Aksigorta Anonim Şirketi

Financial Statements as of March 31, 2016

Aksigorta Anonim Şirketi

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Aksigorta A.Ş.

Statement of financial position
as at March 31, 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Assets	Note	Unaudited March 31, 2016	Unaudited December 31, 2015
Total current assets		**2.494.542.903**	**2.246.962.125**
Cash and cash equivalents	6	829.627.829	413.271.914
Securities pledged under repurchase agreements	6, 29	141.239.740	138.031.848
Financial assets		-	-
Debt securities:		-	-
- Available for sale at company's risk	7	327.331.456	678.079.769
- Available for sale at insurees' risk	7	8.015.295	7.753.279
Premium receivables	8	371.671.355	337.227.879
Due from reinsurers	8	29.408.370	38.922.110
Reinsurance share of insurance liabilities	9	676.178.315	531.352.109
Deferred acquisition costs	10	51.479.578	64.793.992
Other assets	11	59.590.965	37.529.225
Total non-current assets		**103.413.264**	**107.779.565**
Tangible assets	12	25.664.252	26.539.317
Investment properties	13	80.126	80.126
Intangible assets	14	33.675.828	33.994.538
Financial assets		-	-
Equity securities:		-	-
- Available for sale	7	8.182.140	8.182.140
Deferred income tax assets	17	35.573.170	38.734.260
Other assets	11	237.748	249.184
Total assets		**2.597.956.167**	**2.354.741.690**

Liabilities	Note	Unaudited March 31, 2016	Unaudited December 31, 2015
Total current liabilities		**2.226.985.501**	**1.997.717.311**
Insurance liabilities	15	1.735.825.491	1.613.364.220
Payables to reinsurers	18	292.062.286	175.054.091
Obligations under repurchase agreements	29	141.226.063	137.458.200
Provisions for other liabilities and charges	16	20.422.005	20.687.893
Trade and other payables	18	37.449.656	51.152.907
Current income tax liabilities	17	-	-
Total non-current liabilities		**5.981.140**	**6.474.170**
Provision for retirement benefit obligation	19	5.981.140	6.474.170
Total equity		**364.989.526**	**350.550.209**
Shareholders' equity	20	306.000.000	306.000.000
Legal and other reserves	20	178.468.101	178.468.101
Actuarial loss arising from employee benefit	20	(3.772.745)	(3.744.443)
Hedging reserve	20	8.527.561	9.794.452
Available-for-sale investments fund	20	(4.221.527)	(5.945.992)
Retained earnings/accumulated deficit	20	(120.011.864)	(134.021.909)
Total equity and liabilities		**2.597.956.167**	**2.354.741.690**

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

Income Statement
as at March 31, 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Income Statement	Note	January 1 - March 31, 2016	January 1 - March 31, 2015
Insurance premium revenue	5, 22	399.461.578	406.805.299
Insurance premium ceded to reinsurers	5, 22	(154.186.316)	(92.814.185)
Net insurance premium revenue	5, 22	**245.275.262**	**313.991.114**
Investment income	24	26.534.055	21.205.891
Commission income	25	43.101.236	5.065.209
Other operating income	26	794.906	1.224
Net income		**315.705.459**	**340.263.438**
Insurance claims	23	(214.410.148)	(239.833.774)
Insurance claims recovered from reinsurers	23	53.414.831	14.542.039
Net insurance claims	5, 23	**(160.995.317)**	**(225.291.735)**
Commission expense	25	(93.209.290)	(81.777.353)
Expenses for marketing and administration	27	(34.204.030)	(32.119.085)
Other operating expenses	26	(6.352.901)	(5.828.999)
Insurance claims and expenses		**(294.761.539)**	**(345.017.172)**
Results of operating activities		**20.943.920**	**(4.753.735)**
Foreign exchange gain / (loss), net	28	(3.880.103)	6.408.712
Profit before tax		**17.063.817**	**1.654.977**
Income tax expense	17	(3.053.772)	(1.762.527)
Profit for the period		**14.010.045**	**(107.550)**
Earnings per share	21	**0,0005**	**0,0000**

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

Statement of comprehensive income
as at March 31, 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Statement of comprehensive income		January 1 - March 31, 2016	January 1 - March 31, 2015
Profit for the period		**14.010.045**	**(107.550)**
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	20	1.724.465	(1.623.230)
Cash flow hedging, net off deferred tax	20	(1.266.891)	4.601.835
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**457.574**	**2.978.605**
Other comprehensive income not being reclassified to profit or loss in subsequent periods:			
Actuarial loss, net off deferred tax	20	(28.302)	(2.767.984)
Release of deferred tax liability		-	-
Transfer to retained earning		-	-
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**(28.302)**	**(2.767.984)**
Other comprehensive income, net of tax		**429.272**	**210.622**
Total comprehensive income for the year, net of tax		**14.439.317**	**103.072**

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

Aksigorta A.Ş.

Statement of changes in equity
as at March 31, 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

December 31, 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**
Balance at December 31, 2014		**306.000.000**	**(838.117)**	**-**	**171.820.419**	**(960.090)**	**1.338.054**	**(85.262.544)**	**392.097.722**
Profit for the year		-	-	-	-	-	-	(18.151.883)	(18.151.883)
Transfer		-	-	-	6.647.682	-	-	(6.647.682)	-
Other comprehensive income		-	(5.107.875)	-	-	(2.784.353)	8.456.398	-	564.170
Total comprehensive income	7	**-**	**(5.107.875)**	**-**	**6.647.682**	**(2.784.353)**	**8.456.398**	**(24.799.565)**	**(17.587.713)**
Dividend payment		-	-	-	-	-	-	(23.959.800)	(23.959.800)
Balance at December 31, 2015		**306.000.000**	**(5.945.992)**	**-**	**178.468.101**	**(3.744.443)**	**9.794.452**	**(134.021.909)**	**350.550.209**

March 31, 2016									**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**
Balance 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		-	-	-	-	-	-	14.010.045	14.010.045
Transfer		-	-	-	-	-	-	-	-
Other comprehensive income		-	1.724.465	-	-	(28.302)	(1.266.891)	-	429.272
Total comprehensive income	**7**	**-**	**1.724.465**	**-**	**-**	**(28.302)**	**(1.266.891)**	**14.010.045**	**14.439.317**
Dividend payment	7	-	-	-	-	-	-	-	-
Balance at March 31, 2016	**7**	**306.000.000**	**(4.221.527)**	**-**	**178.468.101**	**(3.772.745)**	**8.527.561**	**(120.011.864)**	**364.989.526**

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

Statement of cash flows
as at March 31, 2016
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Cash Flow Statement	Note	January 1 – March 31, 2016	January 1 – March 31, 2015
Cash inflows from insurance operations		388.748.853	349.820.808
Cash outflows from insurance operations		-291.802.708	-319.883.717
Income tax payment		0	0
Cash inflows/(outflows)from operational expenses		-26.105.589	-32.119.085
Net cash flows from operating activities		**70.840.556**	**-2.181.995**
Tangible and intangible asset acquisitions	12, 14	-2.882.195	-5.055.968
Financial asset acquisitions	7	350.476.871	-3.968.188
Interest received	24	22.375.654	15.142.418
Other cash inflows/(outflows)		-21.247.080	-10.655.827
Net cash flows from investing activities		**348.723.250**	**-4.537.565**
Dividends paid	20	0	-23.959.800
Net cash flows from financing operations		**0**	**-23.959.800**
Net increase/(decrease) in cash and cash equivalents		**419.563.806**	**-30.679.360**
Cash and cash equivalents at the beginning of the period		**546.650.423**	**819.757.469**
Cash and cash equivalents at the end of the period	2.15, 6	**966.214.229**	**789.078.109**

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

(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 March 31, 2016. 38.02% (December 31, 2015: 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:

	March 31, 2016	March 31, 2015
Top and middle management	108	122
Other personnel	503	561
Total	**611**	683

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 1.364.710 in total for January 1 - March 31, 2016 (January 1 - March 31, 2015: TL 1.621.139).

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). They have been prepared in accordance with those IFRS standards and IFRIC interpretations issued by the International Accounting Standards Board ("IASB") and effective as at the time of preparing these financial statements. They have been prepared under the historical cost convention, as modified by the valuation of available for sale financial assets and financial assets at fair value through profit or loss.

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.

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 March 31, 2016 is presented in comparison with its statement of financial position as of March 31, 2016; statement of comprehensive income, statement of changes in equity and statement of cash flows for the period between January 1 – March 31, 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 – March 31, 2015.

2.2 Adoption of New and Revised Standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2015 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 2015. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

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

IAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

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

Annual Improvements to IAS/IFRSs

In December 2013, IASB issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle.

Annual Improvements - 2010–2012 Cycle

IFRS 2 Share-based Payment:

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

IFRS 3 Business Combinations

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

IFRS 8 Operating Segments

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

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

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows: i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

IAS 24 Related Party Disclosures

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

Annual Improvements – 2011–2013 Cycle

IFRS 3 Business Combinations

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

IFRS 13 Fair Value Measurement

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

IAS 40 Investment Property

The amendment clarifies that IFRS 3, not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The amendment is effective prospectively.

The amendments did not have a significant impact on the statements 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 financial statements and disclosures, when the new standards and interpretations become effective.

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

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. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization (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 amortization 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.

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. Entities are required to apply the amendments for annual periods beginning on or after January 1, 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.

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)

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
• Using the equity method defined in IAS 28

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

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

In April 2015, 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 recognizes 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 recognized only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

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

In February 2015, 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 amendments are applicable for annual periods beginning on or after January 1, 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.

IAS 1: Disclosure Initiative (Amendments to IAS 1)

In February 2015, 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. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the financial statements of the Company.

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

Annual Improvements to IFRSs - 2012-2014 Cycle

In September 2014, 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

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 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 original effective date was 1 January 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after 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. There is no impact of the standard on financial position or performance of the Company.

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (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.

IFRS 16 Leases

In January 2016, 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 Unrealized Losses (Amendments)

In January 2016, 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 unrealized 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 recognized 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 amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

IAS 7 'Statement of Cash Flows (Amendments)

In January 2016, 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.

2.3 Consolidation

The Company has no subsidiaries or joint ventures within the scope of consolidation in accordance with "IFRS 10– Consolidated Financial Statements" as of March 31, 2016 (December 31, 2015: None).

2.4 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.

2.5 Foreign currency translation

The functional currency of the Company is TL. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

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

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

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

Foreign currency assets and liabilities are converted by using period end exchange rates of Central Bank of the Republic of Turkey's bid rates. For the conversion of liabilities the exchange rate stated at the contract is used.

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

2. Summary of significant accounting policies (continued)

2.5 Foreign currency translation (continued)

The Central Bank of the Republic of Turkey exchange rates used in the conversion is as follows:

	March 31, 2016		March 31, 2015	
	US Dollar / TL	**EUR / TL**	US Dollar / TL	Euro / TL
Bid Rates	**2,8334**	**3,2081**	2,9076	3,1776
Ask Rates	**2,8385**	**3,2139**	2,9128	3,1833

2.6 Property, plant and equipment

All property and equipment are carried at cost less accumulated depreciation. Since lands have infinite life, they are not depreciated. Depreciation is calculated using the straight-line method over the estimated useful life of the tangible assets. For assets that are not ready for use or sale, such assets are depreciated, on the same basis used for other fixed assets, when they are ready to use.

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.

If there are indicators of impairment on tangible assets, a review is made in order to determine possible impairment and as a result of the review, if an asset's carrying amount is greater than its estimated recoverable amount, the asset's carrying amount is written down immediately to its recoverable amount by accounting for a provision for impairment. Gains and losses on disposals of property and equipment are included in other operational income and expenses accounts.

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:

	Useful Life
Buildings	40 - 50 years
Vehicles	5 years
Fixtures	10 years
Leasehold Improvements	5 - 10 years

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

2. Summary of significant accounting policies (continued)

2.7 Investment properties

The buildings of the Company held for the purpose of receiving rent or an increase in value or both instead of being used in the operations of the Company or being sold within the normal business course are classified as investment properties. The investment properties are carried at acquisition cost by deducting the accumulated depreciation. Investment properties are amortized by the straight-line method over their estimated useful lives. If there are indicators of impairment on investment properties, a review is made in order to determine possible impairment and as a result of this review, if the property's carrying amount is greater than its estimated recoverable amount, the property's carrying amount is written down immediately to its recoverable amount by accounting for an impairment provision. The recoverable amount is the higher of the future cash inflows from the existing use of the investment property and the fair value of the property after cost of sale. The Company does not have an impairment booking for its investment properties as of March 31, 2016.

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. The depreciation period of investment properties is 50 years.

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 amortized over their estimated useful lives (1 to 10 years).

Costs associated with developing or maintaining computer software programs 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 are amortized over their estimated useful lives.

Useful life:

	2016	2015
Rights (*)	5 years	5 years

(*) Estimated useful life has been reviewed as at December 31, 2015. Had the Company used the 3-year-useful life for rights, the expense effect of amortization was amounting to TL 2.811.097.

2. Summary of significant accounting policies (continued)

2.9 Financial assets

The Company classifies and accounts for its financial assets as "at fair value through profit or loss", "Available-for-sale financial assets" and "Loans and receivables (Premium receivables)". Premium receivables are the receivables arising from insurance agreements and they are classified as financial assets in financial statements.

Regular purchases and sales of financial assets are recognized on the "settlement date". The classification of these financial assets depends on the purpose for which they were acquired and the Company's management determines the classification of its financial assets at initial recognition.

Loans and receivables (Premium receivables):

Loans and receivables are financial assets which are generated by providing money or service to the debtor. Loans and receivables are recognized initially at fair value and subsequently measured at cost. Fees and other charges paid related to assets obtained as guarantee for the above mentioned receivables are not deemed as transaction costs and they are recognized as expense in the income statement.

The Company accounts for a provision for its receivables based on evaluations and estimations of the management. The mentioned provision is deducted from "Premium receivables" on the statement of financial position. The Company sets its estimations in accordance with the risk policies and the principle of prudence by considering the structure of current receivable portfolio, financial structure of policyholders and intermediaries, non-financial data and economic conditions.

Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss consist of financial instruments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin, formed as a part of a portfolio of financial assets that are managed together for which there is evidence of short-term profit taking, and classified as financial assets designated at fair value through profit or loss at inception since they are managed and their performance is evaluated on a fair value basis.

Financial assets at fair value through profit or loss are accounted for at their fair values at initial recognition, and these financial assets are also subsequently measured at their fair values. Gains or losses as a result of fair valuation are recognized directly in the income statement. Gains or losses as a result of fair valuation of financial assets at fair value through profit and loss are recorded under investment income (Note 7).

Available-for-sale financial assets

Investments other than "financial assets at fair value through profit or loss", and "loans and receivables" are described as available-for-sale financial assets.

Available-for-sale financial assets are subsequently measured at fair value after their recognition. It is considered that the fair value cannot be reliably measured if the price that provides a basis for fair value is not set in active market conditions and "amortized cost value" that is calculated using the effective interest method is used as fair value. Equity securities classified as available-for-sale are carried at fair values if they have quoted market prices in active markets and/or if their fair value can be reliably measured. The equity securities that do not have a quoted market price in an active market, and if their fair value cannot be reliably measured are carried at cost less the provision for impairment.

"Unrealized gains and losses" arising from the change in the fair value of available-for-sale financial assets is accounted for under "Valuation of Financial Assets" account in the shareholders' equity and not reflected in the income statement until the financial asset is sold, disposed or derecognized. The unrealized gains and losses arising from the change in the fair value is removed from shareholders' equity and recognized in the income statement when the financial assets mature or are derecognized. The Company assesses at each statement of financial position date whether there is objective evidence that an available-for-sale financial asset is impaired. In the case of equity investments classified as available-for-sale financial assets, such as, a significant or prolonged decline in the fair value of the security below its cost is considered as impairment. If any objective evidence for impairment exists for available-for-sale financial assets, the difference between the acquisition cost and current fair value is deducted from shareholders' equity and recognized in the income statement. The impairment losses on available-for-sale equity instruments previously recognized in the profit or loss cannot be reversed through profit or loss.

2. Summary of significant accounting policies (continued)

2.11 Reclassification of financial assets

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

2.12 Impairment of Assets

The details about the impairment of assets are explained in the notes in which the accounting policies of the relevant assets are explained.

2.13 Related party

Parties are considered related to the Company if;

(a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

In the financial statements and related notes dated March 31, 2016 and 2014, the Company management, groups associated to H.Ö. Sabancı Holding and Ageas Insurance International N.V. are defined as related parties.

2.14 Offsetting Financial Instruments

Financial assets and liabilities are offset only when there is a legally enforceable right to offset the recognized amounts, 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.

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

2. Summary of significant accounting policies (continued)

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments, which their maturities are 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 6).

Cash and cash equivalents included in the statements of cash flows are as follows:

	March 31, 2016	December 31, 2015
Banks	764.409.045	374.800.368
Credit card receivables	206.458.524	176.503.394
Less: Interest accrual	(4.653.340)	(798.285)
Total cash and cash equivalents	**966.214.229**	550.505.477

2.16 Share capital

As of March 31, 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:

	March 31, 2016		December 31, 2015	
Name of shareholders	**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 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 June 15, 2000 upon the permission no: 67/1039 granted by the Capital Markets Board.

As of March 31, 2016, the Company's registered share capital ceiling is TL 500.000.000 (31 December 2014: TL 500.000.000).

Other information about Company's share capital is explained in Note 20.

2. Summary of significant accounting policies (continued)

2.17 Insurance and investment contracts

Insurance contracts are contracts under which, in exchange for a premium, the insurer assumes the obligation to compensate a loss caused by the materialization of the danger (risk) having the consequence of harming the interest, measurable by money, of the concerned person or make payment or to fulfill other performances linked to the lifetime of one or several persons or upon the occurrence of some events in the course of their life.

The insurer can take out reinsurance, under conditions as it thinks appropriate, in respect of the interest it had covered.

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.

The main contracts produced by the Company are mainly in non-life branches such as motor own damage, motor third party liability, fire, marine, accident, engineering, health and agriculture insurance agreements.

The fire insurance agreements are classified as industrial and individual. The policyholder is insured for the physical losses and claims due to the risks such as fire, earthquake, bursting, flood. The policyholder is insured for losses caused by the complete or partial interruption of the operations as a result of an event covered by the insurance contract with loss of profit coverage. Casualty insurance contracts (Liability, Personal Accident and Motor) have two main purposes. These contracts protect the insured against the risk of damage of assets and against the risk of causing harm to third parties.

Marine insurance contracts contain insurance of transportation (vessels, or vehicles on land or air) and water vehicles (the payment for the claims occurred in sea, river and island vehicles). Engineering insurance contracts are subdivided into two groups. The contracts covering permanently installed risks for an indefinite period, and the contracts covering temporary, non-recurring risks. The first group consists of insurance protection against sudden and unforeseen damages or losses of the machines, mechanical equipment, plants and electronic equipments. The second group provides installation and construction insurance of which coverage is naturally limited with the guarantee period of installation and construction. Liability insurance contracts provide claims due to the air crafts, water crafts and land vehicles liability. Furthermore, the Company has major production of the animal life and publicly supported agriculture insurances which are included in general loss insurance contracts. Health insurance contracts are the contracts that pay benefits an insured who becomes ill or injured, provided that documentation is offered to confirm the illness or injury.

Unearned Premium Reserve

Unearned premium reserve is calculated on a daily basis for all policies in force as of statement of financial position date for unearned portions of premiums written, except for marine premiums issued before 14 June 2007. 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 end at 12:00 noon again. Unearned premium reserve and the reinsurers' share of the unearned premium reserve for policies, are calculated and recorded as the deferred portion of the accrued premiums related to the policies in force and ceded premiums to reinsurers without deducting commissions or any other deduction, on a daily and gross basis. For cargo insurance policies with unspecified termination date, unearned premium reserve is accounted for as the 50% of premiums written in the last three months.

2. Summary of significant accounting policies (continued)

Deferred Commission Expense and Income

Unearned portion of commissions paid to agencies for the written premiums and commissions received from reinsurers for the ceded premiums are recorded as in deferred acquisition costs on the statement of financial position, and as expenses for the acquisition of insurance contracts on a net basis in the income statement.

Liability Adequacy Test

At each end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss initially by writing off DAC and by subsequently establishing a provision for losses arising from liability adequacy tests (the unexpired risk provision). Long-term insurance contracts with fixed terms are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimate assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities. Any DAC written off as a result of this test cannot subsequently be reinstated. At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future cash flows are used. The adequacy of the unearned premium liability is assessed by considering the portion of the estimated value of claims and expenses, likely to arise after the end of the reporting period from existing contracts, that exceeds the provision for unearned premiums after deduction of any acquisition costs. Any deficiency is immediately charged to profit or loss. The assessment, whether a deficiency exists is made at the Company level since all insurance products are regarded as being managed together and there are no constraints on the ability to use assets held in relation to each line of business to meet any of the associated liabilities. For the purpose of calculating the additional provision, the Company does not take into account the investment return expected to be earned by investments held. The Company accounts additional reserves for the branches that the combined loss ratio calculated is higher than 100%.

Outstanding claims provision

Claims are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include settlement costs and arise from events that have occurred up to the statement of financial position date even if they have not yet been reported to the Company. Outstanding claims are estimated using the input of assessments for individual cases reported and statistical analyses. The expected ultimate cost of claims is also affected by external factors such as court decisions.

Claims are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted.

2. Summary of significant accounting policies (continued)

2.17 Insurance and investment contracts (continued)

For the estimation of the ultimate liability arising from claims made under insurance contracts, the Company uses Bornhuetter Ferguson ("BF"), Chain-Ladder and Frequency and Severity methods. The method for MTPL is based on frequency and severity method, for the rest of the branches are selected by applying weighted average incurred ultimate results of Chain-Ladder method and incurred or average of paid and incurred ultimate results of Bornhuetter Ferguson method are used for the estimation of ultimate liabilities. It involves the analysis of historical claim development factors based on historical pattern and also loss ratio is considered in BF method.

The appropriate development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claim cost for each accident year. The choice of selected factors for each accident year of each class of business depends on the best estimate of the Company. Considering the uncertainty about the amount and timing of claims, the Company made the estimation of claims development considering starting from the year of 2003 and a tail factor is used for some branches for future developments. The Company performs the ultimate liability estimation for large claims separately which are determined as large claims by using certain statistical methods since these claims have different claim development patterns. Additionally, the ultimate liability calculations are performed on gross basis and the net amounts are determined according to historical ceding rates on each accident quarter or applicable reinsurance treaties are applied to ultimate losses for each branch. A provision is calculated and accounted for unallocated loss adjustment expenses ("ULAE") refer to general overhead expenses associated with the claims-handling process, and particularly the costs of investigating, handling, paying, and resolving claims. The estimation for ULAE is calculated using the rate of historical expenses to total claim amounts. The methods which were selected by the Company for each branch, the results of related calculations as of March 31, 2015 and 2014, the methods to calculate net of reinsurance results and the limits which are used for the big claims eliminations are disclosed in Note 15.

Reinsurance agreements

Reinsurance agreements are the agreements enforced by the Company and the reinsurer, in exchange for a certain compensation, to cede the premiums and losses which may occur in relation to one or more insurance policies produced by the Company.

The Company has excess of loss, surplus and proportional quota-share agreements in accordance with the branches in which it operates. Within the framework of excess of loss agreements, the ceded premiums are accounted for on accrual basis over the relevant period. The revenues and liabilities due to premium and claim ceded under other annual reinsurance agreements are also accounted for on the same basis.

The Company has surplus reinsurance agreement in fire, marine, engineering and other accident branches and annual proportional quota-share reinsurance agreement for motor branches. Besides, The Company has excess of loss agreements in fire, marine and engineering branches.

Motor quota-share agreement is based on the transfer of written premiums and paid claims during the period covered by the agreement, and portfolio transfer is performed for premium and outstanding claim reserves by the end of each period. For surplus agreements, which work on a run-off basis, the liability of the reinsurers continue for the underwriting year at the policy period when the claim occurred.

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

2. Summary of significant accounting policies (Continued)

2.17 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 October 17, 2011 (the "Communiqué numbered 2011/18"), the regulation(the "Communique numbered 2012/3") making changes in "The Regulation on the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated March 16, 2012 and numbered 2012/3 and the communique about changes related "the Principles of Collection of the Costs of the Health Services Provided due to the Traffic Accidents" dated April 30, 2012 and numbered 2012/6 (the "Communique numbered 2012/6").Within this framework, the Group is required to cede a certain amount of premiums to be determined in accordance with the Regulation and the Communiqué numbered 2011/17 to SSI in relation to policies issued as of February 25, 2011 the notice numbered 2012/3 and the communiqué numbered 2012/6 in "Compulsory Transportation", "Compulsory Traffic" and "Compulsory Motor Personal Accident" branches regarding the expenses with respect to the traffic accident related medical care services provided after enforcement of the Law. Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI in January 1 - March 31, 2016 account period as TL 2.597.554 (January 1 – March 31, 2015: TL 2.434.301) and an unearned premium reserve amounting to TL 3.611.834 as of March 31, 2016 (March 31, 2015: TL 8.609.974); classified under "Ceded Premiums".

However, 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.

2.18 Insurance contracts and investment contracts with discretionary participation feature

None (December 31, 2015: None).

2.19 Investment contracts without discretionary participation feature

None (December 31, 2015: None).

2. Summary of significant accounting policies (continued)

2.20 Borrowings

None (December 31, 2015: None).

2.21 Current and deferred income tax

The Company is subject to Turkish corporate taxes. Provision is recognized in the accompanying financial statements for the estimated charge based on the Company's results for the years and periods. Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized. The effective tax rate used in 2015 and 2014 is 20 %.

In Turkey, advance tax returns are calculated and accrued on a quarterly basis. The advance corporate income tax rate used in 2015 and 2014 is 20 %. Losses are allowed to be carried maximum 5 years in order to deduct from the taxable profit of the following years.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between the dates 1 - 25 April, following the closing of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within 5 years.

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 statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.22 Employee benefits

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

According to the Turkish Labor 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 Labor Law. The provision for employment termination benefits is calculated over present value of the possible liability in scope with the Labor Law by considering determined actuarial estimates.

2.23 Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. If provision amount is measured by the cash flows estimated to settle the present obligation, its carrying amount will be equal to the present value of such cash flows.

2. Summary of significant accounting policies (continued)

2.23 Provisions (continued)

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.

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 financial statements (Note 16).

2.24 Revenue recognition

Written premium

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.

Reinsurance commissions

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. Reinsurance commission income is recognized in the financial statements on an accrual basis by allocating the deferred commission income over commissions received.

Claim recovery and salvage income

The Company recognizes the subrogation and salvage receivables, as limited to the coverage amount of the debtor insurance company, provided that the claim payment has been performed, the acquittance or the statement of payment has been received from the policyholders; and related individuals or insurance companies have been notified. A provision is recorded for those receivables which are not collected from insurance companies after six months and from individuals after four months following the payment of claim.

Dividend income

Dividend income is recognized as an income in the financial statements when the right to receive payment is established.

2.25 Interest income and expense

Interest income and expenses are accounted on an accrual basis in the related period's income statement. 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.

2.26 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lesser are classified as financial leases while other leases are classified as operational leases.

2. Summary of significant accounting policies (continued)

2.26 Leases (continued)

Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The liability to lesser is classified as the leasing payables in the statement of financial position. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost except for capitalized portion is charged to the income statement.

The payment of the operational lease is charged to the income statement on a straight-line basis over the lease period (The incentives received or to be received from the lessor are also charged to the income statement on a straight-line basis over the lease period).

2.27 Operational lease

The payment of the operational lease is charged to the income statement on a straight-line basis over the lease period (The incentives received or to be received from the lessor and payments made to intermediaries to acquire the lease contract are also charged to the income statement on a straight-line basis over the lease period). The Company has paid in advance amounting to TL 713.668 arising from operational leases as of March 31, 2016, which is accounted in the short term other assets. As of March 31, 2016, the Company's total contractual cash outflows are TL 39.732.136 (USD 14.022.777) with the monthly maturity between June 5, 2016 to May 5, 2024 (December 31, 2015: TL 40.772.626 (USD 14.022.777).

2.28 Dividend distribution

Listed companies distribute dividend in accordance with the Communiqué No. II-19,1 issued by the Capital Market Board (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.

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.

2.29 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 – March 31, 2016, total income resulting from short-term swap contracts' market valuation has been accounted under "investment income" in the income statement. During the period between January 1 – March 31, 2016, TL 245.798 total income resulting from short-term swap contracts' realization has been booked under the income statement as an income from derivatives (January 1 – December 31, 2015: TL 38.493.917).

2. Summary of significant accounting policies (continued)

2.30 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 ineffective part of exchange rate which 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.

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. Accounting policies regarding technical reserves are disclosed in Note 2.17.

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

4. Management of insurance and financial risk

Insurance risk

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. On principle, 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.

The Company's gross insurance guarantees given to insurees are summarized as below:

	March 31, 2016	December 31, 2015
Motor Third Party Liability	608.536.739.412	862.114.750.643
Fire	586.239.991.858	526.559.025.553
General Losses	284.069.576.044	265.309.807.601
Other	194.165.685.194	173.566.342.322
Marine	88.991.900.810	82.544.436.786
Health	9.701.689.629	9.288.557.000
Motor Own Damage	31.617.135.439	30.495.506.795
Life		
Total	**1.803.322.718.386**	1.949.878.426.700

(a) Market risk

i. Cash flow and market 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 is related to 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.

	March 31, 2016	December 31, 2015
Total		Effect on profit and profit reserves
Market interest rate increase / (decrease)		TL
1%	(4.503.283)	(2.399.153)
-1%	5.832.988	2.527.760

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

4. Management of insurance and financial risk (continued)

ii. 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 March 31, 2016 and December 31, 2015 are disclosed below:

			March 31, 2016
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	23.058.925	2,8334	65.335.158
EUR	1.106.140	3,2081	3.548.608
GBP	37.698	4,0766	153.680
CHF	42.326	2,9324	124.117
Total			**69.161.562**

Prepaid expenses	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	326.696	2,8334	925.661
Total			**925.661**

Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	41.114.196	2,8334	116.492.963
EUR	7.689.372	3,2081	24.668.274
GBP	95.799	4,0766	390.534
CHF	19.010	2,9324	55.745
Other	-	-	271
Total			**141.607.787**

Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	23.535.018	2,8334	66.684.120
Total			**66.684.120**

Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(4.700.677)	2,8385	(13.342.872)
EUR	(1.602.794)	3,2139	(5.151.220)
Other	-	-	(5.446)
Total			**(18.499.537)**

Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(33.039.869)	2,8385	(93.783.668)
EUR	(3.987.927)	3,2139	(12.816.799)
Other			(381.715)
Total			**(106.982.182)**

Net Foreign Currency Position	**152.897.412**

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

4. Management of insurance and financial risk (continued)

ii. Foreign currency 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			**183.428.323**

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)	2,9128	(12.137.096)
EUR	-	3,1833	-
Other	-	-	
Total			**(12.137.096)**

Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(28.279.961)	2,9128	(82.373.870)
EUR	(3.622.986)	3,1833	(11.533.051)
Other	-	-	(1.123.714)
Total			**(95.030.636)**

Net Foreign Currency Position	**205.610.760**

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

4. Management of insurance and financial risk (continued)

ii. Foreign currency risk (continued)

Sensitivity to foreign currency 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.

	March 31, 2016		December 31, 2015	
	USD Effect	**EUR Effect**	USD Effect	EUR Effect
Profit / Loss Increase	7.581.972	1.028.129	12.086.316	1.507.937
Profit / Loss (Decrease)	(7.581.972)	(1.028.129)	(12.086.316)	(1.507.937)

iii. Price risk

The Company is exposed to price risk due to its investments in shares. Shares are held for strategical purposes rather than trading purposes. These investments are not actively traded by the Company.

As of the reporting date, if data used in the valuation method is increased/decreased by 10% and all variables remain fixed, since the Company's equity investments are classified as available for sale assets and if they are not disposed of or impaired, net profit/loss would not be affected.

	March 31, 2016	December 31, 2015
Total	**Effect on financial assets available for sale**	
Price increase / (decrease)		TL
10%	32.755.235	67.830.066
-10%	(32.755.235)	(67.830.066)

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

4. Management of insurance and financial risk (continued)

(b) Credit Risk

Credit risk is the risk that counterparties may be unable to meet the terms of their agreements. Credit risk is managed by guarantees received and procedures applied for the selection of the counterparties. 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 March 31, 2015, the Company has presented its receivables from insurance operations, guarantees received for these receivables and provision for doubtful receivables in Note 8. Reinsurance is utilized to manage insurance risk. This does not, however, discharge the Company’s liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract. Company’s credit risk management process is primarily is evaluated in the stage of determining of reinsurance companies. Reinsurance placements are covered by reinsurers whose credibility is checked and agreements made in this regard are approved by Board of Directors. Total credit risk of the Company as of March 31, 2016 and 2014 are TL 38.922.110 and TL 19.812.646, respectively.

Main reinsurance companies worked with as of March 31, 2016 and December 31, 2015 and their latest ratings are as follows:

2016

Reasürans Şirketleri	Standard & Poors Notu	Reasürans Şirketleri	Standard & Poors Notu
Allianz Risk Transfer	AA-	Korean Re	A
Amlin Re	A	Malaysian Re	-
Arab Re	-	Mapfre Re	A
ARIG	-	Milli Re	tr AA+
Asia Capital	A-	Odyssey Re	A-
Catlin Re	A	Scor	AA-
China Re	A+	Sompo Japan	A+
Covea	A+	Toa Re	A+
Everest Re	A+	Trust Re	A-
GIC	-	VIG	A+
Hannover Re	AA-	Coface	A+
QBE	A+		

2015

Reasürans Şirketleri	Standard & Poors Notu	Reasürans Şirketleri	Standard & Poors Notu
Allianz Risk Transfer	AA-	Korean Re	A
Amlin Re	A	Malaysian Re	-
Arab Re	-	Mapfre Re	A
ARIG	-	Milli Re	tr AA+
Asia Capital	A-	MS Frontier	A+
Catlin Re	A	Odyssey Re	A-
China Re	-	Scor	A+
Covea	A	Sompo Japan	A+
Everest Re	A+	Toa Re	A+
GIC	-	Trust Re	A-
Hannover Re	AA-	VIG	A+

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

4. Management of insurance and financial risk (continued)

(c) 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 March 31, 2016 is as follows:

March 31, 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	601.045.275	219.425.253	-	-	-	9.157.301	829.627.829
Securities pledged under repurchase agreements		141.239.740					141.239.740
Financial assets available for sale	-	-	11.652.234	17.964.235	25.988.838	220.889	55.826.196
Investments on policyholders’ risk	117.877	-	5.281.262	2.616.156	-	-	8.015.295
Receivables from main operations	110.750.111	112.682.117	170.677.991	-	-	-	394.110.219
Due from reinsurance companies		29.408.370					29.408.370
Reinsurers’ share of insurance liabilities		676.178.315					676.178.315
Equity securities	-	-	-	-	-	8.182.140	8.182.140
Derivative financial assets							-
Other assets		59.590.965					59.590.965
Assets	**711.913.263**	**1.238.524.760**	**187.611.487**	**20.580.391**	**25.988.838**	**17.560.330**	**2.202.179.069**
Derivative financial liabilities							-
Obligations under repurchase agreements	141.226.059						141.226.059
Insurance liabilities	252.890.159	405.740.882	1.077.194.450				1.735.825.491
Due to reinsurers			292.062.286				292.062.286
Trade and other payables	4.990.405	21.683.722	22.068.553				48.742.680
Liabilities	**399.106.623**	**427.424.604**	**1.391.325.289**	**-**	**-**	**-**	**2.217.856.516**
Liquidity surplus/(deficit)	**312.806.640**	**811.100.156**	**(1.203.713.802)**	**20.580.391**	**25.988.838**	**17.560.330**	**(15.677.447)**

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

4. 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	**397.156.148**	**424.962.076**	**1.154.911.194**	**-**	**-**	**-**	**1.977.029.418**
Liquidity surplus/(deficit)	**337.263.904**	**528.241.699**	**(902.325.444)**	**65.357.529**	**81.628.927**	**103.154.240**	**213.320.855**

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

4. Management of insurance and financial risk (continued)

Fair value of the 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.

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 measurments are performed in accordance with the following fair value measurment hierarchy.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than qouted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indircetly (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).

	March 31, 2016	Level 1	Level2	Level 3
Available for sale at company's risk	327.331.456	327.331.456		
Available for sale at insurees' risk	8.015.295	8.015.295		
Total	335.346.751	335.346.751	0	0

	December 31, 2015	Level 1	Level2	Level 3
Available for sale at company's risk	678.079.769	678.079.769		
Available for sale at insurees' risk	7.753.279	7.753.279		
Total	685.833.048	685.833.048	0	0

(*) 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 211.320) has been accounted at cost value as of March 31, 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 March 31, 2016 (December 31, 2015: TL 22.155.402).

Capital management

The Company's objective in capital management is to safeguard the Company's ability to continue as a going concern so that it can continue and to protect shareholder and corporate partners' benefits while sustaining the most effective capital structure in order to reduce capital costs.

The Company measures its adequacy semi-annually in accordance with the Decree "Measurement and Assessment of Capital Adequacy of Insurance and Reinsurance Companies and Pension Funds" published in the Official Gazette No: 26761 on January 19, 2008. As of December 31, 2015, the Company's required capital is TL 355.355.630 (December 31, 2014: TL 372.490.878). As of December 31, 2015, the Company's capital is TL 41.895.794 higher than required capital amount. (December 31, 2014: TL 174.067.110).

5. 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.

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

5. Segment information (continued)

Segment results for period January 1 - March 31, 2016 is as follows:

January 1 - March 31, 2016	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	**32.774.895**	**5.656.638**	**113.238.718**	**26.028.161**	**17.125.444**	**33.424.566**	**17.024.220**	**-**	**245.272.642**
Earned Premiums (Net of Reinsurer Share)	32.774.895	5.656.638	113.238.718	26.028.161	17.125.444	33.424.566	17.024.220	-	245.272.642
Premiums (Net of Reinsurer Share)	36.682.249	7.393.114	105.265.825	33.348.686	17.811.703	12.467.823	16.862.500	-	229.831.899
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(3.907.354)	(1.736.476)	7.972.893	(7.320.525)	(686.259)	20.956.744	161.720	-	15.440.742
TECHNICAL EXPENSES	**(25.054.386)**	**(3.303.585)**	**(120.719.305)**	**(34.722.904)**	**(15.414.884)**	**(37.774.989)**	**(12.799.978)**	-	**(249.790.030)**
Total Claims (Net of Reinsurer Share)	(11.820.029)	(2.056.855)	(89.115.131)	(28.747.285)	(6.613.142)	(23.285.385)	(7.274.698)	-	(168.912.525)
Claims Paid (Net of Reinsurer Share)	(13.535.099)	(1.065.927)	(87.264.252)	(30.313.125)	(5.384.295)	(26.263.639)	(4.303.188)	-	(168.129.525)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	1.715.070	(990.928)	(1.850.879)	1.565.839	(1.228.847)	2.978.254	(2.971.510)	-	(783.000)
Commissions (Net)	(5.709.377)	(848.946)	(21.545.953)	(3.462.695)	(5.235.078)	(8.286.438)	(2.105.357)	-	(47.193.844)
Operating Expenses	(6.321.347)	(286.081)	(9.062.389)	(2.193.190)	(3.146.197)	(5.568.740)	(2.672.179)	-	(29.250.123)
Other Operating Income / Expenses	(1.203.633)	(111.704)	(995.831)	(319.733)	(420.468)	(634.426)	(747.743)	-	(4.433.538)
	7.720.509	**2.353.053**	**(7.480.587)**	**(8.694.743)**	**1.710.560**	**(4.350.423)**	**4.224.242**	**-**	**(4.517.389)**
Investment income	-	-	-	-	-	-	-	25.460.899	25.460.899
Foreign exchange income	-	-	-	-	-	-	-	(3.877.463)	(3.877.463)
Tax expense	-	-	-	-	-	-	-	(3.056.001)	(3.056.001)
Net Profit / (Loss)	**7.720.509**	**2.353.053**	**(7.480.587)**	**(8.694.743)**	**1.710.560**	**(4.350.423)**	**4.224.242**	**18.527.435**	**14.010.047**

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

5. Segment information (continued)

Segment results for period January 1 - March 31, 2015 is as follows:

January 1 - March 31, 2015

	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	**30.099.542**	**4.186.545**	**115.610.530**	**53.497.270**	**44.612.659**	**48.612.741**	**17.368.112**	**-**	**313.987.400**
Earned Premiums (Net of Reinsurer Share)	30.099.542	4.186.545	115.610.530	53.497.270	44.612.659	48.612.741	17.368.112	-	313.987.400
Premiums (Net of Reinsurer Share)	33.958.425	5.242.272	91.188.055	29.869.883	64.249.800	75.068.021	17.516.360	-	317.092.816
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(3.858.883)	(1.055.728)	24.422.476	23.627.387	(19.637.141)	(26.455.280)	(148.248)	-	(3.105.416)
TECHNICAL EXPENSES	**(31.964.491)**	**(4.262.031)**	**(115.767.336)**	**(76.257.054)**	**(35.672.154)**	**(54.650.932)**	**(20.135.057)**	-	**(338.709.055)**
Total Claims (Net of Reinsurer Share)	(18.210.542)	(2.916.335)	(86.797.373)	(64.653.420)	(11.310.189)	(37.845.879)	(13.179.879)	-	(234.913.617)
Claims Paid (Net of Reinsurer Share)	(14.607.382)	(1.676.162)	(94.873.843)	(54.112.048)	(5.959.053)	(34.916.807)	(10.249.001)	-	(216.394.296)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(3.603.160)	(1.240.173)	8.076.470	(10.541.372)	(5.351.136)	(2.929.072)	(2.930.878)	-	(18.519.321)
Commissions (Net)	(7.215.522)	(615.105)	(20.588.833)	(9.043.428)	(21.318.160)	(8.516.388)	(3.942.249)	-	(71.239.685)
Operating Expenses	(5.550.841)	(632.470)	(7.594.937)	(2.296.962)	(2.703.752)	(7.679.263)	(2.391.263)	-	(28.849.488)
Other Operating Income / Expenses	(987.586)	(98.121)	(786.193)	(263.244)	(340.054)	(609.402)	(621.666)	-	(3.706.266)
	(1.864.949)	**(75.487)**	**(156.805)**	**(22.759.784)**	**8.940.505**	**(6.038.191)**	**(2.766.945)**	**-**	**(24.721.655)**
Investment income	-	-	-	-	-	-	-	19.988.079	19.988.079
Foreign exchange income	-	-	-	-	-	-	-	6.408.597	6.408.597
Tax expense	-	-	-	-	-	-	-	(1.782.571)	(1.782.571)
Net Profit / (Loss)	**(1.864.949)**	**(75.487)**	**(156.805)**	**(22.759.784)**	**8.940.505**	**(6.038.191)**	**(2.766.945)**	**24.614.105**	**(107.550)**

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

6. Cash and cash equivalents

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

	March 31, 2016	December 31, 2015
Cash at banks	746.094.780	363.524.964
-time deposits	755.252.081	369.162.666
-demand deposits	9.157.301	5.637.702
Bank guaranteed credit card receivables with maturity less than 3 months	206.458.187	176.503.394
	970.867.569	551.303.762
Securities pledge under repurchase agreements(*)	(141.239.740)	(138.031.848)
Total cash and cash equivalents	**829.627.829**	413.271.914

(*) The Company has reflected TL 141.239.740 of time deposits as securities pledged under repurchase agreements in the financial statements as of March 31, 2016 (December 31, 2015 138.031.848).

Cash and cash equivalents that are included in the statements of cash flows for the periods January 1 - March 31, 2016 and December 31, 2015 are as follows:

	March 31, 2016	December 31, 2015
Total cash and cash equivalents	829.627.829	413.271.914
Interest accrual on cash at banks (-)	(4.653.340)	(798.285)
Cash and cash equivalents per statement of cash flow	**824.974.489**	412.473.629

Restrictions on cash and cash equivalents in favor of Undersecretariat of Treasury have been disclosed in Note 30.

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

Weighted average interest rates of time deposits:

	March 31, 2016	December 31, 2015
TL	9,75 – 13,95	8,25 – 13,95
USD	0,10 – 3,25	0,010 – 3,25
EUR	0,10 – 1,75	0,010 – 2,00

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

As at March 31, 2016 and December 31, 2015 detail of cash and cash equivalents per currency are as follows:

	March 31, 2016	December 31, 2015
Foreign currency denominated	125.654.430	57.703.302
- demand deposits	7.110.126	3.201.804
- time deposits	118.544.304	54.501.498
Turkish Lira	845.213.475	493.600.799
- demand deposits	2.059.244	2.448.015
- time deposits	636.695.708	314.649.051
- bank guaranteed credit card receivables with maturity less than 3 months	206.458.524	176.503.733
Total cash and cash equivalents	**970.867.905**	551.304.101

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

7. Financial assets

Available for sale debt securities:

	March 31, 2016		
	Cost Value	**Fair Value**	**Book Value**
Government bonds	60.639.405	55.605.309	55.605.309
Private bonds	110.602.245	112.803.593	112.803.593
Investment Funds	80.987.296	92.238.434	92.238.434
Eurobonds	67.801.808	66.684.120	66.684.120
Total	**320.030.754**	**327.331.456**	**327.331.456**

	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:

	March 31, 2016		
	Cost Value	**Fair Value**	**Book Value**
Government bonds	7.540.028	8.015.295	8.015.295
Total	**7.540.028**	**8.015.295**	**8.015.295**

	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 March 31, 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 March 31, 2016 in accordance with the appraisal report obtained from an independent appraisal firm (December 31, 2015: TL 22.155.402).

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

7. Financial assets (continued)

List of the investments and fair values is as below:

	March 31, 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**

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

The foreign currency analysis of financial assets is as follows:

As at March 31, 2016, the Company has Eurobonds with the carrying value of USD 23.535.017 (Note 4, Foreign currency risk) (December 31, 2015: USD 23.831.816).

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

7. Financial assets (continued)

The maturity analysis of financial assets is as follows:

As at March 31, 2016 and December 31, 2015 the remaining contractual maturities of financial assets are as follows:

						March 31, 2016
	No stated maturity	0-3 months	3 months to 1 year	1-3 years	More than 3 years	Total
Private sector bonds		34.139.376	34.795.156	70.365.166	40.188.014	179.487.713
Government bonds			11.654.871	17.964.235	25.988.838	55.607.945
Equity shares	8.182.140					8.182.140
Investment funds	92.830.599					92.830.599
Total	**101.012.739**	**34.139.376**	**46.450.028**	**88.329.402**	**66.176.853**	**336.108.397**

						December 31, 2015
	No stated maturity	0-3 months	3 months to 1 year	1-3 years	More than 3 years	Total
Private sector bonds		219.836.576	58.019.636	54.649.776	53.826.746	386.332.734
Government bonds		137.458.200	16.563.140	12.886.220	43.258.356	210.165.916
Equity shares	8.182.140					8.182.140
Investment funds	89.334.398					89.334.398
Total	**97.516.538**	**357.294.776**	**74.582.776**	**67.535.996**	**97.085.102**	**694.015.188**

Movement of financial assets:

As at March 31, 2016 and December 31, 2015 the movements of financial assets are as follows:

					March 31, 2016
	Available for sale financial assets	Equity shares	Investment funds	Life portfolio	Total
Opening balance, January 1	588.745.370	8.182.140	89.334.398	7.753.280	694.015.188
Purchases (+)					-
Sales (-)	(353.652.348)				(353.652.348)
Gain / (loss)			2.904.036	262.015	3.166.051
Closing balance, March 31	**235.093.022**	**8.182.140**	**92.238.434**	**8.015.295**	**343.528.891**

					December 31, 2015
	Available for sale financial assets	Equity shares	Investment funds	Life portfolio	Total
Opening balance, January 1	199.138.807	8.172.570	72.353.462	7.295.995	286.960.834
Purchases (+)	613.446.732	9.570	35.289.672	5.153.743	653.899.717
Sales (-)	(231.574.430)		(28.010.573)	(4.937.500)	(264.522.503)
Gain / (loss)	7.734.261		9.701.837	241.042	17.677.140
Closing balance, December 31	**588.745.370**	**8.182.140**	**89.334.398**	**7.753.280**	**694.015.188**

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

8. Premium receivables and due from reinsurers

As at March 31, 2016 and December 31, 2015 premium receivables and due from reinsurers are as follows:

	March 31, 2016	December 31, 2015
Receivables from intermediaries	370.350.623	335.688.866
Receivables from reinsurance companies	29.377.416	38.891.156
Due from insurance operations	**399.728.039**	**374.580.022**
Other receivables	94.743	71.183
Receivables from reinsurance and insurance companies	**399.822.782**	**374.651.205**
Doubtful receivables from main operations – gross	35.675.566	32.524.008
Receivables from main operations - gross	**435.498.348**	**407.175.213**
Provision for receivables from insurance operations	(12.326.838)	(9.860.324)
Provision for doubtful receivables from main operations	(22.122.739)	(21.195.854)
Total provision amount for doubtful receivables	**(34.449.577)**	**(31.056.178)**
Total premium receivables and due from reinsurers	**401.048.771**	**376.119.035**

The movement of provision for doubtful receivables from insurance operations is as follows

	March 31, 2016	December 31, 2015
Opening balance - January 1	(9.860.324)	(6.876.269)
Net change for the period	(2.466.514)	(2.984.055)
Closing balance	**(12.326.838)**	(9.860.324)

The movement of provision for doubtful receivables from main operations is as follows

	March 31, 2016	December 31, 2015
Opening balance - January 1	(21.195.854)	(25.266.142)
Net change for the period	(926.885)	4.070.288
Closing balance	**(22.122.739)**	(21.195.854)

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

The aging of the overdue but not impaired receivables from policyholders and agencies are as follows:

	March 31, 2016	December 31, 2015
Up to 2 months	19.733.181	(1.611.642)
2 - 3 months	756.575	734.785
Over 3 months	2.769.350	2.672.030
Total	**23.259.105**	1.795.173

As at March 31, 2016 and December 31, 2015 the details of guarantees and collaterals obtained are as follows:

	March 31, 2016		December 31, 2015	
Types of guarantee	**Receivables**	**Doubtful receivables**	Receivables	Doubtful receivables
Letters of Guarantee	36.212.165	10.000	35.962.761	5.000
Real Estate Pledges	60.796.530	4.447.397	61.180.530	4.407.397
Government Bonds and Equity Shares	126.313	-	113.178	-
Other	451.859	-	451.859	-
Total	**97.586.867**	**4.457.397**	97.708.328	4.412.397

9. Reinsurance share of insurance liabilities

As at March 31, 2016 and 2015 reinsurance share of insurance liabilities are as follows:

	March 31, 2016	**March 31, 2015**
Reinsurance Share		
Reinsurers' share of outstanding claims	243.773.742	211.078.524
Reinsurers' share of unearned premiums	432.404.573	320.273.585
Total	**676.178.315**	**531.352.109**

10. Deferred acquisition costs

As at March 31, 2016 and 2015 movements of deferred acquisition costs are as follows:

	March 31, 2016	December 31, 2015
Deferred acquisition costs, gross January 1	**64.793.992**	74.495.970
Change	**(13.314.414)**	(9.701.978)
Deferred acquisition costs, gross	**51.479.578**	64.793.992

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

11. Other assets

As at March 31, 2016 and December 31, 2015 short term other assets are as follows:

	March 31, 2016	December 31, 2015
Subrogation receivables (Note 15)	**22.438.864**	21.786.353
Receivable from Agricultural Insurance Pool	**8.767.572**	2.446.238
Receivable from Turkish Natural Catastrophe Insurance Pool	**1.810.520**	1.459.834
Prepaid expenses	**15.387.418**	2.539.182
Other	**11.186.591**	9.297.618
Total short term other assets	**59.590.965**	37.529.225

As at March 31, 2016 and December 31, 2015 long term other assets are as follows:

	March 31, 2016	December 31, 2015
Prepaid expenses	**237.748**	249.184
Total long term other assets	**249,184**	1.784.100

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

12. Tangible assets

As of March 31, 2016 and 2015 tangible assets movement and its accumulated depreciation is as follows:

Costs:	January 1, 2016	Additions	Disposals	Transfers	March 31, 2016
Property for operational use	1.598.569	-	-	-	1.598.569
Furniture and fixtures and leased tangible assets	16.861.760	7.467	-	-	16.869.227
Other tangible assets (including leasehold improvements)	20.034.606	48.088	-	-	20.082.694
Advances for tangible assets	7.376	-	-	-	7.376
Total	**38.502.311**	**55.555**	**-**	**-**	**38.557.866**

Accumulated depreciation: (-)	January 1, 2016	Additions	Disposals	Transfers	March 31, 2016
Property for operational use	(896.329)	-	(61.448)	-	(957.777)
Furniture and fixtures and leased tangible assets	(10.338.951)	-	(416.011)	-	(10.754.962)
Other tangible assets	(727.715)	-	(453.161)	-	(1.180.876)
Total	**(11.962.995)**	**-**	**(930.620)**	**-**	**(12.893.615)**
Net book value	**26.539.316**	**55.555**	**(930.620)**	**-**	**25.664.251**

Costs:	January 1, 2015	Additions	Disposals	Transfers	March 31, 2015
Property for operational use	2.465.348	-	-	-	2.465.348
Furniture and fixtures and leased tangible assets	14.827.725	248.608	-	(562.780)	14.513.553
Other tangible assets (including leasehold improvements)	18.312.709	223.547	-		18.536.256
Advances for tangible assets	28.504	108.268	-	-	136.772
Total	**35.634.286**	**580.423**	**-**	**(562.780)**	**35.651.929**

Accumulated depreciation: (-)	January 1, 2015	Additions	Disposals	Transfers	March 31, 2015
Property for operational use	(633.328)		(67.487)		(700.815)
Furniture and fixtures and leased tangible assets	(8.724.065)		(272.520)		(8.996.585)
Other tangible assets	(1.399.823)		(8.665)		(1.408.488)
Total	**(10.757.216)**	**-**	**(348.672)**	**-**	**(11.105.888)**
Net book value	**24.877.069**	**580.423**	**(348.672)**	**(562.780)**	**24.546.040**

The Company has not accounted for any impairment provision for tangible fixed assets in the current period.

Total depreciation expense for the current year is TL 928.495 (January 1 – March 31, 2015: TL 768.749).

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

13. Investment properties

As of March 31, 2016 and 2015 investment properties' movement and its accumulated depreciation is as follows:

Costs:	January 1, 2016	Additions	Disposals(*)	Transfers	March 31, 2016
Buildings	-	-	-	-	-
Land	80.126	-	-	-	80.126
Total	**80.126**	**-**	**-**	**-**	**80.126**

Accumulated depreciation: (-)	January 1, 2016	Additions	Disposals(*)		March 31, 2016
Buildings					-
Total	**-**	**-**	**-**	**-**	**-**
Net book value	**80.126**	**-**	**-**	**-**	**80.126**

Costs:	January 1, 2015	Additions	Disposals(*)	Transfers	March 31, 2015
Buildings	504.543	-	-	-	504.543
Land	36.578	-	-	-	36.578
Total	**541.121**	**-**	**-**	**-**	**541.121**

Accumulated depreciation: (-)	January 1, 2015	Additions	Disposals(*)		December 31, 2015
Buildings	(48.571)		(20.883)		(69.454)
Total	**(48.571)**	**-**	**(20.883)**	**-**	**(69.454)**
Net book value	**492.551**	**-**	**(20.883)**	**-**	**471.668**

(*) The Company has sold the Bursa Region Headquarters amounting to TL 1.000.000 in August 7, 2015.
(**) The Company has sold the Ankara Region Headquarters amounting to TL 10.000.000 in October 1, 2014.

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

14. Intangible assets

Costs:	January 1, 2016	Additions	Disposals	Transfers	March 31, 2016
Rights	52.085.155	1.480.034	-	-	53.565.189
Advances given for intangible assets	2.666.428	227.550	-	-	2.893.978
Total	**54.751.583**	**1.707.584**	**-**	**-**	**56.459.167**

Accumulated depreciation: (-)	January 1, 2016	Additions	Disposals	Transfers	March 31, 2016
Rights	(20.757.045)	-	(2.026.294)	-	(22.783.339)
Total	**(20.757.045)**	**-**	**(2.026.294)**	**-**	**(22.783.339)**
Net book value	**33.994.538**	**1.707.584**	**(2.026.294)**	**56.459.167**	**33.675.828**

Costs:	January 1, 2015	Additions	Disposals	Transfers	March 31, 2015
Rights	28.879.266	5.051.004	-	-	33.930.270
Advances given for intangible assets	12.217.024	-	(506.102)	-	11.710.922
Total	**41.096.290**	**5.051.004**	**(506.102)**	**-**	**45.641.192**

Accumulated depreciation: (-)	January 1, 2015	Additions	Disposals	Disposals	December 31, 2015
Rights	(15.246.083)	-	(1.452.081)	-	(16.698.164)
Total	**(15.246.083)**	**-**		**-**	**(16.698.164)**
Net book value	**25.850.207**	**5.051.004**	**(506.102)**	**-**	**28.943.028**

The Company has not recognized any impairment loss for intangible assets in the current period as of March 31, 2016 (December 31, 2015: None).

The Company has no goodwill in the financial statements (December 31, 2015: None).

Amortization expense for the current year is TL 2.028.419 (January 1 – March 31, 2015: TL 1.452.465).

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

15. Insurance liabilities

Insurance liabilities as at March 31, 2016 and 2015 are as follows:

	March 31, 2016	March 31, 2015
Gross insurance liabilities		
Reserve for unearned premiums	**930.655.185**	879.395.443
Outstanding claims provision	**798.934.126**	660.918.562
Life actuarial mathematical reserves	**1.751.045**	1.981.374
Life profit share provision	**181.486**	(210.000)
Bonus and rebates provision	**1.203.208**	33.682
Total	**1.732.725.049**	1.542.119.061
Reinsurance share of insurance liabilities		
Reinsurers' share of unearned premiums	**435.428.520**	307.322.059
Claims provision, ceded	**243.773.742**	167.464.421
Bonus and rebates provision	**96.261**	33.682
Total	**679.202.262**	474.786.480
Net insurance liabilities		
Reserve for unearned premiums	**495.226.665**	572.073.384
Outstanding claims provision	**555.160.384**	493.454.141
Life actuarial mathematical reserves	**1.751.045**	1.981.374
Life profit share provision	**181.486**	(210.000)
Bonus and rebates provision	**1.106.947**	-
	1.053.426.526	1.067.298.898

Movements in insurance liabilities and reinsurance assets

Claims:

			2016
	Gross	**Reinsurers' share**	**Net**
Opening balance, January 1	779.312.803	211.078.524	568.234.279
Net change	19.621.323	32.695.218	-13.073.895
Closing balance, March 31	**798.934.126**	**243.773.742**	**555.160.384**

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

			2015
	Gross	Reinsurers' share	Net
Opening balance, January 1	632.934.393	160.771.711	472.162.682
Net change	27.984.169	6.692.710	21.291.459
Closing balance, March 31	**660.918.562**	**167.464.421**	**493.454.141**

Claims paid and change in outstanding claims as at March 31, 2016 and 2015 are as follows:

	January 1- March 31 2016	January 1- March 31 2015
Cash paid for claims settled during the year	**(175.726.623)**	(206.834.555)
Change in outstanding claims	**9.378.837**	(25.198.919)
Claims paid and change in outstanding claims	**(166.347.785)**	(232.033.474)

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

15. Insurance liabilities (continued)

Unearned premium reserve:

			2016
	Gross	Reinsurers' share	Net
Opening balance - January 1	830.940.907	320.273.585	510.667.321
Net change	99.714.404	115.155.146	(15.440.742)
Closing balance, March 31	**930.655.310**	**435.428.731**	**495.226.579**

			2015
	Gross	Reinsurers' share	Net
Opening balance - January 1	830.484.224	264.328.606	566.155.618
Net change	48.914.768	42.995.742	5.919.026
Closing balance, March 31	**879.398.992**	**307.324.348**	**572.074.644**

Life mathematical provisions:

	2016		2015	
	Number of Policies	Mathematical Reserves	Number of Policies	Mathematical Reserves
Opening balance, January 1	385	1.910.495	402	1.972.202
Participants in the current period				61.706
Leavings in the current period	(59)	(142.671)	(17)	(123.413)
Closing balance, March 31	**326**	**1.767.825**	385	1.910.495

Mathematical reserves amounting to TL 1.771.373 (December 31, 2015: TL 1.712.230) and reserves for the policies with financial assets at insurees' risk amounting to TL 16.780 (December 31, 2015: TL 198.265) and cancelled policies together with their mathematical reserves are included in the table above.

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

15. Insurance liabilities (continued)

Subrogation income: The amounts of the net salvage and subrogation income which are collected and the accrued income amounts from salvage and subrogation receivables with respect to the claims paid by the Company are as follow:

	March 31, 2016			March 31, 2015		
Claim recovery accruals	**Gross**	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
Motor Own Damage	**21.545.491**	**(1)**	**21.545.490**	22.410.597	-	22.410.597
MTPL	**534.713**	**-**	**534.713**	837.960	-	837.960
Fire	**395.864**	**(65.939)**	**329.925**	523.205	(51.885)	471.320
General Liability	**5.107**	**-**	**5.107**	-	-	-
Marine	**78.307**	**(58.120)**	**20.187**	182.831	(102.984)	79.847
Accident	**-**	**-**	**-**	-	-	-
General Losses	**5.105**	**(1.663)**	**3.442**	7.151	(3.742)	3.409
Total	**22.564.587**	**(125.723)**	**22.438.864**	23.961.744	(158.611)	23.803.133

	March 31, 2016			March 31, 2015		
Claim recovery collections	**Gross**	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
Motor Own Damage	**32.924.998**	**(150)**	**32.924.848**	35.903.842	(412)	35.903.430
MTPL	**637.614**	**(90)**	**637.524**	686.328	(90)	686.238
Marine	**182.360**	**(59.253)**	**123.107**	518.599	(310.832)	207.767
Fire	**433.474**	**(79.908)**	**353.566**	645.683	(254.912)	390.771
General Liability	**3.106**	**(1.912)**	**1.194**	7.030	-	7.030
Water Crafts	**-**	**-**	**-**	18.000	(13.500)	4.500
General Losses	**78.280**	**(47.442)**	**30.838**	67.745	(65.552)	2.193
Accident	**-**	**-**	**-**	-	-	-
Infidelity	**-**	**-**	**-**	700	(490)	210
Financial Losses	**-**	**-**	**-**	618	(585)	33
Legal Protection	**-**	**-**	**-**	8.682	-	8.682
Total	**34.259.832**	**(188.755)**	**34.071.077**	37.857.227	(646.373)	37.210.854

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

15. Insurance liabilities (continued)

Claims development tables

The Company prepares the claim development table in accordance with the Regulation on Technical Reserves. As at March 31, 2016 and 2015, claim development table of the Company is as follows:

Accident year	2009 and earlier	2010	2011	2012	2013	2014	2015	2016	Total
Claims realized in the accident period	2.795.595.820	572.085.711	642.284.589	805.349.551	673.019.738	838.172.102	841.913.192	194.332.981	7.362.753.684
1 year later	2.860.747.312	578.548.188	670.911.455	797.434.728	692.293.180	888.710.511	842.268.878		7.330.914.253
2 years later	2.884.420.279	581.972.199	690.579.723	818.867.241	725.527.893	898.833.872			6.600.201.206
3 years later	2.925.838.438	586.245.406	667.878.659	846.911.496	725.934.625				5.752.808.624
4 years later	2.945.392.656	598.789.395	686.909.741	849.073.113					5.080.164.904
5 years later	2.967.017.013	613.934.649	688.315.930						4.269.267.592
6 years later	2.998.298.687	615.814.674							3.614.113.361
7 years later	3.026.462.841								3.026.462.841
8 years later	2.376.426.800								2.376.426.800
9 years later	1.785.444.101								1.785.444.101
10 years later	1.308.120.725								1.308.120.725
11 years later	791.005.539								791.005.539
12 years later	691.566.444								470.999.967
Total incurred gross provision for outstanding claims as at March 31, 2016	**30.356.336.655**	**4.147.390.222**	**4.046.880.098**	**4.117.636.128**	**2.816.775.436**	**2.625.716.485**	**1.684.182.070**	**194.332.981**	**49.989.250.075**

Accident year	2008 and earlier	2009	2010	2011	2012	2013	2014	2015	Total
Claims realized in the accident period	1.627.082.258	631.299.681	572.085.711	642.284.589	805.349.551	673.019.738	838.172.102	841.913.192	6.631.206.822
1 year later	1.684.464.593	628.509.015	578.548.188	670.911.455	797.434.728	692.293.180	888.710.511		5.940.871.672
2 years later	1.702.115.609	630.287.886	581.972.199	690.579.723	818.867.241	725.527.893			5.149.350.550
3 years later	1.729.704.011	635.475.413	586.245.406	667.878.659	846.911.496				4.466.214.985
4 years later	1.746.603.174	632.563.511	598.789.395	686.909.741					3.664.865.821
5 years later	1.747.967.676	645.740.373	613.934.649						3.007.642.699
6 years later	1.753.698.820	661.409.793							2.415.108.614
7 years later	1.767.550.823								1.767.550.823
8 years later	1.778.201.404								1.778.201.404
9 years later	1.365.229.818								1.365.229.818
10 years later	851.103.111								851.103.111
11 years later	471.073.389								471.073.389
12 years later	220.426.703								220.426.703
Total incurred gross provision for outstanding claims as at March 31, 2015	**18.445.221.390**	**4.465.285.672**	**3.531.575.548**	**3.358.564.167**	**3.268.563.015**	**2.090.840.812**	**1.726.882.613**	**841.913.192**	**37.728.846.409**

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

15. Insurance liabilities (continued)

Additional reserves in accordance with ultimate liability calculations:

	March 31, 2016			December 31, 2015		
	Applied Method	Gross Additional Provision	Net Additional Provision	Applied Method	Gross Additional Provision	Net Additional Provision
Line of Businesses						
Motor Third Party Liability	FS	**207.349.127**	**207.349.127**	FS	221.239.848	221.239.848
Fire	BF	**3.987.082**	**(683.515)**	BF	3.175.589	(237.888)
Health	SCL	**296.468**	**115.223**	SCL	196.012	196.012
General Loss	BF	**8.960.509**	**19.949**	BF	4.050.094	(40.352)
Marine	BF	**(146.110)**	**(19.702)**	BF	(186.537)	(19.554)
Motor Own Damage	BF	**(8.604.711)**	**(8.604.711)**	SCL	(12.400.314)	(12.400.314)
Other	SCL	**57.145.072**	**28.325.908**	SCL	58.198.019	27.697.577
Total		**268.987.437**	**226.502.280**		274.272.711	236.435.329

The Company actuary determined the threshold values regarding the peak claims considered as significant claims using the plot analysis. With this method the files, exceeds the determined limits considered as significant claims. The claim process of these files is different from other files. For these files, additional provision calculations were performed and added to the provisions. As of March 31, 2016 and 2015, large claim limits are as follows;

	March 31, 2016		March 31, 2015	
Line of Businesses	**Ultimate Loss**	**Large Claim Level**	Ultimate Loss	Large Claim Level
Fire	**BF**	**999,999**	BF	1.000.000
General Loss	**BF**	**999,999**	BF	1.000.000
Marine	**BF**	**499,999**	BF	500
Personal Accident	**BF**	**299,999**	BF	300
Motor Vehicle Facultative Third Party Liability	**FS**	**149,999**	-	-
Financial Losses	**SCL**	**50**	-	-
General Third Party Liability	**SCL**	**200**	CL	200

In branches where significant claim determination is performed, additional provision calculations were performed for these files added to the Outstanding Claims Provisions. Additional gross amounts, as the LoBs are as follows.

Line of Businesses	**Gross Additional Amount**	**Net IBNR**
Facultative Public Liability	1.298.788	1.298.788
General Liability	8.387.677	2.597.193
General Losses	9.533.467	114.080
Fire and Natural Disaster	6.726.942	1.227.666
Accident	88.036	15.690
Financial Losses	380.647	38.933

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

16. Provisions for other liabilities and charges

The details of provisions that are classified under provisions for expense accruals in statement of financial position are as follows:

	March 31, 2016	December 31, 2015
Commission provision	7.000.580	6.279.050
Performance premium provision	5.684.178	4.378.053
Security fund provision	281.186	683.871
Unused vacation provision	1.209.887	1.070.851
Expense accruals	3.427.303	4.238.540
Portfolio management fee	1.722.187	2.305.763
Legal disputes provision	787.080	817.000
Other	309.605	914.765
Total	20.422.005	20.687.893

Commitments and contingent liabilities which are not recognised as liabilities are disclosed in Note 32 and 33.

The movement of the commission provisions are as follows:

	March 31, 2016	December 31, 2015
Opening balance, January 1	**6.279.050**	9.312.517
Charge during the year, net	**721.530**	(3.033.467)
Closing balance	**7.000.580**	6.279.050

The movement of the performance premium provision are as follows:

	March 31, 2016	December 31, 2015
Opening balance, January 1	**4.378.053**	2.286.276
Charge during the year, net	**1.306.125**	2.091.777
Closing balance	**5.684.178**	4.378.053

The movement of the security fund provision are as follows:

	March 31, 2016	December 31, 2015
Opening balance, January 1	**683.871**	2.005.064
Charge during the year, net	**(402.685)**	(1.321.193)
Closing balance	**281.186**	683.871

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

16. Provisions for other liabilities and charges (continued)

The movement of the unused vacation provision are as follows:

	March 31, 2016	December 31, 2015
Opening balance, January 1	**1.070.851**	1.360.307
Charge during the year, net	**139.036**	(289.456)
Closing balance	**1.209.887**	1.070.851

The movement of the expense accruals are as follows:

	March 31, 2016	December 31, 2015
Opening balance, January 1	**4.238.540**	1.065.946
Charge during the year, net	**(811.237)**	3.172.594
Closing balance	**3.427.303**	4.238.540

17. Taxes

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for International Accounting Standards (IAS) purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IAS.

Tax rate is applied as 20% for the calculation of deferred tax asset and liabilities. The details of deferred tax are presented in the following statements

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	March 31, 2016	December 31, 2015	**March 31, 2016**	December 31, 2015
Claim reserves	**18.257.106**	**33.534.071**	3.651.421	6.706.814
Unexpired risks reserve	**43.962.898**	**20.276.938**	8.792.580	4.055.388
Win/loss ratio calculation, Reversal	**-**	**-**	-	-
Provision for cancellation of reinsurance agreements	**282.984**	**282.984**	56.597	56.597
Claim handling	**8.258.026**	**8.483.733**	1.651.605	1.696.747
Employment termination benefit	**1.265.209**	**1.793.616**	253.042	358.723
Doubtful receivable provisions	**1.906.000**	**1.906.000**	381.200	381.200
Unused vacation provision	**233.332**	**1.070.851**	46.666	214.170
Impairment on financial assets	**22.155.402**	**22.155.400**	4.431.080	4.431.080
Bonus provision	**1.996.967**	**4.378.053**	399.393	875.611
Fiscal loss	**126.054.466**	**142.627.640**	25.210.893	28.525.528
Other	**3.957.040**	**4.095.377**	791.408	819.075
Total deferred income tax assets	**228.329.429**	240.604.663	45.665.886	48.120.933
Equalization reserve	**46.985.874**	**43.992.251**	9.397.175	8.798.450
Useful life of tangible and intangible assets	**2.811.097**	**2.811.097**	562.219	562.219
Total deferred tax liabilities	**49.796.971**	46.803.348	9.959.394	9.360.670
Deferred tax assets (liabilities) accounted under equity due to increase value of available for sale financial assets	**5.276.910**	**7.432.490**	1.055.382	1.486.498
Hedge reserve	**(10.659.451)**	**(12.243.066)**	(2.131.890)	(2.448.613)
Actuarial loss	**4.715.931**	**4.680.554**	943.186	936.111
Deferred tax assets, net	**177.865.848**	193.671.293	35.573.170	38.734.259

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

17. Taxes (continued)

Movement of deferred tax liabilities for the year ended March 31, 2016 and December 31, 2015 are as follows:

	March 31, 2016	December 31, 2015
Opening balance, 1 January	**38.734.260**	37.981.558
Charged to income statement	**(3.027.768)**	925.472
Charged to equity	**(133.322)**	(172.770)
Closing balance	**35.573.170**	38.734.260

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 legislation that has been enacted at the statement of financial position date and is expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

18. Trade and other payables

	March 31, 2016	December 31, 2015
Payables to reinsurers	**292.062.286**	175.054.091
Payables due to main operations	**292.062.286**	175.054.091
Payables to SSI regarding medical expenses	**2.598.149**	6.356.378
Taxes payable	**10.049.335**	13.182.320
Payables to Turkish Catastrophe Insurance Pool	**15.173.346**	14.540.068
Payables to contracted institutions	**9.112.639**	11.767.312
Payables to suppliers	**28.576**	3.938.121
Other	**487.611**	1.368.708
Total other short term payables	**37.449.656**	51.152.907
Total trade and other payables, deferred income	**329.511.942**	226.206.998

Movement of SSI regarding medical expenses is as follows:

	2016
Opening balance, 1 January	**6.356.378**
Premiums ceded to SSI (1)	**2.597.554**
Premium payments to SSI in the current period	**(6.355.783)**
Closing, March 31	**2.598.149**

	2015
Opening balance, 1 January	10.522.958
Premiums ceded to SSI (1)	6.437.403
Premium payments to SSI in the current period	(10.603.983)
Closing, March 31	6.356.378

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

18. Trade and other payables (continued)

(1) 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 2.17, 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 6.437.403 as premiums transferred to SSI and calculated a reinsurance share for provisions for unearned premiums on daily basis amounting to TL 2.740.332 over the said amount.

(3) In accordance with the Communiqué numbered 2011/17, 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 in 2012 and 2013 and the difference between the calculated provision and finalized liability will be accounted for under the income statements of related periods. 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 2.17, 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 1 January - 31 December 2012 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 2.597.554 as of January 1 – March 31, 2016 (January 1 – March 31, 2015: TL 2.434.301) and calculated an reinsurance share of unearned premium reserve amounting to TL 2.740.332 as of March 31, 2016 (March 31, 2015: TL 10.980.588). 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 December 31, 2013 are excluded from that account.

19. Provision for retirement benefit obligation

	March 31, 2016	December 31, 2015
Provision for employment termination benefits	**5.981.140**	6.474.170
Total	**5.981.140**	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. IAS 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:

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

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 March 31, 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 March 31, 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 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.

As the maximum liability is updated semi-annually, the maximum amount of TL 4.092,53 effective from January 1, 2016 has been taken into consideration in calculation of provision from employment termination benefits (As of January 1, 2015, the ceiling on severance pay is TL 3.3.541,37 per month).

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

	January 1 - March 31, 2016	January 1 - December 31, 2015
Opening balance	**6.474.170**	2.813.302
Charge for the period	**268.176**	1.743.217
Actuarial gain/loss	**35.377**	3.480.442
Retirement payments	**(796.583)**	(1.562.791)
Closing balance	**5.981.140**	6.474.170

20. Equity

As of March 31, 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:

	1 January 2016		**Issued Capital**		**Amortized**		**March 31 2016**	
	Unit	**Nominal TL**	**Unit**	**Nominal TL**	**Unit**	**Nominal TL**	**Unit**	**Nominal TL**
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

	1 January 2015		**Issued Capital**		**Amortized**		**December 31 2015**	
	Unit	**Nominal TL**	**Unit**	**Nominal TL**	**Unit**	**Nominal TL**	**Unit**	**Nominal TL**
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

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

Legal and other reserves

Details of the legal and other reserves are explained below:

	January 1 - March 31, 2016	January 1 - March 31, 2015
Opening balance	**178.468.101**	171.820.419
Transfers from retained earnings	**-**	4.186.336
Closing balance	**178.468.101**	176.006.755

Retained earnings as per the statutory financial statements, other than legal reserve requirements as referred below, are available for distribution. The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code. The Turkish Commercial Code stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the Turkish Commercial Code, the legal reserves can only be used to offset losses unless they exceed 50% of paid-in share capital and are not available for any other usage.

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 1.200.112 (net off deferred tax: TL 960.090) 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:

	January 1 - March 31, 2016	January 1 - March 31, 2015
Opening balance	**4.680.554**	1.200.112
Change for the period	**35.377**	4.660.092
Closing balance, gross	**4.715.931**	5.860.204

20. 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:

	January 1 - March 31, 2016	January 1 - March 31, 2015
Opening balance	**(5.945.992)**	(838.117)
Increase/decrease in value recognized under the shareholders' equity in the current period	**1.724.465**	(1.623.231)
Closing balance, net	**(4.221.527)**	(2.461.348)

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

Hedge accounting

The Company recognizes the changes in value of hedging instrument by the foreign currency differences under equity. As of March 31, 2016, TL 12.243.065 (net off tax: TL 9.794.452) is recognized under equity resulting from hedge accounting (December 31, 2015: TL 1.672.568, net: TL 1.338.054).

March 31, 2016

Amount of deposit	Currency	Exchange rate at the beginning	Exchange rate at the end	Exchange difference
17.789.471	**USD**	**2,2342**	**2,8334**	**(10.659.451)**

March 31, 2015

Amount of deposit	Currency	Exchange rate at the beginning	Exchange rate at the end	Exchange difference
19.746.971	USD	2,2342	2,6102	(7.424.861)

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 23.101.085.

Revaluation fund:

The Company accounts for the lands and buildings by revaluation method in accordance with IAS 16. "Property, plant and equipment". The increase in the carrying value of land and building arising from the revaluation is credited in "Revaluation fund" account under equity.

The movement of revaluation fund is as follows:

Dividends per share:

Pursuant to the decision taken in the Company's Ordinary General Meeting held on March 24, 2016. due to the net loss in the period 1 January- 31 December 2015, no dividend has been distributed.

21. Earnings per share

Shareholder of the company's earnings per share calculation is as follows:

	March 31, 2016	March 31, 2015
Profit for the year	**14.010.045**	(107.550)
Weighted average number of shares with nominal value of TL 0.01 nominal value per share	**30.600.000.000**	30.600.000.000
Earnings per share	**0,000**	(0,000)

As of March 31, 2016 capital of the Company consists of 30.600.000.000 shares with nominal value of TL 0,01 (March 31, 2015: 30.600.000.000 shares with nominal value of TL 0,01).

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

22. Net insurance premium income

The distribution of premium income is as follows:

	January 1 - March 31, 2016			January 1 - March 31, 2015		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' Share	Net
Written premium	**499.175.841**	**(269.341.461)**	**229.834.379**	455.720.472	(138.623.364)	317.097.108
Change in unearned premium reserve (*)	**(99.714.404)**	**115.155.146**	**15.440.742**	(48.914.768)	45.809.352	(3.105.416)
Total premium revenue	**399.461.437**	**(154.186.315)**	**245.275.122**	406.805.704	(92.814.012)	313.991.692
Fire	**135.517.383**	**(98.835.135)**	**36.682.249**	121.431.545	(87.473.120)	33.958.425
Marine	**12.576.733**	**(5.183.620)**	**7.393.114**	12.064.809	(6.822.537)	5.242.272
Motor Own Damage	**112.120.958**	**(6.855.133)**	**105.265.825**	96.668.643	(5.480.589)	91.188.055
Motor Third Party Liability	**35.998.869**	**(2.650.183)**	**33.348.686**	32.367.940	(2.498.056)	29.869.883
Other	**47.340.580**	**(30.478.081)**	**16.862.500**	41.812.305	(24.295.945)	17.516.360
General Losses	**71.430.257**	**(53.618.554)**	**17.811.703**	74.930.839	(10.681.039)	64.249.800
Health	**84.188.579**	**(71.720.756)**	**12.467.823**	76.438.852	(1.370.831)	75.068.021
Life	**2.480**	**-**	**2.480**	5.538	(1.246)	4.292
Total	**499.175.841**	**(269.341.461)**	**229.834.379**	455.720.472	(138.623.364)	317.097.108

(*) Company has clean-cut agreement in auto-accident branch and as per these agreements; the Company has realized 2014 premium and claims portfolio outputs by March 31, 2015. As per the same agreement, portfolio inputs are also made in 2015. Effect of 2015 portfolio input has influenced fiscal year Ceded reinsurance Share of Outstanding Claims Provision and Ceded Reinsurance Share of Unearned Premiums Provision. As of March 31, 2015, gross effect of clean cut agreements has been amounting to TL 3.662.392 (TL 3.666.380, net).

23. Insurance claims and claims recovered from reinsurers

			March 31, 2016
	Gross	**Reinsurers' Share**	**Net**
Paid Claims	234.213.827	(25.614.870)	208.598.957
Change in outstanding claims (*)	24.908.231	(24.125.231)	783.000
Change in mathematical reserves	(142.671)	-	(142.671)
Bonus and rebates provision	99.469	-	99.469
Clean-cut transfers (*)	-	-	-
Total	**259.078.856**	**(49.740.100)**	**209.338.756**

			March 31, 2015
	Gross	Reinsurers' Share	Net
Paid Claims	269.741.236	(25.912.582)	243.828.653
Change in outstanding claims(*)	21.629.159	1.124.633	22.753.792
Change in mathematical reserves	(123.413)	-	(123.413)
Clean-cut transfers (*)	-	(1.985.205)	(1.985.205)
Total	291.246.981	(26.773.155)	264.473.827

(*) The Company owns clean cut agreement in motor own damage branch, according to the agreement the premium and claim disposals for 2015 has taken part on March 31, 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 (January 1 – March 31, 2015: TL 1.355.476).

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

24. Investment income

Investment income for the year ended March 31, 2016 and 2015 are as follows:

	January 1– March 31, 2016	January 1– March 31, 2015
Cash and cash equivalents interest income	**19.675.812**	**15.142.418**
Available for sale interest income	**6.570.519**	**5.591.105**
Rent income		
Investment Income from derivatives	**245.798**	**412.975**
Total	**26.492.129**	21.146.498

25. Commission income and expenses

Commission income and expenses for the year ended March 31, 2016 and 2015 are as follows:

	January 1– March 31, 2016	January 1– March 31, 2015
Commissions income	**43.101.236**	5.065.209
Commissions expense	**(93.209.290)**	(81.777.353)
Total	**(50.108.054)**	(76.712.144)

26. Other operating income and expenses

Other operating income for the year ended March 31, 2016 and 2015 are as follows:

	January 1 – March 31, 2016	January 1 – March 31, 2015
Income from contracted institutions services		
Gain on sale of property	**-**	-
Provision for cancellation of reinsurance agreements	**-**	-
State supported agriculture insurances commissions	**359.580**	405.937
Other		
Total	**359.580**	405.937

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

25. Commission income and expenses (continued)

Other operating expenses for the year ended March 31, 2016 and 2015 are as follows:

	January 1 – March 31, 2016	January 1 – March 31, 2015
Provision for doubtful receivables	**(3.369.371)**	(3.746.736)
Retirement pay provision	**(268.176)**	(328.693)
Donation expense	**-**	-
Portfolio management fee	**(466.423)**	(346.084)
Unused vacation provision	**(280.283)**	(314.805)
Disallowable expenses	**(133.241)**	(29.006)
Bank expenses	**(564.806)**	(812.335)
Security fund expenses	**(281.186)**	(245.923)
Other	**(989.416)**	(716.147)
Total	**(6.352.902)**	(6.539.729)

27. Expenses for marketing and administration

Marketing and administration expenses for the year ended March 31, 2016 and 2015 are as follows:

	January 1 - March 31, 2016	January 1 - March 31, 2015
Personnel expenses	**(17.842.891)**	(17.842.891)
Information technology expenses	**(3.074.654)**	(3.074.654)
Depreciation expenses	**(2.956.914)**	(2.221.214)
Rent expenses	**(1.949.216)**	(1.949.216)
Social relief expenses	**(1.157.092)**	(1.157.092)
Transportation expenses	**(957.375)**	(957.375)
Meeting and training expenses	**(1.058.530)**	(1.058.530)
Advertisement expenses	**(1.035.087)**	(1.035.087)
Repair and maintenance	**(739.414)**	(739.414)
Communication expenses	**(399.440)**	(399.440)
Outsourcing service expenses	**(158.241)**	(158.241)
Other	**(942.147)**	(942.147)
Total	**(32.271.001)**	(31.535.301)

Personnel expenses for the year ended March 31, 2016 and 2015 are as follows:

	January 1 – March 31, 2016	January 1 – March 31, 2015
Salary and bonus payments	**(16.285.730)**	(16.869.832)
Insurance payments	**(230.145)**	(212.542)
Other payments	**(1.327.016)**	(760.516)
Total	**(17.842.891)**	(17.842.891)

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

28. Foreign exchange gain / (loss), net

Foreign exchange gain / (loss), net for the year ended March 31, 2016 and 2015 are as follows:

	January 1 – March 31, 2016	January 1 – March 31, 2015
Foreign exchange gains (+)	**5.760.013**	24.100.722
Foreign exchange gains (-)	**(9.640.116)**	(17.692.010)
Total	**(3.880.103)**	6.408.712

29. Repurchase agreements

Securities pledged under repurchase agreements:

The details of reverse repo receivables in the balance sheet as of March 31, 2016 and December 31, 2015 are as follows:

				March 31, 2016
	Cost	**Interest rate**	**Maturity**	**Book value**
Time Deposits	140.300.000	13,25%	08.04.2016 - 17.05.2016	141.239.740

				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:

Financial liabilities comprised of liabilities from reverse repo agreements The details of funds received from reverse repo agreements accounted for under short-term financial liabilities in the balance sheet as of March 31, 2016 are as follows:

				March 31, 2016
	Cost	**Interest rate**	**Maturity**	**Book value**
Corporate bond	28.000.000	12,00%	08.04.2016	28.331.397
Government bond	19.000.000	10,75%	14.04.2016	19.162.281
Corporate bond	19.000.000	11,75%	18.04.2016	19.110.096
Government bond	19.000.000	10,70%	19.04.2016	19.089.118
Corporate bond	9.000.000	12,00%	22.04.2016	9.065.096
Corporate bond	13.000.000	11,75%	27.04.2016	13.062.774
Corporate bond	5.300.000	12,00%	29.04.2016	5.348.784
Government bond	13.000.000	10,60%	06.05.2016	13.033.978
Corporate bond	5.000.000	11,75%	11.05.2016	5.012.877
Corporate bond	10.000.000	11,75%	17.05.2016	10.009.658
	140.300.000			**141.226.059**

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

				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**

30. Blocked securities and bank deposits

Under Insurance Law, insurance companies are obliged to deposit investments within two months in a blocked account with a state bank in favour of Undersecretariat of Treasury. Accordingly the following guarantees have been issued to the Turkish Treasury based on the financial results:

	March 31, 2016	December 31, 2015
Blocked bank deposits	**138.749.468**	148.476.703
Blocked securities	**8.015.295**	7.486.870
Total	**146.764.763**	155.963.573

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

31. Related parties

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

Due from /to related parties:

	March 31, 2016	December 31, 2015
Shareholders	**313.484**	(107.314)
Shareholder’s subsidiaries	**30.892.336**	16.478.636
Total	**31.205.820**	16.371.322

Banks

	March 31, 2016	December 31, 2015
Shareholders		
Shareholder’s subsidiaries	**474.188.090**	67.670.586
Total	**474.188.090**	67.670.586

Marketable securities

	March 31, 2016	December 31, 2015
Shareholders		
Shareholder’s subsidiaries	**28.789.434**	28.794.288
Total	**28.789.434**	28.794.288

Investment funds:

	March 31, 2016	December 31, 2015
Shareholders		
Shareholder’s subsidiaries	**92.830.599**	89.334.398
Total	**92.830.599**	89.334.398

Written premium:

	January 1 - March 31, 2016	January 1 - December 31, 2015
Shareholders	**646.165**	599.962
Shareholder’s subsidiaries	**32.134.596**	31.300.299
Total	**32.780.761**	31.900.261

Claims paid

	January 1 - March 31, 2016	January 1 - December 31, 2015
Shareholders	**1.000**	1.741.614
Shareholder’s subsidiaries	**2.823.341**	33.407.815
Total	**2.824.341**	35.149.429

Investment income

	January 1 - March 31, 2016	January 1 - December 31, 2015
Shareholders		
Shareholder’s subsidiaries	**12.151.268**	8.830.363
Total	**12.151.268**	8.830.363

No guarantees have been taken for the receivables from related parties.

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

32. Commitments

Provision for lawsuit

Provision for lawsuit against the Company is classified under insurance liabilities and premium receivables.

As at March 31, 2016 and December 31, 2015 details of the provision for lawsuit against to the Company are as follows:

	March 31, 2016	December 31, 2015
Outstanding claims under litigation	**252.777.421**	243.934.118
Subrogation receivable litigations, gross	**55.708.377**	54.140.919
Trade receivable litigations and executions	**11.945.417**	12.238.146
Total lawsuit provision	**320.431.215**	310.313.183

Operational leases

Future minimum rentals payable under operational leases as at March 31, 2016 and December 31, 2015 are as follows

		March 31, 2016
	USD	**Total**
Up to 1 year	**326.696**	**713.668**
1 – 8 years	**14.022.777**	**39.732.136**
Total operational lease rental payable	**14.349.473**	**40.445.804**

		December 31, 2015
	USD	**Total**
Up to 1 year	**611.611**	**1.778.320**
1 – 8 years	**14.022.777**	**40.772.626**
Total operational lease rental payable	**14.634.388**	**42.550.946**

33. Contingencies

As at March 31, 2016 and 2015, total insurance risk accepted by the Company under normal courses of the insurance business is detailed in Note 4.

As of June 24, 2014, Tax Inspection Board of T.C. Ministry of Finance has launched a limited tax investigation related to the Banking and Insurance Transaction Tax for the years 2009, 2010, 2011 and 2012 and as a consequence of the tax inspection, tax of TL 1,8 million and tax penalty of TL 2,8 million for the year 2009, tax of TL 2 million and tax penalty of TL 3 million for the year 2010, tax of TL 3 million and tax penalty of TL 4,6 million for the year 2011 and tax of TL 4,3 million and tax penalty of TL 6,4 million for the year 2012 and in total tax and tax penalty of 27,9 million related to Banking Insurance Transaction Tax were imposed to the Company. The Company has not booked any provision in the financial statements since it believes that its practice is in compliance with the regulations. On January 16, 2015, the Company filed a reconciliation request for the year 2009 and on February 20, 2015 filed a reconciliation request for the years 2010, 2011 and 2012 to the Large Taxpayers Office Commission of Reconciliation.

34. Subsequent events

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