-	176.728	176.728
<b>September 30</b>	<b>-</b>	<b>(11.712.673)</b>	<b>(11.712.673)</b>
<b>Net Book Value as of September 30</b>	<b>10.990.995</b>	<b>6.064.075</b>	<b>17.055.070</b>

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

As of September 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.

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

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### 9. Investments in Affiliates

An affiliate is an entity, over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. As of September 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 (December 31, 2013: TL 22.155.402) impairment has been detected and disclosed in financial statement as at September 30, 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

	September 30, 2014	December 31, 2013
Financial Assets Available for Sale	237.796.083	161.409.883
Financial Investments with Risks on Policy Holders	6.973.718	6.538.689
<b>Total</b>	<b>244.769.801</b>	<b>167.948.572</b>

##### Financial Assets Available for Sale

	September 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	48.952.449	39.639.653	39.639.653	9.235.694	3.122.516	3.122.516
Private sector bond	90.363.191	94.698.622	94.698.621	132.633.243	134.067.238	134.067.238
Investment fund	50.746.392	53.490.934	53.490.934	24.000.000	24.000.004	24.000.004
Eurobonds	50.643.944	49.755.517	49.755.555	-	-	-
Equity Shares (Unlisted)	211.320	-	211.320	220.125	-	220.125
<b>Total</b>	<b>240.917.296</b>	<b>237.584.726</b>	<b>237.796.083</b>	<b>166.089.062</b>	<b>161.189.758</b>	<b>161.409.883</b>

##### Financial Investments with Risks on Policy Holders

	September 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	6.973.718	6.973.718	6.333.933	6.538.689	6.538.689

## AKSİGORTA A.Ş.

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

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#### 11. Financial Assets (Continued)

##### 11.1 Subcategories of Financial Assets (Continued)

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

September 30, 2014

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

December 31, 2013

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

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

As of September 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).



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**11. Financial Assets (Continued)**

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

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

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

	September 30, 2014		December 31, 2013	
	Participation Rate %		Participation Rate %	Cost Value Book Value TL TL
Merter BV	25	30.116.653 30.116.653	25	30.116.653 30.116.653
Impairment (-)	-	(22.155.402)	-	(22.155.402)
<b>Affiliates, (Net)</b>		<b>30.116.653 7.961.251</b>		<b>30.116.653 7.961.251</b>

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

None (December 31, 2013: None).

**11.6 Value increases of financial assets in the last three years**

Type of Financial Asset

	September 30, 2014	December 31, 2013	December 31, 2012
Financial Assets Available for Sale	(5.792.765)	(5.312.432)	183.320

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

**11.7 Financial Instruments**

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

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### CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF SEPTEMBER 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

	September 30, 2014	December 31, 2013
<b>Receivables from insurance operations</b>		
Receivables from agencies	209.368.645	183.910.286
Bank Guaranteed Credit Card Receivables More than Three Months	85.136.303	81.420.070
Receivables from reinsurance and insurance companies	10.256.263	18.142.690
Receivables for salvage and claim recovery - net (Note 2.1.1)	20.676.699	15.048.580
<b>Receivables from insurance operations</b>	<b>325.437.910</b>	<b>298.521.626</b>
<b>Other receivables</b>		
Other receivables	72.350	75.793
Cash deposited for insurance and reinsurance companies	30.954	30.954
<b>Receivables from insurance and reinsurance companies</b>	<b>103.304</b>	<b>106.747</b>
<b>Claim recovery receivables under legal follow-up</b>		
Claim recovery receivables under legal follow-up	29.638.065	33.032.447
<b>Doubtful receivables from main operations</b>		
Doubtful receivables from main operations	32.431.527	22.056.826
<b>Receivables from main operations</b>	<b>387.610.806</b>	<b>353.717.646</b>
<b>Provision for due from insurance operations (-) (*)</b>		
Provision for due from insurance operations (-) (*)	(5.634.795)	(7.511.240)
<b>Provision for doubtful receivables from main operations (-) (**)</b>		
Provision for doubtful receivables from main operations (-) (**)	(28.128.029)	(17.691.138)
<b>Provision for net claim recovery receivables under legal follow-up (-) (**)</b>		
Provision for net claim recovery receivables under legal follow-up (-) (**)	(29.638.065)	(33.032.447)
<b>Total provision amount for doubtful receivables</b>	<b>(63.400.889)</b>	<b>(58.234.825)</b>
<b>Receivables from main operations - net</b>	<b>324.209.917</b>	<b>295.482.821</b>

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

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

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#### 12. Receivables and Payables (Continued)

##### 12.1 Details of the Company's Receivables

Aging of receivables from insurance operations is as follows:

	September 30, 2014	December 31, 2013
0-60 days	8.985.698	6.533.852
61-90 days	1.515.320	1.418.385
90+	3.736.460	3.793.890
Not due receivables	311.303.735	286.882.246
<b>Total</b>	<b>325.541.214</b>	<b>298.628.373</b>

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

Type of Guarantee	September 30, 2014		December 31, 2013	
	Receivables	Doubtful Receivables	Receivables	Doubtful Receivables
Letters of Guarantee	32.361.857	64.751	30.503.113	5.000
Real Estate Pledges	64.621.021	5.085.897	67.089.321	5.340.947
Government Bonds and Equity	64.151	-	436.925	-
Other	458.383	-	171.664	-
<b>Total</b>	<b>97.505.412</b>	<b>5.150.648</b>	<b>98.201.023</b>	<b>5.345.947</b>

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

	2014	2013
Opening Balance, 1 January	(50.723.585)	(45.025.162)
Charge for the Period	(11.947.673)	(19.706.520)
Collections	4.905.164	15.059.335
<b>Closing Balance, September 30</b>	<b>(57.766.094)</b>	<b>(49.672.347)</b>

Aging of receivables from insurance operations is as follows:

	September 30, 2014	December 31, 2013
90+	62.069.592	55.089.273
<b>Total</b>	<b>62.069.592</b>	<b>55.089.273</b>

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

The Company have no payables to shareholders as at September 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 102.656.060 as at September 30, 2014 (December 31, 2013: TL 103.546.970).

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**12. Receivables and Payables (Continued)**

**12.4 Details of the Company's foreign currency denominated receivables without exchange rate guarantees are presented below: (Continued)**

September 30, 2014

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	39.836.573	2,2789	90.783.566
EUR	2.433.767	2,8914	7.036.994
GBP	43.083	3,6933	159.118
CHF	50.470	2,3895	120.598
Other			4.995
<b>Total</b>			<b>98.105.271</b>
Prepaid Expenses	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	3.261.607	2,2789	7.432.877
<b>Total</b>			<b>7.432.877</b>
Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	21.443.471	2,2789	48.867.526
<b>Total</b>			<b>48.867.526</b>
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	27.830.807	2,2789	63.423.626
EUR	7.387.116	2,8914	21.359.107
GBP	44.469	3,6933	164.237
CHF	17.013	2,3895	40.653
Other			410
<b>Total</b>			<b>84.988.033</b>
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(4.008.821)	2,2830	(9.152.138)
EUR	(822.381)	2,8966	(2.382.109)
Other			(4.354)
<b>Total</b>			<b>(11.538.601)</b>
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(36.161.875)	2,2789	(82.409.297)
EUR	(6.169.837)	2,8914	(17.839.467)
Other			(542.210)
<b>Total</b>			<b>(100.790.974)</b>
<b>Net Foreign Currency Position</b>			<b>127.064.132</b>

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**12. Receivables and Payables (Continued)****12.4 Details of the Company's foreign currency denominated receivables without exchange rate guarantees are presented below: (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			<u>96.742.475</u>
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			<u>58.301.126</u>
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			<u>(6.082.930)</u>
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			<u>(47.122.398)</u>
<b>Net Foreign Currency Position</b>			<u><b>101.838.273</b></u>

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**13. Derivative Financial Instruments**

As of September 30, 2014 , the Company has no derivative financial instruments (December 31, 2013: None). During the period between January 1 – September 30, 2014, total income resulting from short-term swap contracts' market valuation has booked TL 8.067.235 under the income statement as an income from derivatives (July 1 – September 30, 2014: 716.666, January 1 – September 30, 2013: None, July 1 – September 30, 2013: None).

**14. Cash and Cash Equivalents**

	September 30, 2014	December 31, 2013
Cash at Banks	647.722.518	732.774.746
Time Deposit	636.039.243	726.861.479
Demand Deposit	11.683.275	5.913.267
Bank Guaranteed Credit Card Receivables with Maturities less than three months	245.008.545	168.997.652
<b>Total</b>	<b>892.731.063</b>	<b>901.772.398</b>
Interest Accrual on Cash and Cash Equivalents (-)	(11.725.331)	(1.989.207)
<b>Cash Flow Based Grand Total</b>	<b>881.005.732</b>	<b>899.783.191</b>
<b>Blocked Deposits (*)</b>	<b>129.203.413</b>	<b>109.499.385</b>

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

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

	September 30, 2014	December 31, 2013
	Annual Interest Rate (%)	Annual Interest Rate (%)
TL	8,25 - 11,10	5,85 - 9,80
USD	1,00 - 2,00	1,00 - 3,55
EUR	1,00	2,85

As of September 30, 2014 maturity of TL deposits are changed between October 1, 2014 to March 27, 2015, foreign exchange maturity are changed between October 3, 2014 to November 3, 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.

**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 September 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.

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**15. Share Capital (Continued)**

**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 0,01 each).

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

None (December 31, 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**

	September 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, September 30	<u>30.600.000.000</u>	<u>30.600.000.000</u>

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**15. Share Capital (Continued)**

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

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

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

Based on the guidelines and principals issued by the Capital Markets Board (the Board) dated January 27, 2010 for the distribution of dividends from the profit generated from operating activities in 2010, concerning public entities, the shares of which are quoted in public equity markets, it has been agreed upon not to set a mandatory minimum dividend payment quota (December 31, 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.



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**16. Other Provisions and Capital Component of Discretionary Participation**

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

	September 30, 2014	December 31, 2013
Valuation difference of financial assets available for sale	(7.240.956)	(6.640.540)
Deferred tax effect	1.448.191	1.328.108
<b>Total</b>	<b>(5.792.765)</b>	<b>(5.312.432)</b>

In accordance with changes regarding "TAS 19 – Employee Benefits" effective as of January 1, 2013, actuarial loss amounting to TL 947.287 (Deferred tax effect: TL 189.457) resulting from retirement pay liability calculation has been accounted to extraordinary reserves under equity.

As of September 30, 2014, effect of hedge accounting amount of TL (958.523) (Deferred tax effect: TL 191.705) has been recognized "Special Funds (Reserves)" account item under equity.

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

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

**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**

	September 30, 2014	September 30, 2013
	Increase / (Decrease)	Increase / (Decrease)
Beginning of the Period, January 1	(5.312.432)	183.320
Increase / decrease in value recognized under the shareholders' equity in the current period	(480.333)	(4.418.023)
<b>End of the Period, September 30</b>	<b>(5.792.765)</b>	<b>(4.234.703)</b>

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

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

**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).

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**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	September 30, 2014		December 31, 2013	
	Amount to be Provided TL	Current Blockage TL	Amount to be Provided TL	Current Blockage TL
Life	6.663.986	7.186.037	6.120.261	9.346.970
Government Bonds		6.994.416		6.538.418
Time Deposit		191.621		2.808.552
Non-Life	110.924.551	129.011.792	101.498.161	106.690.833
Time Deposit		129.011.792		106.690.833
<b>Total</b>	<b>117.588.537</b>	<b>136.197.829</b>	<b>107.618.422</b>	<b>116.037.803</b>

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

	2014		2013	
	Unit	Mathematical Reserves TL	Unit	Mathematical Reserves TL
Beginning of the Period, January 1	432	2.167.174	490	2.597.676
Participations in the Current Period		76.083	-	56.475
Leavings in the Current Period	(22)	(209.757)	(42)	(371.943)
End of Period, September 30	410	2.033.500	448	2.282.208

Mathematical reserves amounting to TL 1.813.074 (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 220.427 (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 September 30, 2014, there is no difference in the value accounted in Life Mathematical Reserve account discounted with current value (December 31, 2013: None).

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**17. Insurance Liabilities and Reinsurance Assets (Continued)****17.3 Insurance guarantees given to non life insurances based on insurance branches**

<u>Branch</u>	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Motor Vehicles Liability	2.951.952.809.372	2.928.484.514.020
Fire and Natural Disaster	416.194.970.682	346.803.096.110
General Losses	151.566.383.209	132.937.032.433
Transportation	51.466.545.084	36.946.440.146
Accident	35.880.802.580	30.701.620.815
Financial Losses	38.794.840.372	27.399.434.619
General Losses	31.146.555.249	25.309.532.406
Air Vehicles Liability	11.861.153.580	22.863.679.840
Motor Own Damage	28.369.774.460	20.448.800.280
Health	8.308.046.000	6.969.471.500
Legal Protection	7.089.486.996	6.633.820.376
Air Vehicles	1.711.486.678	5.228.068.240
Credit	1.170.873.496	2.009.379.900
Water Vehicles	530.631.332	378.524.179
Breach of Trust	535.129.153	404.286.660
Life	3.041.500	3.735.219
<b>Total</b>	<b>3.736.582.529.743</b>	<b>3.593.521.436.743</b>

**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 (January 1 - September 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 (January 1 - September 30, 2013: None).

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**17. Insurance Liabilities and Reinsurance Assets (Continued)**

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

None (January 1 - September 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 (January 1 - September 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 (January 1 - September 30, 2013: None).

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

None (January 1 - September 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- September 30, 2014 Profit Share Distribution Rate (%)	January 1- September 30, 2013 Profit Share Distribution Rate (%)
TL (Life Insurance)	9,75	6,60

**17.15 Explanation of information that describes amounts arose from insurance agreements**

None (December 31, 2013: None).

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

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### 17. Insurance Liabilities and Reinsurance Assets (Continued)

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

##### Reinsurance Assets

	September 30, 2014	December 31, 2013
Receivables from Insurance and Reinsurance Companies	10.256.263	18.142.690
Cash Deposited For Insurance & Reinsurance Companies	30.954	30.954
Reinsurance Share of Unearned Premiums Reserve	288.397.511	201.635.515
Reinsurance Share of Outstanding Claims Reserve	207.094.369	169.380.958
Reinsurance Share of Unexpired Risks Reserve	10.648.088	21.717.571
<b>Total</b>	<b>516.427.185</b>	<b>410.907.688</b>

##### Reinsurance Liabilities

	September 30, 2014	December 31, 2013
Payables to Insurance and Reinsurance Companies	101.898.873	88.171.883
Payables to Agencies	22.922.068	16.617.308
Deferred Commissions Income	30.990.998	28.724.910
<b>Total</b>	<b>155.811.939</b>	<b>133.514.101</b>

##### Income / Expense on Reinsurance Agreements

	January 1- September 30, 2014	July 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2013
Premiums Ceded to Reinsurers (-)	(403.569.185)	(105.952.509)	(310.582.653)	(87.516.751)
Commissions Received	47.540.585	16.205.584	38.541.591	13.812.455
Reinsurance Share of Unearned Premiums Reserve	87.339.900	(11.166.666)	44.632.144	(8.760.364)
Reinsurance Share of Unexpired Risks Reserve	(11.069.484)	(14.090.919)	12.917.960	13.518.796
Reinsurance Share of Outstanding Claims Reserve	39.111.127	(11.926.756)	(47.290.211)	12.471.423
Reinsurance Share of Claims Paid	87.850.873	43.925.133	101.968.286	23.162.842
<b>Total</b>	<b>(152.796.184)</b>	<b>(83.006.133)</b>	<b>(159.812.883)</b>	<b>(33.311.599)</b>

Branch	September 30, 2014			September 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	(175.249.347)	15.287.518	34.157.137	(142.751.619)	(1.430.632)	19.520.231
General Losses	(132.390.839)	67.781.202	30.065.611	(82.479.538)	(33.237.418)	65.803.228
General Liability	(21.042.126)	9.787.184	8.179.393	(16.669.712)	24.311.586	4.713.194
Financial Losses	(21.905.521)	4.434.139	22.154	(16.515.299)	3.081.217	178.083
Transportation	(11.961.790)	1.173.283	3.349.818	(8.481.548)	2.038.057	1.742.055
Motor Vehicles Liability	(16.334.529)	(6.427.032)	1.651.829	(21.484.311)	979.377	2.569.667
Motor Own Damage	(4.246.562)	879.064	2.226.434	(5.852.158)	(1.637.494)	3.979.340
Accident	(2.334.343)	(268.973)	549.243	(1.918.132)	(1.164.354)	1.287.653
Support	(2.125.375)	(265.295)	-	(2.290.691)	(420.859)	-
Credit	(2.255.490)	7.310.262	2.578.584	(2.504.171)	873.453	498.507
Air Vehicles	(3.476.160)	391.446	215.563	(2.078.254)	757.410	46.315
Air Vehicles Liability	(5.041.206)	(10.643.986)	4.653.934	(5.078.000)	17.973.716	470.235
Water Vehicles	(1.041.180)	1.948.054	86.438	(830.621)	(863.102)	424.200
Health	(1.188.403)	235.488	3.103	(829.311)	(110.311)	221.343
Breach of Trust	(2.973.065)	935.089	111.632	(810.906)	(889.206)	514.235
Life	(3.249)	1.052	-	(8.382)	(549)	-
Legal Protection	-	(1)	-	-	(2)	-
<b>Total</b>	<b>(403.569.185)</b>	<b>92.558.494</b>	<b>87.850.873</b>	<b>(310.582.653)</b>	<b>10.260.889</b>	<b>101.968.286</b>

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

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#### 17. Insurance Liabilities and Reinsurance Assets (Continued)

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

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

##### 17.17. Comparison of incurred claims with past estimations

Disclosed in Note 4.1.2.3.

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

Disclosed in note 4.1.2.4.

##### 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	22.297.838	105.519.497
End of the Period, September 30	155.811.939	516.427.185

	2013	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, January 1	97.261.747	383.474.340
Net Change for the Year	17.823.118	(10.607.360)
End of the Period, September 30	115.084.865	372.866.980

#### 18. Investment Contract Liabilities

Disclosed in Note 17.3.

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**19. Trade and Other Payables, Deferred Income**

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

	September 30, 2014	December 31, 2013
Payables to agencies	22.922.068	16.617.308
Payables to insurance and reinsurance companies	101.898.873	88.171.883
<b>Payables from Insurance Operations</b>	<b>124.820.941</b>	<b>104.789.191</b>
Payables to contracted enterprises	11.954.764	10.648.998
Payables to Turkish Catastrophe Insurance Pool	12.889.226	11.359.601
Payables to suppliers	7.219.194	4.399.758
Turkish Catastrophe Insurance Pool Payables to agencies	578.606	505.882
Other	1.278.288	539.145
<b>Other Payables</b>	<b>33.920.078</b>	<b>27.453.384</b>
<b>Deposits and Guarantees Received (*)</b>	<b>10.000.000</b>	<b>-</b>
<b>Payables to SSI regarding medical expenses (**)</b>	<b>10.933.912</b>	<b>15.622.370</b>
Deferred commission income	30.990.998	28.724.910
Expense accruals	18.877.632	17.530.429
<b>Deferred Income and Expense Accruals</b>	<b>49.868.630</b>	<b>46.255.339</b>
<b>Total Short Term Liabilities</b>	<b>229.543.561</b>	<b>194.120.284</b>
Payables to SSI regarding medical expenses (**)	-	1.867.930
<b>Total Long Term Liabilities</b>	<b>-</b>	<b>1.867.930</b>
<b>Total Trade and Other Payables, Deferred Income</b>	<b>229.543.561</b>	<b>195.988.214</b>

(\*) The amount includes the advanced received by the Company for the sale of the building that Ankara Region Headquarters is located.

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

<b>Beginning of the period; January 1, 2013</b>	<b>21.296.266</b>
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)
<b>End of the period - December 31, 2013</b>	<b>17.490.300</b>
<b>Beginning of the period; January 1, 2014</b>	<b>17.490.300</b>
Premiums ceded to SSI (4)	14.542.465
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)	272.209
Premium payments to SSI	(22.454.039)
<b>End of the period - September 30, 2014</b>	<b>10.933.912</b>

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**19. Trade and Other Payables, Deferred Income (Continued)****19.1 Sub-classifications of presented items in line with the Company's operations (Continued)**

- (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 - September 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 14.542.465 as of January 1 - September 30, 2014 (January 1 - September 30, 2013: TL 17.112.616) and calculated an reinsurance share of unearned premium reserve amounting to TL 11.234.716 as of September 30, 2014 (September 30, 2013: TL 9.637.621). 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 September 30, 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 – September 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 – September 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.



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### 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	September 30, 2014	December 31, 2013
Unearned Premiums Reserve- Net (*)	598.943.872	539.546.893
Unexpired Risks Reserve- Net	6.130.038	9.189.638
Outstanding Claims Reserve-Net (**)	293.912.894	214.346.852
Mathematical Reserves-Net	2.033.500	2.167.174
Equalization Reserve-Net	37.010.081	30.723.954
<b>Total</b>	<b>938.030.385</b>	<b>795.974.511</b>

(\*) While calculating the income statement effect of the provisions for unearned premiums, TL 4.793.020, 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 September 30, 2014 which is TL 11.234.716 (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 2013 has taken part on December 31, 2013. According to the same agreements the portfolio additions have been made within the year 2014. The effect of portfolio additions TL 1.355.476 in 2014 netted – off from outstanding claims (note 4.1.2.3) (December 31, 2013: TL 7.048.798).

#### Unearned Premium Reserve:

	September 30, 2014		
	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	761.101.163	(221.554.270)	539.546.893
Net Change	126.237.886	(66.840.907)	59.396.979
<b>End of the Period</b>	<b>887.339.049</b>	<b>(288.395.177)</b>	<b>598.943.872</b>

	September 30, 2013		
	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	631.424.993	(183.310.985)	448.114.008
Net Change	123.308.165	(31.654.954)	91.653.211
<b>End of the Period</b>	<b>754.733.158</b>	<b>(214.965.939)</b>	<b>539.767.219</b>

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**20. Payables (Continued)**

**Unexpired Risk Reserve:**

	September 30, 2014		
	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	30.907.209	(21.717.572)	9.189.638
Net Change	(14.129.083)	11.069.484	(3.059.600)
<b>End of the Period</b>	<b>16.778.126</b>	<b>(10.648.088)</b>	<b>6.130.038</b>

	September 30, 2013		
	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	12.224.918	(2.204.046)	10.020.873
Net Change	7.725.564	(12.917.962)	(5.192.398)
<b>End of the Period</b>	<b>19.950.482</b>	<b>(15.122.007)</b>	<b>4.828.475</b>

**Equalization Reserve:**

	September 30, 2014		
	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	30.723.954	-	30.723.954
Net Change	6.286.127	-	6.286.127
<b>End of the Period</b>	<b>37.010.081</b>	<b>-</b>	<b>37.010.081</b>

	September 30, 2013		
	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	22.199.697	-	22.199.697
Net Change	6.270.690	-	6.270.690
<b>End of the Period</b>	<b>28.470.388</b>	<b>-</b>	<b>28.470.388</b>

**Outstanding Claims Reserve:**

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

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**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.

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**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 September 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 September 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:

	September 30, 2014	September 30, 2013
Beginning of the Period, January 1	2.244.706	2.290.103
Charge for the Period	199.423	564.829
Actuarial Gain/Loss	947.287	578.004
Retirement Payments (-)	(762.825)	(918.311)
End of the Period	2.628.591	2.514.625

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

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### 23. Other Liabilities and Expense Accruals

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

	September 30, 2014		September 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	14.245	82.905	(80.190)	1.137.191
End of the Period, September 30	1.531.173	1.429.911	1.545.240	1.237.078

#### 23.2 Contingent Liabilities

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

	September 30, 2014		December 31, 2013	
	Amount in Original Currency	Amount (TL)	Amount in Original Currency	Amount (TL)
<b>Collaterals, Pledges and Mortgages Given by the Company (CPM)</b>				
A. Total amount of CPMs given on behalf of the Company' legal entity	-	-	-	-
B. Total amount of CPMs given in favor of joint ventures included in full consolidation	-	-	-	-
C. Total amount of CPMs given as the guarantee of the third parties' debts for the maintenance purpose of the ordinary activities		35.481		74.222
	TL	23.000	61.700	61.700
	USD	5.477	5.867	12.522
D. Total amount of other CPMs given		640.989		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		640.989		11.156.609
	TL	640.989	11.156.609	11.156.609
<b>Total</b>		676.470		11.230.831

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

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

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#### 23. Other Liabilities and Expense Accruals (Continued)

##### 23.3 Provisions, Contingents Assets and Liabilities

Contingent Liabilities	September 30, 2014	December 31, 2013
Outstanding Claims under Litigation (*)	88.258.416	83.510.317
<b>Total</b>	<b>88.258.416</b>	<b>83.510.317</b>

	September 30, 2014	December 31, 2013
Subrogation Receivable Litigations, Gross	51.816.651	40.289.610
Trade Receivable Litigations and Executions	10.756.941	10.883.230
<b>Total</b>	<b>62.573.592</b>	<b>51.172.840</b>

(\*) As disclosed in note 2.1.1, as of September 30, 2014 net amount of discount was made over outstanding claim amount is TL 11.515.516 (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. T.C. Ministry of Finance appealed at the Council of State and as of the date of this report, there is uncertainty on the process regarding this issue and the results of this process.

(\*\*\*) 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

	September 30, 2014	December 31, 2013
Commission provision	6.189.222	6.939.180
Performance premium provision	3.372.051	4.341.964
Expense provision	2.340.471	1.362.226
Unused vacation provision	1.531.173	1.516.928
Grant provision (*)	2.206.129	-
Guarantee fund provision	1.492.813	2.420.461
Other	1.745.773	949.670
<b>Total</b>	<b>18.877.632</b>	<b>17.530.429</b>

(\*) 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.

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**24. Net Insurance Premium Revenue**

	January 1- September 30, 2014	July 1- September 30, 2014	January 1- 30 Eylül 2013	July 1- September 30, 2013
<b>Non-life Branches</b>				
Motor Own Damage	402.199.553	138.447.179	333.457.669	102.284.261
Fire and Natural Disaster	159.598.530	31.686.111	80.362.781	22.771.413
Health	165.004.372	60.912.768	146.463.235	38.769.479
Motor Vehicles Liability	94.168.830	27.165.332	162.665.380	93.585.000
General Losses	62.587.397	16.037.484	47.753.432	11.164.243
Financial Losses	23.403.023	7.592.706	27.224.961	9.037.796
Accident	15.522.005	5.712.137	13.329.681	5.028.226
General Liability	10.600.845	2.830.255	10.625.005	5.171.064
Transportation	12.330.476	4.662.271	7.832.613	2.212.463
Legal Protection	3.178.337	1.071.030	2.526.706	790.252
Water Crafts	947.413	228.821	715.478	208.041
Breach of Trust	394.092	152.549	256.433	83.533
Support	153.508	44.333	252.247	139.465
Credit	110.163	44.580	82.322	50.003
Air Crafts	295	108	270	108
Air Crafts Liability	141	50	171	62
<b>Total Non-life Branches</b>	<b>950.198.980</b>	<b>296.587.714</b>	<b>833.548.384</b>	<b>291.295.409</b>
Life	15.257	7.489	24.727	10.612
<b>Total</b>	<b>950.214.237</b>	<b>296.595.203</b>	<b>833.573.111</b>	<b>291.306.021</b>

**25. Fee Income**

None (December 31, 2013:None).

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

	January 1- September 30, 2014	July 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2013
Interest Income	54.941.799	19.663.916	34.309.858	13.205.735
Rent Income	141.631	40.421	221.424	73.321
<b>Total</b>	<b>55.083.430</b>	<b>19.704.337</b>	<b>34.531.282</b>	<b>13.279.056</b>

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

	January 1- September 30, 2014	January 1- September 30, 2013
<b>Financial Assets Available for Sale</b>		
Valuation differences recognized under shareholders' equity	(480.333)	(4.418.023)
<b>Total</b>	<b>(480.333)</b>	<b>(4.418.023)</b>

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#### 28. Assets Held At Fair Value through Profit and Loss

None (July 1 – September 30, 2014: TL None, January 1 – September 30, 2013: None, July 1 – September 30, 2013: None).

#### 29. Insurance Rights and Demands

Outstanding Claims Reserve Expenses	January 1- September 30, 2014	July 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2013
Legal Protection	709.455	(433.159)	(1.564.664)	113.721
Water Crafts	105.665	91.811	258.797	91.082
Air Crafts Liability	774	45	(1.311)	(1.311)
Air Crafts	-	-	-	-
Breach of Trust	(80.994)	8.544	(59.115)	59.419
Credit	(229.887)	(109.706)	(3.587)	(7.181)
Accident	(242.885)	802.776	972.024	396.320
Transportation	(3.329.156)	(1.923.756)	(1.256.902)	(46.633)
Financial Losses	(2.744.326)	1.673.560	1.383.155	290.291
Health	(2.371.130)	3.096.846	(6.682.936)	(1.240.406)
Motor Own Damage	(24.168.767)	(17.776.674)	(5.182.164)	(9.528.146)
General Liability	(10.804.748)	(2.956.562)	(10.369.029)	(8.841.124)
Fire and Natural Disaster	(10.204.189)	(1.651.390)	2.440.941	898.104
General Losses	(7.156.532)	8.207.842	(4.607.140)	4.538.064
Motor Vehicles Liability	(17.731.297)	(1.984.542)	619.566	(314.998)
Total Non-life	(78.248.017)	(12.954.365)	(24.052.365)	(13.592.798)
Life	44.233	8.086	(12.413)	(8.668)
Total (*)	(78.203.784)	(12.946.279)	(24.064.778)	(13.601.466)

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

#### 30. Investment Agreement Rights

None (December 31, 2013:None).

#### 31. Mandatory Other Expenses

Types of expenses are disclosed in Note 32.



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**32. Expense Types**

	January 1- September 30, 2014	July 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2013
Production Commissions (-)	(211.450.443)	(72.995.408)	(180.144.393)	(62.508.841)
Reinsurance Commissions (+)	47.540.585	16.205.584	38.541.591	13.812.455
Employee Wages and Expenses (-) (*)	(47.813.981)	(15.211.670)	(40.295.595)	(13.718.062)
Information Technology Expenses (-)	(7.798.209)	(2.830.087)	(5.727.656)	(2.365.868)
Meeting and Training Expenses (-)	(3.785.211)	(285.940)	(5.041.391)	(819.912)
Transportation Expenses (-)	(3.139.478)	(1.079.208)	(3.069.976)	(978.047)
Rent Expenses (-)	(4.455.121)	(2.189.314)	(1.609.535)	(793.920)
Social Relief Expenses (-)	(2.374.615)	(836.177)	(2.168.010)	(725.638)
Repair and Maintenance Expenses (-)	(2.257.974)	(880.241)	(2.199.597)	(715.671)
Outsourcing Service Expenses (-)	(1.353.224)	(332.004)	(1.044.539)	(163.020)
Advertisement Expenses (-)	(1.080.186)	(365.603)	(1.435.005)	(415.013)
Communication Expenses (-)	(1.193.093)	(440.547)	(881.645)	(290.855)
Other (-)	(3.887.418)	(1.083.602)	(5.200.740)	(1.686.171)
<b>Total</b>	<b>(243.048.368)</b>	<b>(82.324.218)</b>	<b>(210.276.491)</b>	<b>(71.368.563)</b>

(\*) 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- September 30, 2014	July 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2013
Salary and Bonus Payments	(45.074.502)	(14.634.225)	(37.945.117)	(12.764.725)
Insurance Payments	(598.639)	(197.089)	(495.702)	(164.265)
Other Payments	(2.140.840)	(380.356)	(1.854.776)	(789.072)
<b>Total (Note 32)</b>	<b>(47.813.981)</b>	<b>(15.211.670)</b>	<b>(40.295.595)</b>	<b>(13.718.062)</b>

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

None (July 1 – September 30, 2014 : None, January 1 - September 30, 2013: None and July 1 - September 30, 2013: None ).

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

None (July 1 – September 30, 2014 : None, January 1 - September 30, 2013: None and July 1 - September 30, 2013: None ).

**34.3 Sales transactions with shareholders, affiliates and subsidiaries**

None (July 1 – September 30, 2014 : None, January 1 - September 30, 2013: None and July 1 - September 30, 2013: None ).

# AKSİGORTA A.Ş.

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

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### 34. Financing Costs (Continued)

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

None (July 1 – September 30, 2014 : None, January 1 - September 30, 2013: None and July 1 - September 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 September 30, 2014 effect of hedge accounting amount of TL (958.523) has been recognized in the "Special Funds (Reserves)" account item under equity.

Deposit amount	Currency type	Exchange rate at the beginning of the period	Exchange rate at the end of the period	Hedging cash flow
21.443.471	USD	2,2342	2,2789	(958.523)

#### 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 21.443.471 Eurobond.

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

None (July 1 – September 30, 2014 : None, January 1 - September 30, 2013: None and July 1 - September 30, 2013: None ).

### 35. Income Tax

	September 30, 2014	December 31, 2013
<u>Current Tax Liability</u>		
Corporate Tax Liability Provision on Period Profit	8.712.622	25.734.660
Prepaid Taxes and Other Liabilities on Period Profit (-)	(5.860.722)	(18.278.602)
	<u>2.851.900</u>	<u>7.456.058</u>

	January 1- September 30, 2014	July 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2013
<u>Tax (Expense) / Income is Formed by the Items Below:</u>				
Current Tax Income / (Expense)	(8.712.622)	(2.064.563)	(18.277.992)	(5.966.792)
Deferred Tax Income / (Expense) due to Temporary Differences	(40.484)	(876.681)	2.805.949	164.080
Total Tax Income / (Expense)	<u>(8.753.106)</u>	<u>(2.941.244)</u>	<u>(15.472.043)</u>	<u>(5.802.712)</u>

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
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**35. Corporate Tax (Continued)**

**Deferred Tax**

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

<u>Deferred Tax</u>	2014	2013
Recognized in the Shareholders' Equity:		
Valuation of Financial Assets Available for Sale	1.448.191	1.328.108
Cash flow hedging	(191.705)	-
Actuarial loss	189.457	128.112
	<u>1.445.943</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>September 30, 2014</u>	<u>December 31, 2013</u>
Impairment Provision for Affiliates	4.431.080	4.431.080
Technical reserves	2.071.569	2.415.323
Marketable securities valuation difference	1.448.191	1.328.109
Performance bonus provision	674.411	868.393
Expense Provision	734.290	277.260
Doubtful receivable provisions	413.871	373.271
Retirement pay provision	525.718	448.942
Unused vacation provision	306.235	303.386
Useful life differences of tangible and intangible assets	69.998	88.655
Cash flow hedge	(191.705)	-
<u>Deferred Tax Assets / (Liabilities), Net</u>	<u>10.483.658</u>	<u>10.534.419</u>

	January 1- September 30, 2014	January 1- September 30, 2013
<u>Movements of Deferred Tax Assets / (Liabilities):</u>		
Beginning of the Period, January 1	10.534.419	4.551.823
Deferred Tax Income Recognized in the Income Statement	(40.484)	2.805.949
Deferred Tax Income Recognized in the Shareholders' Equity	(10.277)	1.104.506
<u>End of the Period, September 30</u>	<u>10.483.658</u>	<u>8.462.278</u>

**AKSİGORTA A.Ş.****CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
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**35. Corporate Tax (Continued)**

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

	January 1- September 30, 2014	January 1- September 30, 2013
Income Before Tax	41.921.347	158.501.466
Tax Calculated: 20%	(8.384.270)	(31.700.293)
Effect of Additions	(10.255.168)	(8.682.391)
Effect of Allowances, net	9.926.816	22.104.692
Current Tax Income / (Expense)	(8.712.622)	(18.277.992)

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

	January 1- September 30, 2014	July 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2013
Recognized in Profit / Loss:				
Foreign Exchange Income	37.395.831	15.312.387	32.969.749	19.609.150
Foreign Exchange Expense	(29.419.326)	(12.111.683)	(21.726.198)	(11.401.847)
	7.976.505	3.200.704	11.243.551	8.207.303

**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, September 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)	33.168.242	143.029.423
Earnings / (Loss) per Share (TL)	0,108	0,467

**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 SEPTEMBER 30, 2014**

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

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**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.

**44. Business Combinations**

None (December 31, 2013:None).

## AKSIGORTA A.Ş.

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

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

#### 45. Related Parties

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

Company	September 30, 2014	December 31, 2013
Ak Finansal Kiralama A.Ş	8.922.512	4.551.632
Enerjisa Enerji Üretim A.Ş	6.795.285	3.030.116
Akbank Türk A.Ş.	2.469.062	258.442
Başkent Elektrik Dağıtım A.Ş	1.195.887	222.337
Temsa Global San. ve Tic. A.Ş	467.726	365.550
Brisa Bridgestone Sabancı Last. San. Ve Tic. A.Ş.	442.346	423.491
Avivasa Emeklilik ve Hayat A.Ş	278.682	32.576
Advansa SASA	258.985	198.130
Teknosa İç ve Dış Ticaret A.Ş	209.445	57.919
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş	161.199	26.358
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş.	121.759	43.603
Akçansa Çimento San. ve Tic. A.Ş	90.469	38.012
Hacı Ömer Sabancı Holding A.Ş	81.876	42.019
Yünsa Yünlü San. ve Tic. A.Ş	58.982	31.650
Binsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş	44.690	17.818
Pmsa Philip Morris Sabancı Pazarlama ve Satış A.Ş.	43.611	6.586
Ak Yatırım Ortaklığı A.Ş.	35.533	(114)
Philsa Philip Morris Sabancı Sigara ve Tütüncülük A.Ş.	12.022	(29.791)
Exsa Export Sanayi Mamülleri Satış ve Araştırma A.Ş.	1.560	(1.350)
Hacı Ömer Sabancı Vakfı	1.297	-
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	286	(830)
Sabancı Üniversitesi	30.208	4.748.793
Çimsa Çimento San. ve Tic. A.Ş	(79.086)	(80.954)
<b>Total</b>	<b>21.644.337</b>	<b>13.981.994</b>

(\*) 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.

(\*\*) Payables to shareholders balance includes dividends that have not yet been taken by the shareholders.

## AKSİGORTA A.Ş.

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

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

#### 45. Related Parties (Continued)

##### Related party financial assets

##### Bank Deposit

<u>Company</u>	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Akbank T.A.Ş.	511.490.628	277.661.529
<b>Total</b>	<b>511.490.628</b>	<b>277.661.529</b>

##### Private Sector Debt Securities

<u>Company</u>	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Akbank T.A.Ş.	12.492.710	16.782.390
Başkent Elektrik Dağıtım A.Ş.	38.369.575	40.728.800
<b>TOPLAM</b>	<b>50.862.285</b>	<b>57.511.190</b>

##### Investment Funds

<u>Company</u>	<u>September 30, 2014</u>	<u>December 31, 2013</u>
Akbank T.A.Ş.	53.490.934	24.000.004
<b>TOPLAM</b>	<b>53.490.934</b>	<b>24.000.004</b>

## AKSİGORTA A.Ş.

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

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

#### 45. Related Parties (Continued)

##### Premium production

Insured	January 1- September 30, 2014	July 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2013
Enerjisa Enerji Üretim A.Ş.	27.245.601	10.164.687	19.501.596	6.654.426
Ak Finansal Kiralama A.Ş.	9.526.908	3.423.519	7.075.090	2.491.990
Brisa Bridgestone Sabancı Last. San. Ve Tic. A.Ş.	7.240.394	2.440.751	6.618.988	2.237.903
Carrefour Sabancı Ticaret Merkezi A.Ş.	7.174.092	2.469.095	4.619.098	1.902.806
Başkent Elektrik	5.257.560	1.850.688	4.680.541	1.633.187
Temsa Global	4.845.882	1.570.107	5.194.496	2.084.756
Sabancı Üniversitesi	4.751.570	1.589.148	4.325.409	1.494.240
Akbank Türk A.Ş.	3.828.231	1.326.822	5.094.124	1.731.715
Advansa SASA	3.473.644	1.170.280	5.601.061	1.614.909
Kordsa Sabancı Global	3.417.408	1.151.397	2.931.158	985.331
Phİlsa Philip Morris Sabancı Sigara ve Tütüncülük A.Ş.	3.392.949	1.150.858	2.299.097	778.677
Çİnsa Çimento San. Ve Tic. A.Ş.	3.334.364	1.131.946	2.568.242	867.817
Pmsa Philip Morris Sabancı Pazarlama ve Satış A.Ş.	2.978.404	1.012.990	2.402.552	798.271
Teknosa İç Ve Dış Tic. A.Ş.	2.969.939	1.095.538	2.736.042	932.253
Akçansa Çimento San. Ve Tic. A.Ş.	2.527.622	866.679	2.261.977	700.714
Avivasa Hayat ve Emeklilik A.Ş.	2.131.689	778.032	1.818.553	640.036
Hacı Ömer Sabancı Holding	1.815.482	618.599	791.635	268.723
Yünsa Yünlü San. Ve Tic. A.Ş.	1.085.245	362.516	989.808	328.144
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş.	282.579	92.646	222.667	75.032
Bİnsa Uluslar. İş. Bilgi ve Yönetim Sist. A.Ş.	271.703	99.258	243.318	80.295
Akyatırım Menkul Değerler A.Ş.	259.909	90.115	242.375	84.969
Akpörföy Yönetimi A.Ş.	151.492	53.664	144.289	50.038
Exsa Export San. Mam. Satış Araş. A.Ş.	79.479	26.784	66.440	22.390
Hacı Ömer Sabancı Vakfı	59.569	20.668	60.061	17.607
Aeo (Hilton International)	6.971	2.357	6.964	2.379
<b>Total</b>	<b>98.108.687</b>	<b>34.559.143</b>	<b>82.495.581</b>	<b>28.478.608</b>

##### Interest Income Received from Related Parties

Company	January 1- September 30, 2014	July 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2013
Akbank T.A.Ş.	28.428.641	12.091.307	13.342.122	6.745.796
<b>Toplam</b>	<b>28.428.641</b>	<b>12.091.307</b>	<b>13.342.122</b>	<b>6.745.796</b>

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.



## AKSİGORTA A.Ş.

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

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

#### 46. Subsequent Events

The Company has sold the building that Ankara Region Headquarters is located, in amounting to TL 10.000.000 in October 1, 2014.

The Company headquarters has moved to address 'Poligon Cad. Buyaka 2 Site, No. 8, Kule 1, Kat: 0-6 34771 Ümraniye – İstanbul' as of October 20, 2014.

#### 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	September 30, 2014	December 31, 2013
Prepaid excess of loss premiums (*)	4.540.103	-
Receivables from Tamm Sigortaları A.Ş.	4.438.673	2.852.394
Turkish Catastrophe Insurance Pool premiums receivables from agencies	1.827.997	2.815.831
Other receivables	1.832.751	18.055
<b>Total</b>	<b>12.639.524</b>	<b>5.686.280</b>

Other short term payables	September 30, 2014	December 31, 2013
Payables to contracted enterprises	12.889.226	11.359.603
Payables to Turkish Catastrophe Insurance Pool	11.954.764	10.648.998
Payables to suppliers	7.219.194	4.399.758
Turkish Catastrophe Insurance Pool payables to agencies	578.606	505.882
Other	1.278.288	539.143
<b>Total</b>	<b>33.920.078</b>	<b>27.453.384</b>

Short term other prepaid expenses	September 30, 2014	December 31, 2013
Advanced Given	9.500.162	-
Prepaid Rent Expenses	4.270.309	-
Other	1.280.196	1.718.462
<b>Total</b>	<b>15.050.667</b>	<b>1.718.462</b>

Long term other prepaid expenses	September 30, 2014	December 31, 2013
Prepaid Expenses	2.860.452	-
<b>Total</b>	<b>2.860.452</b>	<b>-</b>

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

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS  
AS OF SEPTEMBER 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- September 30, 2014	July 1- September 30, 2014	January 1- September 30, 2013	July 1- September 30, 2013
Provisions Account (+/-)	(13.141.684)	(6.052.276)	(25.423.843)	(2.354.156)
Provision for impairment of affiliates	-	-	(10.155.402)	-
Provisions for doubtful receivable	(7.298.495)	(4.368.500)	(4.652.704)	(331.091)
Retirement pay provision	(839.981)	(168.715)	(564.828)	(189.210)
Donation Provision	(2.206.129)	(730.270)	(8.342.182)	(1.521.095)
Portfolio Management	(905.533)	(530.533)	(506.854)	(18.691)
Unused vacation Provision	(14.245)	382.231	80.189	628.868
Provisions for other expenses	(1.877.301)	(636.489)	(1.282.062)	(922.937)
Compulsory earthquake insurance account (+/-)	423.791	81.420	215.493	(3.135)
Deferred tax asset account (+/-)	(40.484)	(876.681)	2.805.949	164.080
Other income and profit	94.222	9.060	117.137.558	636.146
Gain on property sale	-	-	114.925.418	-
Other	94.222	9.060	2.212.140	636.146
Other expenses and losses (-)	(5.272.539)	(1.197.524)	(7.456.229)	(1.040.603)
Disallowable expence	(2.521.824)	(58.784)	(350.480)	(62.852)
Bank Expenses	(2.484.517)	(1.084.153)	(2.804.864)	-
Property sales expense	-	-	(3.245.054)	(966.301)
Other	(266.198)	(54.587)	(1.055.831)	(11.450)
<b>Total</b>	<b>(17.936.694)</b>	<b>(8.036.001)</b>	<b>87.278.928</b>	<b>(2.597.668)</b>

(\*) 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 June 30, 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 - 30/09/2014) (*)	Audited Current Period (01/01/2013 - 30/09/2013) (*)
<b>I. Distribution of profit for the period</b>		-	-
1.1. Profit for the period		-	-
1.2. Taxes payable and legal liabilities		-	-
1.2.1. Corporation tax (Income tax)		-	-
1.2.2. Income tax deduction		-	-
1.2.3. Other taxes and legal liabilities		-	-
<b>A. Net profit for the period (1.1 - 1.2)</b>		-	-
1.3. Previous years' losses (-)		-	-
1.4. First legal reserve		-	-
1.5. Legal reserves kept in the company (-)		-	-
<b>B. Net distributable Profit for the period [ (a - (1.3 + 1.4 + 1.5) ]</b>		-	-
1.6. First dividend to shareholders (-)		-	-
1.6.1. To common shareholders		-	-
1.6.2. To preferred shareholders		-	-
1.6.3. To owners of participating redeemed shares		-	-
1.6.4. To owners of profit-sharing securities		-	-
1.6.5. To owners of profit and loss sharing securities		-	-
1.7. Dividends to personnel (-)		-	-
1.8. Dividends to founders (-)		-	-
1.9. Dividends to board of directors (-)		-	-
1.10. Second dividends to shareholders (-)		-	-
1.10.1. To common shareholders		-	-
1.10.2. To preferred shareholders		-	-
1.10.3. To owners of participating redeemed shares		-	-
1.10.4. To owners of profit-sharing securities		-	-
1.10.5. To owners of profit and loss sharing securities		-	-
1.11. Second legal reserve (-)		-	-
1.12. Statutory reserves (-)		-	-
1.13. Extraordinary reserves		-	-
1.14. Other reserves		-	-
1.15. Special funds		-	-
<b>II. Distribution from reserves</b>		-	-
2.1. distributed reserves		-	-
2.2. second legal reserve (-)		-	-
2.3. dividends to shareholders (-)		-	-
2.3.1. To common shareholders		-	-
2.3.2. To preferred shareholders		-	-
2.3.3. To owners of participating redeemed shares		-	-
2.3.4. To owners of profit-sharing securities		-	-
2.3.5. To owners of profit and loss sharing securities		-	-
2.4. Dividends to employees (-)		-	-
2.5. Dividends to board of directors (-)		-	-
<b>III. Profit per share</b>		-	-
3.1. To common shareholders		-	-
3.2. To common shareholders (%)		-	-
3.3. To preferred shareholders		-	-
3.4. To preferred shareholders (%)		-	-
<b>IV. Dividends per share</b>		-	-
4.1. To common shareholders		-	-
4.2. To common shareholders (%)		-	-
4.3. To preferred shareholders		-	-
4.4. To preferred shareholders (%)		-	-

(\*) As of September 30, 2014 and 2013, the profit distribution table has not been prepared since there has not been profit distribution pertaining to those periods.