

Aksigorta Anonim Şirketi

**Interim condensed financial statements for the nine
months period ended January 1 – September 30, 2016**

Aksigorta Anonim Şirketi

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Aksigorta A.Ş.

Interim Statement of financial position as at September 30, 2016

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

Assets	Note	Unaudited	Audited
		September 30, 2016	December 31, 2015
Total current assets		2.469.237.522	2.246.962.125
Cash and cash equivalents	7	875.434.992	413.271.914
Securities pledged under repurchase agreements	8	57.789.680	138.031.848
Financial assets			-
Debt securities:			-
- Available for sale at company's risk	6	423.567.727	678.079.769
- Available for sale at insurees' risk	6	2.676.892	7.753.279
Premium receivables		296.256.053	337.227.879
Due from reinsurers		27.599.256	38.922.110
Reinsurance share of insurance liabilities	10	672.664.563	531.352.109
Deferred acquisition costs		56.408.305	64.793.992
Derivative financial assets		-	-
Other current assets		56.840.054	37.529.225
Total non-current assets		94.829.835	107.779.565
Tangible assets		27.052.277	26.539.317
Investment properties		80.126	80.126
Intangible assets		35.489.482	33.994.538
Financial assets			-
Equity securities:			-
- Available for sale	6	8.182.140	8.182.140
Deferred income tax assets	18	23.807.155	38.734.260
Other non-current assets		218.655	249.184
Total assets		2.564.067.357	2.354.741.690
Liabilities	Note	Unaudited	Audited
		September 30, 2016	December 31, 2015
Total current liabilities		2.149.213.397	1.997.717.311
Insurance liabilities	10	1.821.286.039	1.613.364.220
Payables to reinsurers	11	205.560.997	175.054.091
Derivative financial liabilities		-	-
Obligations under repurchase agreements	8	57.789.679	137.458.200
Provisions for other liabilities and charges		24.877.982	20.687.893
Trade and other payables	11	39.698.700	51.152.907
Current income tax liabilities		-	-
Total non-current liabilities		6.064.059	6.474.170
Provision for retirement benefit obligation	12	6.064.059	6.474.170
Total equity		408.789.901	350.550.209
Shareholders' equity	9	306.000.000	306.000.000
Legal and other reserves	9	178.468.101	178.468.101
Actuarial loss arising from employee benefit		(3.561.839)	(3.744.443)
Hedging reserve	9	10.273.602	9.794.452
Available-for-sale investments fund	9	(2.891.030)	(5.945.992)
Retained earnings/accumulated deficit	9	(79.498.933)	(134.021.909)
Total equity and liabilities		2.564.067.357	2.354.741.690

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

Aksigorta A.Ş.

Interim Statement of financial position as at September 30, 2016

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

Income Statement	Note	Unaudited September 30, 2016	Audited September 30, 2015
Insurance premium revenue		1.268.169.754	1.228.836.376
Insurance premium ceded to reinsurers		(514.760.517)	(355.796.943)
Net insurance premium revenue		753.409.237	873.039.433
Investment income		80.186.041	54.133.725
Commission income		90.060.725	47.150.571
Other operating income		1.510.653	4.025.171
Net income		925.166.656	978.348.900
Insurance claims		(687.482.859)	(808.199.443)
Insurance claims recovered from reinsurers		192.560.184	167.727.408
Net insurance claims		(494.922.675)	(640.472.035)
Commission expense		(240.157.843)	(214.647.408)
Expenses for marketing and administration		(103.544.315)	(97.229.387)
Other operating expenses		(19.460.698)	(16.980.110)
Insurance claims and expenses		(858.085.531)	(969.328.940)
Results of operating activities		67.081.125	9.019.960
Foreign exchange gain / (loss), net		1.439.778	41.265.056
Profit before tax		68.520.903	50.285.016
Income tax expense		(13.997.927)	(13.355.689)
Profit for the period		54.522.976	36.929.327
Earnings per share		0,0018	0,0012

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

Aksigorta A.Ş.

Interim income statement

for the period January 1 – September 30, 2016

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

	Unaudited	Audited
Statement of comprehensive income	September 30, 2016	September 30, 2015
Profit for the period	54.522.976	36.929.327
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Change in available-for-sale financial assets fund, net off deferred tax	3.054.962	(2.341.651)
Cash flow hedging, net off deferred tax	479.150	5.520.835
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	3.534.112	3.179.184
Other comprehensive income not being reclassified to profit or loss in subsequent periods:		
Actuarial loss, net off deferred tax	182.604	(2.782.594)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	182.604	(2.782.594)
Other comprehensive income, net of tax	3.716.716	396.590
Total comprehensive income for the year, net of tax	58.239.692	37.325.917

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

Aksigorta A.Ş.

Interim statement of changes in equity for the period January 1 - September 30, 2016

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

September 30, 2015									Reviewed
	Note	Share capital	Available-for-sale investment funds	Revaluation fund	Legal reserves	Actuarial loss arising from employee benefit	Cash flow hedging	Retained earnings	Total
Balances at December 31, 2014	7	306.000.000	(838.117)	-	171.820.419	(960.090)	1.338.054	(85.262.544)	392.097.722
Profit for the year		-	-	-	-	-	-	36.929.327	36.929.327
Transfer		-	-	-	6.647.682	-	-	(6.647.682)	-
Other comprehensive income		-	(7.904.045)	-	-	(2.797.505)	10.683.535	-	(18.015)
Total comprehensive income	7	-	(7.904.045)	-	6.647.682	(2.797.505)	10.683.535	30.281.645	36.911.312
Dividend payment	7	-	-	-	-	-	-	(23.959.800)	(23.959.800)
Balances at September 30, 2015	7	306.000.000	(8.742.162)	-	178.468.101	(3.757.595)	12.021.589	(78.940.699)	405.049.234
September 30, 2016									Unaudited
	Note	Share capital	Available-for-sale investment funds	Revaluation fund	Legal reserves	Actuarial loss arising from employee benefit	Cash flow hedging	Retained earnings	Total
Balances at December 31, 2015	7	306.000.000	(5.945.992)	-	178.468.101	(3.744.443)	9.794.452	(134.021.909)	350.550.209
Profit for the year		-	-	-	-	-	-	54.522.976	54.522.976
Transfer		-	-	-	-	-	-	-	-
Other comprehensive income		-	3.054.962	-	-	182.604	479.150	-	3.716.716
Total comprehensive income	7	-	3.054.962	-	-	182.604	479.150	54.522.976	58.239.692
Dividend payment	7	-	-	-	-	-	-	-	-
Balances at September 30, 2016	7	306.000.000	(2.891.030)	-	178.468.101	(3.561.839)	10.273.602	(79.498.933)	408.789.901

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

Aksigorta A.Ş.

Interim statement of cash flows for the year period January 1 – September 30, 2016 (Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

Cash Flow Statement	Note	January 1 – September 30, 2016	January 1 – September 30, 2015
Cash inflows from insurance operations		1.067.118.247	1.048.646.954
Cash outflows from insurance operations		(814.497.987)	(942.313.631)
Income tax payment		(7.843.486)	(4.203.884)
Cash inflows/(outflows) from operational expenses		(114.358.094)	97.053.457
Net cash flows from operating activities		130.418.680	199.182.896
Tangible and intangible asset acquisitions		(3.507.195)	(15.398.030)
Financial asset acquisitions		254.100.808	(57.704.228)
Interest received		82.902.024	58.538.218
Other cash inflows/(outflows)		(81.993.408)	(41.333.038)
Net cash flows from investing activities		251.502.229	(55.897.078)
Dividends paid	9	-	(23.959.800)
Net cash flows from financing operations		-	(23.959.800)
Net increase/(decrease) in cash and cash equivalents		381.920.909	119.326.018
Cash and cash equivalents at the beginning of the period		540.914.788	816.206.333
Cash and cash equivalents at the end of the period	7	922.835.697	935.532.351

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

Aksigorta A.Ş.

Notes to the interim condensed financial statements as at September 30, 2016

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

1. General Information

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, 2016. 38.02% (December 31, 2014: 38.02%) of the Company is issued in Borsa İstanbul ("BİST") (Note 2.4).

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 18 February 2011. At the date of 29 July 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. According to the joint administration agreement that signed with Ageas Insurance International N.V. at 18 February 2011, Holding's previous administrative controls over Aksigorta A.Ş. are going to remain equally with Ageas Insurance International N.V.

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

The Company's main operations include insurance activities based on non-life insurance branches, including primarily fire, marine, accident, personal accident, engineering, agriculture and health.

Average numbers of employees during the period by category are as follows:

	September 30, 2016	December 31, 2015
Top and middle management	110	117
Other personel	493	560
Total	603	677

Remuneration and fringe benefits provided to top management such as; chairman and members of the board of directors, managing director and assistant managing directors amount to TL 3.936.434 in total for January 1 - September 30, 2016 (January 1 - September 30, 2015: TL 4.644.325).

Financial statements include only one company (Aksigorta A.Ş.) and the Company does not have any subsidiaries or affiliates as of September 30, 2016 (December 31, 2015: None).

2. Summary of significant accounting policies

2.1 Basis of preparation

The interim condensed financial statements at September 30, 2016 have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2015.

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira ("TL") in accordance with the Insurance Law numbered 5684 and the regulations issued for insurance and reinsurance companies by the Undersecretariat of Treasury which is also the functional currency of the Company. These financial statements are based on the statutory records, with adjustments and reclassifications, for the purpose of fair presentation in accordance with IFRS.

**Notes to the interim condensed financial statements
as at September 30, 2016**

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The preparation of financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise its judgements in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to financial statements are disclosed Note 3.

Comparative information and restatement of prior period financial statements

The Company's statement of financial position as of September 30, 2016 is presented in comparison with its statement of financial position as of December 31, 2015; statement of comprehensive income, statement of changes in equity and statement of cash flows for the period between January 1 – September 30, 2016 are presented in comparison with its statement of comprehensive income, statement of changes in equity and statement cash flows for the period between January 1 – September 30, 2015.

2.2 Adoption of New and Revised Standards

The accounting policies adopted in preparation of the interim condensed financial statements as at 30 June 2016 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2016. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

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

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

IFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment clarifies that 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. The amendments did not have an impact on the financial position or performance of the Company.

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

The amendments to IAS 16 and IAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments did not have an impact on the financial position or performance of the Company.

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

IAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in 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. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Aksigorta A.Ş.

Notes to the interim condensed financial statements as at September 30, 2016

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

2. Summary of significant accounting policies (continued)

2.2 Adoption of New and Revised Standards (continued)

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

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
- Using the equity method defined in IAS 28

The entity must apply the same accounting for each category of investments. The amendment is not applicable for the Company and did not have an impact on the 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)

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

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

Amendments issued to IFRS 10, IFRS 12 and IAS 28, to address the issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

IAS 1: Disclosure Initiative (Amendments to IAS 1)

Amendments issued to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. These amendments did not have significant impact on the notes to the interim condensed consolidated financial statements of the Company.

Aksigorta A.Ş.

Notes to the interim condensed financial statements as at September 30, 2016

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

2. Summary of significant accounting policies (continued)

2.2 Adoption of New and Revised Standards (continued)

Annual Improvements to IFRSs - 2012-2014 Cycle

IASB issued, 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 – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan

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

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

IFRS 15 Revenue from Contracts with Customers

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

**Notes to the interim condensed financial statements
as at September 30, 2016**

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

2. Summary of significant accounting policies (continued)

2.2 Adoption of New and Revised Standards (continued)

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

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

IFRS 9 Financial Instruments - Final standard (2014)

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

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

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

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

Aksigorta A.Ş.

Notes to the interim condensed financial statements as at September 30, 2016

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

2. Summary of significant accounting policies (continued)

2.2 Adoption of New and Revised Standards (continued)

IAS 7 Statement of Cash Flows (Amendments)

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. When the Company/Group first applies those amendments, it is not required to provide comparative information for preceding periods. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

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

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

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

2.3 Share capital

As of September 30, 2016, the Company's nominal capital is TL 306.000.000 (December 31, 2015: TL 306.000.000). Share capital is represented by 30.600.000.000 of equity shares having a nominal amount of TL 0,01 each.

The share capital structure of the Company is as follows:

Name of shareholders	September 30, 2016		December 31, 2015	
	Share	Share amount	Share	Share amount
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
Publicly quoted shares	28.00	85.680.000	28.00	85.680.000
Total	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 nominal value of TL 189.658.802 that belong to H.Ö. Sabancı Holding ("Holding") portfolio, was signed with Ageas Insurance International N.V. at 18 February 2011. 9.482.940.100 units of Aksigorta A.Ş. shares that correspond to 50% of the Holding's portfolio has been transferred to Ageas Insurance International N.V. on 29 July 2011 with a sale price of USD 220.029.000 except for adjustments to sale price.

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 June 15, 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As of September 30, 2016, the Company's registered share capital is TL 500.000.000 (December 31, 2015: TL 500.000.000).

Other information about Company's share capital is explained in Note 9.

Aksigorta A.Ş.

Notes to the interim condensed financial statements as at September 30, 2016

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

3. Critical accounting estimates and judgments

Preparation of financial statements requires the use of estimations and assumptions which may affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the statement of financial position date and reported amounts of income and expenses during the financial period. Accounting estimates and assumptions are continuously evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under current circumstances. Although the estimations and assumptions are based on the best knowledge of the management for existing events and operations, they may differ from the actual results.

The estimation of the ultimate liability for technical expenses that can be incurred for the existing insurance contracts is the one of the most critical accounting estimates. Estimation of the insurance liabilities, by nature, includes the evaluation of several uncertainties.

4. Segment information

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

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

The Company has been operating in Turkey. Since the effect of the foreign operations on financial statements is extremely low, geographic segment information is not given.

Aksigorta A.Ş.

Notes to the interim condensed financial statements as at September 30, 2016

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

4. Segment information (continued)

Segment results for period January 1 - September 30, 2016 is as follows:

January 1 - September 30, 2016	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	98.888.897	14.628.690	358.842.727	98.551.427	51.555.711	77.137.894	53.803.891		753.409.237
Earned Premiums (Net of Reinsurer Share)	98.888.897	14.628.690	358.842.727	98.551.427	51.555.711	77.137.894	53.803.891		753.409.237
Premiums (Net of Reinsurer Share)	94.571.221	14.385.477	375.156.600	170.541.841	48.237.051	36.183.784	54.671.523		793.747.497
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	4.317.675	243.213	(16.313.873)	(71.990.413)	3.318.660	40.954.110	(867.632)		(40.338.260)
TECHNICAL EXPENSES	(98.242.297)	(9.674.176)	(390.863.101)	(120.475.847)	(38.403.268)	(69.468.688)	(39.386.776)		(766.514.153)
Total Claims (Net of Reinsurer Share)	(57.352.826)	(6.051.729)	(279.461.296)	(80.960.523)	(13.267.502)	(37.195.631)	(20.633.168)		(494.922.675)
Claims Paid (Net of Reinsurer Share)	(36.864.774)	(3.972.302)	(250.862.444)	(105.157.036)	(12.522.900)	(61.353.004)	(10.456.863)		(481.189.324)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(20.488.052)	(2.079.427)	(28.598.852)	24.196.514	(744.602)	24.157.373	(10.176.305)		(13.733.351)
Commissions (Net)	(17.063.564)	(2.292.815)	(67.158.708)	(20.203.775)	(15.400.472)	(19.690.349)	(8.287.435)		(150.097.118)
Operating Expenses	(17.794.632)	(813.017)	(39.328.138)	(15.299.360)	(8.723.634)	(12.186.801)	(9.398.733)		(103.544.315)
Other Operating Income / Expenses	(6.031.275)	(516.615)	(4.914.958)	(4.012.189)	(1.011.660)	(395.907)	(1.067.440)		(17.950.044)
	646.599	4.954.514	(32.020.373)	(21.924.420)	13.152.443	7.669.206	14.417.115		(13.104.916)
Investment income	-	-	-	-	-	-	-	80.186.041	80.186.041
Foreign exchange income	-	-	-	-	-	-	-	1.439.778	1.439.778
Tax expense	-	-	-	-	-	-	-	(13.997.927)	(13.997.927)
Net Profit / (Loss)	646.599	4.954.514	(32.020.373)	(21.924.420)	13.152.443	7.669.206	14.417.115	67.627.892	54.522.976

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Notes to the interim condensed financial statements as at September 30, 2016

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

4. Segment information (continued)

Segment results for period January 1 - September 30, 2015 is as follows:

January 1 - September 30, 2015									
	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	95.001.021	12.455.609	331.530.599	141.302.933	99.746.624	142.116.555	50.886.092	-	873.039.433
Earned Premiums (Net of Reinsurer Share)	95.001.021	12.455.609	331.530.599	141.302.933	99.746.624	142.116.555	50.886.092	-	873.039.433
Premiums (Net of Reinsurer Share)	98.937.240	12.775.677	317.056.547	77.895.174	100.542.434	146.870.994	51.988.513	-	806.066.579
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(3.936.219)	(320.068)	14.474.052	63.407.759	(795.810)	(4.754.439)	(1.102.421)	-	66.972.854
TECHNICAL EXPENSES	(94.824.957)	(6.628.543)	(349.586.018)	(191.845.456)	(84.220.093)	(150.548.765)	(40.499.366)	-	(918.153.198)
Total Claims (Net of Reinsurer Share)	(56.849.522)	(3.386.117)	(260.282.475)	(157.000.878)	(37.746.783)	(99.762.847)	(25.443.413)	-	(640.472.035)
Claims Paid (Net of Reinsurer Share)	(45.417.487)	(3.010.530)	(259.214.061)	(143.522.471)	(24.803.838)	(104.701.383)	(13.161.358)	-	(593.831.128)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(11.432.035)	(375.587)	(1.068.414)	(13.478.407)	(12.942.945)	4.938.536	(12.282.055)	-	(46.640.907)
Commissions (Net)	(18.109.113)	(1.921.965)	(58.986.387)	(18.541.519)	(35.952.744)	(25.936.606)	(8.048.503)	-	(167.496.837)
Operating Expenses	(19.818.413)	(1.438.070)	(26.623.847)	(14.056.186)	(8.149.900)	(21.330.451)	(5.812.520)	-	(97.229.387)
Other Operating Income / Expenses	(47.909)	117.609	(3.693.309)	(2.246.873)	(2.370.666)	(3.518.861)	(1.194.930)	-	(12.954.939)
	176.064	5.827.066	(18.055.419)	(50.542.523)	15.526.531	(8.432.210)	10.386.726	-	(45.113.765)
Investment income	-	-	-	-	-	-	-	54.133.725	54.133.725
Foreign exchange income	-	-	-	-	-	-	-	41.265.056	41.265.056
Tax expense	-	-	-	-	-	-	-	(13.355.689)	(13.355.689)
Net Profit / (Loss)	176.064	5.827.066	(18.055.419)	(50.542.523)	15.526.531	(8.432.210)	10.386.726	82.043.092	36.929.327

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Notes to the interim condensed financial statements as at September 30, 2016

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

5. Management of insurance and financial risk

Foreign currency risk

The Company is exposed to foreign exchange risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated assets and liabilities. These risks are monitored by the analysis of exchange rate position. The details of the Company's foreign currency denominated assets and liabilities as of September 30, 2016 and December 31, 2015 are disclosed below:

September 30, 2016			
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	5.811.569	2,9959	17.410.880
EUR	2.902.887	3,3608	9.756.023
GBP	84.684	3,8909	329.497
CHF	53.691	3,0785	165.288
Total			27.661.688
Prepaid expenses			
	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	1.303.226	2,9959	3.904.334
Total			3.904.334
Receivables from Insurance Operations			
	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	22.954.875	2,9959	68.770.510
EUR	5.133.969	3,3608	17.254.243
GBP	97.347	3,8909	378.767
CHF	6.298	3,0785	19.388
Other			-
Total			86.422.908
Marketable Securities			
	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	7.289.812	2,9959	21.839.549
Total			21.839.549
Outstanding Claims Reserve			
	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	-7.473.227	2,9959	-22.389.041
EUR	-2.055.159	3,3608	-6.906.978
Other			-146.854
Total			-29.442.873
Payables from Insurance Operations			
	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	-29.121.334	2,9959	-87.244.605
EUR	-3.329.911	3,3608	-11.191.165
Other			-483.623
Total			-98.919.393
Net Foreign Currency Position			11.466.213

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Notes to the interim condensed financial statements as at September 30, 2016

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

5. Management of insurance and financial risk (continued)

December 31, 2015			
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	16.500.019	2,9076	47.975.455
EUR	2.810.599	3,1776	8.930.959
GBP	150.514	4,3007	647.316
CHF	46.479	2,9278	136.081
Total			57.689.811
Prepaid expenses	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	814.063	2,9076	2.366.969
Total			2.366.969
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	56.700.708	2,9076	164.862.979
EUR	5.557.908	3,1776	17.660.808
GBP	192.329	4,3007	827.149
CHF	26.339	2,9278	77.115
Other	-	-	271
Total			183.428.322
Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	23.831.816	2,9076	69.293.388
Total			69.293.388
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(4.166.814)	2,9076	(12.137.096)
Total			(12.137.096)
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(28.279.961)	2,9076	(82.373.870)
EUR	(3.622.986)	3,1776	(11.533.051)
Total			(95.030.635)
Net Foreign Currency Position			205.610.759

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Notes to the interim condensed financial statements as at September 30, 2016

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

5. Management of insurance and financial risk (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.

Table of liquidity risk as of September 30, 2016 is as follows:

September 30, 2016	Up to 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	176.002.979	737.331.977	-	-	-	19.889.716	933.224.672
Financial assets available for sale	9.174.805	-	63.219.619	108.809.046	84.954.104	157.410.153	423.567.727
Investments on policyholders' risk	-	-	-	2.676.892	-	-	2.676.892
Receivables from main operations	90.747.775	116.427.834	89.080.444	-	-	-	296.256.053
Due from reinsurance companies	-	-	27.599.256	-	-	-	27.599.256
Reinsurers' share of insurance liabilities	92.958.853	138.784.571	440.921.139	-	-	-	672.664.563
Equity securities	-	-	-	-	-	8.182.140	8.182.140
Other assets	-	113.248.359	-	-	-	-	113.248.359
Total Assets	368.884.412	1.105.792.741	620.820.458	111.485.938	84.954.104	185.482.009	2.477.419.662
Insurance liabilities	320.444.075	478.412.920	1.022.429.044	-	-	-	1.821.286.039
Due to reinsurers	-	-	205.560.997	-	-	-	205.560.997
Trade and other payables	-	-	122.366.361	-	-	-	122.366.361
Total liabilities and shareholders' equity	320.444.075	478.412.920	1.350.356.402	-	-	-	2.149.213.397
Liquidity surplus/(deficit)	48.440.337	627.379.821	(729.535.944)	111.485.938	84.954.104	185.482.009	328.206.265

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Notes to the interim condensed financial statements as at September 30, 2016

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

5. Management of insurance and financial risk (continued)

Table of liquidity risk as of December 31, 2015 is as follows:

December 31, 2015	Up to 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	273.064.909	134.569.303	-	-	-	5.637.702	413.271.914
Securities pledged under repurchase agreements	-	138.031.848	-	-	-	-	138.031.848
Financial assets available for sale	357.294.790	-	86.957.546	62.864.108	81.628.927	89.334.398	678.079.769
Investments on policyholders' risk	-	-	5.259.858	2.493.421	-	-	7.753.279
Receivables from main operations	104.060.353	72.799.180	160.368.346	-	-	-	337.227.879
Due from reinsurance companies	-	38.922.110	-	-	-	-	38.922.110
Reinsurers' share of insurance liabilities	-	531.352.109	-	-	-	-	531.352.109
Equity securities	-	-	-	-	-	8.182.140	8.182.140
Other assets	-	37.529.225	-	-	-	-	37.529.225
Total Assets	734.420.052	953.203.775	252.585.750	65.357.529	81.628.927	103.154.240	2.190.350.273
Obligations under repurchase agreements	137.458.200	-	-	-	-	-	137.458.200
Insurance liabilities	254.707.543	403.278.354	955.378.323	-	-	-	1.613.364.220
Due to reinsurers	-	-	175.054.091	-	-	-	175.054.091
Trade and other payables	4.990.405	21.683.722	24.478.780	-	-	-	51.152.907
Total liabilities and shareholders' equity	259.697.948	424.962.076	1.154.911.194	-	-	-	1.839.571.218
Liquidity surplus/(deficit)	474.722.104	528.241.699	(902.325.444)	65.357.529	81.628.927	103.154.240	350.779.055

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Notes to the interim condensed financial statements as at September 30, 2016

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

6. Financial assets

Available for sale debt securities:

September 30, 2016			
	Cost Value	Fair Value	Book Value
Government bonds	65.195.576	61.389.345	61.389.345
Private bonds	130.514.097	132.418.831	132.418.831
Investment Funds	141.399.103	157.410.150	157.410.150
Eurobonds	73.428.521	72.349.401	72.349.401
Total	410.537.297	423.567.727	423.567.727

December 31, 2015			
	Cost Value	Fair Value	Book Value
Government bonds	427.963.378	422.249.213	422.249.213
Private bonds	97.302.245	99.327.442	99.327.442
Investment Funds	80.311.808	89.334.398	89.334.398
Eurobonds	69.293.388	67.168.716	67.168.716
Total	674.870.819	678.079.769	678.079.769

Financial assets at insurees' risk:

September 30, 2016			
	Cost Value	Fair Value	Book Value
Government bonds	2.495.766	2.676.892	2.676.892
Total	2.495.766	2.676.892	2.676.892

December 31, 2015			
	Cost Value	Fair Value	Book Value
Government bonds	7.540.028	7.753.279	7.753.279
Total	7.540.028	7.753.279	7.753.279

Equity shares under available-for-sale investments:

As of September 30, 2016, the Company has an investment in Merter BV with a 25% participation rate (December 31, 2015: 25%). Merter BV is a real estate company which has an investment in a shopping mall and office building with 50% participation rate. The Company has a final participation rate of 12,5% in the real estates. Since the Company does not have any influence in the financial and operating policy decisions of the investee, this investment is classified as available for sale financial asset and carried at its fair value. The Company has booked impairment provision for Merter BV amounting to TL 22.155.402 in its financial statements as of September 30, 2016 in accordance with the appraisal report obtained from an independent appraisal firm (December 31, 2015: TL 22.155.402).

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Notes to the interim condensed financial statements as at September 30, 2016

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

6. Financial assets (continued)

List of the investments and fair values is as below:

	September 30, 2016		
	Cost Value	Fair Value	Book Value
Equity investments			
Merter BV	30.116.653	7.961.251	7.961.251
Tarsim	220.889	220.889	220.889
Total	30.337.542	8.182.140	8.182.140

	December 31, 2015		
	Cost Value	Fair Value	Book Value
Equity investments			
Merter BV	30.116.653	7.961.251	7.961.251
Tarsim	220.889	220.889	220.889
Total	30.337.542	8.182.140	8.182.140

Fair Value Hierarchy

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. Fair value measurements are performed in accordance with the following fair value measurement hierarchy.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

	September 30, 2016	Level 1	Level 2	Level 3
Available for sale at company's risk	423.567.727	423.567.727	-	-
Available for sale at insurees' risk	2.676.892	2.676.892	-	-
Equity securities, net (*)	8.182.140	-	-	8.182.140
Total	434.426.759	426.244.619	-	8.182.140

	December 31, 2015	Level 1	Level 2	Level 3
Available for sale at company's risk	678.079.769	271.492.307	-	-
Available for sale at insurees' risk	7.753.279	7.295.995	-	-
Equity securities, net (*)	8.182.140	-	-	8.182.140
Total	694.015.188	278.788.302	-	8.182.140

(*) The affiliates amounting to TL 7.961.251 (December 31, 2015: TL 7.961.251) and unlisted equity shares amounting to TL 220.889 (December 31, 2015: TL 220.889) has been accounted at cost value as of September 30, 2016

(**) 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, 2016 (December 31, 2015: TL 22.155.402).

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Notes to the interim condensed financial statements as at September 30, 2016

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

7. Cash and cash equivalents

The details of cash and cash equivalents of the Company are as follows:

	September 30, 2016	December 31, 2015
Cash at banks	640.916.236	236.768.520
-time deposits	621.026.520	231.130.818
-demand deposits	19.889.716	5.637.702
Bank guaranteed credit card receivables with maturity less than 3 months	234.518.756	176.503.394
	875.434.992	413.271.914
Securities pledge under repurchase agreements	57.789.680	138.031.848
Total cash and cash equivalents	933.224.672	551.303.762

(*) The Company has reflected TL 57.789.680 of time deposits as securities pledged under repurchase agreements in the financial statements as of September 30, 2016 (2015: 138.031.848).

The maturities of the Company's time deposits as of September 30, 2016 are less than six months (December 31, 2015: Less than six months).

Cash and cash equivalents that are included in the statements of cash flows for the periods January 1 – September 30, 2016 and 2015 are as follows:

	September 30, 2016	December 31, 2015
Total cash and cash equivalents	933.224.672	551.303.762
Interest accrual on cash at banks (-)	(10.388.975)	(798.285)
Cash and cash equivalents per statement of cash flow	922.835.697	550.505.477

Weighted average interest rates of time deposits:

	September 30, 2016	December 31, 2015
TL	7,25 – 13,95	8,25 – 13,95
USD	0,10 – 3,25	0,010 – 3,25
EUR	0,10 – 1,75	0,010 – 2,00

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Notes to the interim condensed financial statements as at September 30, 2016

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

8. Repurchase agreements

Securities pledged under repurchase agreements:

The details of reverse repo receivables in the balance sheet as of September 30, 2016 are as follows:

September 30, 2016		Interest rate	Maturity	Book value
Time deposits	14.500.000	9,20%	11.08.2016 - 15.11.2016	14.686.395
Time deposits	29.000.000	8,50%	20.09.2016 - 04.11.2016	29.074.288
Time deposits	14.000.000	8,40%	22.09.2016 - 04.11.2016	14.028.997
	57.500.000			57.789.680

The details of reverse repo receivables in the balance sheet as of December 31, 2015 are as follows:

December 31, 2015	Cost	Interest rate	Maturity	Book value
Time Deposits	137.000.000	13,39%	08.01.2015-12.02.2016	138.031.848
	137.000.000			138.031.848

Obligations under repurchase agreements:

The details of funds received from reverse repo agreements accounted for undershort term other financial liabilities in the balance sheet as of September 30, 2016 and December 31, 2015 are as follows:

September 30, 2016	Cost	Interest rate	Maturity	Book value
Government bond	14.500.000	9,20%	11.08.2016 - 15.11.2016	14.686.395
Government bond	29.000.000	8,50%	20.09.2016 - 04.11.2016	29.074.288
Government bond	14.000.000	8,40%	22.09.2016 - 04.11.2016	14.028.997
	57.500.000			57.789.680

December 31, 2015	Cost	Interest rate	Maturity	Book value
Government bond	15.000.000	11,75%	19.01.2016	15.077.260
Government bond	32.000.000	10,70%	19.01.2016	32.159.474
Government bond	33.000.000	11,50%	08.01.2016	33.093.575
Government bond	14.000.000	11,75%	22.01.2016	14.040.562
Government bond	18.500.000	10,75%	12.02.2016	18.516.346
Government bond	24.500.000	11,75%	25.01.2016	24.570.983
	137.000.000			137.458.200

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Notes to the interim condensed financial statements as at September 30, 2016

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

9. Equity

As of September 30, 2016, the Company's total amount of nominal shares is 30.600.000.000 (December 31, 2015: 30.600.000.000) which has all been paid. The face value of the Company's common stocks is TL 0,01 each and the total nominal amount is TL 306.000.000 (December 31, 2015: TL 306.000.000).

Movement of common stocks at opening balance and closing balance is as follows:

<u>January 1, 2016</u>		<u>Issued Capital</u>		<u>Amortised</u>		<u>September 30, 2016</u>	
<u>Unit</u>	<u>Nominal TL</u>	<u>Unit</u>	<u>Nominal TL</u>	<u>Unit</u>	<u>Nominal TL</u>	<u>Unit</u>	<u>Nominal TL</u>
Paid	30.600.000.000	306.000.000	-	-	-	30.600.000.000	306.000.000
Total	30.600.000.000	306.000.000	-	-	-	30.600.000.000	306.000.000

<u>January 1, 2015</u>		<u>Issued Capital</u>		<u>Amortised</u>		<u>December 31, 2015</u>	
<u>Unit</u>	<u>Nominal TL</u>	<u>Unit</u>	<u>Nominal TL</u>	<u>Unit</u>	<u>Nominal TL</u>	<u>Unit</u>	<u>Nominal TL</u>
Paid	30.600.000.000	306.000.000	-	-	-	30.600.000.000	306.000.000
Total	30.600.000.000	306.000.000	-	-	-	30.600.000.000	306.000.000

Movement of legal reserves is as follows:

	<u>2016</u>	<u>2015</u>
Opening balance, January 1	178.468.101	171.820.419
Transfers from retained earnings	-	6.647.682
Closing balance, September 30	178.468.101	178.468.101

Actuarial gain / (loss)

In accordance with changes regarding "IAS 19 – Employee Benefits" effective as of January 1, 2013, net-off deferred tax actuarial loss amounting to TL 4.610.199 (net off deferred tax: TL (3.688.159) resulting from retirement pay liability calculation has been accounted to extraordinary reserves under equity.

Movement of actuarial loss arising from employee benefit is as follows:

<u>Actuarial Loss</u>	<u>2016</u>	<u>2015</u>
Opening balance, January 1	-4.680.554	-960.090
Change for the period	228.255	-2.797.505
Closing balance, September 30	-4.452.299	-3.757.595

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

9. Equity (continued)

Available for sale investments fund:

The unrealized gains and losses that result from the changes in the fair values of available for sale financial assets are directly recognized in the shareholders' equity as "Available for sale investments fund". Movement of available for sale investments fund is below:

Available for sale investments fund	2016	2015
Opening balance, January 1	-5.945.992	-5.312.432
Increase/decrease in value recognized under the shareholders' equity in the current period	3.054.962	-480.333
Closing balance, September 30	-2.891.030	-5.792.765

Hedge Accounting

The Company recognizes the changes in value of hedged asset by the foreign currency differences under equity. As of September 30, 2016, TL 12.842.002 (net: TL 10.273.602) is recognized under equity resulting from hedge accounting (December 31, 2015: TL 12.243.065, net: TL 9.794.452).

September 30, 2016

Amount of deposit	Currency	Exchange rate at the beginning	Exchange rate at the end	Exchange difference
16.859.659	USD	2,2342	2,9959	-12.842.002

December 31, 2015

Amount of deposit	Currency	Exchange rate at the beginning	Exchange rate at the end	Exchange difference
18.180.971	USD	2,2342	2,9076	-12.243.065

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 with the eurobond amounting to USD 23.535.017.

Dividends per share:

Pursuant to the decision taken in the Company's Ordinary General Meeting held on March 20, 2015, all of the net distributable profit consisted in financial statements which represents 2014 operating results have been distributed to shareholders after legal reserves are calculated over. The amount that distributed starting from March 24, 2015 is TL 23.959.800.

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10. Insurance liabilities

Gross	September 30, 2016	December 31, 2015
Reserve for unearned premiums	940.449.306	830.940.922
Outstanding claims provision	879.251.917	779.312.803
Life actuarial mathematical reserves	1.414.530	1.708.732
Life profit share provision	158.010	201.763
Bonus and rebates provision	12.277	1.200.000
Total	1.821.286.040	1.613.364.220

Reinsurance Share	September 30, 2016	December 31, 2015
Reinsurers' share of outstanding claims	283.490.957	320.273.585
Reinsurers' share of unearned premiums	389.161.329	211.078.524
Bonus and rebates provision	12.277	-
Total	672.664.563	531.352.109

Net	September 30, 2016	December 31, 2015
Reinsurers' share of outstanding claims	595.760.960	459.039.218
Reinsurers' share of unearned premiums	551.287.977	619.862.398
Life actuarial mathematical reserves	1.414.530	1.708.732
Life profit share provision	158.010	201.763
Bonus and rebates provision	-	1.200.000
Total	1.148.621.477	1.082.012.111

11. Payables to reinsurers, trade and other payables

	September 30, 2016	December 31, 2015
Payables to reinsurers	205.560.997	175.054.091
Payables due to main operations	205.560.997	175.054.091
Payables to SSI regarding medical expenses (*)	6.228.276	6.356.378
Taxes payable	10.590.462	13.182.320
Payables to Turkish Catastrophe Insurance Pool	15.226.633	14.540.068
Payables to contracted institutions	5.344.729	11.767.312
Payables to suppliers	664.916	3.938.121
Other	1.643.684	1.368.708
Total other short term payables	39.698.700	51.152.907
Total financial liabilities trade and other payables, deferred income	245.259.697	226.206.998

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12. Retirement social security liabilities

	September 30, 2016	December 31, 2015
Provision for employment termination benefits	6.064.059	6.474.170
Total	6.064.059	6.474.170

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, 2016 and December 31, 2015, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. As of September 30, 2016, the provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 6,98% (December 31, 2015: %6) and a discount rate of 9,91% (December 31, 2015: 7,7%), resulting in a real interest rate of approximately 2% (December 31, 2015: 2%). The anticipated rate of forfeitures is considered and estimated rate of the Company's retirement pay is also taken into account.

However, during this estimation, the employee termination benefits mentioned in subparagraph 5 of paragraph 1 of article 14 of the Labor Law numbered 1475 to be made in accordance with other conditions excluding the ages stipulated in clauses (a) and (b) of subparagraph A of paragraph one of article 60 of the Law numbered 506 or due to termination of employees on their own will after having completed the insurance period required for retirement pension (15 years) and the number of premium payment days (3600 days) have been excluded from the payments to be incurred by the Company.

The effect of estimation changes in the calculation of employee termination benefits is amounting to TL 4.610.199 (Deferred tax effect: TL 922.040) and has been accounted to actuarial loss arising from employee benefit under equity.

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

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

	2016	2015
Opening balance, January 1	6.474.170	2.813.302
Charge for the period	1.136.431	1.743.217
Actuarial gain/loss	-228.256	3.480.442
Retirement payments	-1.318.286	-1.562.791
Closing balance, September 30	6.064.059	6.474.170

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13. Net insurance premium income

The distribution of premium income is as follows:

	January 1 – September 30, 2016			January 1 – September 30, 2015		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Written premium	1.377.678.137	(583.930.640)	793.747.497	1.235.548.443	-429.481.864	806.066.579
Change in unearned premium reserve (*)	(109.508.383)	69.170.123	(40.338.260)	-6.712.067	73.684.921	66.972.854
Total premium revenue	1.268.169.754	(514.760.518)	753.409.237	1.228.836.376	(355.796.943)	873.039.433
Fire	322.860.536	(228.289.315)	94.571.221	338.774.229	-239.836.988	98.937.240
Marine	24.289.985	(9.904.508)	14.385.477	23.885.620	-11.109.944	12.775.677
Motor Own Damage	401.565.070	(26.408.469)	375.156.600	337.069.785	-20.013.238	317.056.547
Motor Third Party Liability	186.030.284	(15.488.443)	170.541.841	83.574.123	-5.678.949	77.895.174
Other	135.684.629	(81.019.085)	54.665.543	112.914.775	-60.936.458	51.978.318
General Losses	143.566.860	(95.329.809)	48.237.051	188.785.302	-88.242.868	100.542.434
Health	163.674.794	(127.491.010)	36.183.784	150.531.811	-3.660.817	146.870.994
Life	5.980	-	5.980	12.798	-2.602	10.195
Total	1.377.678.137	(583.930.640)	793.747.497	1.235.548.443	(429.481.864)	806.066.579

(*) Company has clean-cut agreement in auto-accident branch and as per these agreements; the Company has realized 2015 premium and claims portfolio outputs by December 31, 2015. As per the same agreement, portfolio inputs are also made in 2016. Effect of 2016 portfolio input has influenced fiscal year Ceded reinsurance Share of Outstanding Claims Provision and Ceded Reinsurance Share of Unearned Premiums Provision.

14. Expenses by nature

	January 1 - September 30, 2016	January 1 - September 30, 2015
Personnel expenses	(50.816.720)	(52.465.070)
Information technology expenses	(10.422.889)	(9.080.943)
Depreciation expenses	(9.795.012)	(8.076.551)
Rent expenses	(6.402.652)	(5.462.401)
Social relief expenses	(2.625.962)	(2.888.778)
Transportation expenses	(2.982.415)	(2.751.764)
Meeting and training expenses	(2.223.809)	(1.890.275)
Advertisement expenses	(2.309.856)	(1.768.738)
Repair and maintenance	(2.204.286)	(2.019.523)
Communication expenses	(1.227.940)	(1.642.287)
Outsourcing service expenses	(1.032.472)	(831.247)
Other	(11.500.302)	(8.351.810)
Total	(103.544.315)	(97.229.387)

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15. Insurance claims and claims recovered from reinsurers

September 30, 2016

	Gross	Reinsurers' Share	Net
Paid Claims	609.348.932	(128.159.608)	481.189.324
Change in outstanding claims (*)	79.659.605	(64.388.509)	15.271.096
Change in mathematical reserves	(337.955)	211	(337.744)
Bonus and rebates provision	(1.187.723)	(12.277)	(1.200.000)
Clean-cut transfers (*)	-	-	-
Total	687.482.859	(192.560.183)	494.922.676

December 31, 2015

	Gross	Reinsurers' Share	Net
Paid Claims	667.477.029	-80.308.366	587.168.663
Change in outstanding claims(*)	140.781.737	-85.433.476	55.348.261
Change in mathematical reserves	-59.323	-359	-59.682
Clean-cut transfers (*)	-	-1.985.207	-1.985.207
Total	808.199.443	(167.727.408)	640.472.035

(*) The Company owned clean cut agreement in motor own damage branch, according to the agreement the premium and claim disposals for 2015 has taken part on September 30, 2015. According to the same agreements the portfolio additions have been made within the year 2015. The effect of portfolio additions TL 1.985.205 in 2015 netted – off from outstanding claims.

16. Related parties

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

Due from /to related parties

	September 30, 2016	December 31, 2015
Shareholders	153.010	-107.314
Related parties	10.841.189	16.478.636
Total	10.994.199	16.371.322

Banks

	September 30, 2016	December 31, 2015
Related parties	574.281.361	67.670.586
Total	574.281.361	67.670.586

Marketable securities

	September 30, 2016	December 31, 2015
Related parties	15.294.313	28.794.288
Total	15.294.313	28.794.288

Investment funds

	September 30, 2016	December 31, 2015
Related parties	158.252.836	89.334.398
Total	158.252.836	89.334.398

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16. Related parties (continued)

Written Premium

	January 1 - September 30, 2016	January 1 - September 30, 2015
Shareholders	1.969.973	1.875.858
Related parties	103.650.000	95.638.625
Total	105.619.973	97.514.483

Claims Paid

	January 1 - September 30, 2016	January 1 - September 30, 2015
Shareholders	810	649.114
Related parties	9.534.719	23.862.110
Total	9.535.529	24.511.224

Investment income

	January 1 - September 30, 2016	January 1 - September 30, 2015
Related parties	43.782.837	25.089.787
Total	43.782.837	25.089.787

17. Contingencies

As of June 24, 2015, Tax Inspection Board of T.C. Ministry of Finance has launched a limited tax investigation related to the Banking and Insurance Transaction Tax for the years 2009, 2010, 2011 and 2012 and as a consequence of the tax inspection, tax of TL 1,8 million and tax penalty of TL 2,8 million for the year 2009 , tax of TL 2 million and tax penalty of TL 3 million for the year 2010 , tax of TL 3 million and tax penalty of TL 4,6 million for the year 2011 and tax of TL 4,3 million and tax penalty of TL 6,4 million for the year 2012 and in total tax and tax penalty of 27,9 million related to Banking Insurance Transaction Tax were imposed to the Company. The Company has not booked any provision in the financial statements since it believes that its practice is in compliance with the regulations. On January 16, 2016 and on February 20, 2016, the Company filed a reconciliation request to the Large Taxpayers Office Commission of Reconciliation for the tax and tax penalty for the year 2009 and for the years 2010, 2011 and 2012, respectively.

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18. Deferred taxes

As of September 30, 2016, the Company has booked the deferred tax assets in amounting to TL 28.274.230. The portion which is calculated over carriedforward statutory financial tax losses is amounting to TL 125.550.615 (December 31, 2015: TL 142.627.640) . The Company management is in the opinion that the Company is able to make sufficient taxable income based on the business plans and projections therefore the Company foresees no indicator of any concern regarding its recoverability of deferred tax assets. The maturity of the tax losses are below:

	2016	2015
Will be expired in 2020	125.550.615	142.627.640

19. Subsequent events

After the balance sheet date, there has not been any changes regarding operations of the Company documentation and policies of the Company.