

**(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITORS'
REPORT AND FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH)**

AKSIGORTA ANONIM ŐIRKETI

**FINANCIAL STATEMENTS AS OF JUNE 30, 2017 TOGETHER WITH
THE INDEPENDENT AUDITOR'S REPORT**



**CONVENIENCE TRANSLATION OF
THE REVIEW REPORT FOR THE INTERIM PERIOD
OF AKSIGORTA ANONİM ŞİRKETİ
(ORIGINALLY ISSUED IN TURKISH)**

To the Board of Directors of Aksigorta Anonim Şirketi,

Introduction

1. We have reviewed the accompanying balance sheet of Aksigorta Anonim Şirketi (the “Company”) as of 30 June 2017 and the related statement of income, changes in shareholders’ equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Company’s Management is responsible for the preparation and fair presentation of the interim financial statements in accordance with accounting and financial reporting regulations enforced by insurance legislation and Turkish Accounting Standard 34, “Interim Financial Reporting” for the matters not regulated by insurance legislation “Regulation on Insurance Accounting and Financial Reporting Principles”. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of the Review

2. We conducted our review in accordance with the Standard on Review Engagements 2410 “Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and the principles on the review of interim financial statements as set out in the insurance legislation. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the regulation regarding audit policies in force due to the insurance legislation and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.



Conclusion

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true view of the financial position of Aksigorta Anonim Şirketi at 30 June 2017, and the results of its operations and its cash flows for the six-month period then ended in all aspects in accordance with the accounting principles and standards as set out in the insurance legislation.

Other matter

4. The financial statements of the Company as of 31 December 2016 and for the year then ended were audited and the interim financial information as of 30 June 2016 and for the six - month period then ended were reviewed by another audit firm whose audit report dated 13 February 2017 expressed an unqualified opinion and whose review report dated 4 August 2016 expressed a conclusion that no material non-compliance with the accounting principles and standards as set out in the insurance legislation has come to their attention.

Additional Paragraph for Convenience Translation into English

5. As discussed in Note 2.27 to the accompanying financial statements, the effects of differences between the accounting principles as set out by the related insurance laws and accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations and changes in financial position and cash flows in accordance with accounting principles generally accepted in such countries and IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

A handwritten signature in blue ink, consisting of a series of connected loops and a long horizontal stroke at the end.

Adnan Akan, SMMM
Partner

Istanbul, 27 July 2017

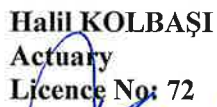
CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON THE FINANCIAL STATEMENT PREPARED AS AT 30 JUNE 2017

We confirm that the accompanying financial statements and notes to these financial statements as of 30 June 2017 are prepared in accordance with the accounting principles and standards as set out in the insurance legislation and in conformity with the provisions of the Decree on "Financial Reporting of Insurance and Reinsurance Companies and Pension Funds" and our Company's accounting records.

İstanbul, 27 July 2017


Osman AKKOCA
Chief Financial Officer


Uğur GÜLEN
Chief Executive Officer


Halil KOLBAŞI
Actuary
Licence No: 72


Seza TANINMIŞ ÖZGÜR
Accounting Manager

AKSIGORTA A.Ş.

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AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS ON 30 JUNE 2017 AND 31 DECEMBER 2016

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

AKSIGORTA ANONİM ŞİRKETİ			
DETAILED BALANCE SHEET			
ASSETS			
I- CURRENT ASSETS	Note	Reviewed	Audited
		Current Period	Previous Period
		(6/30/2017)	(12/31/2016)
A- Cash and Cash Equivalents	14	1,060,706,105	481,198,544
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	865,680,545	270,379,281
4- Cheques Given and Payment Orders (-)		-	-
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	14	195,025,560	210,819,263
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Investments with Risks on Policy Holders	11.1	495,729,352	866,438,586
1- Financial Assets Available for Sale	11.1	493,199,167	863,908,401
2- Financial Assets Held to Maturity		-	-
3- Financial Assets Held for Trading		-	-
4- Loans		-	-
5- Provision for Loans (-)		-	-
6- Investments with Risks on Policy Holders	11.1	2,530,185	2,530,185
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)		-	-
C- Receivables From Main Operations	12.1	467,820,177	441,331,531
1- Receivables From Insurance Operations	12.1	468,778,222	440,123,021
2- Provision for Receivables From Insurance Operations (-)	12.1	(11,719,065)	(6,796,115)
3- Receivables From Reinsurance Operations		-	-
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited For Insurance & Reinsurance Companies	12.1	30,954	30,954
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables from Pension Operation		-	-
9- Doubtful Receivables From Main Operations	12.1	95,983,428	87,090,411
10- Provisions for Doubtful Receivables From Main Operations (-)	12.1	(85,253,362)	(79,116,740)
D- Due from Related Parties		308,583	102,137
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		308,583	102,137
7- Rediscount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
E- Other Receivables		16,872,526	8,229,918
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		424,738	416,937
4- Other Receivables	47	16,447,788	7,812,981
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
F- Prepaid Expenses and Income Accruals	4.2.2	177,341,394	151,665,564
1- Deferred Commission Expenses		158,327,941	148,889,525
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		-	91,000
4- Other Prepaid Expenses	47	19,013,453	2,685,039
G- Other Current Assets	4.2.2	3,723,615	11,962,076
1- Inventories		22	22
2- Prepaid Taxes and Funds		3,583,729	11,855,334
3- Deferred Tax Assets		-	-
4- Business Advances		68,723	20,864
5- Advances Given to Personnel		71,141	85,856
6- Stock Count Differences		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		2,222,501,752	1,960,928,356

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

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS
ON 30 JUNE 2017 AND 31 DECEMBER 2016**

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

AKSIGORTA ANONİM ŞİRKETİ			
DETAILED BALANCE SHEET			
ASSETS			
II- NON CURRENT ASSETS	Note	Reviewed Current Period (6/30/2017)	Audited Previous Period (12/31/2016)
A- Receivables From Main Operations			
1- Receivables From Insurance Operations		-	-
2- Provision for Receivables From Insurance Operations (-)		-	-
3- Receivables From Reinsurance Operations		-	-
4- Provision for Receivables From Reinsurance Operations (-)		-	-
5- Cash Deposited for Insurance & Reinsurance Companies		-	-
6- Loans to Policyholders		-	-
7- Provision for Loans to Policyholders (-)		-	-
8- Receivables From Pension Operations		-	-
9- Doubtful Receivables from Main Operations		-	-
10- Provision for Doubtful Receivables from Main Operations		-	-
B- Due from Related Parties			
1- Due from Shareholders		-	-
2- Due from Affiliates		-	-
3- Due from Subsidiaries		-	-
4- Due from Joint Ventures		-	-
5- Due from Personnel		-	-
6- Due from Other Related Parties		-	-
7- Discount on Receivables Due from Related Parties (-)		-	-
8- Doubtful Receivables Due from Related Parties		-	-
9- Provisions for Doubtful Receivables Due from Related Parties (-)		-	-
C- Other Receivables			
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		-	-
4- Other Receivables		-	-
5- Discount on Other Receivables (-)		-	-
6- Other Doubtful Receivables		-	-
7- Provisions for Other Doubtful Receivables (-)		-	-
D- Financial Assets			
1- Investments In Associates		-	-
2- Affiliates	4.2.2, 9, 11.4	30,116,653	30,116,653
3- Capital Commitments to Affiliates (-)		-	-
4- Subsidiaries		-	-
5- Capital Commitments to Subsidiaries (-)		-	-
6- Joint Ventures		-	-
7- Capital Commitments to Joint Ventures (-)		-	-
8- Financial Assets and Investments with Risks on Policy Holders		-	-
9- Other Financial Assets		-	-
10- Diminution in Value of Financial Assets (-)	4.2.2, 11.4	(30,116,653)	(30,116,653)
E- Tangible Fixed Assets			
1- Investment Properties	7	80,126	80,126
2- Diminution in Value for Investment Properties (-)		-	-
3- Owner Occupied Properties	6	1,598,569	1,598,569
4- Machinery and Equipments		-	-
5- Furnitures and Fixtures	6	22,166,499	21,816,976
6- Vehicles		-	-
7- Other Tangible Assets (Including Leasehold Improvements)	6	20,346,930	20,331,354
8- Leased Tangible Fixed Assets	6	351,395	351,395
9- Accumulated Depreciation (-)	6, 7	(18,497,311)	(16,096,462)
10- Advances Paid for Tangible Fixed Assets (Including Construction In Progresses)		-	-
F- Intangible Fixed Assets			
1- Rights	8	77,178,540	69,825,964
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortizations (-)	8	(36,141,078)	(30,227,061)
8- Advances Regarding Intangible Assets	8	1,990,051	1,577,347
G- Prepaid Expenses and Income Accruals			
1- Deferred Commission Expenses		-	-
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses	47	6,345,021	207,203
H- Other Non-current Assets			
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	35	9,872,572	25,632,235
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
II- Total Non-current Assets		85,291,314	95,097,646
TOTAL ASSETS (I+II)		2,307,793,066	2,056,026,002

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS
ON 30 JUNE 2017 AND 31 DECEMBER 2016**

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

AKSİGORTA ANONİM ŞİRKETİ			
DETAILED BALANCE SHEET			
LIABILITIES			
III- SHORT TERM LIABILITIES	Note	Reviewed Current Period (6/30/2017)	Audited Previous Period (12/31/2016)
A- Borrowings		40,024,798	30,031,438
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Current Portion of Long Term Borrowings		-	-
5- Principal, Installments and Interests on Issued Bills (Bonds)		-	-
6- Other Financial Assets Issued		-	-
7- Value Differences on Issued Financial Assets (-)		-	-
8- Other Financial Borrowings (Liabilities)	14	40,024,798	30,031,438
B- Payables From Main Operations		328,175,851	202,020,282
1- Payables Due to Insurance Operations	19.1	328,175,851	202,020,282
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Rediscount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		85,409	103,375
1- Due to Shareholders		1,143	1,143
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		84,266	102,232
6- Due to Other Related Parties		-	-
D- Other Payables	19.1	32,836,144	44,423,842
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses	19.1	4,545,494	4,268,447
3- Other Payables	19.1	28,290,650	40,155,395
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves		1,255,031,538	1,200,339,440
1- Unearned Premiums Reserve - Net	20	600,366,186	609,668,379
2- Unexpired Risk Reserves - Net	20	390,279	-
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	4.1, 20	654,262,815	590,667,604
5- Provision for Bonus and Discounts - Net	20	12,258	3,457
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Relevant Provisions		14,516,112	17,877,553
1- Taxes and Dues Payable		11,393,744	16,343,481
2- Social Security Premiums Payable	23.1	1,769,006	1,529,095
3- Overdue, Deferred or By Installment Taxes and Other Liabilities		-	-
4- Other Taxes and Liabilities		4,977	4,977
5- Corporate Tax Liability Provision on Period Profit	35	1,348,385	-
6- Prepaid Taxes and Other Liabilities on Period Profit (-)		-	-
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks		26,710,740	36,839,062
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	19.1, 23.4	26,710,740	36,839,062
H- Deferred Income and Expense Accruals	19.1	69,863,151	53,979,313
1- Deferred Commission Income	19.1	69,612,935	53,979,313
2- Expense Accruals		-	-
3- Other Deferred Income	19.1	250,216	-
I- Other Short Term Liabilities		235	235
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		235	235
III - Total Short Term Liabilities		1,767,243,978	1,585,614,540

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS
ON 30 JUNE 2017 AND 31 DECEMBER 2016**

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

AKSİGORTA ANONİM ŞİRKETİ			
DETAILED BALANCE SHEET			
LIABILITIES			
IV- LONG TERM LIABILITIES	Note	Reviewed	Audited
		Current Period	Previous Period
		(6/30/2017)	(12/31/2016)
A- Borrowings		-	-
1- Loans to Financial Institutions		-	-
2- Finance Lease Payables		-	-
3- Deferred Finance Lease Borrowing Costs (-)		-	-
4- Bonds Issued		-	-
5- Other Issued Financial Assets		-	-
6- Value Differences on Issued Financial Assets (-)		-	-
7- Other Financial Borrowings (Liabilities)		-	-
B- Payables From Main Operations		-	-
1- Payables Due to Insurance Operations		-	-
2- Payables Due to Reinsurance Operations		-	-
3- Cash Deposited by Insurance & Reinsurance Companies		-	-
4- Payables Due to Pension Operations		-	-
5- Payables from Other Operations		-	-
6- Discount on Other Payables From Main Operations (-)		-	-
C- Due to Related Parties		-	-
1- Due to Shareholders		-	-
2- Due to Affiliates		-	-
3- Due to Subsidiaries		-	-
4- Due to Joint Ventures		-	-
5- Due to Personnel		-	-
6- Due to Other Related Parties		-	-
D- Other Payables		-	-
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses		-	-
3- Other Payables		-	-
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves		67,584,152	61,232,504
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net	17.2, 20	1,557,503	1,526,588
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net	20	66,026,649	59,705,916
F- Other Liabilities and Provisions		-	-
1- Other Liabilities		-	-
2- Overdue, Deferred or By Installment Other Liabilities		-	-
3- Other Liabilities and Expense Accruals		-	-
G- Provisions for Other Risks		5,778,720	6,335,367
1- Provision for Employment Termination Benefits	22	5,778,720	6,335,367
2- Provisions for Employee Pension Fund Deficits		-	-
H- Deferred Income and Expense Accruals		-	-
1- Deferred Commission Income		-	-
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
I- Other Long Term Liabilities		-	-
1- Deferred Tax Liability		-	-
2- Other Long Term Liabilities		-	-
IV- Total Long Term Liabilities		73,362,872	67,567,871

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS
ON 30 JUNE 2017 AND 31 DECEMBER 2016**

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

AKSİGORTA ANONİM ŞİRKETİ			
DETAILED BALANCE SHEET			
SHAREHOLDERS' EQUITY			
V- SHAREHOLDERS' EQUITY	Note	Reviewed Current Period (6/30/2017)	Audited Previous Period (12/31/2016)
A- Paid in Capital		306,000,000	306,000,000
1- (Nominal) Capital	2.14,15	306,000,000	306,000,000
2- Unpaid Capital (-)		-	-
3- Positive Inflation Adjustment on Capital		-	-
4- Negative Inflation Adjustment on Capital (-)		-	-
5- Unregistered Capital		-	-
B- Capital Reserves	2.1.1	95,377,201	95,377,201
1- Equity Share Premiums		-	-
2- Cancellation Profits of Equity Shares		-	-
3- Profit on Sale to be Transferred to Capital	2.1.1	95,377,201	95,377,201
4- Translation Reserves		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		11,754,023	89,231,523
1- Legal Reserves		-	83,064,172
2- Statutory Reserves		62	62
3- Extraordinary Reserves		26,666	26,666
4- Special Funds (Reserves)	22, 34.5	12,151,340	13,343,668
5- Revaluation of Financial Assets	11.6, 16.1	(424,045)	(7,203,045)
6- Other Profit Reserves		-	-
D- Previous Years' Profits		13,151	13,151
1- Previous Years' Profits		13,151	13,151
E- Previous Years' Losses (-)		(4,714,112)	(135,945,560)
1- Previous Years' Losses		(4,714,112)	(135,945,560)
F- Net Profit of the Period		58,755,953	48,167,276
1- Net Profit of the Period		58,755,953	48,167,276
2- Net Loss of the Period (-)		-	-
3- Net Income not subject to distribution		-	-
Total Shareholders' Equity		467,186,216	402,843,591
Total Liabilities and Shareholders' Equity (III+IV+V)		2,307,793,066	2,056,026,002

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

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME
FOR THE PERIOD JANUARY 1 - JUNE 30, 2017**

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

AKSIGORTA ANONİM ŞİRKETİ DETAILED INCOME STATEMENT					
I-TECHNICAL PART	Note	Reviewed	Reviewed	Audited	Audited
		Current Period	Current Period	Previous Period	Previous Period
		1/1/2017-6/30/2017	4/1/2017-6/30/2017	1/1/2016-6/30/2016	4/1/2016-6/30/2016
A- Non-Life Technical Income					
1- Earned Premiums (Net of Reinsurer Share)		680,140,175	341,804,793	539,882,032	264,760,497
1.1 - Written Premiums (Net of Reinsurer Share)	24	597,885,322	301,137,411	478,624,251	230,406,631
1.1.1 - Gross Written Premiums (+)		1,117,881,675	502,503,822	970,331,523	471,158,162
1.1.2 - Ceded Premiums to Reinsurers (-)	17.16	(520,466,997)	(202,263,753)	(409,173,457)	(150,143,932)
1.1.3 - Ceded Premiums to SSI (-)	17.16	(8,441,270)	(4,545,451)	(8,901,989)	(6,304,435)
1.2 - Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		9,302,193	5,753,240	(41,737,781)	(57,178,522)
1.2.1 - Unearned Premiums Reserve (-)		(104,703,923)	18,862,946	(149,715,862)	(50,601,458)
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	17.16	114,345,486	(12,305,867)	102,736,274	(11,547,370)
1.2.3 - SSI of Unearned Premiums Reserve (+)		(339,370)	(803,839)	5,241,807	4,370,306
1.3 - Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		(390,279)	(310,447)	(31,894,045)	(27,124,642)
1.3.1 - Unexpired Risks Reserve (-)		(1,015,954)	(771,295)	(30,759,719)	(29,154,359)
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)	17.16	625,675	460,848	(1,134,326)	2,029,717
2- Investment Income Transferred from Non-Technical Part		76,778,425	39,705,955	51,785,768	29,173,742
3- Other Technical Income (Net of Reinsurer Share)		1,660,489	728,635	820,990	739,258
3.1 - Gross Other Technical Income (+)		1,660,489	728,635	820,990	739,258
3.2 - Reinsurance Share of Other Technical Income (-)		-	-	-	-
4- Accrued Subrogation and Salvage Income (+)		3,815,939	232,792	8,651,023	4,440,866
B- Non-Life Technical Expense (-)		(581,298,125)	(286,626,813)	(537,192,751)	(266,914,070)
1- Total Claims (Net of Reinsurer Share)		(383,312,302)	(186,815,355)	(356,348,602)	(175,690,207)
1.1 - Claims Paid (Net of Reinsurer Share)		(319,496,116)	(151,242,742)	(343,291,629)	(168,763,749)
1.1.1 - Gross Claims Paid (-)		(432,439,681)	(209,037,407)	(427,739,951)	(227,785,956)
1.1.2 - Reinsurance Share of Claims Paid (+)	17.16	112,943,565	57,794,665	84,448,322	59,022,307
1.2 - Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(63,816,186)	(35,572,613)	(13,056,973)	(6,926,458)
1.2.1 - Outstanding Claims Reserve (-)		(266,173,786)	(179,724,303)	(59,949,717)	(24,133,418)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	17.16	202,357,600	144,151,690	46,892,744	17,206,960
2 - Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		(8,801)	(1,502)	-	3,208
2.1 - Bonus and Discount Reserve (-)	20	1,308,920	1,314,359	-	99,469
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)	20	(383,312,302)	(1,317,721)	(1,315,861)	(96,261)
3 - Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		(6,320,735)	(2,877,445)	(5,545,509)	(2,380,021)
4 - Operating Expenses (-)	32	(170,164,084)	(87,317,626)	(150,869,367)	(74,065,186)
5 - Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-	-	-
5.1 - Mathematical Reserves (-)		-	-	-	-
5.2 - Reinsurance Share of Mathematical Reserves (+)		-	-	-	-
6 - Other Technical Expenses (+)		(21,492,205)	(9,614,885)	(24,429,273)	(14,781,864)
6.1 - Gross Other Technical Expenses (-)		(21,492,205)	(9,614,885)	(24,429,273)	(14,781,864)
6.2 - Reinsurance Share of Other Technical Expenses (+)		-	-	-	-
C- Non Life Technical Net Profit (A-B)		98,842,050	55,177,980	2,689,281	(2,153,573)
D- Life Technical Income					
1- Earned Premiums (Net of Reinsurer Share)		2,500	1,000	4,621	2,000
1.1 - Written Premiums (Net of Reinsurer Share)	24	2,500	1,000	4,480	2,000
1.1.1 - Gross Written Premiums (+)		2,500	1,000	4,480	2,000
1.1.2 - Ceded Premiums to Reinsurers (-)	17.16	-	-	-	-
1.2 - Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		-	-	141	-
1.2.1 - Unearned Premium Reserves (-)		-	-	141	-
1.2.2 - Unearned Premium Reserves Reinsurer Share (+)	17.16	-	-	-	-
1.3 - Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-	-	-
1.3.1 - Unexpired Risks Reserves (-)		-	-	-	-
1.3.2 - Unexpired Risks Reserves Reinsurer Share (+)		-	-	-	-
2- Life Branch Investment Income		69,258	34,826	79,425	37,499
3- Unrealized Income from Investments		-	-	-	-
4- Other Technical Income (Net of Reinsurer Share) (+/-)		-	-	-	-
4.1 - Gross Other Technical Income (+/-)		-	-	-	-
4.2 - Reinsurance Share of Other Technical Income (+/-)		-	-	-	-
5- Accrued Subrogation and Salvage Income (+)		-	-	-	-
E- Life Technical Expense		(150,622)	(86,591)	(216,292)	(106,348)
1- Total Claims (Net of Reinsurer Share)		(119,707)	(62,056)	(482,998)	(293,995)
1.1 - Claims Paid (Net of Reinsurer Share)		(340,682)	(286,994)	(936,275)	(773,137)
1.1.1 - Gross Claims Paid (-)		(340,682)	(286,994)	(936,275)	(773,137)
1.1.2 - Claims Paid Reinsurer Share (+)		-	-	-	-
1.2 - Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	220,975	224,938	453,277	479,142
1.2.1 - Outstanding Claims Reserve (-)		220,975	224,938	453,277	479,142
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	17.16	-	-	-	-
2 - Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		-	-	-	-
2.1 - Bonus and Discount Reserve (-)		-	-	-	-
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)		-	-	-	-
3 - Changes in Mathematical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)		(30,915)	(24,535)	330,185	187,724
3.1 - Mathematical Reserves (-)		(30,915)	(24,535)	330,396	187,724
3.1.1 - Actuarial Mathematical Reserve (-)		(27,824)	(22,082)	290,140	328,954
3.1.2 - Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		(3,091)	(2,453)	40,256	(141,230)
3.2 - Reinsurer Share of Mathematical Reserves (+)		-	-	(211)	-
3.2.1 - Reinsurance Share of Actuarial Mathematical Reserve (+)		-	-	(211)	-
3.2.2 - Reinsurance Share of Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		-	-	-	-
4 - Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	20	-	-	-	-
5 - Operating Expenses (-)	32	-	-	(63,479)	(77)
6 - Investment Expenses (-)		-	-	-	-
7 - Unrealized Losses from Investments (-)		-	-	-	-
8 - Investment Income Transferred to Non-Technical Part (-)		-	-	-	-
F- Life Technical Profit (D-E)		(78,864)	(50,765)	(132,246)	(66,849)
G- Individual Retirement Technical Income					
1- Fund Management Fee		-	-	-	-
2- Management Fee Deduction		-	-	-	-
3- Initial Contribution Fee		-	-	-	-
4- Management Fee In Case Of Temporary Suspension		-	-	-	-
5- Witholding tax		-	-	-	-
6- Increase in Market Value of Capital Commitment Advances		-	-	-	-
7- Other Technical Income		-	-	-	-
H- Individual Retirement Technical Expense		-	-	-	-
1- Fund Management Expenses (-)		-	-	-	-
2- Decrease in Market Value of Capital Commitment Advances (-)		-	-	-	-
3- Operating Expenses (-)		-	-	-	-
4- Other Technical Expense (-)		-	-	-	-
I- Individual Retirement Technical Profit (G-H)		-	-	-	-

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

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME
FOR THE PERIOD JANUARY 1 - JUNE 30, 2017**

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

AKSIGORTA ANONİM ŞİRKETİ DETAILED INCOME STATEMENT					
NON TECHNICAL PART	Note	Reviewed	Reviewed	Audited	Audited
		Current Period	Current Period	Previous Period	Previous Period
		1/1/2017-6/30/2017	4/1/2017-6/30/2017	1/1/2016-6/30/2016	4/1/2016-6/30/2016
C- Non Life Technical Profit (A-B)		98,842,050	55,177,980	2,689,281	(2,153,573)
F- Life Technical Profit (D-E)		(78,864)	(50,765)	(132,246)	(66,849)
I- Individual Retirement Technical Profit (G-H)		-	-	-	-
J- Total Technical Profit (C+F+I)		98,763,186	55,127,215	2,557,035	(2,220,422)
K- Investment Income		125,165,118	52,719,778	79,370,595	47,118,453
1- Income From Financial Investment	26	31,502,353	16,652,101	45,261,466	26,142,828
2- Income from Sales of Financial Investments	26	10,570,951	6,899,802	1,027,277	470,103
3- Revaluation of Financial Investments	26	9,630,527	4,658,139	5,487,621	(1,082,898)
4- Foreign Exchange Gains	36	51,365,995	11,961,258	26,231,283	20,471,270
5- Income from Affiliates		-	-	-	-
6- Income from Subsidiaries and Joint Ventures		-	-	-	-
7- Income Received from Land and Building		-	-	-	-
8- Income from Derivatives	13	22,095,292	12,548,478	1,362,948	1,117,150
9- Other Investments		-	-	-	-
10- Investment Income transferred from Life Technical Part		-	-	-	-
L- Investment Expenses (-)		(133,487,678)	(57,042,944)	(85,398,412)	(50,189,356)
1- Investment Management Expenses (including interest) (-)		-	-	-	-
2- Valuation Allowance of Investments (-)		-	-	-	-
3- Losses On Sales of Investments (-)	26	(2,229,947)	(2,229,947)	-	-
4- Investment Income Transferred to Life Technical Part (-)		(76,778,425)	(39,705,955)	(51,785,768)	(29,173,742)
5- Losses from Derivatives (-)		-	-	-	-
6- Foreign Exchange Losses (-)	36	(46,156,745)	(10,783,876)	(27,584,827)	(17,944,711)
7- Depreciation Expenses (-)		(8,322,561)	(4,323,166)	(6,027,817)	(3,070,903)
8- Other Investment Expenses (-)		-	-	-	-
M- Other Income and Expenses (+/-)	47	(30,336,288)	(15,225,104)	(9,409,970)	(4,893,070)
1- Provisions Account (+/-)	47	(13,054,478)	(6,343,532)	(10,627,075)	(5,961,636)
2- Discount account (+/-)		-	-	-	-
3- Mandatory Earthquake Insurance Account (+/-)	47	629,785	629,785	450,922	91,342
4- Inflation Adjustment Account (+/-)		-	-	-	-
5- Deferred Tax Asset Accounts(+/-)	35,47	(14,362,997)	(7,786,351)	2,901,602	1,778,774
6- Deferred Tax Expense Accounts (-)		-	-	-	-
7- Other Income and Revenues	47	266,340	107,007	514,500	160,906
8- Other Expense and Losses (-)	47	(3,814,938)	(1,832,013)	(2,649,919)	(962,456)
9- Prior Period Income	47	-	-	-	-
10- Prior Period Losses (-)		-	-	-	-
N- Net Profit / (Loss)	37	58,755,953	34,230,560	(12,880,752)	(10,184,395)
1- Profit / (Loss) Before Tax		60,104,338	35,578,945	(12,880,752)	(10,184,395)
2- Corporate Tax Liability Provision (-)	35	(1,348,385)	(1,348,385)	-	-
3- Net Profit (Loss)		58,755,953	34,230,560	(12,880,752)	(10,184,395)
4- Inflation Adjustment Account		-	-	-	-

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD JANUARY 1 - JUNE 30, 2017

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

AKSİGORTA ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN EQUITY

Reviewed

CURRENT PERIOD	Capital	Equity Shares Owned by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
I - Closing Balance of Prior Period (31/12/2016)	306,000,000	-	(7,203,045)	-	-	83,064,172	62	108,747,535	48,167,276	(135,932,409)	402,843,591
II - Amendments in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
III - Current Balance (I + II) (01/01/2017)	306,000,000	-	(7,203,045)	-	-	83,064,172	62	108,747,535	48,167,276	(135,932,409)	402,843,591
A- Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- Internal sources	-	-	-	-	-	-	-	-	-	-	-
B- Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity	-	-	-	-	-	-	-	-	-	-	-
D- Revaluation of financial assets (Note 16.1)	-	-	6,779,000	-	-	-	-	-	-	-	6,779,000
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)	-	-	-	-	-	-	-	(1,192,328)	-	-	(1,192,328)
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Period net profit (Note 37)	-	-	-	-	-	-	-	-	58,755,953	-	58,755,953
I- Dividend distributed	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	-	-	-	(83,064,172)	-	-	(48,167,276)	131,231,448	-
II- Closing Balance (31/06/2017) (I+ A+B+C+D+E+F+G+H+I+J)	306,000,000	-	(424,045)	-	-	-	62	107,555,207	58,755,953	(4,700,961)	467,186,216

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD JANUARY 1 - JUNE 30, 2017

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

AKSİGORTA ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN EQUITY
Reviewed

PREVIOUS PERIOD	Capital	Equity Shares Owned by the Company (-)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves	Statutory Reserves	Other Reserves and Retained Earnings	Net Profit/(Loss) for the Period	Previous Years' Profit/(Loss)	Total
I - Closing Balance of Prior Period (31/12/2015)	306,000,000	-	(5,945,992)	-	-	83,064,172	62	101,453,876	(135,945,560)	13,151	348,639,709
II - Amendments in Accounting Policy	-	-	-	-	-	-	-	-	-	-	-
III - Current Balance (I + II) (01/01/2016)	306,000,000	-	(5,945,992)	-	-	83,064,172	62	101,453,876	(135,945,560)	13,151	348,639,709
A- Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
1- Cash	-	-	-	-	-	-	-	-	-	-	-
2- Internal sources	-	-	-	-	-	-	-	-	-	-	-
B- Equity shares purchased by the company	-	-	-	-	-	-	-	-	-	-	-
C- Income / (expense) recognized directly in the equity	-	-	-	-	-	-	-	-	-	-	-
D- Revaluation of financial assets (Note 16.1)	-	-	4,767,370	-	-	-	-	-	-	-	4,767,370
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)	-	-	-	-	-	-	-	579,752	-	-	(579,752)
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Period net profit (Note 37)	-	-	-	-	-	-	-	-	12,880,752	-	(12,880,752)
I- Dividend distributed	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	-	-	-	-	-	-	135,945,560	-	135,945,560
II- Closing Balance (31/03/2016) (I+ A+B+C+D+E+F+G+H+I+J)	306,000,000	-	(1,178,622)	-	-	83,064,172	62	100,874,124	(12,880,752)	(135,932,409)	339,946,575

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENTS OF CASH FLOW
FOR THE PERIOD JANUARY 1 - JUNE 30, 2017**

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

AKSİGORTA ANONİM ŞİRKETİ			
CASH FLOW STATEMENT			
	Note	Reviewed	Reviewed
		Current Year 6/30/2017	Prior Period 6/30/2016
A. CASH FLOWS FROM THE OPERATING ACTIVITIES			
1. Cash inflows from the insurance operations		797,930,816	789,037,109
2. Cash inflows from the reinsurance operations		-	-
3. Cash inflows from the pension operations		-	-
4. Cash outflows due to the insurance operations (-)		(538,547,582)	(611,473,114)
5. Cash outflows due to the reinsurance operations (-)		-	-
6. Cash outflows due to the pension operations (-)		-	-
7. Cash generated from the operating activities (A1+A2+A3-A4-A5-A6)		259,383,234	177,563,995
8. Interest payments (-)		-	-
9. Income tax payments (-)		(3,583,729)	(6,634,428)
10. Other cash inflows		30,575,431	(84,322)
11. Other cash outflows (-)		(115,540,684)	(146,092,661)
12. Net cash generated from the operating activities		170,834,252	24,752,584
B. CASH FLOWS FROM THE INVESTING ACTIVITIES			
1. Sale of tangible assets		-	-
2. Purchase of tangible assets (-)		(365,099)	(3,431,356)
3. Acquisition of financial assets (-)		(65,675,490)	(143,889,037)
4. Sale of financial assets		445,391,804	5,136,843
5. Interest received		48,797,867	57,691,311
6. Dividends received		-	-
7. Other cash inflows		22,095,292	17,334,045
8. Other cash outflows (-)		(412,704)	(67,753,148)
9. Net cash generated from the investing activities		449,831,670	(134,911,342)
C. CASH FLOWS FROM THE FINANCING ACTIVITIES			
1. Issue of equity shares		-	-
2. Cash inflows from the loans to policyholders		-	-
3. Payments of financial leases (-)		-	-
4. Dividend paid (-)		-	-
5. Other cash inflows		-	-
6. Other cash outflows (-)		-	-
7. Cash generated from the financing activities		-	-
D. EFFECTS OF EXCHANGE RATE DIFFERENCES ON CASH AND CASH EQUIVALENTS		(13,225,181)	(1,353,544)
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		607,440,741	(111,512,302)
F. Cash and cash equivalents at the beginning of the period	14	332,076,914	550,505,477
G. Cash and cash equivalents at the end of the period (E+F)	14	939,517,655	438,993,175

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2017

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

1. General Information

1.1 Name of the Parent Company and the ultimate owner

Aksigorta Anonim Şirketi (“the Company”) is a subsidiary of Hacı Ömer Sabancı Holding A.Ş. and Ageas Insurance International N.V. as of June 30, 2017. 38.02% (December 31, 2016: 38.02%) of the Company is issued in Borsa İstanbul (“BİST”) (Note 2.14).

Agreement about the sale of 50% of 189,658,802 units of Aksigorta A.Ş. shares with TL 189,658,802 nominal value that belongs to H.Ö. Sabancı Holding (“Holding”) portfolio was signed with Ageas Insurance International N.V. at February 18, 2011. At the date of July 29, 2011, 9,482,940,100 units of Aksigorta A.Ş. shares that correspond to 50% of the Holding’s portfolio have been transferred to Ageas Insurance International N.V. with the sale price (excluding the corrections) of USD 220,029,000.

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

The Company is a corporation, which was established in accordance with the requirements of Turkish Commercial Code and registered in Turkey as at April 25, 1960. The headquarter of the Company is located at has moved to address ‘Poligon Cad. Buyaka 2 Site, No. 8, Kule 1, Kat: 0-6 34771 Ümraniye - İstanbul’ as of October 20, 2014.

1.3 Main operations of the Company

The Company’s main operations include insurance activities based on non-life insurance branches, including primarily motor vehicle, motor third party liability fire, marine, accident, personal accident, engineering, agriculture and health. The headquarters of the Company is in İstanbul. The Company has 10 district offices of which three of them are in İstanbul (İstanbul Anatolian Region, İstanbul European Region and İstanbul Thracian Region), and one in each White Sea and South Aegean Region, Ankara Region, Çukurova and Central Anatolia Region, Eastern Anatolia and Eastern Black Sea Region, Southeast Region, İzmir and North Aegean Region, Marmara and West Black sea Region .

1.4 Details of the Company’s operations and nature of field of activities

Explained in Note 1.2 and Note 1.3.

1.5 Average number of the Company’s personnel based on their categories

	January 1 - June 30, 2017	January 1 - December 31, 2016
Top executive	9	8
Manager and assistant manager	92	103
Specialist/Executives	507	493
Total	608	604

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2017**

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

1. General Information (Continued)

1.6 Remuneration and fringe benefits provided to top management

Remuneration and fringe benefits provided to top management such as; chairman and members of the board of directors, managing director and assistant managing directors amount to TL 3,086,893 in total for the period January 1 - June 30, 2017 (April 1 - June 30, 2017: TL 1,645,708), (January 1 - June 30, 2016: TL 2,688,172), (April 1- June 30, 2016: TL 1,323,462).

1.7 Distribution keys used in the distribution of investment income and operating expenses in the financial statements (personnel expenses, administration expenses, research and development expenses, marketing and selling expenses and other operating expenses)

Within the framework of the Undersecretariat for the Treasury of the Prime Minister’s Office of Republic of Turkey (“Undersecretariat for the Treasury”) Circular relating to Procedures and Principles for Keys used in Financial Statements prepared in the scope of Uniform Chart of Accounts for Insurance No. 2008/1, dated January 4, 2008, revenues generated by the Company through investment of assets that provide non-life technical provisions were transferred from the non-technical division to technical division. Other investment revenues were classified under the non-technical division. While distributing to sub-branches the operating expenses transferred to technical division, the last three-year weighted average of number of policies generated in the current period, the premium amount written as gross and number of claims were taken into account.

1.8 Stand-alone or consolidated financial statements

The accompanying financial statements comprise the stand-alone financial statements as of June 30, 2017.

1.9 Name and other information of the reporting company and subsequent changes to the prior balance sheet date

There has been no change in The Company’s name and other company information presented in Note 1.1, Note 1.2 and Note 1.3 as of the prior balance sheet date.

1.10 Subsequent Events

The Company’s financial statements as of Jun June 30, 2017 are approved and authorized for issuance as of July 27, 2017 by the Board of Directors and signed by Chief Executive Officer Uğur Gülen, Chief Financial Officer Osman Akkoca, Accounting Manager Seza Tanınmış Özgür and Actuary Halil Kolbaşı. Detailed information about this subsequent events is disclosed in Note 46.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2017**

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

2. Summary of the Accounting Policies

2.1 Basis of Preparation

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

Accounting Standards

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

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

The Company accounts and recognizes its insurance technical provisions in its not consolidated financial statements as of June 30, 2017 in accordance with the “Regulation Regarding the Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested,” (“Regulation on Technical Reserves”) dated July 28, 2010 and published in official gazette numbered 27655 and published in Official Gazette dated July 17, 2012 numbered 28356 effective and the regulations issued for insurance and reinsurance companies by the Undersecretariat of Treasury (“Treasury”).

As of January 1, 2008, the Company accounts for its operations in accordance with the “Regulation on Financial Reporting of Insurance and Reinsurance Companies and Pension Companies” issued on July 14, 2007 and effective from January 1, 2008 within the framework of this regulation a, Turkish Accounting Standards (“TAS”) and Turkish Financial Reporting Standards (“TFRS”) issued by Turkish Accounting Standards Board (“TASB”) and other regulations, communiqués and explanations issued by Treasury on accounting and financial reporting.

With reference to the notice of Treasury No. 9 dated February 18, 2008, “TAS 1- Financial Statements and Presentation”, “TAS 27- Consolidated and Non-consolidated Financial Statements”, “TFRS 1 - Transition to TFRS” and “TFRS 4- Insurance Contracts” were not included in the scope of this application for the year 2008. In addition, as of March 31, 2009, the companies are obliged to apply the Communiqué on the Preparation of the Consolidated Financial Statement of Insurance and Reinsurance Companies and Pension Companies” (“Consolidation Communiqué”) dated December 31, 2009 and published in the Official Gazette numbered 27097. According to the temporary Article 2 of the above mentioned Communiqué, associations except insurance, reinsurance and pension companies are out of scope until March 31, 2010.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2017**

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

2. Summary of the Accounting Policies (Continued)

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

The Public Oversight, Accounting and Auditing Standards Agency (POA), established in accordance with the Statutory Decree published in the Official Gazette dated November 2, 2011, among its other powers and duties, for the purpose of ensuring that the financial statements of those obliged to keep accounts in accordance with the laws they are subject to meet the needs, are transparent, reliable, comprehensible, comparable and consistent; is authorized to create and publish Turkish Accounting Standards (TASs) which are compliant with international standards; to make secondary regulations regarding the implementation of the Turkish Accounting Standards, to make necessary decisions and to grant approval on the regulations made by the institutions and organizations authorized to make regulations within their domain.

Pursuant to the Decree of the Assembly Regarding the Determination of the Scope of Implementation of Turkish Accounting Standards” dated January 13, 2011 and numbered 6102; institutions concerning public interest stated in the Public Service Commission numbered 660 shall be subject to independent audit within the framework of Article 397 of the Code 6102, based on the decree of Board of Directors and entities mentioned in Paragraph 2 of Article 1534 of the same Code shall apply TAS in the preparation of their separate and consolidated financial statements.

Entities established in order to execute at least one of the fields of activity projected in the Banking Law dated October 19, 2005 and numbered 5411, set an example to the financial statements to be prepared by companies obliged to apply TAS; except for development and investment banks and financial holding companies as well as financial institutions established to engage in insurance, individual retirement and capital market within the frame of the Capital Market Law dated December 6, 2012 and numbered 6362, Insurance Law dated June 3, 2007 and numbered 5684, Individual Saving and Investment System Law dated March 28, 2011 and numbered 4632 and regulations pertaining to their own clauses.

Financial Statements are prepared accordance with the prevailing accounting principles and standards as per the insurance legislation and Turkish Accounting Standards decree for the matters not regulated by insurance legislation; “Insurance Accounting and Financial Reporting Legislation”.

a. Preparation of Financial Statements in Hyperinflationary Periods

In accordance with the Undersecretariat of the Treasury’s statement no: 19387 issued on April 4, 2005, the Company’s financial statements as of December 31, 2004 are adjusted and its 2005 openings are prepared based on the requirements set out in “the preparation of financial statements in hyperinflationary periods” specified in the Capital Market Board’s (CMB) Decree Volume: XI, No: 25 “Accounting Standards in Capital Markets” which was published in the Official Gazette No: 25290 on November 15, 2003. In addition, the preparation of financial statements in hyperinflationary periods has not been applied in accordance with the statement of the Undersecretariat of the Treasury. Therefore, as of June 30, 2017, non-monetary balance sheet assets and liabilities and equity items, including capital share, are calculated by indexing of inputs as of December 31, 2004 (for inputs prior to December 31, 2004) and carrying inputs subsequent to December 31, 2004 at nominal value.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2017**

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

2. Summary of the Accounting Policies (Continued)

b. Comparative Information and Restatement of Prior Period Financial Statements

The Company’s balance sheet as of June 30, 2017 is presented in comparison with its balance sheet as of December 31, 2016; income statement, statement of changes in equity and cash flow statement for the interim period between January 1 - June, 2017 are presented in comparison with its income statement, statement of changes in equity and cash flow statement for the interim period between January 1 - June 30, 2016.

c. Technical Reserves

Unearned Premium Reserve

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

Deferred commission expense and income

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

Unexpired Risks Reserve

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

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2017**

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

2. Summary of the Accounting Policies (Continued)

Unexpired Risks Reserve (Continued)

In accordance with the Undersecretariat of the Treasury’s announcement no: 2012/13, article of 7 in order to eliminate the misleading effect of changes in the claims provision calculation, the Company has recalculated the prior period claims provision with new method to calculate unexpired risk reserve. Turkish Treasury allows insurance companies with the circular 2016/37 to calculate their unexpired risks reserve on Motor Own Damage, Motor Third Party Liability (Compulsory and Facultative separately) and General Liability by considering only the last 4 accident quarters’ loss ratios. According to this new method, loss ratios exceeding 95% in 2016, 90% in 2017 and 85% in 2018 and later years, will be multiplied by unearned premiums reserve.

The company has calculated it’s Unexpired Risks Reserve in Compulsory Motor Third Party Liability, Financial Losses and General Liability lines using the method in Circular 2016/37. As a result of this new method, there is no unexpired risk reserve in these line of businesses. Had the Company’s calculation were based on the former method, then there would be TL 10,045,016 and TL 2.682.599 Net Unexpired Risk reserve calculated for the Motor Compulsory TPL and General Liability lines consecutively. As of 30 June 2017, Net 390,279 TL unexpired risk reserve is calculated just for Water Crafts (as of 31 December 2016, the Company has calculated Net Unexpired Risk Reserve based on the circular 2016/37 in Motor Compulsory, Financial Losses, Motor Own Damage and General Liability branches and there is no unexpired risk reserve in these line of businesses. If old method was used, Motor Compulsory TPL TL 32,377,318, General TPL TL 2,399,816 Net unexpired risk reserve would be booked) (Note20).

Bonuses and rebates reserve

The bonus provisions are the amount that has to be made provision if the Company commits to pay bonus to insured’s policies in force regardless of renewal of the related policies. According to Insurance Law Article No.16, if the Company decides to bonus or discount operations, the amount must be allocated for insured person or beneficiaries regarding to technical results of the current year.

The Company has calculated and accounted for gross bonuses and rebates reserve amounting to TL 409,989 TL and TL 12,258 net at June 30, 2017 (as of 31 December 2016 company has calculated and accounted gross bonus and rebates reserve amounting to 1,718,909 TL and 3,457 TL net) (Note 20).

Claims provision

The Company accounts for outstanding claims and indemnities for the claims and indemnity costs which have accrued and determined on account, but not actually paid in the previous fiscal periods or in the current fiscal period or if this amount could not be calculated, for the claims and indemnity costs which have emerged in expected amounts, but not reported.

The Company recognizes outstanding claims reserve for the claims which are accrued but not paid yet in the current period or previous periods and for claims incurred but not reported.

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2017

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

2. Summary of the Accounting Policies (Continued)

Claims provision (Continued)

In accordance with the “Regulation Regarding the Amendment of the Regulation Regarding Technical Reserves of Insurance, Reinsurance and Pension Companies and the Assets to which These Reserves Are Invested” published in the Official Gazette dated July 28, 2010 and numbered 27655 and the Circular on Claims Provision dated December 5, 2014 and numbered 2014/16, the Company’s Incurred But Not Reported (IBNR) claims provisions were calculated using the actuarial chain ladder methods (“ACLM”).

The Regulation on the amendment of the related Regulation, published in the Official Gazette dated July 5, 2012 and numbered 28356 has enforced the provision “Incurred but not reported claims are calculated using the actuarial chain ladder method, the content and implementation basis are determined by the Undersecretariat or other calculation methods to be determined by the Undersecretariat.

In accordance with the circular issued by Turkish Treasury dated December 5, 2014 and numbered 2014/16, as of January 1, 2015 selection of data to be used in the calculation in branch-basis, adjusting process, selection of most appropriate method to interfere with the development factors are performed by the Company’s actuary. IBNR calculation in non-life insurance in accordance with the same circular, chain ladder methods are Standard Chain, Claim/Premium, Cape Cod, Frequency/Severity, Munich Chain or Bornhuett-Ferguson. The method’s using by the actuary are as follows:

Branch	Applied Method	June 30, 2017		December 31, 2016		
		Gross Additional Reserve (100%)	Net Additional Reserve (100%)	Gross Additional Reserve (100%)	Net Additional Reserve (100%)	
Motor Third Party Liability	Frequency/Severity/Standard	229,825,380	229,825,380	Frequency/Severity/Bornhuetter-Ferguson/Standard	205,882,912	205,882,912
General Liability	Chain Ladder/Loss Ratio	67,710,621	30,487,932	Chain Ladder	67,267,574	32,453,580
Fire and Natural Disaster	Bornhuetter-Ferguson	32,456,840	14,746,115	Bornhuetter-Ferguson	7,076,603	293,902
General Losses	Bornhuetter-Ferguson	5,905,668	5,277,012	Bornhuetter-Ferguson	7,701,380	381,713
Suretyship	Chain Ladder	1,930,139	103,306	Chain Ladder	1,132,880	25,569
Financial Losses	Chain Ladder	494,204	(206,507)	Chain Ladder	350,616	(243,367)
Accident	Bornhuetter-Ferguson	317,101	161,228	Bornhuetter-Ferguson	505,760	430,620
Water Crafts	Chain Ladder	274,310	123,136	Chain Ladder	489,018	105,498
Health	Chain Ladder	267,353	(88,946)	Chain Ladder	333,420	(79,491)
Motor Crafts Liability	Chain Ladder	153,364	53	Chain Ladder	189,546	69
Legal Protection	Chain Ladder	67,852	67,852	Chain Ladder	53,445	53,445
Air Crafts	Chain Ladder	30,336	-	Chain Ladder	35,500	-
Credit	Chain Ladder	19,968	994	Chain Ladder	43,659	2,134
Transportation	Bornhuetter-Ferguson	(489,069)	(323,866)	Bornhuetter-Ferguson	1,027,047	390,832
Motor Vehicle	Chain Ladder	(10,511,640)	(10,511,640)	Bornhuetter-Ferguson	(10,502,217)	(10,502,218)
Total		328,452,427	269,662,049		281,587,143	229,195,198

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2017**

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

2. Summary of the Accounting Policies (Continued)

Claims provision (Continued)

In accordance with the circular of the Undersecretariat of Treasury “Circular on Explanations Related Calculation of Incurred But Not Reported Claims Provision (IBNR)” (the “Circular numbered 2011/23”), the companies may apply a discount at the related rate not to exceed 25% (15% for branches which have started operating recently and which do not have five-year data) over the outstanding files for their files in the lawsuit process in accordance with the accruals in the last five years retrospectively taking into consideration the conclusion date of lawsuits) by sub-branches, calculating a winning rate over the amounts of lawsuits filed against the company. Since the above-mentioned actuarial chain ladder method involve the mentioned lawsuit winning discount in calculations, the Company decided to terminate this practice as of 2015 in accordance with the opinion of the company actuary.

While the Company actuary determined the threshold values regarding the peak claims considered as significant claims using the Box-Plot method allowed by the Undersecretariat of Treasury only for the Mandatory Traffic branch in order to make calculations using a more homogeneous data set in determining the IBNR before the Circular 2014/16, the threshold values have been determined using the plot analysis starting from 2015. 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 June 30, 2017 limits, the total number of files that are subject to calculation, significant claims file number, significant claims file percentages are as follows;

Branch	June 30, 2017				December 31, 2016			
	Limit	Big Claim Files Number	Total Number of Files	Elimination (%)	Limit	Big Claim Files Number	Total Number of Files	Elimination (%)
General Liability	999,999	46	139,172	0.0%	999,999	38	134,016	0.03%
Fire and Natural Disaster	999,999	128	188,905	0.1%	999,999	117	173,696	0.07%
Transportation	499,999	42	53,390	0.1%	499,999	36	52,561	0.07%
Accident	299,999	16	6,016	0.3%	299,999	16	5,852	0.27%
General Liability	200,000	274	22,163	1.2%	200,000	225	25,531	0.88%
Facultative Public Liability	149,999	38	7,198	0.5%	149,999	34	7,047	0.48%
Financial Losses	50,000	34	24,731	0.1%	50,000	32	22,808	0.14%

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 branches are as follows:

Branches	Gross Additional Reserve	Net Additional Reserve
General Liability	7,598,376	2,237,080
General Losses	-	-
Transportation	-	-
Fire and Natural Disaster	16,467,161	2,561,152
Accident	74,500	12,370
Facultative Public Liability	1,380,067	1,380,067
Financial Losses	791,568	89,049

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2017**

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

2. Summary of the Accounting Policies (Continued)

Claims provision (Continued)

The circular numbered 2015/7 published by the Undersecretariat of Treasury has made it possible to recognize gradually the increases to occur in the IBNR amount to be calculated as of January 1, 2015 in accordance with the circular numbered 2014/6 when compared to the IBNR amount calculated as of prior year as of quarterly periods from 2015 to 2017. In compliance with the circular published at 2nd quarter of 2017, the company has not used the gradual transition rate in the Compulsory Traffic and General Liability branches (December 31, 2016: gradual transition is not used).

In accordance with the circular, IBNR was calculated by the company actuary in gross amount based on the Accident Periods using the above-mentioned methods. For these gross IBNR amounts, reinsurer shares were calculated taking into consideration the reinsurance rates and the effective reinsurance agreement types in the related accident periods in related branches.

Equalization Reserve

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

It is possible to deduct the equalization reserve for earthquake compensations from equalization reserve for outstanding compensation reserve, but not current year’s equalization reserve, upon supplying evidence such as compensation payments for the earthquake, expert reports or the documentation that can be gathered from official institutions. In this extent, as of June 30, 2017, the Company has not deducted any claim amount from equalization reserve for 2011 earthquake.

The Company has calculated TL 66,026,649 (December 31, 2016: TL 59,705,916) of equalization reserve as of June 30, 2017, and presented in the long term liabilities in the accompanying financial statements under “Other Technical Reserves” (Note 20).

Life mathematical reserves

Life mathematical reserves comprise actuarial mathematical reserves and life profit share reserves and represent the Company’s total liability to the policyholders in the life branch.

Mathematical Reserves has been calculated with the tariffs approved by the Treasury in the current period of the policies and applicable methods and assumptions specified in the profit share technical principles (Note 20).

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2017**

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

2. Summary of the Accounting Policies (Continued)

d. Subrogation and salvage income

Within the framework of the Undersecretariat for the Treasury of the Prime Minister’s Office of Republic of Turkey (“Undersecretariat for the Treasury”) Circular relating to Subrogation and salvage income No. 2015/6, dated February 10, 2015; as of June 30, 2017, the Company recognizes receivables from salvage and subrogation on an accrual basis up to coverage limit of debtor insurance company, on conditions that following the payment of claim, the Company receives the acquaintance or document agreed on payment from individuals and notification is made to individuals or insurance company. However, a doubtful receivables provision for these receivables is accounted under “Provisions for Doubtful Receivables From Main Operations” in case where related amounts are not collected from insurance companies after six months and from individuals after four months following the payment of claim.

Accordingly, accrued receivables from salvage and subrogation and doubtful receivables provision for salvage and subrogation as of June 30, 2017 are TL 21,067,025 (December 31, 2016: TL 26,122,486) and TL 8,544,064 (December 31, 2016: TL 4,890,115) respectively (Note 12.1).

The amounts of the net salvage and subrogation income which are collected and the accrued income amounts from salvage and subrogation receivables for the claims paid by the Company are as follows:

	June 30, 2017					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Motor Vehicle	81,395,383	(305)	81,395,078	19,979,168	-	19,979,168
Motor Third Party Liability	2,025,409	(30)	2,025,379	299,363	-	299,363
Fire and Natural Disaster	1,359,926	(197,054)	1,162,872	972,805	(257,004)	715,801
Transportation	1,175,747	(406,542)	769,205	6,426	-	6,426
General Liability	486,782	(5,460)	481,322	960	(672)	288
Water Crafts	42,491	(29,750)	12,741	-	-	-
General Losses	38,410	(13,768)	24,642	75,333	(25,747)	49,586
Accident	17,343	-	17,343	-	-	-
Legal Protection	6,223	-	6,223	-	-	-
Suretyship	3,012	(1,787)	1,225	151,916	(135,523)	16,393
Total	86,550,726	(654,696)	85,896,030	21,485,971	(418,946)	21,067,025

	December 31, 2016					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Motor Vehicle	145,845,053	(11,197)	145,833,856	24,613,450	(518)	24,612,932
Fire and Natural Disaster	2,855,635	(913,833)	1,941,802	497,505	(60,457)	437,048
Motor Third Party Liability	2,425,985	(467)	2,425,518	282,985	-	282,985
Transportation	1,593,203	(574,269)	1,018,934	1,060,031	(315,160)	744,871
General Losses	282,667	(201,109)	81,558	6,340	(3,621)	2,719
Voluntary Financial Liability	93,160	-	93,160	11,900	-	11,900
General Liability	27,129	(11,323)	15,806	-	-	-
Water Crafts	3,775	(2,265)	1,510	42,297	(29,609)	12,688
Suretyship	2,525	(1,262)	1,263	-	-	-
Accident	-	-	-	17,343	-	17,343
Total	153,129,132	(1,715,725)	151,413,407	26,531,851	(409,365)	26,122,486

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2017**

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

2. Summary of the Accounting Policies (Continued)

e. Premium Income and Claims

Premium income represents premiums on policies written during the year. Unearned premium reserves are determined from premiums written during the year on a daily basis.

Claims are recognized as expense as they are paid. Outstanding claims provision is provided for both reported unpaid claims at period-end and incurred but not reported claims. Reinsurer’s shares of claims paid and outstanding loss provisions are off-set against these reserves.

f. Receivables from Insurance Operations

In accordance with the Turkish Tax Code article No: 323, the Company provided provision for doubtful receivables by taking the nature and the value of the receivable into account. As of June 30, 2017, the Company has provided provision for the doubtful receivables under legal and management follow up in the account of “Provision for doubtful receivables from insurance operations” amounting to TL 22,677,489. (December 31, 2016: TL 21,758,315), provision for the overdue receivables which are not under legal follow up in the account of “Provision for doubtful receivables from main operations” amounting to TL 11,719,065 (December 31, 2016: TL 6,796,115). Furthermore, provision is accounted for the retention of claim recovery transactions under legal follow up amounting to TL 62,575,873 (December 31, 2016: TL 57,358,424 and it has been accounted in “Provision for doubtful receivables from main operations” account (Note 12).

g. Earnings per Share

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

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

h. Subsequent Events

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

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

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2017**

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

2. Summary of the Accounting Policies (Continued)

i. Provisions, Contingent Liabilities and Assets

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

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

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

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

j. Changes in Accounting Policies, Accounting Estimates and Errors

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

k. Corporate Taxation and Deferred Tax

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

Corporate Tax

Corporation tax is payable at a rate of 20% on the total income of the Company and its Subsidiaries registered in Turkey in 2017 (2016: 20%) after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

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

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

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

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

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2017**

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

2. Summary of the Accounting Policies (Continued)

Corporate Tax (Continued)

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

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

In accordance with Tax Law No.5024 “Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law” published in the Official Gazette on December 30, 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004 income and corporate taxpayers are required to prepare the statutory financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish Lira. In accordance with the Law in question, the cumulative inflation rate for the last 36 months and the inflation rate for the last 12 months must exceed 100% and 10% respectively (Wholesale Price Index increase rate). Since these conditions in question were not fulfilled in 2016 and 2015, no inflation adjustments were performed (Note 35).

Deferred income tax

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

Except the conditions that the Company can control its temporary differences removal and when the possibility of that removal is very low, deferred tax liabilities are accounted for all of the taxable temporary differences that are related with the rates in partnerships and investments in subsidiaries and participations. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

As of June 30, 2017, the Company has booked the deferred tax assets in amounting to TL 9,872,572 (December 31, 2016: TL 25,632,235). The Company management is in the opinion that the Company is able to make sufficient taxable income based on the business plans and projections therefore the Company foresees no indicator of any concern regarding its recoverability of deferred tax assets.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2017**

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

2. Summary of the Accounting Policies (Continued)

Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from April 24, 2003 by the end of July 22, 2006. However, this rate was changed to 15% commencing from 22 July 2006 upon the order no: 2006/10731 of the Council of Ministers. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Until the Council of Ministers has changed the rate, 10% will be applied. Undistributed dividends added to share capital are not subject to income tax withholding.

2.1.2 Other related accounting policies for the understanding of financial statements

All accounting policies are explained in Note 2.1.1 “Basis of Preparation of Financial Statements and Specific Accounting Policies Used”.

2.1.3 Functional currency

The Company’s financial statements are expressed in TL, which is the functional and presentation currency of the Company

2.1.4 Rounding degree used in the financial statements

All the balances presented in the financial statements are expressed in full in Turkish Lira (TL) and rounded to the closest whole number.

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

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

2.1.6 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at June 30, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2016. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

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

2. Summary of the Accounting Policies (Continued)

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

- **Amendments to IAS 7 ‘Statement of cash flows’** on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB’s Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- **Amendments IAS 12 ‘Income Taxes’**, effective from annual periods beginning on or after 1 January 2017. The amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.
- **Annual improvements 2014–2016; IFRS 12, ‘Disclosure of interests in other entities’** regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

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 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.

- **Amendments to IFRS 2, ‘Share based payments’** on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.
- **IFRS 9 ‘Financial instruments’**, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- **IFRS 15 ‘Revenue from contracts with customers’**, effective from annual periods beginning on or after 1 January 2018. IFRS 15, ‘Revenue from contracts with customers’ is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- **Amendment to IFRS 15, ‘Revenue from contracts with customers’**, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2017**

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

2. Summary of the Accounting Policies (Continued)

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

- **IFRS 16 ‘Leases’**, effective from annual periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15, ‘Revenue from Contracts with Customers’, is also applied. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- **Amendments to IFRS 4, ‘Insurance contracts’** regarding the implementation of IFRS 9, ‘Financial Instruments’, effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
 - Give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
 - Give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard- IAS 39.
- **Amendment to IAS 40, Investment property’** relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- **Annual improvements 2014-2016;**
 - IFRS 1, ‘First-time adoption of IFRS’, regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.
 - IAS 28, ‘Investments in associates and joint ventures’ regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- **IFRIC 22, ‘Foreign currency transactions and advance consideration’**, effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.
- **IFRS 17, ‘Insurance contracts’**, effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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

2. Summary of the Accounting Policies (Continued)

2.2 Consolidation

The Company has no subsidiaries or joint ventures that fall within the scope of consolidation as per "IFRS 10– Consolidated and Separate Financial Statements" as of December 31, 2016 (December 31, 2015: None).

2.3 Segment Reporting

Reporting segments are determined to conform to the reporting made to the Company's chief operating decision maker. The chief operating decision maker is responsible for making decisions about resources to be allocated to the segment and assess its performance. Details related to the segment reporting are disclosed in the Note 5.

2.4 Discontinued Operations

The Company does not have any discontinued or disposed operations as of June 30, 2017 and December 31, 2016.

2.5 Foreign Currency Translation

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

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

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

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

2.6 Tangible assets

Tangible assets are carried at cost, less any accumulated depreciation and impairment loss.

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

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2017**

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

2. Summary of the Accounting Policies (Continued)

2.6 Tangible assets (Continued)

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

Assets acquired under finance lease are depreciated as the same basis as tangible assets or, where shorter, the term of the relevant lease.

Gain or loss arising on the disposal or retirement of an item of tangible assets are 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 tangible assets are presented in the table below:

Buildings	50 Yers
Furnitures and fixtures and leased tangible assets	10 Years
Other tangible assets	5 Years

2.7 Investment Properties

Investment property is held to earn rentals and/or for capital appreciation is carried at cost less accumulated depreciation and any accumulated impairment losses. Carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is provided on investment property on a straight line basis. Depreciation period for investment property is nil for land, and 50 years for buildings.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the period of retirement or disposal.

Transfers are made to or from investment property only, when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy applied to “Property, Plant and Equipment” up to the date of change in use.

Real estates held under finance lease are classified as investment properties.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2017**

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

2. Summary of the Accounting Policies (Continued)

2.8 Intangible Assets

Intangible assets acquired

Intangible assets acquired are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. Estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred from the date of acquisition to the date to bring the specific software in use. These costs are capitalized under intangible advances account and amortized over their estimated useful lives (1 to 10 years).

Costs associated with developing or maintaining computer software programmes are recognized as expense as incurred. Costs that are directly associated with the development of identifiable and unique software products that are controlled by the Company and will probably provide more economic benefits than costs in one year are recognized as intangible assets. Costs include software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets from the date that the assets become to provide economical benefit are amortized over their estimated useful lives (June 30, 2017: 5 years - December 31, 2016:5 years).

2.9 Financial Assets

Investments, other than those that are classified as financial assets at fair value through profit and loss, are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Investments are recognized and derecognized on a trade date, where the purchase or sale of an investment under a contract, whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: financial assets as “available-for-sale” (AFS) financial assets, “financial assets at fair value through profit and loss” and “loans and receivables”. As of June 30, 2017, the Company has no financial assets at fair value through profit and loss (December 31, 2016: None).

Effective interest method

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

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2017**

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

2. Summary of the Accounting Policies (Continued)

2.9 Financial Assets (Continued)

Available-for-sale financial assets

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

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

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

Financial Assets at Insured's Risk

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

Loans and receivables

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

Associates

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

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

2. Summary of the Accounting Policies (Continued)

2.10 Impairment of Assets

Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate, that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that are impaired, are reviewed for possible reversal of the impairment at each reporting date.

Impairment of financial assets

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

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

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

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

Except for AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For AFS equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

2.11 Derivative Financial Instruments

The Company uses foreign currency swap and option contracts, the Company uses end of period market exchange rates and interest rates to calculate market value of foreign exchange swap contracts. As of June 30, 2017, the Company has no derivative financial instruments. (December 31, 2016: None).

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2017

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

2. Summary of the Accounting Policies (Continued)

2.12 Offsetting Financial Instruments

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

2.13 Cash and Cash Equivalents

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

2.14 Share Capital

As of June 30, 2017, the Company’s nominal capital is TL 306,000,000 (December 31, 2016: TL 306,000,000). Share capital is represented by 30,600,000,000 of equity shares having a nominal amount of TL 0.01 each. The share capital structure of the Company is as follows:

	June 30, 2017		31 December 2016	
	Rate (%)	Amount TL	Rate (%)	Amount TL
H.Ömer Sabancı Holding A.Ş.	36.00	110,160,000	36.00	110,160,000
Ageas Insurance International NV	36.00	110,160,000	36.00	110,160,000
Other	28.00	85,680,000	28.00	85,680,000
	100.00	306,000,000	100.00	306,000,000

Agreement about the sale of %50 of 18,965,880,200 units of Aksigorta A.Ş. shares with TL 189,658,802 nominal value that belong to H.Ö. Sabancı Holding (“Holding”) portfolio was signed with Ageas Insurance International N.V. at February 18, 2011. At the date of July 29, 2011, 9.482.940.100 units of Aksigorta A.Ş. shares that correspond to %50 of the Holding’s portfolio have been transferred to Ageas Insurance International N.V. with the sale price (excluding the corrections) of USD 220,029,000.

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

As of June 30, 2017, Company has TL 500,000,000 registered share capital ceiling. (December 31, 2016: TL 500,000,000). More extensive details related to the company capital are disclosed in the Note 15.

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

2. Summary of the Accounting Policies (Continued)

2.15 Insurance and Investment Contracts

Insurance Contracts:

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

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

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

Investment Contracts:

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

Reinsurance agreements

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

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

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

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

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

2. Summary of the Accounting Policies (Continued)

2.15 Insurance and Investment Contracts (Continued)

Premiums Transferred to Social Security Institution

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

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

Based on the aforementioned regulations, the Company has calculated the amount of the premiums to be ceded to SSI in January 1 - June 30, 2017 accounting period as TL 8,441,270 (January 1 - June 30, 2016: TL 8,901,988) and unearned premium reserve amounting to TL 339,370, (January 1 - June 30, 2016: TL 7,982,140) for the period ended as of January 1 - June 30, 2017; classified under the accounts of “Premiums ceded to SSI” and “Change in SSI share of of Unearned Premiums Reserve”, respectively (Note 19).

In the Board of Directors meeting of The Association of the Insurance and Reinsurance Companies of Turkey dated September 22, 2011 and numbered 18, it was decided to appeal Council of State for the “suspense of execution” and “cancellation” of the Regulation and the Communiqué numbered 2011/17; and the cancellation of related provisions of the Law as being contradictory to the Constitution. The legal procedures are in progress as of the date of the preparation of the financial statements.

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

2. Summary of the Accounting Policies (Continued)

2.16 Insurance and Investment Contracts With Discretionary Participation Features

None (December 31, 2016: None).

2.17 Investment Contracts without Discretionary Participation Features

None (December 31, 2016: None).

2.18 Borrowings

None (December 31, 2016: None).

2.19 Employee Benefits

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

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

2.20 Provisions

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

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

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

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2. Summary of the Accounting Policies (Continued)

2.21 Accounting for revenues

Written Premium and Commission

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

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

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

Interest income and expense

Interest income and expenses are accounted on an accrual basis in the related period’s profit/loss. Interest income includes income gains from the coupons of the fixed return investment instruments and valuation of discounted government bonds based on internal rate of return method.

Dividend income

Dividend income from the equity share investments are recognized when the shareholder has the right to receive dividends.

2.22 Finance Lease - The Company as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company’s general policy on borrowing costs.

Operational lease

The payment of the operational lease is charged to the income statement on a straight-line basis over the lease period (The incentives received or to be received from the lessor and payments made to intermediaries to acquire the lease contract are also charged to the income statement on a straight-line basis over the lease period). As at June 30, 2017, the Company has paid in advance in amounting to TL 12,848,085 of which TL 6,703.349 is short-term and TL 6,144,736 is long-term. As at June 30, 2017, amount of TL 53,836,266 (USD 15,350,651), the maturity of outstanding operational lease liability is between July 1, 2017 – May 5, 2024 (December 31, 2016: TL 57,567,247).

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

2. Summary of the Accounting Policies (Continued)

2.23 Profit Share Distribution

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

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

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

The excess portion of the inflation adjustment of the general reserves including prior year losses and profits, share premiums and shareholders’ equity excluding capital is considered in the calculation of the net distributable profit.

2.24 Hedge Accounting

All foreign currency payments, collections and investments result in a foreign exchange position. The foreign currency cash flow transaction has faced the risk of exchange rate fluctuations effect the Company’s financial position positively or negatively. In order to forecast the transaction made via foreign currencies that have a high possibility of realization and minimize the effect of exchange rate fluctuations on the Company’s financial position, hedge accounting has been applied. Changes in the value of the hedge instrument arising from exchange rate changes has been reclassified under equity, changes except for exchange rate has been reclassified under current period income statement. The gains or losses recognized under equity has been transferred to related profit/ loss accounts when the transaction is completed or the profit for the period is affected by the expected result of the transaction. In the case of expectation of estimated transaction’s end, accumulated gain or loss recognized under equity has been accounted as current period’s profit or loss in the financial statements. Effectiveness of hedge transaction has been measured and evaluated in each reporting period. As of June 30, 2017 the Company has booked the hedging transaction under “Special funds” account item under equity (Note 34.5).

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2. Summary of the Accounting Policies (Continued)

2.25 Related parties

Parties are considered related to the Company if;

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

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

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

In the financial statements and related notes dated June 30, 2017 and December 31, 2016, the Company management, groups associated to H.Ö. Sabancı Holding and Ageas Insurance International N.V. are defined as related parties.

2.26 Foreign currency transactions

Transactions are recorded in TL, which represents the Company’s functional currency. Transactions denominated in foreign currencies are recorded at the exchange rates ruling at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are converted into TL at the exchange rates ruling at the reporting date with the resulting exchange differences recognized in the statement of profit or loss as foreign exchange gains or losses.

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

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

2. Summary of the Accounting Policies (Continued)

2.26 Foreign currency transactions (Continued)

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

	June 30, 2017		December 31, 2016	
	USD / TL	EUR / TL	USD / TL	EUR / TL
Buying rate	3.5071	4.0030	3.5192	3.7099
Selling rate	3.5187	4.0162	3.5308	3.7222

3. Significant Accounting Estimates and Requirements

Preparation of financial statements requires the use of assumptions and estimates that might affect the amounts of assets and liabilities reported as of balance sheet date, explanation of the conditional assets and liabilities and amounts of the income and expenses reported throughout the accounting period. Accounting evaluations, estimates and assumptions are evaluated taking into consideration past experience, other factors, current conditions and reasonable expectations for future events. Such evaluations and estimates might differ from actual consequences, even though they are based on the best knowledge of the management about current events and transactions.

One of the most important accounting estimates for the Company is to estimate the final net liabilities relating to the expenses to arise from the effective policies. As per its nature, estimating liabilities regarding the insurance business includes the evaluation of many uncertainties.

4. Insurance and Financial Risk Management

4.1 Insurance Risk

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

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

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

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

4. Insurance and Financial Risk Management (Continued)

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

4.1.2.1 Sensitivity to insurance risk

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

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

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

Reinsurance Company 2017 table

2017			
Reinsurance Company	Standard & Poors Rating	Reinsurance Company	Standard & Poors Rating
African Re	A-	Korean Re	A
ARIG	-	Malaysian Re	-
Asia Capital	A-	Mapfre Re	A
XLCatlin Re	A+	Milli Re	tr AA
China Re	A+	Odyssey Re	A-
Covea	A+	Partner Re	A+
Everest Re	A+	Scor	AA-
GIC	-	Sava Re	A-
Hannover Re	AA-	Toa Re	A+
Intreas NV	A	Trust Re	A-
QBE	A+	VIG	A+
Unipol Re	-	Coface	AA-

Reinsurance Company 2016

2016			
Reinsurance Company	Standard & Poors Rating	Reinsurance Company	Standard & Poors Rating
Allianz Risk Transfer	AA-	Korean Re	A
Amlin Re	A	Malaysian Re	-
Arab Re	-	Mapfre Re	A
ARIG	-	Milli Re	tr AA
Asia Capital	A-	Odyssey Re	A-
XLCatlin 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	AA-
QBE	A+		

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2017

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

4. Insurance and Financial Risk Management (Continued)

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

Generally, the Company's insurance contracts include fire and natural disasters, marine, accident, motor vehicles, air crafts, water crafts, general losses, motor vehicles liability, air crafts liability, general liability, financial losses, legal protection, illness/health and life branches. The Company's gross and net insurance risk concentrations (after reinsurance) in terms of insurance branches are summarized as below:

Total Claims Liability (*)	June 30, 2017			December 31, 2016		
	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Reinsurance Share of Total Claims Liability	Net Total Claims Liability
Motor Third Party Liability	434,028,530	(346,192)	433,682,338	405,743,324	(343,026)	405,400,298
Fire and Natural Disaster	235,755,731	(190,849,104)	44,906,627	97,879,453	(66,162,451)	31,717,002
General Liability	197,768,843	(120,756,717)	77,012,126	166,466,289	(96,423,235)	70,043,054
Suretyship	187,449,870	(185,558,840)	1,891,030	184,142,066	(182,782,285)	1,359,781
General Losses	131,027,613	(117,254,555)	13,773,058	79,690,231	(72,850,029)	6,840,202
Motor Vehicle	66,812,037	(152)	66,811,885	58,738,628	(150)	58,738,478
Transportation	22,381,801	(16,010,577)	6,371,224	16,412,609	(10,892,286)	5,520,323
Health	9,523,340	(7,124,589)	2,398,751	6,901,914	(3,176,058)	3,725,856
Financial Losses	5,758,054	(1,980,279)	3,777,775	7,746,411	(4,164,000)	3,582,411
Water Crafts	4,465,630	(2,957,576)	1,508,054	3,782,708	(3,069,835)	712,873
Accident	3,068,365	(1,298,275)	1,770,090	3,875,735	(1,425,675)	2,450,060
Air Crafts Liability	2,057,842	(2,057,789)	53	1,787,785	(1,787,716)	69
Air Crafts	367,267	(367,267)	-	426,142	(426,142)	-
Credit	274,705	(279,836)	(5,131)	1,040,157	(988,198)	51,959
Life	194,999	-	194,999	415,974	-	415,974
Legal Protection	169,936	-	169,936	109,264	-	109,264
Total	1,301,104,563	(646,841,748)	654,262,815	1,035,158,690	(444,491,086)	590,667,604

(*) Total claim liability includes all outstanding claims reserves and IBNR as of the balance sheet date.

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

	Effect on Current Period (Net)	June 30, 2017			December 31, 2016		
		Gross Total Claims Liability	Share of Total Claims Liability	Net Total Claims Liability	Gross Total Claims Liability	Share of Total Claims Liability	Net Total Claims Liability
Unpaid Claims	(23,349,340)	972,457,137	(588,051,369)	384,405,768	753,155,571	(392,099,143)	361,056,428
Claim Provisions (*)	(40,466,847)	328,452,427	(58,790,379)	269,662,048	281,587,144	(52,391,943)	229,195,201
Non-life Total	(63,816,187)	1,300,909,564	(646,841,748)	654,067,816	1,034,742,715	(444,491,086)	590,251,629
Life	220,976	194,999	-	194,999	415,975	-	415,975
Grand Total	(63,595,211)	1,301,104,563	(646,841,748)	654,262,815	1,035,158,690	(444,491,086)	590,667,604

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

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4. Insurance and Financial Risk Management (Continued)

	30 June 2017			30 June 2016		
	Reinsurance		Net Total	Reinsurance		Net Total
	Gross Total	Share of Total		Gross Total	Share of Total	
Claims Liability	Claims	Claims Liability	Claims Liability	Claims	Claims Liability	
Beginning of Period	753,155,571	(392,099,143)	361,056,428	495,935,877	(176,315,716)	319,620,161
Opened in the Period	652,081,929	(308,895,791)	343,186,138	466,125,341	(123,296,943)	342,828,398
Paid from Current Period (-)	(346,224,290)	90,354,852	(255,869,438)	(342,940,981)	67,558,658	(275,382,323)
Paid from Previous Period (-)	(86,556,073)	22,588,713	(63,967,360)	(85,735,245)	16,889,664	(68,845,581)
Period End						
Reported Claims	972,457,137	(588,051,369)	384,405,768	533,384,992	(215,164,337)	318,220,655
Life	194,999	-	194,999	3,241,779	-	3,241,779
IBNR	328,452,427	(58,790,379)	269,662,048	259,784,876	(42,427,139)	217,357,737
Total	1,301,104,563	(646,841,748)	654,262,815	796,411,647	(257,591,476)	538,820,171
Gross Paid Damages	432,780,363	112,943,565	319,836,798	941,251,194	129,392,579	811,858,615

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

Gross claim development table prepared on the principles of incurred claims by June 30, 2017:

	7/1/2010	7/1/2011	7/1/2012	7/1/2013	7/1/2014	7/1/2015	7/1/2016	Gross Claim
	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	
Claim realized in the accident period	578,379,508	846,413,612	703,075,562	740,127,447	921,276,704	771,427,801	1,143,101,874	5,703,802,508
1 year later	114,826,134	259,276,301	141,593,776	212,918,108	267,970,503	203,985,590	-	1,200,570,412
2 year later	28,201,931	120,515,195	59,233,190	95,353,856	153,366,544	-	-	456,670,716
3 year later	23,675,277	66,795,377	51,430,852	90,565,564	-	-	-	232,467,070
4 year later	23,896,629	60,820,800	44,214,487	-	-	-	-	128,931,916
5 year later	26,800,970	37,269,182	-	-	-	-	-	64,070,152
6 year later	24,885,470	-	-	-	-	-	-	24,885,470
Total Gross Claims								7,811,398,244

Gross claim development table prepared on the principles of incurred claims by December 31, 2016:

	1/1/2010	1/1/2011	1/1/2012	1/1/2013	1/1/2014	1/1/2015	1/1/2016	Gross Claim
	12/31/2010	12/31/2011	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	
Claim realized in the accident period	572,085,711	642,284,589	805,349,551	673,019,738	838,172,102	841,913,192	990,621,837	5,303,446,720
1 year later	118,874,630	161,696,125	202,475,497	160,181,399	239,937,131	216,699,946	-	1,099,864,728
2 years later	30,395,448	88,508,996	63,973,821	84,819,582	144,014,862	-	-	411,712,708
3 years later	21,213,525	49,873,092	54,371,949	67,301,174	-	-	-	192,759,740
4 years later	24,691,856	52,872,654	51,998,685	-	-	-	-	129,563,195
5 years later	28,374,649	29,563,327	-	-	-	-	-	57,937,977
6 years later	27,428,709	-	-	-	-	-	-	27,428,709
Total Gross Claims								7,222,713,777

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4. Insurance and Financial Risk Management (Continued)

4.2.1 Capital risk management and capital requirement

The Company’s main purpose in capital management is to maintain its status as an revenue generating company of the group 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. The Undersecretariat of Treasury has not published capital adequacy calculation tables for the interim period ended on June 30, 2017 as of publication date of financial statements. The minimum required capital of the company as of 13 December, 2016, calculated within the framework of the regulation on capital adequacy measurement is TL 402,120,312. In accordance with the Regulation on Measurement and Evaluation of Capital Adequacy of Insurance and Reinsurance Companies and Pension companies published on 19 January 2008, The Company’s capital is in excess of TL 60,429,195 from the minimum capital required as of 31 December 2016. The Company management believes that, as of June 30, 2017, the necessary capital adequacy has been provided for the interim period 1 January - 30 June 2017 considering the movement of equity.

4.2.2 Financial risk factors

The Company is exposed to market risk (exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk due to its assets and liabilities and reinsurance assets and liabilities. The Company’s risk management generally focuses on minimizing the probable adverse effects of uncertainties in financial markets over the Company’s performance. The Company’s exposure to interest rate risk and credit risk in general is due to its financial investments and insurance receivables, respectively.

Market risk

The Company is exposed to market risk due to fluctuations in the exchange rates, interest rates and equity share prices.

Exchange rate risk

The Company’s foreign currency denominated assets and liabilities expose the Company to exchange rate risks. These risks are monitored by analyzing exchange rate position. The details of the Company’s foreign currency denominated assets and liabilities as of June 30, 2017 and December 31, 2016 are presented in details in Note 12.4.

Sensitivity to exchange rate risk

The Company’s sensitivity to a 10% increase/decrease in USD and Euro currencies are presented below. Sensitivity analysis only includes foreign currency denominated monetary assets outstanding at the end of period and indicates the effects of 10% changes in exchange rates. Positive value indicates an increase in profit/loss and other equity items.

	<u>June 30, 2017</u>		<u>December 31, 2016</u>	
	<u>USD Effect</u>	<u>EURO Effect</u>	<u>USD Effect</u>	<u>EURO Effect</u>
Profit / Loss (increase)	17,326,909	1,896,785	5,809,105	539,385
Profit / Loss (decrease)	(17,326,909)	(1,896,785)	(5,809,105)	(539,385)

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4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Interest rate risk

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

	June 30, 2017	December 31, 2016
Total	Effect on profit and profit reserves	
Market interest rate increase / (decrease)		TL
1%	(3,751,156)	(4,344,704)
-1%	4,718,904	5,529,428
Financial assets available for sale	Kar ve kar yedekleri üzerindeki etkisi	
Market interest rate increase / (decrease)		TL
1%	(3,722,069)	(4,306,165)
-1%	4,687,445	5,477,462
+%1 Financial Assets with Risks on Policy Holders	(29,087)	(38,539)
-%1 Financial Assets with Risks on Policy Holders	31,459	51,966

Price risk

The Company is exposed to price risk due to its available for sale financial assets. As of the reporting date, if data used in the valuation method is increased/decreased by 10% and all variables remain fixed, the Company’s sensitivity is as follows. The sensitivity of the Company for the price risk is arising from the available for sale financial assets as of June 30, 2017.

	June 30, 2017	December 31, 2016
Total	Effect on profit and profit reserves	
Price increase / (decrease)		TL
+%10	49,319,917	86,390,940
-%10	(49,319,917)	(86,390,940)

Credit risk

Credit risk is the risk that the debtor defaults on its obligations under the terms of the transaction. Credit risk is managed by setting out limits and providing guarantees for receivables from a specific party. Limits and guarantees are determined based on the assessment of the respective party’s financial ability and trading capacity. The Company is exposed to credit risk in Turkey because it mainly performs its operations in Turkey.

As of June 30, 2017, the Company has presented its receivables from insurance operations and guarantees received and provision for doubtful receivables in Note 12.1.

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4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Liquidity risk

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

Liquidity risk table

June 30, 2017	Up to 1 month	1 - 3 month	3 months-1 year	1 -5 years	5 years and over	No maturity	Total
Cash and Cash Equivalents	261,475,482	788,676,252	-	-	-	10,554,371	1,060,706,105
Financial Assets Available for Sale	-	6,307,659	67,289,889	145,103,706	72,102,465	202,395,448	493,199,167
Financial Assets Held for Trading Holders	-	-	-	2,530,185	-	-	2,530,185
Receivables From Main Operations	124,723,036	166,112,313	161,492,182	15,492,646	-	-	467,820,177
Due from Related Parties	-	-	308,583	-	-	-	308,583
Other Receivables	-	-	16,872,526	-	-	-	16,872,526
Accruals	22,222,247	37,834,539	117,284,608	-	-	-	177,341,394
Other Current Assets	139,886	-	-	3,583,729	-	-	3,723,615
Financial Assets	-	-	-	-	-	-	-
Tangible Fixed Assets	-	-	-	-	-	26,046,208	26,046,208
Intangible Fixed Assets	-	-	-	-	-	43,027,513	43,027,513
Accruals (Long Terms)	-	-	-	6,345,021	-	-	6,345,021
Other Non-current Assets	-	-	-	-	-	9,872,572	9,872,572
Total Assets	408,560,651	998,930,763	363,247,788	173,055,287	72,102,465	291,896,112	2,307,793,066
Financial Liabilities	40,024,798	-	-	-	-	-	40,024,798
Payables From Main Operations	165,619,607	17,066,192	145,386,941	103,111	-	-	328,175,851
Due to Related Parties	84,266	-	1,143	-	-	-	85,409
Other Payables	-	32,836,379	-	-	-	-	32,836,379
Insurance Technical Reserves	403,182,764	305,572,865	471,003,678	41,036,553	34,235,678	-	1,255,031,538
Provisions	-	14,516,112	-	-	-	-	14,516,112
Cost Expense Provisions	-	-	26,710,740	-	-	-	26,710,740
Prepaid Income and Expense Accruals	5,737,612	11,169,550	52,955,989	-	-	-	69,863,151
Reserves	-	-	-	1,557,503	66,026,649	-	67,584,152
Provisions for Other Risks	-	-	-	-	-	5,778,720	5,778,720
Shareholders' Equity	-	-	-	-	-	467,186,216	467,186,216
Equity	614,649,047	381,161,098	696,058,491	42,697,167	100,262,327	472,964,936	2,307,793,066
Liquidity Surplus / (Deficit)	(206,088,396)	617,769,665	(332,810,703)	130,358,120	(28,159,862)	(181,068,824)	-

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2017

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

4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Liquidity risk table

December 31, 2016	Up to 1 month	1 - 3 month	3 months-1 year	1 -5 years	5 years and over	No maturity	Total
Cash and Cash Equivalents	141,435,488	321,734,673	-	-	-	18,028,383	481,198,544
Financial Assets Available for Sale	378,786,360	11,068,599	46,032,680	142,741,726	74,677,041	210,601,995	863,908,401
Financial Assets Held for Trading Holders	-	-	-	-	-	-	-
Receivables From Main Operations	30,902,270	143,251,934	264,927,041	2,219,333	-	30,954	441,331,531
Due from Related Parties	-	-	102,137	-	-	-	102,137
Other Receivables	-	8,229,918	-	-	-	-	8,229,918
Accruals	20,988,512	35,579,105	95,097,947	-	-	-	151,665,564
Other Current Assets	106,742	-	11,855,334	-	-	-	11,962,076
Financial Assets	-	-	-	-	-	-	0
Tangible Fixed Assets	-	-	-	-	-	28,081,958	28,081,958
Intangible Fixed Assets	-	-	-	-	-	41,176,250	41,176,250
Accruals (Long Terms)	-	-	-	207,203	-	-	207,203
Other Non-current Assets	-	-	-	-	-	25,632,235	25,632,235
Total Assets	572,219,372	519,864,229	418,015,139	147,698,447	74,677,041	323,551,775	2,056,026,002
Payables From Main Operations	-	30,031,438	-	-	-	-	30,031,438
Due to Related Parties	135,690,648	34,284,760	32,028,572	16,302	-	-	202,020,282
Other Payables	102,232	-	1,143	-	-	-	103,375
Insurance Technical Reserves	-	44,424,077	-	-	-	-	44,424,077
Provisions	392,329,373	321,985,961	394,288,091	65,618,177	26,117,837	-	1,200,339,440
Cost Expense Provisions	-	17,877,553	-	-	-	-	17,877,553
Prepaid Income and Expense Accruals	-	-	36,839,062	-	-	-	36,839,062
Reserves	7,576,311	12,899,065	33,503,937	-	-	-	53,979,313
Provisions for Other Risks	-	-	-	1,526,588	59,705,916	-	61,232,504
Other Long Term Liabilities	-	-	-	-	-	6,335,367	6,335,367
Shareholders' Equity	-	-	-	-	-	402,843,591	402,843,591
Equity	535,698,564	461,502,854	496,660,805	67,161,067	85,823,753	409,178,958	2,056,026,002
Liquidity Surplus / (Deficit)	36,520,808	58,361,375	(78,645,667)	80,537,379	(11,146,712)	(85,627,183)	-

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2017

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

4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

Categories of Financial Assets:

	June 30, 2017		December 31, 2016	
	Book Value	Fair Value	Book Value	Fair Value
Current Financial Assets				
Financial Assets Available for Sale	493,199,167	493,199,167	863,908,401	863,908,401
Financial Investments with Risks on Policy Holders	2,530,185	2,530,185	2,530,185	2,530,185
Non-Current Financial Assets				
Affiliates	30,116,653	30,116,653	30,116,653	30,116,653
Impairment Provision for Affiliates	(30,116,653)	(30,116,653)	(30,116,653)	(30,116,653)
Total Financial Assets	495,729,352	495,729,352	866,438,586	866,438,586

Fair value of financial assets

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

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

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

	June 30, 2017			
	Category 1	Category 2	Category 3	
Financial Assets Available for sale	493,199,167	493,199,167	-	-
Government Bonds & Treasury Bills	404,432,976	404,432,976	-	-
Investment Funds	88,766,191	88,766,191	-	-
Financial Investments with Risks on Policy Holders	2,530,185	2,530,185	-	-
Total	495,729,352	495,729,352	-	-

	December 31, 2016			
	Category 1	Category 2	Category 3	
Financial Assets Available for sale	863,908,401	863,908,401	-	-
Government Bonds & Treasury Bills	779,862,903	779,862,903	-	-
Investment Funds	84,045,498	84,045,498	-	-
Financial Investments with Risks on Policy Holders	2,530,185	2,530,185	-	-
Total	866,438,586	866,438,586	-	-

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AS OF JUNE 30, 2017**

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4. Insurance and Financial Risk Management (Continued)

4.2.2 Financial risk factors (Continued)

The following methods and assumptions are used in fair value estimations for financial instruments of which their fair value cannot be practically measured:

Financial assets:

It is anticipated that fair value of the financial assets including cash and cash equivalents and other financial assets carried at cost will approximate to their book value based on their short term nature and having insignificant potential losses.

Market value is taken as a basis in the measurement of fair value of government bonds and equity shares.

Financial liabilities:

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

5. Segment information

5.1 Operating segments

Information related to the operational reporting made by the Company to the chief operating decision-maker in the accordance with the “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 segments those constitute premium production and net technical income are determined as a separate operating segment.

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

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2017

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

5. Segment information (Continued)

5.1 Operating segments (Continued)

Segment results for the period ended at June 30, 2017:

	Fire	Transportation	Motor Own Damage	Motor Crafts Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
TECHNICAL INCOME	86,695,578	13,393,419	304,953,681	136,753,352	83,173,949	12,408,217	13,192	42,748,787	71,758	-	680,211,933
1- Earned Premiums (Net of Reinsurer Share)	69,236,810	10,640,056	289,726,061	120,470,906	65,784,969	9,893,458	9,766	32,123,296	2,500	-	597,887,822
1.1 - Written Premiums (Net of Reinsurer Share)	79,981,252	11,357,962	257,141,326	116,535,794	71,240,262	12,811,631	6,824	39,898,357	2,500	-	588,975,908
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(10,744,442)	(327,627)	32,584,735	3,935,112	(5,455,293)	(2,918,173)	2,942	(7,775,061)	-	-	9,302,193
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	-	(390,279)	-	-	-	-	-	-	-	-	(390,279)
2- Investment Income transferred from Non-Technical Part	13,991,857	2,854,234	14,919,165	15,021,702	17,312,689	2,484,861	3,426	10,190,491	69,258	-	76,847,683
3- Other Technical Income (Net of Reinsurance Share)	-	-	1,225,489	-	-	-	-	435,000	-	-	1,660,489
4- Accrued Subrogation and Salvage Income (+)	3,466,911	(100,871)	(917,034)	1,260,744	76,291	29,898	-	-	-	-	3,815,939
TECHNICAL EXPENSES	(77,545,500)	(4,964,631)	(296,599,357)	(121,330,169)	(47,241,680)	(7,204,282)	583,193	(26,365,913)	(150,622)	-	(580,818,961)
1- Total Claims (Net of Reinsurer Share)	(42,288,957)	(2,622,853)	(210,951,931)	(98,723,493)	(21,679,717)	(5,654,465)	116,324	(1,507,210)	(119,707)	-	(383,432,009)
1.1- Claims Paid (Net of Reinsurer Share)	(29,091,182)	(976,770)	(202,878,524)	(70,441,452)	(9,427,345)	(3,773,892)	(72,636)	(2,834,315)	(340,682)	-	(319,836,798)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(13,197,775)	(1,646,083)	(8,073,407)	(28,282,041)	(12,252,372)	(1,880,573)	188,960	1,327,105	220,975	-	(63,595,211)
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(5,189)	(1,493)	-	-	(2,118)	-	-	-	-	-	(8,800)
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other Technical Expenses	(5,582,524)	-	(318,485)	-	(257,878)	(161,846)	-	-	-	-	(6,320,733)
4- Operating Expenses	(26,123,084)	(2,295,405)	(69,316,914)	(22,292,650)	(24,709,140)	(1,304,634)	479,636	(23,972,108)	-	-	(169,534,299)
4.1- Production Commissions (-)	(36,234,023)	(3,977,999)	(49,478,711)	(15,869,174)	(29,383,256)	(6,251,660)	(1,442,794)	(26,402,521)	-	-	(169,040,138)
4.2- Reinsurance Commissions (+)	25,423,624	2,787,177	116	2,043	11,389,984	7,200,376	2,269,584	13,551,991	-	-	62,624,895
4.3- General Administrative Expenses	(15,312,685)	(1,104,583)	(19,838,319)	(6,425,519)	(6,715,868)	(2,253,350)	(347,154)	(11,121,578)	-	-	(63,119,056)
4.4- Other Operating Expenses	-	-	-	-	-	-	-	-	-	-	-
5- Changes in Mathematical Reserves (+/-)	-	-	-	-	-	-	-	-	(30,915)	-	(30,915)
6- Other Technical Expenses (Net of Reinsurer Share) (-)	(3,545,746)	(44,880)	(16,012,027)	(314,026)	(592,827)	(83,337)	(12,767)	(886,595)	-	-	(21,492,205)
	9,150,078	8,428,788	8,354,324	15,423,183	35,932,269	5,203,935	596,385	16,382,874	(78,864)	-	99,392,972
Financial income	-	-	-	-	-	-	-	-	-	125,165,118	125,165,118
Depreciation expense	-	-	-	-	-	-	-	-	-	(8,322,561)	(8,322,561)
Provisions account	-	-	-	-	-	-	-	-	-	(13,054,478)	(13,054,478)
Tax expenses	-	-	-	-	-	-	-	-	-	(1,348,385)	(1,348,385)
Financial expenses	-	-	-	-	-	-	-	-	-	(125,165,117)	(125,165,117)
Other	-	-	-	-	-	-	-	-	-	(17,911,596)	(17,911,596)
Net Profit / (Loss)	9,150,078	8,428,788	8,354,324	15,423,183	35,932,269	5,203,935	596,385	16,382,874	(78,864)	(40,637,019)	58,755,953

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

5. Segment information (Continued)

5.1 Operating segments (Continued)

Segment results for the period ended at June 30, 2016:

	Fire and Natural Disaster	Transportation	Motor Own Damage	Land Vehicles Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life	Undistributed	Total
TECHNICAL INCOME	79,276,038	13,116,837	271,131,137	27,747,734	66,903,660	10,936,359	4,952,687	63,892,324	84,046	-	538,040,822
1- Earned Premiums (Net of Reinsurer Share)	67,791,125	11,133,765	246,905,456	21,152,672	56,728,234	9,337,960	4,949,735	58,700,048	4,621	-	476,703,616
1.1 - Premiums (Net of Reinsurer Share)	72,782,934	11,185,278	268,552,360	103,295,211	56,584,929	11,136,214	275,283	28,443,868	4,480	-	552,260,557
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(4,991,809)	(51,513)	(21,646,904)	(48,734,173)	(1,371,016)	(1,798,254)	4,674,452	30,256,180	141	-	(43,662,896)
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	-	-	-	(33,408,366)	1,514,321	-	-	-	-	-	(31,894,045)
2- Investment Income transferred from Non-Technical Part	9,194,874	1,610,641	19,802,826	4,746,269	10,038,360	1,417,480	2,952	4,972,366	79,425	-	51,865,193
3- Other Technical Income (Net of Reinsurer Share)	-	-	601,149	(23)	(46)	-	-	219,910	-	-	820,990
4- Accrued Subrogation and Salvage Income (+)	2,290,039	372,431	3,821,706	1,848,816	137,112	180,919	-	-	-	-	8,651,023
TECHNICAL EXPENSES	(65,231,111)	(6,905,908)	(256,506,213)	(96,890,767)	(34,453,847)	(7,222,618)	(5,652,947)	(62,404,084)	(216,292)	-	(535,483,787)
1- Total Claims (Net of Reinsurer Share)	(33,986,513)	(4,221,287)	(180,546,006)	(81,747,277)	(14,936,091)	(4,497,743)	(4,011,501)	(32,402,184)	(482,998)	-	(356,831,600)
1.1- Claims Paid (Net of Reinsurer Share)	(23,919,613)	(2,898,619)	(166,666,939)	(78,899,138)	(8,373,514)	(3,843,514)	(4,122,153)	(54,568,139)	(936,275)	-	(344,227,904)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(10,066,900)	(1,322,668)	(13,879,067)	(2,848,139)	(6,562,577)	(654,229)	110,652	22,165,955	453,277	-	(12,603,696)
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	-	-	-	-	-	-	-	-	-	-	-
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other Technical Expenses	(5,038,195)	(180)	(319,667)	-	(74,487)	(112,980)	-	-	-	-	(5,545,509)
4- Operating Expenses	(23,443,243)	(2,637,191)	(60,399,639)	(14,731,698)	(18,695,438)	(2,514,500)	(1,623,361)	(26,824,297)	(63,479)	-	(150,932,846)
4.1- Production Commissions (-)	(31,703,345)	(3,017,561)	(44,282,159)	(7,078,193)	(23,583,576)	(6,428,471)	(3,754,736)	(20,764,935)	-	-	(140,612,976)
4.2- Reinsurance Commissions (+)	21,118,084	1,325,038	190	2,971	10,719,422	6,019,065	2,516,240	6,355,442	-	-	48,056,452
4.3- General Administrative Expenses	(12,857,982)	(944,668)	(16,117,670)	(7,656,476)	(5,831,284)	(2,105,094)	(384,865)	(12,414,804)	(63,479)	-	(58,376,322)
4.4- Other Operating Expenses	-	-	-	-	-	-	-	-	-	-	-
5- Changes in Mathematical Reserves (+/-)	-	-	-	-	-	-	-	-	330,185	-	330,185
6- Other Technical Expenses (Net of Reinsurer Share) (-)	(2,763,160)	(47,250)	(15,240,901)	(411,792)	(747,831)	(97,395)	(18,085)	(3,177,603)	-	-	(22,504,017)
	14,044,927	6,210,929	14,624,924	(69,143,033)	32,449,813	3,713,741	(700,260)	1,488,240	(132,246)	-	2,557,035
Investment income	-	-	-	-	-	-	-	-	-	79,370,595	79,370,595
Depreciation expense	-	-	-	-	-	-	-	-	-	(6,027,817)	(6,027,817)
Provisions account	-	-	-	-	-	-	-	-	-	(10,627,075)	(10,627,075)
Tax expense	-	-	-	-	-	-	-	-	-	-	-
Financial expenses	-	-	-	-	-	-	-	-	-	(79,370,595)	(79,370,595)
Other	-	-	-	-	-	-	-	-	-	1,217,105	1,217,105
Net Profit / (Loss)	14,044,927	6,210,929	14,624,924	(69,143,033)	32,449,813	3,713,741	(700,260)	1,488,240	(132,246)	(15,437,787)	(12,880,752)

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6. Tangible Fixed Assets

June 30, 2017

<u>Cost Value</u>	<u>Owner Occupied Properties</u>	<u>Furnitures and Fixtures and Leased Tangible Assets</u>	<u>Other Tangible Assets (Including Leasehold Improvements)</u>	<u>Advances for Tangible Assets</u>	<u>Total</u>
1 January	1,598,569	22,168,371	20,331,354	-	44,098,294
Additions	-	371,864	15,576	-	387,440
Transfers	-	-	-	-	-
Disposals	-	(22,341)	-	-	(22,341)
June 30	1,598,569	22,517,894	20,346,930	-	44,463,393
<u>Accumulated Depreciation</u>					
1 January	(505,122)	(10,064,184)	(5,527,156)	-	(16,096,462)
Charge for the Period	(15,902)	(1,322,153)	(1,070,489)	-	(2,408,544)
Disposals	-	7,695	-	-	7,695
June 30	(521,024)	(11,378,642)	(6,597,645)	-	(18,497,311)
Net Book Value as of June 30	1,077,545	11,139,252	13,749,285	-	25,966,082

June 30, 2016

<u>Cost Value</u>	<u>Owner Occupied Properties</u>	<u>Furnitures and Fixtures and Leased Tangible Assets</u>	<u>Other Tangible Assets (Including Leasehold Improvements)</u>	<u>Advances for Tangible Assets</u>	<u>Total</u>
1 January	1,598,569	16,861,760	20,034,606	7,376	38,502,311
Additions	-	3,234,402	196,954	-	3,431,356
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
June 30	1,598,569	20,096,162	20,231,560	7,376	41,933,667
<u>Accumulated Depreciation</u>					
1 January	1,598,569	20,096,162	20,231,560	7,376	41,933,667
Charge for the Period	(896,329)	(10,338,950)	(727,715)	-	(11,962,994)
Disposals	(149,078)	(883,924)	(881,631)	-	(1,914,633)
June 30	(1,045,407)	(11,222,874)	(1,609,346)	-	(13,877,627)
Net Book Value as of June 30	553,162	8,873,288	18,622,214	7,376	28,056,040

The Company has no impairment loss recognized for tangible fixed assets in the current period (December 31, 2016: None).

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7. Investment Properties

June 30, 2017

<u>Cost Value</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
1 January	80,126	-	80,126
Disposals	-	-	-
Transfers	-	-	-
June 30	80,126	-	80,126

Accumulated Depreciation

1 January	-	-	-
Charge for the Period	-	-	-
Disposals	-	-	-
June 30	-	-	-
Net Book Value as of June 30	80,126	-	80,126

June 30, 2016

<u>Cost Value</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
1 January	80,126	-	80,126
Disposals	-	-	-
June 30	80,126	-	80,126

Accumulated Depreciation

1 January	-	-	-
Charge for the Period	-	-	-
Disposals	-	-	-
June 30	-	-	-
Net Book Value as of June 30	80,126	-	80,126

In the period of January 1- June 30, 2017, the Company has no obtained rental income from investment properties (January 1 - December 31, 2016: none).

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8. Intangible Fixed Assets

June 30, 2017

<u>Cost Value</u>	<u>Advances for Intangible</u>		
	<u>Assets (*)</u>	<u>Rights</u>	<u>Total</u>
January 1	1,577,347	69,825,964	71,403,311
Additions	412,704	7,352,576	7,765,280
Disposals	-	-	-
Transfers	-	-	-
June 30	1,990,051	77,178,540	79,168,591
<u>Accumulated Depreciation</u>			
January 1	-	(30,227,061)	(30,227,061)
Charge for the Period	-	(5,914,017)	(5,914,017)
Disposals	-	-	-
June 30	-	(36,141,078)	(36,141,078)
Net Book Value as of June 30	1,990,051	41,037,462	43,027,513

June 30, 2016

<u>Cost Value</u>	<u>Advances for Intangible</u>		
	<u>Assets (*)</u>	<u>Rights</u>	<u>Total</u>
January 1	2,666,428	52,085,155	54,751,583
Additions	395,375	3,872,412	4,267,787
Disposals	(83,885)	-	(83,885)
Transfers	(1,374,214)	1,374,214	-
June 30	1,603,704	57,331,781	58,935,485
<u>Accumulated Depreciation</u>			
1 January	-	(20,757,045)	(20,757,045)
Charge for the Period	-	(4,113,184)	(4,113,184)
Disposals	-	-	-
June 30	-	(24,870,229)	(24,870,229)
Net Book Value as of June 30	1,603,704	32,461,552	34,065,256

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

As of June 30, 2017, the Company has not recognized any impairment loss for its intangible fixed assets in the current period (December 31, 2016: None).

The Company has no goodwill amount in its financial statements.

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

9. Investments in Affiliates

An affiliate is an entity, over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. As of June 30, 2017, the Company has an affiliate as Merter BV amounting to TL 30,116,653 (December 31, 2016: TL 30,116,653) with a 25% of participation. Since the Company do not have any effect on management of this affiliate the conclusive participation rate is 12,5% for each companies which own a shopping mall and an office building. Fair value of the investments in affiliates have identified by an independent real estate appraisal company and, TL 30,116,653 (December 31, 2016: TL 30,116,653) impairment has been detected and disclosed in financial statement as at June 30, 2017 (Note: 11.4).

10. Reinsurance Assets

Reinsurance assets are disclosed in Note 17.16.

11. Financial Assets

11.1 Subcategories of Financial Assets

Financial Assets and Financial Investments with Risks on Policy Holders

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Financial Assets Available for Sale	493,199,167	863,908,401
<u>Financial Investments with Risks on Policy Holders</u>	<u>2,530,185</u>	<u>2,530,185</u>
Total	495,729,352	866,438,586

Financial Assets Available for Sale

	<u>June 30, 2017</u>			<u>December 31, 2016</u>		
	<u>Cost Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Cost Value</u>	<u>Fair Value</u>	<u>Book Value</u>
	TL	TL	TL	TL	TL	TL
Investment Fund	173,428,335	202,034,809	202,034,809	189,073,620	210,381,106	210,381,106
Private Sector Bond	172,811,781	179,027,505	179,027,505	157,224,003	159,914,268	159,914,268
Eurobond	89,655,311	88,766,191	88,766,191	88,642,117	84,045,498	84,045,498
Government Bond	25,436,104	23,010,026	23,010,026	414,615,001	409,346,640	409,346,640
Equity Shares (Unlisted)	360,636	-	360,636	220,889	-	220,889
Total	461,692,167	492,838,531	493,199,167	849,775,630	863,687,512	863,908,401

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11. Financial Assets (Continued)

11.1 Subcategories of Financial Assets (Continued)

Financial Investments with Risks on Policy Holders

	June 30, 2017			December 31, 2016		
	Cost Value	Fair Value	Book Value	Cost Value	Fair Value	Book Value
	TL	TL	TL	TL	TL	TL
Government Bonds	2,530,185	2,530,185	2,530,185	2,530,185	2,530,185	2,530,185

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

June 30, 2017

Equity Shares	Participation Rate (%)	Cost Value TL	Fair Value TL	Book Value TL
Tarsim Tarım Sigortaları Havuz İşletmesi A.Ş.	4.35	360,636	-	360,636
Unlisted		360,636	-	360,636
Total		360,636	-	360,636

December 31, 2016

Equity Shares	Participation Rate (%)	Cost Value TL	Fair Value TL	Book Value TL
Tarsim Tarım Sigortaları Havuz İşletmesi A.Ş.	4.35	220,889	-	220,889
Unlisted		220,889	-	220,889
Total		220,889	-	220,889

The Company does not have assets held for trading as of June 30, 2017 and December 31, 2016.

As of June 30, 2017 and December 31, 2016, the blockage on financial assets in favour of Undersecretariat of Treasury has been disclosed in Note 17.1.

11.2 Securities other than equity shares issued in the current period:

None (December 31, 2016: None).

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11. Financial Assets (Continued)

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

None (December 31, 2016: None).

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

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

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

Unlisted	June 30, 2017			December 31, 2016		
	Participation Rate (%)	Cost Value TL	Book Value TL	Participation Rate (%)	Cost Value TL	Book Value TL
Merter BV	25	30,116,653	30,116,653	25	30,116,653	30,116,653
Impairment (-)		-	(30,116,653)		-	(30,116,653)
Affiliates (Net)		30,116,653	-		30,116,653	-

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

None (December 31, 2016: None).

11.6 Increase in value of financial assets in the last three years

Type of Financial Asset	June 30, 2017	December 31, 2016	December 31, 2015
Financial Assets Available for Sale	530,056	(9,003,806)	(7,432,490)

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

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11. Financial Assets (Continued)

11.7 Financial Instruments

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

11.8. Financial Instruments

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

11.9 Effects of Exchange Rate Differences

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

12. Receivables and Payables

12.1 Details of the Company’s receivables

	<u>June 30, 2017</u>	<u>2016</u>
Receivables from insurance operations		
Receivables from agencies	319,284,234	268,107,003
Bank Guaranteed Credit Card Receivables with due dates more than Three Months	98,110,212	121,606,950
Receivables from reinsurance companies	29,897,964	24,149,747
Receivables for salvage and claim recovery - net (Note 2.1.1)	21,067,025	26,122,486
Receivables from insurance operations	468,359,435	439,986,186
Other receivables	418,787	136,835
Cash deposited for insurance and reinsurance companies	30,954	30,954
Receivables from insurance and reinsurance companies	449,741	167,789
Claim recovery receivables under legal follow-up	71,108,825	62,237,426
Doubtful receivables from main operations	24,874,603	24,852,985
Receivables from main operations	564,792,604	527,244,386
Provision for due from insurance operations (-) (*)	(11,719,065)	(6,796,115)
Provision for doubtful receivables from main operations (-) (**)	(22,677,489)	(21,758,316)
Provision for net claim recovery receivables under legal follow-up (-) (**)	(62,575,873)	(57,358,424)
Total provision amount for doubtful receivables	(96,972,427)	(85,912,855)
Receivables from main operations - net	467,820,177	441,331,531

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

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

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

12. Receivables and Payables (Continued)

12.1 Details of the Company’s Receivables (Continued)

Aging of receivables from insurance operations is as follows:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
0-60 days	17,178,830	(310,814)
61-90 days	5,014,846	1,399,347
90+	20,566,494	4,526,069
Not due receivables	426,049,006	434,539,373
Total	468,809,176	440,153,975

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

Type of Guarantee	<u>June 30, 2017</u>		<u>December 31, 2016</u>	
	Receivables	Doubtful Receivables	Receivables	Doubtful Receivables
Letters of Guarantee	59,678,111	2,839,202	60,440,861	3,702,202
Real Estate Pledges	36,797,734	-	36,580,915	5,000
Shares	459,359	-	466,859	-
Other	222,120	-	162,616	-
Total	97,157,324	2,839,202	97,651,251	3,707,202

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

Doubtful receivable provisions movement

	<u>2017</u>	<u>2016</u>
January 1	(79,116,740)	(60,060,677)
Current period expense	(8,531,501)	(5,691,126)
Collection	2,394,879	335,360
June 30	(85,253,362)	(65,416,443)

Overdue aging of overdue and doubtful receivables from insurance operations is as follows:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
0-30 days	-	-
90+	95,983,428	87,090,411
Total	95,983,428	87,090,411

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

Due to/from shareholders, affiliates and subsidiaries in balance sheet includes dividends which have paid in previous years but not yet collected by shareholders. As of June 30, 2017, the Company has liabilities amounting to TL 1,143 to shareholders. (December 31, 2016: TL 1,143)

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

12. Receivables and Payables (Continued)

12.3 Total pledges and other guarantees received for receivables amount

Total amount of pledges and other guarantees received for receivables amounts to TL 97,154,324 as of June 30, 2017 (December 31, 2016: TL 102,120,724).

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

June 30, 2017

Banks (Foreign Currency)	Currency	Rate	Amount (TL)
USD	14,977,806	3.5071	52,528,663
EUR	300,864	4.0030	1,204,359
GBP	17,429	4.5413	79,150
CHF	34,832	3.6524	127,220
Other			
Total			53,939,392
Marketable Securities/Eurobond	Currency	Rate	Amount (TL)
USD	25,310,424	3.5071	88,766,189
Total			88,766,189
Receivables from Insurance Operations	Currency	Rate	Amount (TL)
USD	38,955,206	3.5071	136,619,803
EUR	8,177,029	4.0030	32,732,647
GBP	178,594	4.5413	811,049
CHF	8,384	3.6524	30,622
Other			13,138
Total			170,207,259
Outstanding Claims Reserve	Currency	Rate	Amount (TL)
USD	(6,806,479)	3.5071	(23,871,002)
EUR	(1,350,660)	4.0030	(5,406,691)
Other			(5,571)
Total			(29,283,264)
Payables from Insurance Operations	Currency	Rate	Amount (TL)
USD	(36,644,684)	3.5071	(128,516,572)
EUR	(5,090,143)	4.0030	(20,375,842)
Other			(1,136,687)
Total			(150,029,101)
Off-balance sheet liabilities			
Hedge	Amount in Foreign	Exchange	Amount (TL)
USD	(15,350,651)	3.5071	(53,836,268)
Total			(53,836,268)
Net Foreign Currency Position			79,764,207

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2017

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

12. Receivables and Payables (Continued)

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

December 31, 2016			
Banks (Foreign Currency)	Currency	Rate	Amount (TL)
USD	7,685,137	3.5192	27,045,534
EUR	1,146,085	3.7099	4,251,861
GBP	109,075	4.3189	471,084
CHF	55,429	3.4454	190,975
Other			2,832
Total			31,962,286
Marketable Securities/Eurobond	Currency	Rate	Amount (TL)
USD	23,881,989	3.5192	84,045,496
Total			84,045,496
Operations	Currency	Rate	Amount (TL)
USD	24,560,886	3.5192	86,434,670
EUR	4,765,794	3.7099	17,680,619
GBP	61,864	4.3189	267,184
CHF	8,328	3.4454	28,693
Other			9,663
Total			104,420,829
Outstanding Claims Reserve	Currency	Rate	Amount (TL)
USD	(6,397,972)	3.5192	(22,515,743)
EUR	(1,327,179)	3.7099	(4,923,701)
Other			(17,841)
Total			(27,457,285)
Payables from Insurance Operations	Amount in Foreign	Exchange	Amount (TL)
Usd	(24,072,894)	3.5192	(84,717,329)
EUR	(4,457,973)	3.7099	(16,538,634)
Other			(779,160)
Total			(102,035,123)
Off-balance sheet liabilities			
Hedge	Currency	Rate	Amount (TL)
USD	16,358,049	3.5192	57,567,247
Total			57,567,247
Net Foreign Currency Position			33,368,955

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2017

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13. Derivative Financial Instruments

During the period between January 1 - June 30, 2017, total income resulting from short-term swap contracts’ market valuation has been accounted under “Income from derivatives” in the income statement in amounting to TL 22,095,291 (April 1 - June 30 2017: TL 12,548,477), (January 1 - June 30 2016: TL 1,362,948), (April 1 2016 - June 30 2016: TL 1,117,150).

14. Cash and Cash Equivalents

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Cash at Banks	865,680,545	270,379,281
Time Deposit	855,126,174	252,350,898
Demand Deposit	10,554,371	18,028,383
Bank Guaranteed Credit Card Receivables with Maturities less than three months	195,025,560	210,819,263
Total	1,060,706,105	481,198,544
Interest Accrual on Cash and Cash Equivalents (-)	(1,408,250)	(257,966)
Blocked Deposits (*)	(119,780,200)	(148,863,664)
Cash Flow Based Grand Total	939,517,655	332,076,914

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

As of June 30, 2017 and December 31, 2016, interest rate of time deposits are as follows:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
	Annual Interest Rate	Annual Interest Rate
	(%)	(%)
TL	12.25-15.00	7.25-13..95
USD	2.25-2.25	0.10-3.40
EURO	0.70-0.70	0.10-1.85

As of June 30, 2017 maturity of TL deposits are changed between July 3, 2017 to September 27, 2017, foreign exchange maturity are changed between January 4, 2016 to January 8, 2016.

As of December 31, 2016 maturity of TL deposits are changed between January 4, 2017 to February 12, 2017, foreign exchange maturity are changed between January 4, 2017 to January 8, 2017.

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14. Cash and Cash Equivalents (Continued)

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

June 30, 2017				
	Average Rate			
	Cost	Rate	Maturity Date	Booked Value
Time Deposit	10,010,000	15.00%	30.06.2016 - 14.08.2017	10,013,497
Time Deposit	25,000,000	15.00%	30.06.2016 - 01.08.2017	25,008,732
Time Deposit	5,000,000	15.00%	30.06.2016 - 01.08.2017	5,001,747
Total	40,010,000			40,023,976

The details of funds received from reverse repo agreements accounted for undershort term other financial borrowings in the balance sheet. As of June 30, 2017 are as follows:

June 30, 2017				
	Average Rate			
	Cost	Rate	Maturity Date	Booked Value
Time Deposit	40,010,000	13.5%	30.06.2016 - 03.07.2017	40,024,798
Total	40,010,000			40,024,798

December 31, 2016				
	Average Rate			
	Cost	Rate	Maturity Date	Booked Value
Time Deposit	25,000,000	11.45%	28.12.2016 - 30.01.2017	25,031,370
Time Deposit	5,000,000	11.40%	23.12.2016 - 17.03.2017	5,014,055
Government Bond	361,275,000	6.50%	30.12.2016 - 02.01.2017	361,403,673
Total	391,275,000			391,449,098

December 31, 2016				
	Average Rate			
	Cost	Rate	Maturity Date	Booked Value
Government Bond	10,000,000	10.90%	29.12.2016 - 04.01.2017	10,008,959
Government Bond	15,000,000	10.90%	29.12.2016 - 04.01.2017	15,013,438
Government Bond	5,000,000	11.00%	26.12.2016 - 02.01.2017	5,009,041
Total	30,000,000			30,031,438

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AS OF JUNE 30, 2017**

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15. Share Capital

15.1 Transactions between the Company and its shareholders, showing each distribution made to the shareholders separately

The Company’s shareholders and its shareholders’ equity structure as of June 30, 2017 and December 31, 2016 are presented in Note 2.14.

The details of the transactions between the Company and its shareholders and the related balances as of the end of the period are presented in “Related Parties” note.

According to the provisions of the tax legislation, 75% of the profits arising from the sales of real estates in the assets of the companies are exempted from the corporation tax, provided that they are kept in a special fund account for at least five full years. The exempted profit can not be transferred to another account nor be withdrawn unless it is in any other account, except for the addition to the capital within five years. The Sales Profit To Be Added To The Capital account includes the amounts transferred from the real estate sales to the equity.

15.2 Reconciliation of carrying values of each capital account and each reserve as of the beginning and end of the period showing each change separately

Presented in the statement of changes in equity.

15.3 For each class of share capital

15.3.1 The explanation about the number of capital shares

The Company’s issued capital share is composed of 30,600,000,000 shares having a nominal amount of TL 0.01 each. These shares are presented by Class 10 shares (December 31, 2016: 30,600,000,000 shares with a nominal amount of TL 0.01each).

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

None (December 31, 2016: None).

15.3.3 Nominal value of an equity share or equity shares without having nominal value

Nominal value of equity shares is TL 0.01 per share (December 31, 2016: TL 0.01 per share).

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

	Number of Shares	
	June 30, 2017	December 31, 2016
Beginning of the Period, 1 January	30,600,000,000	30,600,000,000
Issued in the Current Period	-	-
End of the Period	30,600,000,000	30,600,000,000

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15. Share Capital (Continued)

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

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

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

Based on the guidelines and principals issued by the Capital Markets Board (the Board) dated January 27, 2010 for the distribution of dividends from the profit generated from operating activities in 2010, concerning public entities, the shares of which are quoted in public equity markets, it has been agreed upon not to set a mandatory minimum dividend payment quota (December 31, 2015: 20%). Furthermore, it has been agreed upon to let public entities perform dividend distributions as stated within the “Communique Concerning Principal Matters on Dividend Advances Distributed by Public Entities Under the Regulation of the Capital Markets Law” (Serial: IV, No: 27), as stated within the principal agreement of the companies and as stated within the policies on dividend distribution that have been shared with the public.

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

None (December 31, 2016: None).

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

None (December 31, 2016: None).

15.4 Share based payments

None (December 31, 2016: None).

15.5 Subsequent events

Disclosed in note 46.

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

16. Other Provisions and Capital Component of Discretionary Participation

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Valuation difference of financial assets available for sale	(530,056)	(9,003,806)
Deferred Tax Effect	106,011	1,800,761
Total	(424,045)	(7,203,045)

In accordance with changes regarding “TAS 19 – Employee Benefits” effective as of January 1, 2013, actuarial loss amounting to TL 4,350,669 (Deferred tax effect: TL 870,134), (31 December 2016: 4,340,507 TL, Deferred tax effect: TL 868,101) resulting from retirement pay liability calculation has been accounted to “Other Reserves and Retained Earnings” under equity.

As of June 30, 2017, effect of hedge accounting amount of TL 19,539,843 (Deferred tax effect: TL 3,907,968), (December 31, 2016: TL 21,020,093, deferred tax effect: TL 4,340,507) has been recognized “Special Funds (Reserves)” account item under equity.

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

None (December 31, 2016: None).

16.3 Hedging for forecasted transactions and net investment hedging

None (December 31, 2016: None).

16.4 Hedging against financial risks

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

16.5 Gains and losses from available for sale financial assets recognized directly in equity for in the current period and amounts recognized in the current profit or loss taken from shareholders’ equity

	<u>2017</u>	<u>2016</u>
	<u>Increase / (Decrease)</u>	<u>Increase / (Decrease)</u>
Beginning of the Period, 1 January	(7,203,045)	(5,945,992)
Increase / decrease in value recognized under the shareholders’ equity in the current period	6,779,000	(1,257,053)
End of the Period	(424,045)	(7,203,045)

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

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

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

Disclosed in note 34.5.

16.7 Revaluation increases in tangible fixed assets

None (December 31, 2016: None).

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

None (December 31, 2016: None).

17. Insurance Liabilities and Reinsurance Assets

17.1 Guarantees to be provided for life and non-life insurance branches and guarantees provided for life and non-life insurances based on assets

The Company’s guarantees to be provided for life and non-life insurance branches and guarantees provided for life and non-life insurances based on assets are below:

Branch	June 30, 2017		December 31, 2016	
	Amount to be Provided TL	Current Blockage TL	Amount to be Provided TL	Current Blockage TL
Life	1,942,562	2,531,904	4,821,877	4,824,827
Government Bonds		2,531,904		4,824,827
Non-Life	114,714,045	119,780,200	118,491,138	148,863,664
Time Deposit		119,780,200		148,863,664
Total	116,656,607	122,312,104	123,313,015	153,688,491

* As of June 30, 2017, the required guarantee amount has been calculated based on capital requirements in December 31, 2016.

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17. Insurance Liabilities and Reinsurance Assets (Continued)

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

	2017		2016	
	Unit	TL	Unit	TL
Beginning of the Period, 1	251	1,526,588	385	1,910,495
Participations in the Current	-			
Leavings in the Current Period	(40)	30,915	(85)	(330,396)
End of Period, June 30	211	1,557,503	300	1,580,099

Mathematical reserves amounting to TL 1,401,752 (December 31, 2016: TL 1,373,930) and Reserves for the policies, investment risk of which belongs to life insurance policy holders amounting to TL 155,751 (December 31, 2016: TL 152,658) and cancelled policy numbers together with their mathematical reserves are included in the table above.

Financial assets classified as Financial Assets Available For Sale under Financial Investments at Policyholder’s Risk are valued with current value as explained in note 11; as of June 30, 2017, there is no difference in the value accounted in Life Mathematical Reserve account discounted with current value (December 31, 2016: None).

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

Branch	June 30, 2017	December 31, 2016
Motor Third Party Liabilities	7,420,295,188,096	3,472,376,461,753
Fire and Natural Disaster	594,226,233,410	601,059,056,615
General Losses	277,068,508,512	274,658,721,235
Transportation	106,875,892,881	96,056,450,959
Accident	40,527,607,953	41,991,066,578
Financial Losses	62,091,677,632	71,708,086,469
General Losses	80,265,914,649	59,441,123,508
Air Crafts Liability	31,812,203,830	19,844,166,047
Motor Vehicle	40,467,478,356	42,134,056,334
Health	14,369,087,580	11,939,385,616
Legal Protection	10,718,324,967	10,535,177,757
Air Crafts	2,298,217,540	1,412,713,829
Credit	1,186,548,555	1,720,654,700
Water Crafts	1,224,956,359	967,578,422
Suretyship	887,643,971	672,292,627
Life	-	200,000
Total	8,684,315,484,291	4,706,517,192,449

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17. Insurance Liabilities and Reinsurance Assets (Continued)

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

None (December 31, 2016: None).

17.5 Number and amount of participation certificates in portfolio and circulation

None (December 31, 2016: None).

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

None (December 31, 2016: None).

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

None (December 31, 2016: None).

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

None (December 31, 2016: None).

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

None (December 31, 2016: None).

17.10 Number of transfers from the Company’s life portfolio to individual pension portfolio and their group or individual gross and net share participations

None (December 31, 2016: None).

17.11 Number of transfers from the Company’s individual pension portfolio to other company or not and together their personal and corporate allocation and gross and net share participations

None (December 31, 2016: None).

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

None (December 31, 2016: None).

17.13 Number of disposals of life insurances and their group or individual gross and net mathematical reserves

All of disposals of life insurances in current period are individual and units and amounts are represented in Note 17.2.

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17. Insurance Liabilities and Reinsurance Assets (Continued)

17.14 Profit share distribution rate of life insurees in the current period

In the current period, profit share distribution rate of life insurees are calculated as below:

	January 1 June 30, 2017 Profit Share Distribution Rate (%)	January 1 June 30, 2016 Profit Share Distribution Rate (%)
TL (Life Insurance)	9.00	9.00

17.15 Explanation of information that describes amounts arose from insurance agreements

None (December 31, 2016: None).

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

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

Reinsurance Assets

	June 30, 2017	December 31, 2016
Reinsurance Share of Outstanding Claims Reserve	646,841,747	444,491,086
Reinsurance Share of Unearned Premiums Reserve	499,735,384	385,729,268
Reinsurance Share of Equalization Reserve	57,397,912	42,700,763
Receivables from Reinsurance Companies	29,897,964	24,149,747
Reinsurance Share of Unexpired Risks Reserve	625,675	-
Cash Deposited For Insurance & Reinsurance Companies	30,954	30,954
Total	1,234,529,636	897,101,818

Reinsurance Liabilities

	June 30, 2017	December 31, 2016
Payables to Insurance and Reinsurance Companies	290,846,090	168,866,186
Deferred Commissions Income	69,612,935	53,979,313
Total	360,459,025	222,845,499

Income / Expense on Reinsurance Agreements

	January 1- June 30, 2017	April 1- June 30, 2017	January 1- June 30, 2016	April 1- June 30, 2016
Reinsurance Share of Outstanding Claims Reserve	202,357,600	144,151,690	46,892,744	17,206,960
Reinsurance Share of Unearned Premiums Reserve	114,345,486	(12,305,867)	102,736,274	(11,547,270)
Reinsurance Share of Claims Paid	112,943,565	57,794,665	84,448,322	59,022,207
Commissions Received	64,067,440	33,829,609	48,056,452	27,431,746
Reinsurance Share of Unexpired Risks Reserve	625,675	460,848	(1,134,326)	2,029,717
Premiums Ceded to Reinsurers (-)	(528,908,267)	(206,809,204)	(418,075,446)	(156,448,367)
Total	(34,568,501)	17,121,741	(137,075,980)	(62,305,007)

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

17. Insurance Liabilities and Reinsurance Assets (Continued)

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

Branş	June 30, 2017			June 30, 2016		
	Premiums Ceded (*)	Reinsurance Share of Technical Reserves (**)	Reinsurance Share of Claims Paid	Premiums Ceded	Reinsurance Share of Technical Reserves	Reinsurance Share of Claims Paid
Fire and Natural Disaster	(213,000,463)	165,908,207	20,774,920	(166,027,796)	38,722,717	18,656,443
Health	(109,159,434)	31,400,773	63,819,318	(107,303,415)	66,697,618	33,847,372.00
General Losses	(96,140,821)	63,030,394	17,022,330	(75,910,201)	13,639,679	18,834,983
General Liability	(36,775,045)	33,624,756	3,473,936	(21,789,365)	16,972,422	4,116,161
Financial Losses	(32,466,408)	13,571,698	967,239	(19,457,067)	6,702,152	38,561
Transportation	(13,555,514)	4,964,078	3,335,989	(5,852,074)	7,034,862	2,424,895
Motor Third Party	(8,966,110)	(353,972)	10,910	(8,931,464)	8,952,180	3,325
Suretyship	(5,137,364)	3,757,897	41,568	(158,664)	(2,577,845)	881,011
Accident	(4,473,769)	3,377,254	500,025	(3,191,750)	2,749,039	598,423
Air Crafts Liability	(2,513,879)	(1,332,224)	240,732	(1,100,261)	(5,776,886)	1,319,044
Air Crafts	(2,424,130)	265,584	1,520,310	(3,051,886)	283,467	842,733
Water Crafts	(2,126,639)	1,234,888	459,593	(1,226,168)	460,829	103,685.00
Credit	(882,509)	(1,088,572)	776,974	(2,231,482)	(2,129,545)	2,782,063
Support	(822,460)	110,149	-	(1,419,450)	75,992	-
Motor Vehicle	(463,722)	(1,154)	(279)	(424,403)	4,351	(377)
Life	-	-	-	-	-	-
Legal Protection	-	-	-	-	-	-
Total	(528,908,267)	318,469,756	112,943,565	(418,075,446)	151,811,032	84,448,322

(*) According to note 2.15, 8,441,270 TL (June 30,2016: 8,901,989)ceded premium amount includes premiums that ceded to Social Security Institution in the branch of Motor Third Party Liability as of 6/30/2017

(**) Technical reserves reinsurer share includes unearned premium reserve, unexpired risk reserve, outstanding claim reserve.

The company defers commission income that arises from reinsurance agreements which has been bought as cedant enterprise.

17.17. Comparison of incurred claims with past estimations

Disclosed in Note 4.1.2.3.

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

Disclosed in note 4.1.2.4.

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2017

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17. Insurance Liabilities and Reinsurance Assets (Continued)

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

	2017	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, 1 January	222,845,499	897,101,818
Net Change for the Year	137,613,526	337,427,818
End of the Period, 30 June	360,459,025	1,234,529,636

	2016	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, 1 January	184,588,823	598,942,267
Net Change for the Year	38,256,676	298,159,551
End of the Period, 31 December	222,845,499	897,101,818

18. Investment Contract Liabilities

Disclosed in Note 17.3.

19. Trade and Other Payables, Deferred Income

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

	June 30, 2017	December 31, 2016
Payables to insurance and reinsurance companies	290,846,089	168,866,186
Payables to agencies	37,329,762	33,154,096
Payables from Insurance Operations	328,175,851	202,020,282
Payables to Turkish Catastrophe Insurance Pool	15,076,284	21,395,892
Payables to suppliers	5,678,614	10,538,496
Payables to contracted enterprises	4,094,694	6,010,520
Turkish Catastrophe Insurance Pool Payables to agencies	683,846	684,897
Other	2,757,212	1,525,590
Other Payables	28,290,650	40,155,395
Payables to SSI regarding medical expenses	4,545,494	4,268,447
Deferred commission income	69,612,935	53,979,313
Expense accruals	26,710,740	36,839,062
Other income	250,216	-
Deferred Income and Expense Accruals	96,573,891	90,818,375
Total Short Term Liabilities	457,585,886	337,262,499
Total Trade and Other Payables, Deferred Income	457,585,886	337,262,499

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

19.2 Related Parties

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

20. Payables

Insurance Technical Reserves	June 30, 2017	December 31, 2016
Outstanding Claims Reserve-Net	654,262,815	590,667,604
Unearned Premiums Reserve- Net (*)	600,366,186	609,668,379
Equalization Reserve-Net	66,026,649	59,705,916
Mathematical Reserves-Net	1,557,503	1,526,588
Unexpired Risks Reserve- Net	390,279	-
Bonuses and rebates reserve-Net	12,258	3,457
Total	1,322,615,690	1,261,571,944

(*) While calculating the income statement effect of the provisions for unearned premiums, TL 2,805,027, the deferral effect of the premiums transferred to assistance companies, which is included in operating expenses, has been netted off (December 31, 2016: TL 5,271,730).

As disclosed in note 2.15, the reinsurers' share of unearned premiums includes SSI share as of June 30, 2017 which is TL 10,203,037 (December 31, 2016: TL 10,542,408).

The movement of technical reserves are as follows:

Unearned Premium Reserve:

	June 30, 2017			June 30, 2016		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	995,397,647	(385,729,268)	609,668,379	830,940,922	(320,273,585)	510,667,337
Net değişim	104,703,923	(114,006,116)	(9,302,193)	149,715,721	(107,977,871)	41,737,850
End of the Period, June 30	1,100,101,570	(499,735,384)	600,366,186	980,656,643	(428,251,456)	552,405,187

Unexpired Risk Reserve:

	June 30, 2017			June 30, 2016		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	-	-	-	23,448,522	(7,094,384)	16,354,138
Net değişim	1,015,954	(625,675)	390,279	30,759,719	1,134,326	31,894,045
End of the Period, June 30	1,015,954	(625,675)	390,279	54,208,241	(5,960,058)	48,248,183

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20. Payables

Equalization Reserve:

	June 30, 2017			June 30, 2016		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	102,406,679	(42,700,763)	59,705,916	70,565,169	(21,953,456)	48,611,713
Net Change	21,017,882	(14,697,149)	6,320,733	18,335,980	(12,790,471)	5,545,509
End of the Period, June 30	123,424,561	(57,397,912)	66,026,649	88,901,149	(34,743,927)	54,157,222

Provision for bonus and discount

	June 30, 2017			June 30, 2016		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	1,718,909	(1,715,452)	3,457	1,200,000	-	1,200,000
Net Change	(1,308,920)	1,317,721	8,801	-	-	-
End of the Period, June 30	409,989	(397,731)	12,258	1,200,000	-	1,200,000

Outstanding Claims Reserve:

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

21. Deferred Income Tax

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

Tax rate is applied as 20% for the calculation of deferred tax asset and liabilities. The details of deferred tax are presented in Note 35

22. Retirement and Welfare Liabilities

Provisional Article 23 of the Banking Act No: 5411 requires the transfer of pension funds, which are established for employees of financial institutions, insurance and reinsurance companies under Social Security Act, to Social Security Institution (“SSI”) as of the effective date of the Act within 3 years and principles and procedures of fund transfer are also prescribed in accordance with the Council of Ministers’ order no: 2006/11345 issued on 30 November 2006. However, transfer requirement in the related Act was annulled based on the application made by the Turkish President on November 2, 2005 in accordance with the order of the Constitutional Court (no: E.2005/39, K.2007/33) issued on March 22, 2007 as effective from the date of publishment in the Official Gazette no: 26479 on March 31, 2007.

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22. Retirement and Welfare Liabilities (Continued)

On the other hand, the Act No: 5754 “Amendments in Social Securities and General Health Insurance Acts Specific Laws and Related Requirements” published in the Official Gazette No: 26870 on May 8, 2008, requires the transfer of participants or beneficiaries of pension funds to SSI as of the effective date of the Act within 3 years and prescribes the extension period of the transfer as maximum of two years upon the order of Council of Ministers.

The Act prescribes that, as of the transfer date, present value of fund liabilities should be measured by considering the fund income and expense based on the insurance branches presented in the related act using 9,8% of technical interest rate in the actuarial calculation. The Act also specifies that the uncovered other rights and compensations of participants or beneficiaries of pension funds should be covered by institutions that made the fund transfers.

Aksigorta A.Ş. is a member of Akbank T.A.Ş Pension Fund (Akbank T.A.Ş Tekaüt Sandığı). At each period-end, the Company pays its liability calculated for its share to the pension fund. As the result of the actuarial calculations made in relation to the Pension Fund of Akbank T.A.Ş. established in accordance with Article 20 of the Social Securities Act No: 506, the Company has no deficits by the end of the current period and no payments have been made in relation to any deficit amount by the Company. Fund assets are adequate in covering all the funds liabilities; therefore, the Company management anticipates no liabilities to be assumed in relation to the above-mentioned matter.

Retirement Pay Provisions:

Under the terms of Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are entitled to retirement pay provisions subsequent to the completion of their retirement period by gaining a right to receive retirement payments in accordance with the amended Article 60 of the applicable Social Insurance Law No: 506 and the related Decrees No: 2422 and 4447 issued on 6 March 1981 and August 25, 1999, respectively. Some transitional provisions related to pre-retirement service term was excluded from the law since the related law was amended as of May 23, 2002.

Employee termination benefits provisions are legally not a subject of funding. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at June 30, 2017 and December 31, 2016, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. As of June 30, 2017, the provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 11.29% (December 31, 2016: %8.81) and a discount rate of 10.42% (December 31, 2016: 10.71%), resulting in a real interest rate of 2% (December 31, 2016: 2%). The anticipated rate of forfeitures is considered and estimated rate of the Company’s retirements pay is also taken into account.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
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22. Retirement and Welfare Liabilities (Continued)

Retirement Pay Provisions (Continued):

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

In accordance with changes regarding “TAS 19 - Employee Benefits” effective as of January 1, 2013, actuarial loss amounting to TL 4,350,669 (Deferred tax effect: TL 870,134) resulting from retirement pay liability calculation has been accounted to extraordinary reserves under equity.

As the maximum liability is updated semi annually, as of June 30, 2017, the maximum amount of TL 4,738.48 effective from July 1, 2017 has been taken into consideration in calculation of provision from employment termination benefits (December 31, 2016: TL 4,426.16).

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

	2017	2016
Beginning of the Period, January 1	6,335,367	6,474,170
Charge for the Period	467,174	758,960
Actuarial Gain/Loss	10,160	(70,356)
Retirement Payments (-)	(1,033,981)	(1,040,486)
End of the Period, June 30	5,778,720	6,122,288

23. Other Liabilities and Expense Accruals

23.1 Provisions related to employee benefits and others

	2017		2016	
	Unused Vacation Provisions	Social Security Premiums Payable	Unused Vacation Provisions	Social Security Premiums Payable
Beginning of the Period, January 1	904,395	1,529,095	1,070,851	1,439,049
Movements in the Current Period	505,983	9,719,780	536,039	8,272,673
Payments in the Current Period	(173,314)	(9,479,869)	(191,632)	(8,196,137)
End of the Period, June 30	1,237,064	1,769,006	1,415,258	1,515,585

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23. Other Liabilities and Expense Accruals (Continued)

23.2 Total Amount of Non-liability Commitments

Company's statement of pledges and commitments as of June 30, 2017 and December 31, 2016 are presented below:

	June 30, 2017		December 31, 2016	
	Amount in Original Currency	Amount(TL)	Amount (TL)	Tutar TL
Collaterals, Pledges and Mortgages Given by the Company (CPM)				
A. Total amount of CPMs given on behalf of the Company' legal entity	-	-	-	-
B. Total amount of CPMs given in favor of joint ventures included in full consolidation	-	-	-	-
C. Total amount of CPMs given as the guarantee of the third parties' debts for the maintenance purpose of the ordinary activities		1,026,363		1,456,494
	TL	1,026,363	1,456,494	1,456,494
	USD	-	0	0
D. Total amount of other CPMs given		565,250		565,250
i. Total amount of CPMs given in favor of the parent company	-	-	-	-
ii. Total amount of CPMs given in favor of other group companies not included in clauses B and C	-	-	-	-
iii. Total amount of CPMs given in favor of third parties not included in clause C		565,250		565,250
	TL	565,250	565,250	565,250
Total		1,591,613		2,021,744

There is no ratio of CPMs given by the Company to the equity (December 31, 2016: None).

23.3 Provisions, Contingents Assets and Liabilities

Contingent Liabilities	30 June 2017	31 December 2016
Outstanding Claims under Litigation	330,659,268	304,205,081
Total	330,659,268	304,205,081

	30 June 2017	31 December 2016
Subrogation Receivable Litigations, Gross	84,693,313	78,684,489
Trade Receivable Litigations and Executions	2,118,398	3,347,861
Total	86,811,711	82,032,350

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 TL 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.

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23. Other Liabilities and Expense Accruals (Continued)

23.4 Provision for Expense Accruals

	June 30, 2017	December 31, 2016
Expense provision	8,405,558	9,678,975
Performance premium provision	6,019,844	7,460,556
Commission provision	5,941,765	12,708,520
Business Cases Provision	1,896,337	1,772,953
Unused vacation provision	1,237,064	904,395
Guarantee fund provision	1,028,870	2,041,410
Other	2,181,302	2,272,253
Total	26,710,740	36,839,062

24. Net Insurance Premium Revenue

	January 1 - June 30, 2017			1 April - June 30, 2017		
	Gross	Re Share	Net	Gross	Re Share	Net
Fire and Natural Disaster	292,981,715	(213,000,462)	79,981,253	135,631,495	(93,899,316)	41,732,179
Motor Vehicle	257,605,048	(109,159,434)	148,445,614	59,097,850	(32,831,767)	26,266,083
Health	149,057,791	(96,140,821)	52,916,970	53,082,194	(26,723,710)	26,358,484
General Losses	137,656,790	(36,772,097)	100,884,693	133,224,327	(15,154,736)	118,069,591
Motor Third Party Liability	125,501,905	(32,466,408)	93,035,497	46,648,650	(20,255,190)	26,393,460
Financial Losses	52,673,471	(13,555,514)	39,117,957	31,832,791	(2,819,990)	29,012,801
General Liability	47,477,873	(8,966,110)	38,511,763	6,058,798	(4,690,021)	1,368,777
Transportation	23,977,609	(5,137,364)	18,840,245	19,874,102	(4,356,724)	15,517,378
Accident	13,051,881	(4,476,717)	8,575,164	6,434,037	(1,700,799)	4,733,238
Suretyship	6,004,576	(2,513,879)	3,490,697	1,044,584	(1,750,666)	(706,082)
Water Crafts	3,062,507	(2,424,130)	638,377	1,286,357	(667,290)	619,067
Air Crafts	2,536,125	(2,126,639)	409,486	4,809,315	(730,141)	4,079,174
Air Crafts Liability	2,442,105	(882,509)	1,559,596	332,721	(690,797)	(358,076)
Legal Protection	2,029,638	(822,461)	1,207,177	727,154	(306,196)	420,958
Credit	928,957	(463,722)	465,235	667,705	(231,861)	435,844
Support	893,684	-	893,684	1,751,742	-	1,751,742
Total Non-life Branches	1,117,881,675	(528,908,267)	588,973,408	502,503,822	(206,809,204)	295,694,618
Life	2,500	-	2,500	1,000	-	1,000
Total	1,117,884,175	(528,908,267)	588,975,908	502,504,822	(206,809,204)	295,695,618

	January 1 - June 30, 2016			1 April - June 30, 2016		
	Gross	Re Share	Net	Gross	Re Share	Net
Motor Vehicle	268,976,763	(166,027,791)	102,948,972	156,855,805	(67,985,557)	88,870,248
Fire and Natural Disaster	112,226,674	(107,303,415)	4,923,259	76,227,805	(35,660,282)	40,567,523
Health	135,747,289	(75,910,201)	59,837,088	51,558,710	(22,375,211)	29,183,499
Motor Third Party Liability	238,810,723	(21,787,694)	217,023,029	103,293,341	(7,721,755)	95,571,586
General Losses	110,077,820	(19,457,067)	90,620,753	38,647,563	(9,046,742)	29,600,821
Financial Losses	33,757,672	(5,852,074)	27,905,598	16,532,090	(1,449,832)	15,082,258
General Liability	11,462,878	(8,931,464)	2,531,414	5,666,561	(6,302,957)	(636,396)
Transportation	30,291,936	(158,665)	30,133,271	11,090,917	(36,910)	11,054,007
Accident	16,211,934	(3,193,427)	13,018,507	4,801,445	(1,198,321)	3,603,124
Air Crafts	2,103,254	(1,100,259)	1,002,995	1,187,430	(601,523)	585,907
Credit	2,051,583	(3,051,886)	(1,000,303)	885,341	(1,245,200)	(359,859)
Legal Protection	605,595	(1,226,168)	(620,573)	245,053	(446,789)	(201,736)
Water Crafts	1,506,053	(2,231,482)	(725,429)	640,676	(1,594,706)	(954,030)
Support	2,348,928	(1,419,450)	929,478	1,678,637	(573,459)	1,105,178
Air Crafts Liability	3,052,067	(424,403)	2,627,664	1,245,253	(209,123)	1,036,130
Suretyship	1,100,354	-	1,100,354	601,535	-	601,535
Total Non-life Branches	970,331,523	(418,075,446)	552,256,077	471,158,162	(156,448,367)	314,709,795
Life	4,480	-	4,480	2,000	-	2,000
Total	970,336,003	(418,075,446)	552,260,557	471,160,162	(156,448,367)	314,711,795

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

25. Fee Income

None (January 1 - December 31, 2016: None).

26. Investment Income/(Expense)

	January 1- June 30, 2017	April 1- June 30, 2017	January 1- June 30, 2016	April 1- June 30, 2016
Investment Income / Expenses				
Time Deposit	20,966,825	11,427,420	41,347,577	24,172,280
Investment Fund	10,126,008	6,454,859	564,104	15,415
Private Sector Bond	9,899,978	5,477,725	6,787,871	3,618,942
Government Bond	2,588,884	559,430	-	-
Eurobond	2,468,544	2,064,311	-	-
Treasury Bond	(2,229,947)	(2,229,947)	2,964,165	926,226
Repo	(3,976,935)	(2,431,842)	(5,374,974)	(2,119,932)
Total	39,843,357	21,321,956	46,288,743	26,612,931
Investment Income / Expenses				
Investment Fund	6,941,561	2,708,396	5,197,221	2,968,212
Private Sector Bond	1,868,755	1,041,969	(567,764)	(943,468)
Time Deposit	1,164,648	661,889	(427,324)	(4,282,380)
Government Bond	21,241	998,468	-	-
Treasury Bond	(69,258)	(34,826)	(489,266)	327,845
Repo	(110,746)	242,380	-	-
Eurobond	(185,674)	(960,137)	1,774,755	846,893
Total	9,630,527	4,658,139	5,487,622	(1,082,898)
Investment Income / Expenses Total, Net	49,473,884	25,980,095	51,776,365	25,530,033

27. Net Accrual Income on Financial Assets

Financial Assets Available for Sale	January 1- June 30, 2017	January 1- June 30, 2016
Valuation differences recognized under shareholders' equity	(424,045)	(1,178,622)
Total	(424,045)	(1,178,622)

28. Assets Held At Fair Value through Profit and Loss

The net gain which is booked in income statement from the fair value difference reflected to gain or loss of the financial assets, is amounting to TL 20,201,477.88 as of June 30, 2017 (January 1 - December 31, 2016: TL 16,660,092).

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2017

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

29. Insurance Rights and Demands

Outstanding Claims Reserve Expenses	January 1- June 30, 2017	1 April- June 30, 2017	January 1- June 30, 2016	1 April- June 30, 2016
Motor Third Party Liability	(28,282,041)	(14,673,405)	(2,848,138)	(2,616,733)
Fire and Natural Disaster	(13,204,716)	(11,708,070)	(10,066,900)	(12,227,596)
Motor Vehicle	(8,073,407)	1,282,061	(13,879,067)	(8,232,585)
General Liability	(6,949,216)	(3,033,394)	(6,368,605)	(3,236,405)
General Losses	(6,921,627)	(6,106,763)	(1,175,861)	113,288
Transportation	(850,901)	(2,115,240)	(1,349,079)	(344,676)
Water Crafts	(795,182)	(156,844)	26,411	12,789
Suretyship	(516,159)	(892,075)	(287,847)	(133,503)
Financial Losses	(195,365)	(491,558)	457,203	615,921
Legal Protection	(60,670)	(46,392)	(25,139)	30,710
Air Crafts	-	65,133	(2)	(2)
Air Crafts Liability	16	44	277	70
Credit	37,235	37,227	118,041	(12,642)
Accident	668,742	924,730	175,780	(8,686)
Health	1,327,105	1,341,933	22,165,955	19,113,594
Total Non-life	(63,816,186)	(35,572,613)	(13,056,973)	(6,926,458)
Life	220,975	224,938	453,277	479,142
Total (*)	(63,595,211)	(35,347,675)	(12,603,696)	(6,447,316)

(*) For current previous period comparison please refer to note 4.1.2.3.

30. Investment Agreement Rights

None (December 31, 2016: None).

31. Mandatory Other Expenses

Types of expenses are disclosed in Note 32.

32. Expense Types

	1 January- June 30, 2017	1 April- June 30, 2017	1 January- June 30, 2016	1 April- June 30, 2016
Production Commissions (-)	(171,112,468)	(89,806,968)	(140,612,976)	(72,434,774)
Reinsurance Commissions (+)	(39,105,919)	(20,735,831)	(34,309,142)	(16,466,251)
Employee Wages and Expenses (-) (*)	(5,859,475)	(2,919,658)	(7,558,021)	(4,483,367)
Information Technology Expenses (-)	(4,619,300)	(2,089,086)	(4,020,953)	(2,071,737)
Meeting and Training Expenses (-)	(2,953,304)	(1,630,241)	(1,747,395)	(688,865)
Transportation Expenses (-)	(2,264,060)	(1,107,488)	(2,038,498)	(1,081,123)
Rent Expenses (-)	(1,914,199)	(812,060)	(1,845,713)	(810,626)
Social Relief Expenses (-)	(1,743,977)	(812,431)	(1,872,420)	(715,328)
Repair and Maintenance Expenses (-)	(1,438,401)	(724,395)	(1,499,985)	(760,571)
Outsourcing Service Expenses (-)	(707,336)	(232,504)	(690,310)	(532,069)
Advertisement Expenses (-)	(705,167)	(330,182)	(800,348)	(400,908)
Communication Expenses (-)	64,067,440	34,913,512	48,056,452	27,431,746
Other (-)	(1,807,918)	(1,030,294)	(1,993,537)	(1,051,390)
Total	(170,164,084)	(87,317,626)	(150,932,846)	(74,065,263)

(*) The Company makes payments to pension contribution (3% of the monthly gross salary) for the employees who fulfill conditions and this amount is presented in employees wages and expenses.

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2017

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

33. Employee Wages and Expenses

	January 1- June 30, 2017	1 April- June 30, 2017	January 1- June 30, 2016	1 April- June 30, 2016
Salary and Bonus Payments	(31,660,960)	(13,936,091)	(32,075,728)	(15,789,998)
Insurance Payments	(5,084,790)	(4,812,804)	(461,099)	(230,954)
Other Payments	(4,104,146)	(3,730,913)	(1,772,315)	(445,299)
Total (Note 32)	(40,849,896)	(22,479,808)	(34,309,142)	(16,466,251)

34. Financing Costs

34.1 Financial Expenses:

None (December 31, 2016: None).

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

None (December 31, 2016: None).

34.3 Sales transactions with shareholders, affiliates and subsidiaries

Disclosed in Note 45.

34.4 Interest, rent and similar balanceswith shareholders, affiliates and subsidiaries:

Disclosed in Note 45

34.5 Hedge accounting principle

Cash Flow hedging principle

In accordance with the accounting policy disclosed in Note 2.25, the Company recognized changes in valuation of hedge instrument arising from change in the exchange rate under equity. In this respect, as of June 30, 2017 effect of hedge accounting amount of TL 15,631,875 has been recognized in the “Special Funds (Reserves)” account item under equity.

Deposit amount	Currency Type	Exchange rate at the beginning of the period	Exchange rate at the end of the period	Hedging cash flow
15,350,651	USD	2.2342	3.5071	(19,539,843)

Type risk and principle of the cash flow hedge

The Company aims to prevent the future foreign exchange risk resulting from the operational leases by hedging USD 25,310,424 Eurobond.

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

34. Financing Costs (Continued)

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

None (December 31, 2016: None).

35. Corporate Tax

<u>Tax (Expense) / Income is Formed by the Items Below</u>	<u>1 January- 30 June 2017</u>	<u>1 April- 30 June 2017</u>	<u>1 January- 30 June 2016</u>	<u>1 April- 30 June 2016</u>
Current Tax Income / (Expense)	(1,348,385)	(1,348,385)	-	-
Deffered Tax Income /(Expense) due to Temporary differences	(14,362,997)	(7,786,351)	2,901,602	1,778,774
Toplam vergi (gideri) / geliri	(15,711,382)	(9,134,736)	2,901,602	1,778,774

Deferred Tax

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

Deferred Tax

Recognized in the Shareholder's Equity:

	<u>2017</u>	<u>2016</u>
Valuation of financial Assets Available for Sale	106,011	1,800,761
Hedge Effect	(3,907,969)	(4,204,019)
Actuarial Gain / Loss Effect	870,134	868,102
	(2,931,824)	(1,535,156)

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

	<u>Temporary differences</u>		<u>Deferred Tax Asset/ (Liability)</u>	
<u>Deferred Tax Assets / (Liabilities)</u>	<u>30 June 2017</u>	<u>31 December 2016</u>	<u>30 June 2017</u>	<u>31 December 2016</u>
Impairment Provision	30,116,653	30,116,653	6,023,331	6,023,331
Expense Provision	8,923,995	8,933,596	1,784,799	1,786,719
Performance bonus provision	6,019,844	7,460,556	1,203,969	1,492,111
Equalization Provision	5,794,893	5,476,407	1,158,978	1,095,282
Retirement payment provision	5,778,720	6,335,365	1,155,744	1,267,073
Doubtful receivable provisions	3,175,000	1,906,000	635,000	381,200
Unused vacation provision	1,237,064	904,395	247,413	180,879
Marketable securities valuation difference	530,055	9,003,805	106,011	1,800,761
Unused vacation provision	390,279		78,056	
Investment Fund	(3,261,953)	(624,497)	(652,391)	(124,899)
Useful life differences of tangible and intangible assets	(8,240,755)	(6,504,870)	(1,648,151)	(1,300,933)
Fiscal Expense		65,153,555	-	13,030,711
Diğer	(1,100,937)		(220,187)	-
Deferred Tax Assets / (Liabilities), Net			9,872,572	25,632,235

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2017

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

35. Corporate Tax (Continued)

Corporation tax reconciliation is as below:

	2017	2016
Deferred tax and corporate tax before profit	74.467.335	(15,782,354)
Tax rate	(14.893.467)	3,156,471
Effect of Additions	(18.548.694)	(22.281.017)
Effect of Allowances	18.869.026	15.709.141
Fiscal Expense	(14.573.135)	(3.415.405)
Deducted past year losses	13.224.750	3.415.405
Corporate Tax Liability Provision on Period Profit	(1,348,385)	-

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

	2017	2016
Deferred tax and corporate tax before profit	74,467,335	(15,782,354)
Calculated Tax Expense	(14,893,467)	3,156,471
The effect of non-deductible expenses	(817,915)	(254,869)
Total Tax Expense	(15,711,382)	2,901,602

As of June 30, 2017, the Company has booked the deferred tax assets in amounting to TL 9,872,572. The Company management is in the opinion that the Company is able to make sufficient taxable income based on the business plans and projections therefore the Company foresees no indicator of any concern regarding its recoverability of deferred tax assets. The maturity of the tax losses are below:

36. Net Foreign Exchange Gain/Loss

	January 1- June 30, 2017	1 April- June 30, 2017	January 1- June 30, 2016	1 April- June 30, 2016
Recognized in Profit / Loss:				
Foreign Exchange Income	51,365,995	11,961,258	26,231,283	20,471,270
Foreign Exchange Expense	(46,156,745)	(10,783,876)	(27,584,827)	(17,944,711)
	5,209,250	1,177,382	(1,353,544)	2,526,559

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2017

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

37. Earnings per Share

	2017	2016
Number of Equity Shares Outstanding Beginning Period, 1 January	<u>30,600,000,000</u>	<u>30,600,000,000</u>
Number of Equity Shares Issued in Cash	-	-
Number of Equity Shares Outstanding End of Period, January 30	<u>30,600,000,000</u>	<u>30,600,000,000</u>
Weighted Average Number of Outstanding Shares (Unit of 1; 0,01 TL)	30,600,000,000	30,600,000,000
Net Profit for the Period / (Loss) (TL)	<u>58,755,953</u>	<u>(12,880,752)</u>
Earnings / (Loss) per Share (TL)	<u>0.192</u>	<u>(0.042)</u>

38. Dividends per share

Pursuant to the decision taken in the Company’s Ordinary General Meeting held on March 21, 2016, the company hasn’t got net profit on the financial statements as of December 31,2016. Company has not been distributed profit to the shareholders.

39. Cash Generated from the Operations

Cash flow statement has presented with the financial statements of the Company.

40. Equity Share Convertible Bonds

None (December 31, 2016: None).

41. Cash Convertible Privileged Equity Shares

None (December 31, 2016: None).

42. Risks

The Company’s contingent asset and liabilities are presented in Note 23.3.

43. Commitments

Total amount of off balance sheet commitments are presented in Note 23.2.

44. Business Combinations

None (December 31, 2016:None).

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CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2017

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

45. Related Parties

Related Party Receivables / (Payables)

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

Receivable balances from related parties is presented under “Receivable from Insurance Operations” line of financial statements.

Related Party Receivables / (Payables)

	June 30, 2017	December 31, 2016
Related Parties	21,441,025	12,456,988
Shareholders	265,415	19,958
Total	21,706,440	12,476,946

Premium production

	January 1 June 30, 2017	April 1 June 30, 2017	January 1 June 30, 2016	April 1 June 30, 2016
Related Parties	79,234,722	39,933,861	67,319,267	35,184,670
Shareholders	1,579,476	796,063	1,304,772	658,607
Total	80,814,198	40,729,924	68,624,039	35,843,278

Claims Paid

	January 1 June 30, 2017	April 1 June 30, 2017	January 1 June 30, 2016	April 1 June 30, 2016
Related Parties	7,860,846	7,115,521	6,637,493	3,814,152
Shareholders	154	-	969	(31)
Total	7,861,000	7,115,521	6,638,462	3,814,121

Interest Income Received from Related Parties

	January 1 June 30, 2017	April 1 June 30, 2017	January 1 June 30, 2016	April 1 June 30, 2016
Related Parties	34,082,724	18,251,060	28,870,601	16,719,333
Total	34,082,724	18,251,060	28,870,601	16,719,333

Bank Deposit

	June 30, 2017	December 31, 2016
Related Parties	217,592,419	574,281,361
Total	217,592,419	574,281,361

Private Sector Bonds

	June 30, 2017	December 31, 2016
Related Parties	44,460,835	15,294,313
Total	44,460,835	15,294,313

Investment Funds

	June 30, 2017	December 31, 2016
Related Parties	202,034,808	158,252,836
Total	202,034,808	158,252,836

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
AS OF JUNE 30, 2017**

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

46. Subsequent Events

According to the “Regulation on the Amendment of the Regulation on Tariff Implementation Principles in Motor Vehicle Liability Insurance” promulgated in Official Gazette No. 30121 dated 11 July 2017 and prepared by the Undersecretariat of Treasury, the Risky Insurance Pool (the “Pool”) was established for motor vehicle groups in high damage level and/or MTPL insurance policies arranged after 12 April 2017. In accordance with Risky Insurance Pool Rules, MTPL insurance policies within the Pool will be calculated by the Turkish Motor Vehicle Bureau in two stages. Based on this calculation, 50% of premium and paid claims will be divided equally between insurance companies, and the remaining 50% will be divided based on the percentage of the last three years of traffic insurance premium obtained by insurance companies.

As of the preparation date of financial statements, the Turkish Motor Vehicle Bureau has not made any declaration for premium and paid claims related to the MTPL insurance policies within the Pool, 30 June 2017 do not contain any additional corrections applicable to the financial statements dated 30 June 2017.

47. Other

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

Other Receivables	30 June 2017	31 December 2016
Receivables from Tarım Sigortaları A.Ş.	12,535,093	2,964,383
Other Receivables	3,567,236	3,413,737
Receivables from Agencies due to DASK Premiums	345,459	1,434,861
Receivables from Hacı Ömer Sabancı Foundation	-	-
Total	16,447,788	7,812,981

Other Short Term Payables	30 June 2017	31 December 2016
Payables to Turkish Catastrophe Insurance Pool	15,076,284	21,395,892
Payables to contracted enterprises	5,678,614	10,538,496
Payables to suppliers	4,094,694	6,010,520
Turkish Catastrophe Insurance Pool Payables to agencies	683,846	684,897
Other	2,757,212	1,525,590
Total	28,290,650	40,155,395

Other Prepaid Expenses	30 June 2017	31 December 2016
Prepaid Expenses (*)	19,013,453	2,685,039
Other	-	-
Total	19,013,453	2,685,039

Other Prepaid Expenses (Long Term)	30 June 2017	31 December 2016
Prepaid Expenses	6,345,021	207,203
Total	6,345,021	207,203

(*) The amount of TL 6.703.348 (December 31, 2015: TL 2.332.210) prepaid expenses has arisen from operational leases of the Company.

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AS OF JUNE 30, 2017**

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

47. Other (Continued)

Income and Profit / Expenses and Losses from Other and Extraordinary Activities	January 1 June 30, 2017	April 1 June 30, 2017	January 1 June 30, 2016	April 1 June 30, 2016
Provisions Account (+/-)	(13,054,478)	(6,343,532)	(10,627,075)	(5,961,636)
Provisions for doubtful receivable	(9,898,831)	(5,003,863)	(6,599,270)	(3,229,899)
Retirement payment provision	(467,172)	(186,156)	(758,960)	(490,784)
Portfolio Management	(896,643)	(236,240)	(823,203)	(356,780)
Unused vacation provision	(505,983)	(426,500)	(536,039)	(255,756)
Guarantee Fund Provision	(1,028,871)	(470,948)	(918,887)	(637,701)
Provisions for other expenses	(256,978)	(19,825)	(990,716)	(990,716)
Compulsory earthquake insurance account (+/-)	629,785	629,785	450,922	91,342
Deferred tax asset account (+/-)	(14,362,997)	(7,786,351)	2,901,602	1,778,774
Other income and profits	266,340	107,007	514,500	160,906
Previous year other expenses and losses(-)	(3,814,938)	(1,832,013)	(2,649,919)	(962,456)
Non-tax-deductible expenses	(435,619)	(360,632)	(399,250)	(266,009)
Bank Expenses	(1,564,342)	(864,058)	(1,232,933)	(668,127)
Certificate of Insolvency	(1,207,559)	(327,307)	(426,634)	-
Expense on property sale	(400,989)	(196,664)	(162,831)	-
Other	(206,429)	(83,352)	(428,271)	(28,320)
Total	(30,336,288)	(15,225,104)	(9,409,970)	(4,893,070)

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**CONVENIENCE TRANSLATION OF THE STATEMENT OF PROFIT DISTRIBUTION
AS OF JUNE 30, 2017**

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

AKSİGORTA ANONİM ŞİRKETİ			
Profit Distribution Statement			
	Note	Reviewed Current Period (1/1/2017 - 6/30/2017)	Audited Prior Period (1/1/2016 - 6/30/2016)
I. Distribution of profit for the period		-	-
1.1. Profit for the period		-	-
1.2. Taxes payable and legal liabilities		-	-
1.2.1. Corporation tax (Income tax)		-	-
1.2.2. Income tax deduction		-	-
1.2.3. Other taxes and legal liabilities		-	-
A. Net profit for the period (1.1 - 1.2)		-	-
1.3. Previous years' losses (-)		-	-
1.4. First legal reserve		-	-
1.5. Legal reserves kept in the company (-)		-	-
1.6. First dividend to shareholders (-)		-	-
1.6.1. To common shareholders		-	-
1.6.2. To preferred shareholders		-	-
1.6.3 To owners of participating redeemed shares		-	-
1.6.4 To owners of profit-sharing securities		-	-
1.6.5 To owners of profit and loss sharing securities		-	-
1.7. Dividends to personnel (-)		-	-
1.8. Dividends to founders (-)		-	-
1.9. Dividends to board of directors (-)		-	-
1.10. Second dividends to shareholders (-)		-	-
1.10.1. To common shareholders		-	-
1.10.2. To preferred shareholders		-	-
1.10.3. To owners of participating redeemed shares		-	-
1.10.4. To owners of profit-sharing securities		-	-
1.10.5. To owners of profit and loss sharing securities		-	-
1.11. Second legal reserve (-)		-	-
1.12. Statutory reserves (-)		-	-
1.13. Extraordinary reserves		-	-
1.14. Other reserves		-	-
1.15. Special funds		-	-
II. Distribution from reserves		-	-
2.1. distributed reserves		-	-
2.2. second legal reserve (-)		-	-
2.3. dividends to shareholders (-)		-	-
2.3.1. To common shareholders		-	-
2.3.2 To preferred shareholders		-	-
2.3.3. To owners of participating redeemed shares		-	-
2.3.4 To owners of profit-sharing securities		-	-
2.3.5 To owners of profit and loss sharing securities		-	-
2.4. Dividends to employees (-)		-	-
2.5. Dividends to board of directors (-)		-	-
III. Profit per share		-	-
3.1. To common shareholders		-	-
3.2. To common shareholders (%)		-	-
3.3. To preferred shareholders		-	-
3.4. To preferred shareholders (%)		-	-
IV. Dividends per share		-	-
IV. Dividends per share		-	-
4.1. To common shareholders		-	-
4.2. To common shareholders (%)		-	-
4.3. To preferred shareholders		-	-
4.4. To preferred shareholders (%)		-	-

(*) As of December 31, 2016 the profit distribution table has not been prepared since there has not been profit distribution.