

Aksigorta Anonim Şirketi

**Interim condensed financial statements for the three
months period ended January 1 – March 31, 2017**

Aksigorta Anonim Şirketi

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Aksigorta A.Ş.**Interim Statement of financial position
as at March 31, 2017**

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

Assets	Note	Unaudited	Audited
		March 31, 2017	December 31, 2016
Total current assets		3.114.552.901	2.720.121.494
Cash and cash equivalents	6, 7	879.227.454	451.153.119
Securities pledged under repurchase agreements	7, 8	77.257.178	30.045.425
Financial assets			
Debt securities:			
- Available for sale at company's risk	6	537.782.372	863.687.512
- Available for sale at insurees' risk	6	2.530.185	2.530.185
Premium receivables		465.902.782	395.918.459
Due from reinsurers		30.954	24.180.701
Reinsurance share of insurance liabilities	10	1.015.979.897	833.986.834
Deferred acquisition costs		71.091.432	74.244.366
Derivative financial assets		-	-
Other current assets		64.750.647	44.374.893
Total non-current assets		77.140.960	89.245.109
Tangible assets		27.091.435	28.001.832
Investment properties		80.126	80.126
Intangible assets		39.842.865	41.176.250
Financial assets			
Equity securities:			
- Available for sale	6	220.889	220.889
Deferred income tax assets		9.899.865	19.558.809
Other non-current assets		5.780	207.203
Total assets		3.191.693.861	2.809.366.603
Liabilities	Note	Unaudited	Audited
		March 31, 2017	December 31, 2016
Total current liabilities		2.721.277.232	2.375.893.942
Insurance liabilities	10	2.252.528.166	2.044.598.155
Payables to reinsurers	11	313.643.130	202.020.282
Derivative financial liabilities		-	-
Obligations under repurchase agreements	8	77.257.178	30.031.438
Provisions for other liabilities and charges		30.904.082	36.839.062
Trade and other payables	11	46.944.676	62.405.005
Current income tax liabilities		-	-
Total non-current liabilities		6.424.748	6.335.367
Provision for retirement benefit obligation	12	6.424.748	6.335.367
Total equity		463.991.881	427.137.294
Shareholders' equity	9	306.000.000	306.000.000
Legal and other reserves	9	95.403.929	178.468.101
Actuarial loss arising from employee benefit	9	(3.501.170)	(3.472.406)
Hedging reserve	9	19.042.448	16.816.074
Available-for-sale investments fund	9	(5.872.466)	(7.203.045)
Retained earnings/accumulated deficit	9	52.919.140	(63.471.429)
Total equity and liabilities		3.191.693.861	2.809.366.603

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

Aksigorta A.Ş.

Interim income statement

for the period January 1 – March 31, 2017

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

Income Statement	Note	Unaudited	Unaudited
		March 31, 2017	March 31, 2016
Insurance premium revenue	4, 13	491.812.484	399.461.578
Insurance premium ceded to reinsurers	4, 13	(205.463.593)	(154.186.316)
Net insurance premium revenue	4, 13	286.348.891	245.275.262
Investment income		33.075.035	26.534.055
Commission income		52.685.770	43.101.236
Other operating income		1.091.187	794.906
Net income		373.200.883	315.705.459
Insurance claims	15	(305.192.835)	(214.410.148)
Insurance claims recovered from reinsurers	15	112.693.738	53.414.831
Net insurance claims	4, 15	(192.499.097)	(160.995.317)
Commission expense		(98.345.745)	(93.209.290)
Expenses for marketing and administration	14	(35.590.743)	(34.204.030)
Other operating expenses		(8.693.872)	(6.352.901)
Insurance claims and expenses		(335.129.457)	(294.761.539)
Results of operating activities		38.071.426	20.943.920
Foreign exchange gain / (loss), net		4.031.868	(3.880.103)
Profit before tax		42.103.294	17.063.817
Income tax expense		(8.776.897)	(3.053.772)
Profit for the period		33.326.397	14.010.045
Earnings per share		0,0011	0,0005

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

Aksigorta A.Ş.

Interim statement of comprehensive income for the period January 1 – March 31, 2017

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

		Unaudited	Unaudited
Statement of comprehensive income	Note	March 31, 2017	March 31, 2016
Profit for the period		33.326.397	14.010.045
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Change in available-for-sale financial assets fund, net off deferred tax	9	1.330.581	1.724.465
Cash flow hedging, net off deferred tax	9	2.226.375	(1.266.891)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		3.556.956	457.574
Other comprehensive income not being reclassified to profit or loss in subsequent periods:			
Actuarial loss, net off deferred tax	9	(28.764)	(28.302)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		(28.764)	(28.302)
Other comprehensive income, net of tax		3.528.192	429.272
Total comprehensive income for the year, net of tax		36.854.589	14.439.317

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

Aksigorta A.Ş.

Interim statement of changes in equity for the period January 1 - March 31, 2017

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

March 31, 2017									Unaudited
	Note	Share capital	Available-for-sale investment funds	Revaluation fund	Legal reserves	Actuarial loss arising from employee benefit	Cash flow hedging	Retained earnings	Total
Balances at December 31, 2016	9	306.000.000	(7.203.047)	-	178.468.101	(3.472.406)	16.816.075	(63.471.429)	350.550.209
Profit for the year		-	-	-	-	-	-	33.326.397	33.326.397
Transfer		-	-	-	(83.064.172)	-	-	83.064.172	-
Other comprehensive income		-	1.330.581	-	-	(28.764)	2.226.375	-	3.528.192
Total comprehensive income	9	-	1.330.581	-	(83.064.172)	(28.764)	2.226.375	116.390.569	36.854.589
Dividend payment		-	-	-	-	-	-	-	-
Balances at March 31, 2017	9	306.000.000	(5.872.466)	-	95.403.929	(3.501.170)	19.042.450	52.919.140	463.991.883

March 31, 2016									Unaudited
	Note	Share capital	Available-for-sale investment funds	Revaluation fund	Legal reserves	Actuarial loss arising from employee benefit	Cash flow hedging	Retained earnings	Total
Balances at December 31, 2015	9	306.000.000	(5.945.992)	-	178.468.101	(3.744.443)	9.794.452	(134.021.909)	350.550.209
Profit for the year		-	-	-	-	-	-	70.550.480	70.550.480
Transfer		-	-	-	-	-	-	-	-
Other comprehensive income		-	(1.257.055)	-	-	272.037	7.021.623	-	6.036.605
Total comprehensive income	9	-	(1.257.055)	-	-	272.037	7.021.623	70.550.480	76.587.085
Dividend payment		-	-	-	-	-	-	-	-
Balances at December 31, 2016	9	306.000.000	(7.203.047)	-	178.468.101	(3.472.406)	16.816.075	(63.471.429)	427.137.294

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

Aksigorta A.Ş.

Interim statement of cash flows for the year period January 1 – March 31, 2017 (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		January 1 –	January 1 –
Cash Flow Statement	Note	March 31, 2017	March 31, 2016
Cash inflows from insurance operations		448.720.449	388.748.853
Cash outflows from insurance operations		(305.976.325)	-291.802.708
Income tax payment		(13.478.172)	-8.048.351
Cash inflows/(outflows)from operational expenses		18.342.420	(18.057.238)
Net cash flows from operating activities		147.608.372	70.840.556
Tangible and intangible asset acquisitions		(283.766)	(2.882.195)
Financial asset acquisitions / disposals	6	325.905.140	350.476.871
Interest received		23.005.394	26.255.757
Other cash inflows/(outflows)		(21.437.448)	(25.127.183)
Net cash flows from investing activities		327.189.320	348.723.250
Dividends paid		-	-
Net cash flows from financing operations		-	-
Net increase/(decrease) in cash and cash equivalents		474.797.692	419.563.806
Cash and cash equivalents at the beginning of the period		480.940.578	546.650.423
Cash and cash equivalents at the end of the period	6, 7	955.738.270	966.214.229

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

Aksigorta A.Ş.

Notes to the interim condensed financial statements as at March 31, 2017

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

1. General Information

Aksigorta Anonim Şirketi ("the Company") is a subsidiary of Hacı Ömer Sabancı Holding A.Ş. and Ageas Insurance International N.V. as of March 31, 2017. 38.02% (December 31, 2016: 38.02%) of the Company is issued in Borsa İstanbul ("BİST") (Note 2.3).

Agreement about the sale of %50 of 18.965.880.200 units of Aksigorta A.Ş. shares with TL 189.658.802 nominal value that belong to H.Ö. Sabancı Holding ("Holding") portfolio was signed with Ageas Insurance International N.V. at 18 February 2011. At the date of 29 July 2011, 9.482.940.100 units of Aksigorta A.Ş. shares that correspond to %50 of the Holding's portfolio have been transferred to Ageas Insurance International N.V. with the sale price (excluding the corrections) of USD 220.029.000. According to the joint administration agreement that signed with Ageas Insurance International N.V. at 18 February 2011, Holding's previous administrative controls over Aksigorta A.Ş. are going to remain equally with Ageas Insurance International N.V.

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

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

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

	March 31, 2017	December 31, 2016
Top and middle management	100	111
Other personel	513	493
Total	613	604

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 1.441.185 TL in total for January 1 - March 31, 2017 (January 1 - March 31, 2016: TL 1.364.710).

Financial statements include only one company (Aksigorta A.Ş.) and the Company does not have any subsidiaries or affiliates as of March 31, 2017 (December 31, 2016: None).

2. Summary of significant accounting policies

2.1 Basis of preparation

The interim condensed financial statements at March 31, 2017 have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2016.

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

**Notes to the interim condensed financial statements
as at March 31, 2017**

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

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

Comparative information and restatement of prior period financial statements

The Company's statement of financial position as of March 31, 2017 is presented in comparison with its statement of financial position as of December 31, 2016; statement of comprehensive income, statement of changes in equity and statement of cash flows for the period between January 1 – March 31, 2017 are presented in comparison with its statement of comprehensive income, statement of changes in equity and statement cash flows for the period between January 1 – March 31, 2016.

2.2 Adoption of New and Revised Standards

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at March 31, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC 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.

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

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

IFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment clarifies that the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in this IFRS. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendments did not have an impact on the financial position or performance of the Company.

**Notes to the interim condensed financial statements
as at March 31, 2017**

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

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

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

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

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

IAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in IAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of IAS 41, measured at fair value less costs to sell. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

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

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

- At cost
 - In accordance with IFRS 9,
- Or
- Using the equity method defined in IAS 28

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

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

IAS 1: Disclosure Initiative (Amendments to IAS 1)

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

**Notes to the interim condensed financial statements
as at March 31, 2017**

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

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

Annual Improvements to IFRSs - 2012-2014 Cycle

IASB issued, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan

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

These amendments did not have any impact on the financial position or performance of the Company.

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

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

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

Amendments issued to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. An entity shall apply those amendments prospectively. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**Notes to the interim condensed financial statements
as at March 31, 2017**

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

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

IFRS 15 Revenue from Contracts with Customers

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

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

IASB has published final clarifications to IFRS 15 in April 2016. The amendments address three of the five topics identified (identifying performance obligations, principal versus agent considerations, and licensing) and provide some transition relief for modified contracts and completed contracts. The amendments are effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

IFRS 16 Leases

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

**Notes to the interim condensed financial statements
as at March 31, 2017**

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

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

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

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company/Group applies this relief, it shall disclose that fact. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IAS 7 Statement of Cash Flows (Amendments)

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

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

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

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

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

**Notes to the interim condensed financial statements
as at March 31, 2017**

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

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

IFRS 4 Insurance Contracts (Amendments)

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

- a. 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 Financial instruments is applied before the new insurance contracts Standard is issued; and
- b. give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 Financial instruments until 2021. The entities that defer the application of IFRS 9 Financial instruments will continue to apply the existing financial instruments Standard—IAS 39.

These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

IAS 40 Investment Property: Transfers of Investment Property (Amendments)

The IASB issued amendments to IAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The interpretation is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Aksigorta A.Ş.

Notes to the interim condensed financial statements as at March 31, 2017

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

2. Summary of significant accounting policies (Continued)

2.2 Adoption of New and Revised Standards (Continued)

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after January 1, 2018.
- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after January 1, 2017.

IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

2.3 Share capital

As of March 31, 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:

Name of shareholders	March 31, 2017		December 31, 2016	
	Share	Share amount	Share	Share amount
H. Ömer Sabancı Holding A.Ş.	36.00	110.160.000	36.00	110.160.000
Ageas Insurance International NV	36.00	110.160.000	36.00	110.160.000
Publicly quoted shares	28.00	85.680.000	28.00	85.680.000
Total	100.00	306.000.000	100.00	306.000.000

Agreement about the sale of 50% of 18.965.880.200 units of Aksigorta A.Ş. shares with nominal value of TL 189.658.802 that belong to H.Ö. Sabancı Holding ("Holding") portfolio, was signed with Ageas Insurance International N.V. at 18 February 2011. 9.482.940.100 units of Aksigorta A.Ş. shares that correspond to 50% of the Holding's portfolio has been transferred to Ageas Insurance International N.V. on 29 July 2011 with a sale price of USD 220.029.000 except for adjustments to sale price.

The Company has accepted the registered capital system set out in accordance with the provisions of Law No: 2499 and applied the system as of June 15, 2000 upon the permission no: 67/1039 granted by the Capital Markets Board. As of March 31, 2017, the Company's registered share capital is TL 500.000.000 (December 31, 2016: TL 500.000.000).

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

**Notes to the interim condensed financial statements
as at March 31, 2017**

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

3. Critical accounting estimates and judgements

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

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

4. Segment information

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

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

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

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Notes to the interim condensed financial statements as at March 31, 2017

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

4. Segment information (continued)

Segment results for period January 1 - March 31, 2017 is as follows:

January 1 - March 31, 2017	Fire	Marine	Motor Own Damage (MOD)	Motor Third Party Liability	General Losses	Health	Other	Undistributed	Total
TECHNICAL INCOME	33.317.351	4.897.783	137.413.091	58.929.032	16.895.262	15.032.758	19.863.614		286.348.891
Earned Premiums (Net of Reinsurer Share)	33.317.351	4.897.783	137.413.091	58.929.032	16.895.262	15.032.758	19.863.614		286.348.891
Premiums (Net of Reinsurer Share)	39.668.660	7.186.088	114.291.712	62.098.944	21.507.232	19.568.867	20.196.095		284.517.598
Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(6.351.309)	(2.288.305)	23.121.380	(3.169.913)	(4.611.970)	(4.536.110)	(332.481)		1.831.293
TECHNICAL EXPENSES	(35.670.913)	(1.841.697)	(146.517.411)	(56.312.756)	(15.598.664)	(10.947.410)	(14.463.649)		(281.352.500)
Total Claims (Net of Reinsurer Share)	(21.895.738)	(756.350)	(107.450.624)	(48.342.757)	(5.481.232)	(662.834)	(7.909.562)		(192.499.097)
Claims Paid (Net of Reinsurer Share)	(15.516.027)	(1.035.118)	(105.959.480)	(36.204.897)	(4.030.182)	(1.943.240)	(3.618.118)		(168.307.062)
Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(6.379.712)	278.768	(1.491.144)	(12.137.860)	(1.451.050)	1.280.406	(4.291.445)		(24.192.035)
Commissions (Net)	(5.764.067)	(494.721)	(24.389.608)	(730.025)	(5.816.422)	(5.528.454)	(2.936.678)		(45.659.975)
Operating Expenses	(7.076.329)	(453.210)	(11.463.661)	(5.586.614)	(3.326.479)	(4.624.351)	(3.060.100)		(35.590.743)
Other Operating Income / Expenses	(934.778)	(137.416)	(3.213.518)	(1.653.360)	(974.532)	(131.771)	(557.310)		(7.602.685)
	(2.353.561)	3.056.085	(9.104.320)	2.616.276	1.296.599	4.085.348	5.399.965		4.996.391
Investment income	-	-	-	-	-	-	-	33.075.035	33.075.035
Foreign exchange income	-	-	-	-	-	-	-	4.031.868	4.031.868
Tax expense	-	-	-	-	-	-	-	(8.776.897)	(8.776.897)
Net Profit / (Loss)	(2.353.561)	3.056.085	(9.104.320)	2.616.276	1.296.599	4.085.348	5.399.965	28.330.006	33.326.397

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Notes to the interim condensed financial statements as at March 31, 2017

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

4. Segment information (continued)

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

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

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Notes to the interim condensed financial statements as at March 31, 2017

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

5. Management of insurance and financial risk

Foreign currency risk

The Company is exposed to foreign exchange risk through the impact of rate changes at the translation of Turkish Lira pertaining to foreign currency denominated assets and liabilities. These risks are monitored by the analysis of exchange rate position. The details of the Company's foreign currency denominated assets and liabilities as of March 31, 2017 and December 31, 2016 are disclosed below:

March 31, 2017			
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	10.038.491	3,6386	36.526.053
EUR	2.427.129	3,9083	9.485.948
GBP	31.344	4,5169	141.578
CHF	53.153	3,6437	193.674
Other			31
Total			46.347.284
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	32.837.667	3,6386	119.483.135
EUR	7.794.192	3,9083	30.462.041
GBP	88.824	4,5169	401.209
CHF	188.341	3,6437	686.258
Other			10.060
Total			151.042.703
Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	24.239.687	3,6386	88.198.526
Total			88.198.526
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(6.820.978)	3,6386	(24.818.812)
EUR	(1.171.297)	3,9083	(4.577.781)
Other			(5.541)
Total			(29.402.133)
Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(29.950.545)	3,6386	(108.978.053)
EUR	(7.873.793)	3,9083	(30.773.145)
Other			(1.281.144)
Total			(141.032.342)
Off-balance sheet liabilities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(28.706.320)	3,6386	(104.450.816)
Total			(104.450.816)
Net Foreign Currency Position			10.703.221

Aksigorta A.Ş.**Notes to the interim condensed financial statements
as at March 31, 2017**

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

5. Management of insurance and financial risk (continued)

December 31, 2016			
Banks (Foreign Currency)	Amount in Foreign Currency	Exchange 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
Receivables from Insurance Operations	Amount in Foreign Currency	Exchange 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			104.420.830
Marketable Securities	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	23.881.989	3,5192	84.045.496
Total			84.045.496
Outstanding Claims Reserve	Amount in Foreign Currency	Exchange 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 Currency	Exchange Rate	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	Amount in Foreign Currency	Exchange 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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Notes to the interim condensed financial statements as at March 31, 2017

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

5. Management of insurance and financial risk (continued)

Liquidity risk

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

Table of liquidity risk as of March 31, 2017 is as follows:

March 31, 2017	Up to 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	405.299.392	463.401.149	-	-	-	10.531.687	879.232.228
Securities pledged under repurchase agreements		77.252.404					77.252.404
Financial assets available for sale	11.305.537	7.065.463	37.986.404	195.080.442	74.408.406	211.936.120	537.782.372
Investments on policyholders' risk	-	-	-	2.530.185	-	-	2.530.185
Receivables from main operations	126.721.981	162.582.121	176.598.680	-	-	-	465.902.782
Due from reinsurance companies	-	-	30.954	-	-	-	30.954
Reinsurers' share of insurance liabilities	166.201.954	216.613.893	633.164.050	-	-	-	1.015.979.897
Equity securities	-	-	-	-	-	220.889	220.889
Other assets	-	135.842.079	-	-	-	-	135.842.079
Total Assets	709.528.864	1.062.757.109	847.780.088	197.610.627	74.408.406	222.688.696	3.114.773.790
Derivative financial liabilities							-
Obligations under repurchase agreements	77.257.178						77.257.178
Insurance liabilities	327.788.478	546.237.676	1.378.502.012	-	-	-	2.252.528.166
Due to reinsurers	-	-	313.643.130	-	-	-	313.643.130
Trade and other payables	-	-	155.105.936	-	-	-	155.105.936
Total liabilities and shareholders' equity	405.045.656	546.237.676	1.847.251.078	-	-	-	2.798.534.410

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as at March 31, 2017

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Liquidity surplus/(deficit)	304.483.208	516.519.433	(999.470.990)	197.610.627	74.408.406	222.688.696	316.239.380
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5. Management of insurance and financial risk (continued)

Table of liquidity risk as of December 31, 2016 is as follows: ,

December 31, 2016	Up to 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	5 years and over	No maturity	Total
Cash and cash equivalents	141.435.488	291.689.248	-	-	-	18.028.383	451.153.119
Securities pledged under repurchase agreements	-	30.045.425	-	-	-	-	30.045.425
Financial assets available for sale	378.786.360	11.068.599	46.032.680	142.741.726	74.677.041	210.381.106	863.687.512
Investments on policyholders' risk	-	-	-	2.530.185	-	-	2.530.185
Receivables from main operations	115.408.195	152.956.844	127.553.420	-	-	-	395.918.459
Due from reinsurance companies	-	-	24.180.701	-	-	-	24.180.701
Reinsurers' share of insurance liabilities	136.430.102	177.811.722	519.745.010	-	-	-	833.986.834
Equity securities	-	-	-	-	-	220.889	220.889
Other assets	-	118.619.259	-	-	-	-	118.619.259
Total Assets	772.060.145	782.191.097	717.511.811	145.271.911	74.677.041	228.630.378	2.720.342.384
Obligations under repurchase agreements		30.031.438					30.031.438
Insurance liabilities	297.530.449	495.814.686	1.251.253.020	-	-	-	2.044.598.155
Due to reinsurers	-	-	202.020.282	-	-	-	202.020.282
Trade and other payables	-	-	99.244.067	-	-	-	99.244.067
Total liabilities and shareholders' equity	297.530.449	525.846.124	1.552.517.369	-	-	-	2.375.893.942
Liquidity surplus/(deficit)	474.529.696	256.344.974	(835.005.559)	145.271.911	74.677.041	228.630.378	344.448.442

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Notes to the interim condensed financial statements as at March 31, 2017

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

6. Financial assets

Available for sale debt securities:

March 31, 2017			
	Cost Value	Fair Value	Book Value
Government bonds	53.340.001	47.330.622	47.330.622
Private bonds	185.812.561	190.700.106	190.700.106
Investment Funds	186.172.994	211.936.444	211.936.444
Eurobonds	91.649.582	87.815.201	87.815.201
Total	516.975.138	537.782.373	537.782.373

December 31, 2016			
	Cost Value	Fair Value	Book Value
Government bonds	414.615.001	409.346.640	409.346.640
Private bonds	157.224.003	159.914.268	159.914.268
Investment Funds	189.073.620	210.381.106	210.381.106
Eurobonds	88.642.117	84.045.498	84.045.498
Total	849.554.741	863.687.512	863.687.512

Financial assets at insurees' risk:

March 31, 2017			
	Cost Value	Fair Value	Book Value
Government bonds	2.530.185	2.530.185	2.530.185
Total	2.530.185	2.530.185	2.530.185

December 31, 2016			
	Cost Value	Fair Value	Book Value
Government bonds	2.530.185	2.530.185	2.530.185
Total	2.530.185	2.530.185	2.530.185

Equity shares under available-for-sale investments:

As of March 31, 2017, the Company has an investment in Merter BV with a 25% participation rate (December 31, 2016: 25%). Merter BV is a real estate company which has an investment in a shopping mall and office building with 50% participation rate. The Company has a final participation rate of 12,5% in the real estates. Since the Company does not have any influence in the financial and operating policy decisions of the investee, this investment is classified as available for sale financial asset and carried at its fair value. The Company has booked impairment provision for Merter BV amounting to TL 30.116.653 in its financial statements as of March 31, 2017 in accordance with the appraisal report obtained from an independent appraisal firm (December 31, 2016: TL 30.116.653).

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Notes to the interim condensed financial statements as at March 31, 2017

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

6. Financial assets (continued)

List of the investments and fair values is as below:

March 31, 2017			
	Cost Value	Fair Value	Book Value
Equity investments			
Merter BV	30.116.653	0	0
Tarsim	220.889	0	220.889
Total	30.337.542	0	220.889

December 31, 2016			
	Cost Value	Fair Value	Book Value
Equity investments			
Merter BV	30.116.653	0	0
Tarsim	220.889	0	220.889
Total	30.337.542	0	220.889

Fair Value Hierarchy

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

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

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

Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

	March 31, 2017	Level 1	Level 2	Level 3
Available for sale at company's risk	537.782.372	537.782.372	-	-
Available for sale at insureds' risk	2.530.185	2.530.185	-	-
Total	540.312.557	540.312.557	-	-

	December 31, 2016	Level 1	Level 2	Level 3
Available for sale at company's risk	863.687.512	863.687.512	-	-
Available for sale at insureds' risk	2.530.185	2.530.185	-	-
Total	866.217.697	866.217.697	-	-

(*) Unlisted equity shares amounting to TL 220.889 (December 31, 2016: TL 220.889) has been accounted at its cost value as of March 31, 2017

(**) The Company has written off Merter BV, one of the affiliates, amounting to TL 30.116.652 in its financial statements as of March 31, 2017 (December 31, 2016: TL 30.116.652).

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Notes to the interim condensed financial statements as at March 31, 2017

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7. Cash and cash equivalents

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

	March 31, 2017	December 31, 2016
Cash at banks	619.408.174	240.333.856
-time deposits	608.876.487	222.305.473
-demand deposits	10.531.687	18.028.383
Bank guaranteed credit card receivables with maturity less than 3 months	259.819.280	210.819.263
	879.227.454	451.153.119
Securities pledge under repurchase agreements	77.257.178	30.045.425
Total cash and cash equivalents	956.484.632	481.198.544

(*) The Company has reflected TL 77.257.178 of time deposits as securities pledged under repurchase agreements in the financial statements as of March 31, 2017 (2016: 30.045.425).

The maturities of the Company's time deposits as of March 31, 2017 are less than six months (December 31, 2016: Less than six months).

Cash and cash equivalents that are included in the statements of cash flows for the periods January 1 – March 31, 2017 and January 1 – December 31, 2016 are as follows:

	March 31, 2017	December 31, 2016
Total cash and cash equivalents	956.484.632	481.198.544
Interest accrual on cash at banks (-)	(746.360)	(257.966)
Cash and cash equivalents per statement of cash flow	955.738.272	480.940.578

Weighted average interest rates of time deposits:

	March 31, 2017	December 31, 2016
TL	7,75 – 13,05	4,50 – 13,95
USD	0,10 – 3,70	0,10 – 3,40
EUR	0,10 – 0,90	0,10 – 1,85

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Notes to the interim condensed financial statements as at March 31, 2017

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

8. Repurchase agreements

Securities pledged under repurchase agreements:

The details of reverse repo receivables in the balance sheet as of March 31, 2017 are as follows:

March 31, 2017	Cost	Interest rate	Maturity	Book value
Time deposits	77.000.000	13,94%	23.03.2017 - 15.05.2017	77.252.404
	77.000.000			77.252.404

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

December 31, 2016		Interest rate	Maturity	Book value
Time deposits	25.000.000	11,45%	28.12.2016 - 30.01.2017	25.031.370
Time deposits	5.000.000	11,40%	23.12.2016 - 17.03.2017	5.014.055
	30.000.000			30.045.425

Obligations under repurchase agreements:

The details of funds received from reverse repo agreements accounted for under short term other financial liabilities in the balance sheet as of March 31, 2017 and December 31, 2016 are as follows:

March 31, 2017	Cost	Interest rate		Book value
Government bond	(77.000.000)	12,19%	22.03.2017 - 16.05.2017	(77.257.178)
	(77.000.000)			(77.257.178)

December 31, 2016	Cost	Interest rate	Maturity	Book 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
	30.000.000			30.031.438

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Notes to the interim condensed financial statements as at March 31, 2017

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

9. Equity

As of March 31, 2017, the Company's total amount of nominal shares is 30.600.000.000 (December 31, 2016: 30.600.000.000) which has all been paid. The face value of the Company's common stocks is TL 0,01 each and the total nominal amount is TL 306.000.000 (December 31, 2016: TL 306.000.000).

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

January 1, 2017			Issued Capital		Amortised		March 31, 2017	
Unit	Nominal TL		Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid	30.600.000.000	306.000.000	-	-	-	-	30.600.000.000	306.000.000
Total	30.600.000.000	306.000.000	-	-	-	-	30.600.000.000	306.000.000

January 1, 2016			Issued Capital		Amortised		December 31, 2016	
Unit	Nominal TL		Unit	Nominal TL	Unit	Nominal TL	Unit	Nominal TL
Paid	30.600.000.000	306.000.000	-	-	-	-	30.600.000.000	306.000.000
Total	30.600.000.000	306.000.000	-	-	-	-	30.600.000.000	306.000.000

Movement of legal reserves is as follows:

Legal Reserves	2017	2016
Opening balance, January 1	178.468.101	178.468.101
Transfers from retained earnings	(83.064.172)	-
Closing balance, March 31	95.403.929	178.468.101

Actuarial gain / (loss)

In accordance with changes regarding "IAS 19 – Employee Benefits" effective as of January 1, 2013, net-off deferred tax actuarial loss amounting to TL 4.376.462 (net off deferred tax: TL (3.501.170) resulting from retirement pay liability calculation has been accounted to extraordinary reserves under equity.

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

Actuarial Loss	2017	2016
Opening balance, January 1	4.340.507	4.680.554

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Change for the period	35.955	(340.047)
Closing balance, March 31	4.376.462	4.340.507

9. Equity (continued)**Available for sale investments fund:**

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

Available for sale investments fund	2017	2016
Opening balance, January 1	(7.203.045)	(5.945.992)
Increase/decrease in value recognized under the shareholders' equity in the current period	1.330.579	(1.257.053)
Closing balance, March 31	(5.872.466)	(7.203.045)

Hedge Accounting

The Company recognizes the changes in value of hedged asset by the foreign currency differences under equity. As of March 31, 2017, TL 23.803.060 (net: TL 19.042.448) is recognized under equity resulting from hedge accounting (December 31, 2016: TL 21.020.093, net: TL 16.816.074).

March 31, 2017				
Amount of deposit	Currency	Exchange rate at the beginning	Exchange rate at the end	Exchange difference
15.856.440	USD	2,23	3,64	(22.268.784)
12.849.880	USD	3,52	3,64	(1.534.276)
28.706.320				(23.803.060)

December 31, 2016				
Amount of deposit	Currency	Exchange rate at the beginning	Exchange rate at the end	Exchange difference
16.358.049	USD	2,23	3,52	(21.020.093)

Type risk and principle of the cash flow hedge

The Company aims to prevent the future foreign exchange risk resulting from the operational leases by hedging with the eurobond amounting to USD 24.329.687 .

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10. Insurance liabilities

Gross	March 31, 2017	December 31, 2016
Reserve for unearned premiums	1.118.964.517	995.397.648
Outstanding claims provision	1.130.306.330	1.045.955.010
Life actuarial mathematical reserves	1.379.670	1.373.929
Life profit share provision	153.297	152.659
Bonus and rebates provision	1.724.352	1.718.909
Total	2.252.528.166	2.044.598.155

Reinsurance Share	March 31, 2017	December 31, 2016
Reinsurers' share of outstanding claims	503.138.875	446.542.113
Reinsurers' share of unearned premiums	511.127.431	385.729.269
Bonus and rebates provision	1.713.591	1.715.452
Total	1.015.979.897	833.986.834

Net	March 31, 2017	December 31, 2016
Reinsurers' share of outstanding claims	627.167.455	599.412.897
Reinsurers' share of unearned premiums	607.837.086	609.668.379
Life actuarial mathematical reserves	1.379.670	1.373.929
Life profit share provision	153.297	152.659
Bonus and rebates provision	10.761	3.457
Total	1.236.548.269	1.210.611.321

11. Payables to reinsurers, trade and other payables

	March 31, 2017	December 31, 2016
Payables to reinsurers	313.643.130	202.020.282
Payables due to main operations	313.643.130	202.020.282
Payables to SSI regarding medical expenses (*)	5.446.765	4.268.447
Taxes payable	14.609.894	17.872.576
Payables to Turkish Catastrophe Insurance Pool	15.389.523	21.395.892
Payables to contracted institutions	5.085.307	6.010.520
Payables to suppliers	2.721.333	10.538.496
Other	3.691.854	2.319.074
Total other short term payables	46.944.676	62.405.005
Total financial liabilities trade and other payables, deferred income	360.587.806	264.425.287

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12. Retirement social security liabilities

	March 31, 2017	December 31, 2016
Provision for employment termination benefits	6.424.748	6.335.367
Total	6.424.748	6.474.170

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

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at March 31, 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 March 31, 2017, the provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 8,53% (December 31, 2016: 8,81%) and a discount rate of 10,91% (December 31, 2016: 10,71%), resulting in a real interest rate of approximately 2% (December 31, 2016: 2%). The anticipated rate of forfeitures is considered and estimated rate of the Company's retirement pay is also taken into account.

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

The effect of estimation changes in the calculation of employee termination benefits is amounting to TL 4.376.462 (Deferred tax effect: TL 875.292) and has been accounted to actuarial loss arising from employee benefit under equity.

As the maximum liability is updated semi annually, as of March 31, 2017, the maximum amount of TL 4.426,16 effective from January 1, 2017 has been taken into consideration in calculation of provision from employment termination benefits (December 31, 2016 : TL 4.092,53).

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

	2017	2016
Opening balance, January 1	6.335.367	6.474.170
Charge for the period	281.016	1.569.790
Actuarial gain/loss	35.955	(340.047)
Retirement payments	(227.590)	(1.368.546)
Closing balance, March 31	6.424.748	6.335.367

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13. Net insurance premium income

The distribution of premium income is as follows:

	January 1 – March 31, 2017			January 1 – March 31, 2016		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Written premium	615.379.353	(330.857.168)	284.522.185	499.175.841	(269.341.461)	229.834.379
Change in unearned premium reserve (*)	(123.566.869)	125.393.575	1.826.706	(99.714.263)	115.155.146	15.440.883
Total premium revenue	491.812.484	(205.463.593)	286.348.891	399.461.578	(154.186.315)	245.275.263
Fire	159.757.389	(120.088.728)	39.668.660	135.517.383	(98.835.135)	36.682.249
Marine	19.319.721	(12.133.634)	7.186.088	12.576.733	(5.183.620)	7.393.114
Motor Own Damage	121.973.553	(7.677.255)	114.296.299	112.120.958	(6.855.133)	105.265.825
Motor Third Party Liability	66.404.055	(4.305.111)	62.098.944	35.998.869	(2.650.183)	33.348.686
Other	60.939.398	(40.744.803)	20.194.595	47.340.580	(30.478.081)	16.862.500
General Losses	91.008.140	(69.500.907)	21.507.232	71.430.257	(53.618.554)	17.811.703
Health	95.975.597	(76.406.730)	19.568.867	84.188.579	(71.720.756)	12.467.823
Life	1.500	-	1.500	2.480		2.480
Total	615.379.353	(330.857.168)	284.522.185	499.175.841	(269.341.461)	229.834.379

14. Expenses by nature

	January 1 - March 31, 2017	January 1 - March 31, 2016
Personnel expenses	(18.370.088)	(17.842.891)
Information technology expenses	(2.646.382)	(3.074.654)
Depreciation expenses	(3.999.395)	(2.956.914)
Rent expenses	(2.236.780)	(1.949.216)
Social relief expenses	(931.546)	(1.157.092)
Transportation expenses	(1.156.572)	(957.375)
Meeting and training expenses	(1.323.063)	(1.058.530)
Advertisement expenses	(1.102.139)	(1.035.087)
Repair and maintenance	(714.006)	(739.414)
Communication expenses	(374.985)	(399.440)
Outsourcing service expenses	(474.832)	(158.241)
Other	(2.260.954)	(2.875.176)
Total	(35.590.743)	(34.204.030)

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15. Insurance claims and claims recovered from reinsurers**March 31, 2017**

	Gross	Reinsurers' Share	Net
Paid Claims	223.455.962	(55.148.900)	168.307.062
Change in outstanding claims	81.725.054	(57.546.698)	24.178.356
Change in mathematical reserves	6.380	-	6.380
Bonus and rebates provision	5.439	1.860	7.299
Total	305.192.835	(112.693.738)	192.499.097

March 31, 2016

	Gross	Reinsurers' Share	Net
Paid Claims	200.117.133	(25.426.115)	174.691.018
Change in outstanding claims	14.336.218	(27.892.666)	(13.556.448)
Change in mathematical reserves	(142.672)	211	(142.461)
Bonus and rebates provision	99.469	(96.261)	3.208
Total	214.410.148	(53.414.831)	160.995.317

16. Related parties

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

Due from /to related parties

	March 31, 2017	December 31, 2016
Shareholders	760.103	19.958
Shareholder's subsidiaries	49.183.352	12.456.988
Total	49.943.455	12.476.946

Banks

	March 31, 2017	December 31, 2016
Shareholder's subsidiaries	204.953.359	574.281.361
Total	204.953.359	574.281.361

Marketable securities

	March 31, 2017	December 31, 2016
Shareholder's subsidiaries	42.899.179	15.294.313
Total	42.899.179	15.294.313

Investment funds

	March 31, 2017	December 31, 2016
Shareholder's subsidiaries	211.936.444	158.252.836
Total	211.936.444	158.252.836

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16. Related parties (continued)

Written Premium

	March 31, 2017	March 31, 2016
Shareholders	783.414	646.165
Shareholder's subsidiaries	39.300.860	32.134.596
Total	40.084.274	32.780.761

Claims Paid

	March 31, 2017	March 31, 2016
Shareholders	154	1.000
Shareholder's subsidiaries	745.325	2.823.341
Total	745.479	2.824.341

Investment Income

	March 31, 2017	March 31, 2016
Shareholder's subsidiaries	15.831.664	12.151.268
Total	15.831.664	12.151.268

17. Contingencies

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

18. Subsequent events

On 10.04.2017, Treasury issued a circular numbered 2017/1 with regards to the premiums in Motor Third Party Liability branch.

The maximum premiums (caps) for each city, vehicle type and NCD level has been announced in the circular. The circular will be valid between the period 12.04.2017- 31.12.2017.