

AKSigorta

2017 ANNUAL REPORT



**Anything is possible as long as you want it!
You are free to succeed. You are free to move forward. Enjoying life, loving abundantly, giving as much as you want... It's all in your hands. As long as you trust yourself, believe in yourself.**

Keep a positive outlook on life. Put your worries aside. Don't waste your time with selfdoubts, or what-ifs. Have more energy to realize your dreams.

When you look at the world, see what you stand to gain, not what you stand to lose. Focus on your goals, not the obstacles.

We will always be beside you so you can live your life to the fullest, together with your family and loved ones. We are ready to remove the obstacles while you realize your dreams. Just leave the hard part to us. We work day and night so that you can easily move forward on your path to tomorrow.

Do not accept anything less than the best. Have confidence in the future. Hold on to your passions.

Every day, every moment...

THINK WELL, LIVE WELL!

AKSigorta

Think well, live well!

CONTENTS

CORPORATE PROFILE

- 04 Agenda for the Annual General Meeting
- 05 Corporate Profile
- 06 Financial Highlights
- 07 Aksigorta Partnership Structure
- 08 Vision, Mission and Values
- 09 Our Strategies and Customer Relations Policy
- 10 An Adventure that Dates Back to 1960
- 14 Awards and Achievements
- 16 Management's Assessment
- 18 The Economy and the Sector in 2017
- 22 Assessment of Operations in 2017
- 23 Main Developments in 2017
- 29 Human Resources at Aksigorta
- 31 Social Responsibility Activities

CORPORATE GOVERNANCE

- 34 Board of Directors
- 37 Board of Auditors
- 37 Corporate Governance Committee
- 38 Executive Board
- 40 Corporate Governance Principles Report

FINANCIAL INFORMATION AND RISK MANAGEMENT

- 52 Information about Transactions the Company Enters into with Members of Its Own Risk Group
- 53 Financial Information and Risk Management
- 62 Summary Financial Indicators
- 62 Quality
- 63 Risk Management and Internal Control System
- 68 Internal Audit Activities
- 69 Dividend Policy
- 70 Independent Auditor's Report on the Annual Report of the Board of Directors
- 71 Independent Auditor's Report

Contact





EASY,
UNDERSTANDABLE,
ACCESSIBLE
INSURANCE

AGENDA FOR THE ANNUAL GENERAL MEETING

AKSIGORTA ANONİM ŞİRKETİ BOARD OF DIRECTORS RESOLUTION

DATE OF MEETING: 12.02.2018

NUMBER DECISION: 16

ATTENDANTS OF THE MEETING

- Haluk DİNÇER
- Filip Andre L. COREMANS
- Hayri ÇULHACI
- Stefan Georges Leon BRAEKEVELDT
- İsmail Aydın GÜNTER
- Emin Hakan EMİNSOY
- Uğur GÜLEN

AGENDA:

Decision on the date, location and agenda of the Ordinary General Assembly Meeting.

RESOLUTION

It has been decided that the Ordinary General Assembly Meeting of the Company for 2017 to convene on March 14, 2018 at 15:00 at the address of Istanbul, Beşiktaş, 4. Levent, Sabancı Center with the below agenda.

Agenda

1. Opening and formation of Meeting Chairmanship,
2. Reading and discussion of the Board of Directors' Annual Report for 2017,
3. Reading of the summary of Auditors' Reports for 2017,
4. Review and approval of Financial Statements for 2017,
5. Release of the Board of Directors regarding their activities in 2017,
6. Determination of the use of Profit of the year 2017, the dividend payment and share,
7. Election of the BoD members and determination of their term of duty.
8. Election of the Auditor
9. Informing the General Assembly regarding the Donations made in 2017,
10. Determination of donation limits of the company for the year 2018,
11. Granting permission to the Chairman and members of the Board of Directors to carry out the transactions written in Articles 395 and 396 of Turkish Commercial Code.

Chairman
Haluk DİNÇER

Vice Chairman
Filip Andre L. COREMANS

Board Member
Hayri ÇULHACI

Board Member
**Stefan Georges Leon
BRAEKEVELDT**

Independent Board
Member
**İsmail Aydın
GÜNTER**

Independent Board
Member
Emin Hakan EMİNSOY

Board Member,
General Manager
Uğur GÜLEN

CORPORATE PROFILE

Having integrated technological advancements and the power of digitalization into its sustainable growth targets, Aksigorta maintains its leadership position in the market, and continues to take firm steps forward.



With modern, sustainable steps, Aksigorta has worked towards an innovative, customer oriented vision since its establishment in 1960. Following its partnership with Sabancı Holding and the Belgian Ageas, Aksigorta continued to build upon its strong brand recognition and high market value, providing service to individual and corporate clients across Turkey through 10 regional directorates, 648 employees approximately 2,500 independent agencies, approximately 900 Akbank branches, 69 brokers and 3,500 contracted institutions.

Following its partnership with Sabancı Holding and Belgium-based Ageas, Aksigorta continues to build upon its strong brand recognition and high market value. The Company aims to increase its market share while contributing to the development of the sector and the national economy and, at the same time, continuing its growth.

Having integrated technological advancements and the power of digitalization into its sustainable growth targets, Aksigorta maintains its leadership position in the market, and continues to take firm steps forward. Aksigorta utilizes its experience, knowledge and resources to provide the right solutions to customers and ensure that they have a positive experience and, together with their families, look to the future with confidence.

The major shareholders of Aksigorta, whose shares are publicly traded on the BIST National Market under the AKGRT ticker, are H.Ö. Sabancı Holding (with a 36% stake) and Ageas Insurance International N.V. (also with a 36% stake). According to the independent audit of 31 December 2017 unconsolidated financial statements, Aksigorta's asset volume reached TL 2,713 million.

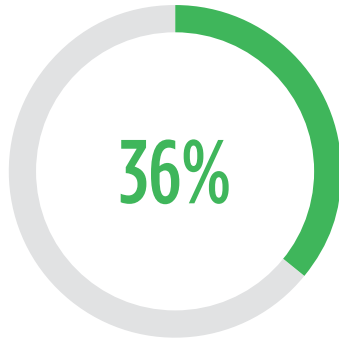
FINANCIAL HIGHLIGHTS

In 2017, Aksigorta, one of the leading players in the Turkish insurance industry, achieved 39% increase in premium production to reach TL 2,636 million, as a result of its successful operations across branches.

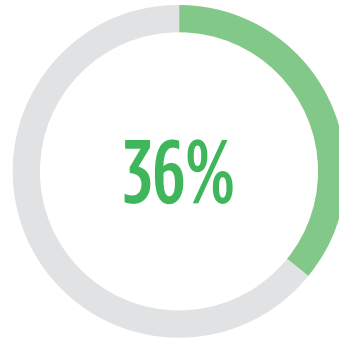
FINANCIAL INDICATORS (TL MILLION)	2016	2017
Gross Written Premiums	1,896	2,636
Claims Paid	712	842
Technical Profit	134	214
Profit Before Tax	57	167
Net Income	57	127
Paid in Capital	306	306
Shareholders' Equity	494	629
Total Assets	2,000	2,713
CAPITAL SOLVENCY RATIOS	2016	2017
Gross Written Premiums/Shareholders' Equity	384%	419%
Shareholders' Equity/Total Assets	25%	23%
Capital Adequacy Ratio	115%	139%
OPERATIONAL RATIOS (NON-LIFE)	2016	2017
Retention Ratio	62%	59%
Loss Ratio (Net)	66%	66%
Combined Ratio (Net)	98%	97%
PROFITABILITY RATIOS	2016	2017
Technical Results/Gross Written Premiums	7%	8%
Profit Before Tax/Gross Written Premiums	3%	6%
Net Income/Gross Written Premiums	3%	5%
Return on Equity (ROE)	14%	23%

AKSIGORTA PARTNERSHIP STRUCTURE

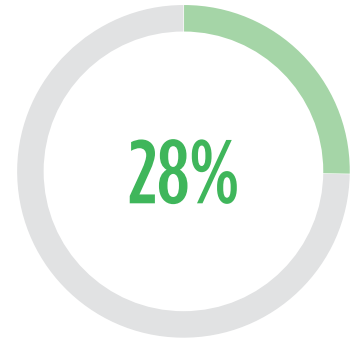
HACI ÖMER SABANCI HOLDİNG A.Ş.



AGEAS INSURANCE INTERNATIONAL N.V.



FREE FLOAT



Registered Capital

Aksigorta A.Ş. changed to the registered (authorized) capital system pursuant to the provisions of Turkey's Capital Market Law (Statute 2499) as of 9 March 1995 and holds license number 301 from the Capital Markets Board. The Company's authorized capital ceiling is TL 500 million, and its paid-in capital is TL 306 million.

Capital Structure

No material changes have taken place in the capital structure of Aksigorta A.Ş., as shown in the table below. Both of the Company's major shareholders have purchased the same volume of Aksigorta shares traded on the Borsa Istanbul; as a result, their stake in the Company increased from 33.11% to 36.00%. There are no privileged shares holding special rights.

Management Methodology

Sabancı Holding and Ageas Insurance International N.V. retain control of the Company management on an equal basis.

Shareholders that control more than a 10% stake in the Company's issued capital

The names and shareholding interests of shareholders who hold more than a 10% stake in the Company's issued capital are shown in the following chart.

Shareholders	2016		2017	
	Share (%)	Amount (TL)	Share (%)	Amount (TL)
H.Ö. Sabancı Holding	36	110,160,000	36	110,160,000
Ageas Insurance International N.V.	36	110,160,000	36	110,160,000
Free Float	28	85,680,000	28	85,680,000
Total	100	306,000,000	100	306,000,000

VISION, MISSION AND VALUES

In 2017, Aksigorta's successful operations, conducted in accordance with its vision, mission and values, drove the Company's steady growth and further strengthened its brand reputation.



OUR VISION

To make insurance easy, understandable and accessible for everyone.



OUR MISSION

To provide a unique insurance experience for our customers to support the continuity and ease of life while creating value for all stakeholders.

OUR VALUES



Respectful

We are a trusted company where respect is key.



Solutions Driven

We are always ready to provide appropriate solutions to make people happier.



Success Driven

We develop ourselves continuously to achieve the best in everything we do.



People Focused

We understand the needs of people and provide the right product with understandable services and up to date technology.

OUR STRATEGIES AND CUSTOMER RELATIONS POLICY

As valuable members of the Aksigorta family, we and our employees strive to offer our customers a consistently better experience.

OUR STRATEGY

1. A Balanced Product Portfolio

Profitable premium production in motor and non-motor health insurance branches.

2. A Balanced Channel Portfolio

Profitable and sustainable growth in Agency, Bancassurance and Corporate channels.

3. Operational Excellence

Process, technology and organization that support performance

4. Customer Focus

Easy, understandable and accessible customer experience

CUSTOMER RELATIONS POLICY

As proud members of the Aksigorta family, we, together with our employees, follow these principles in order to offer our customers a better experience.

Customer Experience Constitution

Article 1: Aksigorta offers its customers a personalized, positive and warm experience that inspires them to tell their friends.

Article 2: Aksigorta adopts the approach of 'putting itself in the customers' shoes' at every level of the organization.

Article 3: Together with its solution partners, Aksigorta owns the entire experience it delivers to policyholders.

Article 4: Aksigorta communicates with its customers in a simple, understandable manner.

Article 5: Aksigorta ensures that customers recognize potential risks and manage those risks effectively.

Article 6: Our customers can quickly and easily access Aksigorta's expert team.

Article 7: Aksigorta does its best to enable policyholders to continue their lives as usual.

AN ADVENTURE THAT DATES BACK TO 1960...

1960s

First policy

The first policy was issued by Aksigorta in 1961.

First insurance agency

Lami Teymen opened the first Aksigorta agency in Adana in 1960s.

1980s

Beginning of bancassurance

Aksigorta brought the bancassurance concept to insurance literature in the early 1980s. Aksigorta issued the first insurance policy through an online connection in 1983. In a short period of time, all regional directorates started to work online. By 1989, the Company has started to provide faster services through utilizing technological platforms.

1990s

Public offering of Aksigorta

Aksigorta shares were offered to the public in 1994, and the shareholder base of the Company was broadened. Aksigorta moved its headquarters from the historic Minerva Han building in Karaköy to a new building located in Fındıklı, Istanbul in 1995.

Opening of the Fire and Earthquake Training Center

In 1996, Aksigorta signed up for a unique project and opened the Fire and Earthquake Training Center, which was built entirely with technological infrastructure developed in Turkey. The project proved its success, making an impression worldwide.

First website

Aksigorta's first website was launched in line with its objective of serving customers more rapidly and effectively.

First online policy in Turkey's bancassurance business

Through the completion of the Bancassurance project in 1998, Aksigorta started cooperation with Akbank's nationwide branch network. Accordingly, the first online policy in Turkey was issued by Aksigorta. Online connections were set up with approximately 150 agencies in the same year, and Aksigorta reinforced its customer satisfaction by improving speed and efficiency within the scope of service cycle.

Considering quality systems to be very significant, Aksigorta established the quality assurance system modeled on ISO 9001:1994 standards, and was also awarded BS EN 9001:1994 Quality Standard Certification.

2000s

Awarded the certificate of authorization in the health branch

Aiming to increase diversity in its service portfolio, Aksigorta obtained a certificate of authorization for the health branch and began to issue health insurance policies in 2002, extending its line of business.

Opening of the Aksigorta Service Center

Also in 2002, in an effort to be more efficient for its customers and to communicate more actively with its agencies, the Aksigorta Service Center was opened, providing services for a complete range of fields from claim file notices to other insurance procedures on a 24/7 basis.

Transition to regional management

Renewing itself constantly in line with market conditions and demand, Aksigorta shifted its management strategy from central management to regional management in 2006 through revising its business and decision making processes. Aksigorta created a widespread regional organization by strengthening the competency and capacity of the regional directorates, given that they are the Company's initial contact points with customers and agencies.

Merger between Ak Emeklilik and Aviva Hayat ve Emeklilik

Ak Emeklilik A.Ş., a subsidiary of Aksigorta, merged with Aviva Hayat ve Emeklilik A.Ş. in 2007 and carried out its operations under the name AvivaSA Emeklilik ve Hayat A.Ş. following the merger.

Harmonization with new legislation

In 2008, Aksigorta rapidly completed its efforts to bring itself in line with the newly implemented insurance business laws and regulations in Turkey. Renowned for its efforts to comply with new legislation, Aksigorta became the leading company on KalDer's Turkish Customer Satisfaction List and in the same year was named by Tüketici Dergisi (Consumer Magazine) as the "Most Reliable Insurance Company for Quality" for four years in a row.

"Most Reliable Insurance Company"

As a testament to its success, Aksigorta was chosen by consumers as the "Most Reliable Insurance Company" in a research study conducted by AC Nielsen in 2009.

In a bid to achieve capital optimization and unlock the hidden value of its core insurance business, Aksigorta entered a spinoff process and transferred its participation portfolio to Sabancı Holding in 2010. Following the revisions to the Turkish Commercial Code, the transfer of Aksigorta's participations to Sabancı Holding was initiated and the process completed as of 14 January 2010 following the Extraordinary General Meeting held on 4 January 2010.

AN ADVENTURE THAT DATES BACK TO 1960...

50th Anniversary

50th Anniversary and Keep Living Turkey

Hosted by the Chairman of the Board of Directors, Güler Sabancı, and managers at Sabancı Holding, Aksigorta celebrated its 50-year anniversary with an event attended by members of leading circles in business and society. At this event, artists who contributed to Aksigorta's "Risk and Trust"-themed art project were presented their awards and the "Keep Living Turkey" project, initiated in cooperation with AKUT to raise awareness about natural disasters such as earthquakes, floods or fires across Turkey among 5 million people in five years, was also introduced.

Joining forces with Ageas

Ageas, a Belgium based international insurance company, became a strategic shareholder of Aksigorta in July 2011 as Sabancı Holding, which held a 62% stake in Aksigorta at the time, sold 31% of the shares to Ageas for USD 220 million to forge a strategic alliance for Aksigorta. The company has reinforced its strengths by including a global dimension, thanks to its new ownership structure.

After joining forces, Aksigorta initiated a transformation program. Accordingly, the Company reviewed its agency and bank channels, as well as the claims processes, and undertook investments in line with sales, technology and digital developments.

Ageas is an international insurance group with a heritage spanning 180 years and has chosen to concentrate its business activities in Europe and Asia, which together make up the largest share of the global insurance market. These are grouped around four segments: Belgium, United Kingdom, Continental Europe and Asia.

Ageas served through a combination of wholly owned subsidiaries and partnerships with strong financial institutions and key distributors around the world. Ageas operates successful partnerships in Belgium, the UK, Luxembourg, Italy, Portugal, Turkey, China, Malaysia, India and Thailand and has subsidiaries in France, Hong Kong and the UK. Ageas is the market leader in Belgium for individual life and employee benefits, as well as a leading Non-Life player through AG Insurance. In the UK, Ageas is the sixth largest Non-Life insurer with a number three position in cars insured and has a strong presence in the over 50s market. Ageas employs more than 13,000 people in the consolidated entities and over 30,000 in the non-consolidated partnerships, and has annual inflows of more than EUR 23 billion.

55th Anniversary 2017

New regional structure

Aksigorta made changes in the regional structure to decrease the operational load and responsibility of agency sales teams and to help them focus more on sales in 2013. With the new structuring and organization, the existing nine regional directorates and two representative offices became 16 in total, with the Denizli and Trabzon Representative offices turning into regional directorates and with the opening of regional directorates in Kocaeli, Çorlu, Gaziantep, Kayseri and Eskişehir.

Aksigorta's new office

Having decided to relocate in consideration of the expanding staff and technological infrastructure, Aksigorta left its headquarters in Fındıklı, Istanbul, in use since 1995; as of October 20, 2014, Aksigorta continues its operations at a new office, Buyaka Ofis Kuleleri, located in Ümraniye Tepeüstü.

Celebrating its 55th anniversary in 2015, Aksigorta insures five customers, issuing seven policies every minute. Over the last 55 years, the Company paid TL 14 billion on a total of 9 million claims. Approximately 2.8 million of the customers insured by Aksigorta hold 1.3 policies on average. Aksigorta celebrated its 55th anniversary with its employees and managers, who have significantly contributed to the Company's success, at a cocktail reception held at its Headquarters building.

2016

Aksigorta revamped its corporate identity

Owning a positive future, Aksigorta revamped its corporate identity in 2016. The Company adopted the motto, "Think well, live well", and created a manifesto to share that brand promise with all its stakeholders.

New regional structure

Aiming to maintain its sustainable leadership position in the industry, Aksigorta restructured its Agencies and Retail Bank Insurance divisions and regional organizations, while transitioning from channel-based management to customer-focused management in line with the Company's strategies and priorities. Geographical coverage and the organizational structures of the new regions were determined based on criteria such as profitability, production, location and potential. Accordingly, the Company closed 16 agencies and three regional bank offices, and instead established 10 regional retail sales offices.

AWARDS AND ACHIEVEMENTS

Aksigorta received the Human Resources Leadership award of the highest category - an award that was not granted to any finalist last year.

Aksigorta received awards in three categories at the 8th edition of the Sabancı Golden Collar Awards. The Awards recognize the achievements of Sabancı Group companies and employees, and encourage mutual sharing of best practices.

In recognition of the Company's retention of a gender-balanced workforce since 2013, and its support for the professional participation of experienced and competent women, Aksigorta attained the third prize in the "Equality at Work" category. Aksigorta also received an honorable mention in the "Digitalization" category for its Robot Transformation Project; this project is intended to eliminate routine operations from employees' job descriptions, directing employees toward more value-added activities to achieve greater operational efficiency, convenience, accessibility, and customer satisfaction. The Company received an additional honorable mention in the "Synergy" category. At the Golden Collar Awards held in 2017, Aksigorta attained third prize for its "CarrefourSA Extended Warranty Package"; offered under a partnership by Aksigorta and CarrefourSA, the Package provides an extended one- to three-year warranty on electronics and white goods purchased from CarrefourSA.

Organized by BoomSonar and Marketing Turkey for the first time in 2017, Social Media Awards Turkey aims to recognize and honor the best use of social media. It is the first - and only - awards program using objective criteria to measure brand and agency performance in social media. At the competition, where nearly 350 campaigns in the SocialBrands Data Analytics Award category were evaluated by a jury panel composed of 30 individuals who are authorities in their respective areas, Aksigorta won the Bronze Award for the insurance industry. A total of 140 gold, silver and bronze awards were presented to 50 different industries at the ceremony.

In 2017, Aksigorta received the "Human Resources Leadership" award in the highest category at the 9th edition of the People Management Awards, organized by PERYÖN (People Management Association of Turkey), the first non-governmental organization in Turkey engaging in people management. The competition is aimed at evaluating communications management, innovation and innovation culture, efficient workforce management, motivation and loyalty management, and human resources development. The "Human Resources Leadership" award was not granted to any of the finalists in the previous year.



Aksigorta was named the industry leader in 2017 in the “Elementary Insurance” category at the A.C.E Awards, the first and only awards competition in Turkey designed to evaluate customer satisfaction. 17 industries participate in this competition, organized by sikayetvar.com. Aksigorta scored 92 points and received the “Best Customer Experience” award. The A.C.E Awards program uses an index to determine the companies that deliver the best customer experience; and it is the first online complaint competition in Turkey. The Customer Experience Index is based on the results of 400,000 surveys, conducted annually with customers registering complaints, through the sikayetvar.com website.

For 28 years, The Legal 500 has analyzed the capabilities of law firms worldwide. The GC Powerlist is the latest publication from The Legal 500, turning its attention to in-house legal departments, and recognizing the most influential in-house corporate counsel in business today. The list was finalized after collecting feedback from law firms and in-house legal departments across Turkey to identify corporate counsel that have been instrumental in changing or forming opinions within their company or industry; that have developed outstanding technical solutions to complex issues; that have created innovative structures to ensure that the in-house function is driving the business forward; or that have provided a working business model worthy of emulation by other corporate counsel. Representing the insurance industry, Aksigorta’s Legal Department was included in the list, which was composed after a comprehensive evaluation to identify the most influential and innovative in-house legal departments in Turkey.

The CIO Awards are organized by CIO Magazine, a publication of Dünya Newspaper, to recognize both the innovative and successful projects carried out by leading business organizations in Turkey, and the CIOs who spearhead these projects. At the 7th edition of the CIO Awards, Aksigorta received a “Microsoft Special Award” for its cloud-based CRM project. Taking a far-sighted approach to the prominence of cloud computing in today’s world, Aksigorta selected the cloud-based Microsoft Dynamics CRM solution. The Company initiated the project in July of last year and is implementing it in stages. The project will enable Aksigorta to know its customers better while providing value-added solutions to the system by integrating all stakeholders in the insurance value chain.

MANAGEMENT'S ASSESSMENT

Aksigorta continued its profitable growth in 2017, across all product segments and channels, through effective risk management.

Esteemed Shareholders,

In 2017, the world economy grew 3.6%, performing well below projections due to ongoing geopolitical risks. As the Fed continued its monetary policy tightening under the Republican Trump administration, the Eurozone saw some recovery following financial turmoil precipitated by the Brexit vote. In 2017, China continued a cautious economic course, as growth in developing countries remained below expectations due to fluctuations in commodity prices. Turkey, on the other hand, maintained its sustainable economic growth in 2017, despite vulnerabilities in the global economy and geopolitical risks in the region. The Turkish government took a series of decisive actions to support the real economy, the Credit Guarantee Fund in particular. As a result, Turkey's GDP growth rate reached 11.1% in the third quarter, placing our country in first place among OECD countries.

Sustainable Financial Performance, Operational Excellence

Deriving strength from its corporate history and industry expertise spanning 57 years, as well as its reputation for reliability, Aksigorta continued its profitable growth in 2017, across all product segments and channels, through effective risk management. Thanks to our value-adding business processes, and the products and services we developed with the aim of making insurance easy, understandable and accessible, Aksigorta's premium production reached TL 2,636 million while net profit rose to TL 127 million. The effective process management skills we demonstrated in the aftermath of a devastating hailstorm and flash flood in Istanbul on July 27, 2017 was yet another indication of our Company's operational excellence. We continued to invest in analytics, innovation and digital business, in line with our sustainable profitability and operational efficiency goals. Thanks to our customer-focused business processes, we achieved a significant increase in customer acquisition through both insurance renewals and new product sales. The total number of customers we have served over the past 57 years exceeded 15 million.

During the year, we carried out successful projects in various insurance branches. As a result, our Company's capital adequacy ratio in Motor Third Party Liability (MTPL) Insurance rose to 140%, exceeding the industry average, while we generated significant revenue from our cooperation with Acibadem Insurance in the health branch. Standing out from the competition with our robust balance sheet structure, our Company continues to make solid progress towards achieving its growth goals.

In 2017, which we see as a year of major progress, we continued our course of profitable growth in Motor insurance (MOD), non-motor and health branches; completed our portfolio with MTPL insurance; and further strengthened our agent channel. In the coming period, we will focus on expanding the bancassurance channel with mini products as well as comprehensive product groups.

High-Risk Insurance Pool for MTPL and the Maximum Premium Model

In 2017, the Turkish insurance industry remained one of the most dynamic industries in Turkey in terms of both business volume and job creation.

The Turkish insurance industry generated TL 12,428 million in 2017. The High-Risk Insurance Pool for MTPL and the Maximum Premium Model, which have been created to manage MTPL-related risks effectively, enabled the industry to reduce its risks significantly. Meanwhile, the draft law on automatic participation in DASK (Turkish Catastrophe Insurance Pool/TCIP) to cover all homes presented a significant growth opportunity for the industry.

Our Digital Transformation Progresses

In 2017, Aksigorta successfully continued its digital transformation. To meet customers' needs and expectations quickly and effectively, we began automating over 10 business processes, including the creation of insurance policies and claims files, through robotic process automation. Additionally, we launched a mobile performance tracking application for our managers and agencies. Aksigorta generated additional



revenue of TL 42 million in the first seven months of the year by providing MOD quotes to its customers through social networking and messaging applications. We also initiated a new study with BAVLAB, the first Big Data Behavioral Analytics and Visualization Laboratory in Turkey, co-founded by Sabancı University and the Massachusetts Institute of Technology (MIT). This new study serves as a roadmap for developing new products and services in line with customer expectations.

Performance Success Recognized with Awards

In 2017, Aksigorta received several prestigious awards for its achievements in every area, and these awards made us very proud. Our cloud-based CRM Project won the “Microsoft Special Award” at the CIO Awards, which is organized by Dünya Newspaper Group. We also won the “Human Resources Leadership” award, the highest honor granted by PERYÖN (People Management Association of Turkey) at the People Management Awards. This prestigious award was presented to Aksigorta in recognition of our Company’s successful HR practices that set the benchmark for the industry. At the Golden Collar Awards, which are organized by our Company’s majority shareholder Sabancı Group to encourage mutual sharing of best practices within the Group, Aksigorta won awards in the categories of “Equality at Work”, “Synergy”, and “Digitalization”. Additionally, our Company received an award for its successful social media application at the Social Media Awards Turkey.

2018: A Year of New Initiatives

As a leading player in the Turkish insurance market, Aksigorta will continue its digital transformation in the coming period by focusing on creating added value while further strengthening its existing ties with agents across Turkey. Thanks to its transparent and reliable balance sheet, strong capital structure, and balanced product and channel portfolio, Aksigorta will continue its sustainable growth trajectory in the coming year.

We would like to extend our sincerest thanks to all our shareholders, and especially our majority shareholder Sabancı Group, for their continued support to Aksigorta’s operations in 2017. I am looking forward to celebrating continued success in the coming period.

Respectfully yours,

Haluk Dinçer
Chairman of the
Board of Directors

Uğur Gülen
General Manager and
Member of the Board of
Directors

THE ECONOMY AND THE SECTOR IN 2017

The year 2017 was profitable for the Turkish insurance industry. According to data from the Insurance Association of Turkey (IAT), total premium production by the insurance industry increased 15% on a YoY basis, reaching TL 41.1 billion.

THE GLOBAL ECONOMY

Expectations regarding the policies of the central banks of developed countries, tax reform developments in the U.S., and Europe's political agenda were some of the noteworthy topics closely watched by the markets.

It is almost certain that Fed will announce another interest rate hike toward the end of the year, while Jerome Powell, the U.S. president's nominee for chairman of the Federal Reserve, is expected to maintain the policies set by Janet Yellen. In Europe, the ECB's latest decisions can be taken as an indication of a move towards normalization while the Bank of England has increased interest rates for the first time in a decade. As such, monetary tightening is not expected just yet. The central banks of developed countries are anticipated to gradually and cautiously proceed with normalization, a top agenda item for quite a while.

Whether an agreement can be reached on various drafts of the tax cut legislation in the U.S. remains uncertain, putting downward pressure on the dollar and stock markets while increasing gold prices.

In Europe, the economy continues to strengthen, and the unemployment rate dropped to 8.8% - its lowest level since January 2009. PMI data indicates accelerated growth in the manufacturing and service industries; and the annual inflation rate came in at 1.5%, 0.1 percentage point lower than expected. However, compared to previous months, monthly inflation gained momentum. If the Eurozone economy grows as expected in 2017, it will demonstrate its strongest performance in a decade.

The latest data shows that China's economy lost some momentum in the last quarter. In October, industrial production and retail sales remained below forecasts, and the annual increase in fixed-capital investments slowed. As China cut blast furnace output at steel mills in the northern part of the country during winter to control air pollution, manufacturing activity declined.

In 2017, oil prices rose, both on expectations that OPEC would extend production cuts, and political tensions in Saudi Arabia. On the other hand, economic activity in China remained below expectations, putting downward pressure on oil prices. Should the price of oil trend upwards, U.S. oil production is expected to rise, with the corresponding possibility of declining oil prices.

In November, political developments in Europe dominated the political agenda. The bottleneck in the Brexit process appears to have been overcome due to British Prime Minister Theresa May's conciliatory approach towards EU leaders. While the effects of the Catalan Parliament's declaration of independence from Spain have been alleviated to a great extent, Germany failed to form a coalition government.

THE TURKISH ECONOMY

The positive impacts of government measures to revive economic activity continue, albeit with slightly weaker effects. Leading indicators show that personal consumption expenditures and investments will be determinative of performance success. Accordingly, Turkey's economic growth is expected to exceed 6.5% in 2017.

According to the expenditure method, personal consumption expenditures were the largest contribution to GDP growth, with seven percentage points in the third quarter. Demand was pulled forward in line with tax reductions to end in the

last quarter, and household spending on durable goods increased by 31% due to low base effect. At the same time, government final consumption expenditure provided limited contribution to growth during the same period.

In September, the calendar-adjusted industrial output expanded 10.4% on a YoY basis. During the last month of the reduced rates on the special consumption tax, durable goods production rose by 36.5%, due to increased demand. An examination of the manufacturing industry indicates that most sectors recorded rapid growth, particularly furniture production, which increased by 66.3%.

As a result of initiatives taken to support economic activity during the first ten months of the year, non-interest spending rose, leading to a higher budget deficit. On the other hand, as economic activity picked up, tax revenue delivered a limited impact on budget balance income. In the coming period, it is expected that budget revenues will continue to improve and, as a result, the budget deficit at year-end is expected to reach the target set in the Medium-Term Program.

The recent diplomatic tensions between Turkey and the United States, along with other developments in domestic politics and geopolitics, continue to affect the market. Compared with the first few months of the year, the market is keeping an even closer watch on macroeconomic indicators. Observations also suggest that projections regarding inflation, the current account deficit and budget indicators have become more cautious in recent months. Altered expectations on core inflation and long-term inflation make it necessary to implement additional monetary policy measures. In financial markets, the Turkish lira has been weakening, while bond yields have been climbing. However, leading indicators such as industrial production and PMI indicate strong economic performance, thus limiting a deterioration in risk perception towards Turkey.

THE INSURANCE INDUSTRY

The insurance industry has traditionally focused on product: generating revenue by developing new products, and enhancing and marketing existing products with additional services. However, important factors are driving industry evolution, including a rising supply and commoditization due to technological advancements and globalization. Customers can seamlessly access any product through physical or digital channels, while concepts such as the Internet of Things, created by continuous data generation, connectivity and interpretation, are transforming the world. In this new landscape, companies can distinguish themselves by offering their customers not only products, but value.

Emerging technologies and changing customer needs push companies to improve existing products and services, and form new strategies. Insurance companies are also transforming their IT infrastructures into digital business platforms, and developing new systems that enable highly detailed customer behavior analysis; thus, companies can offer products that are tailored to customers' needs, and fulfill both their changing expectations and operational requirements.

In the coming period, we expect to see insurance companies that will put customers at the center of their strategies and configure their business models accordingly to create sustainable value. Insurance companies will mainly aim to identify the customer segments that generate value, and build long-term, multi-product relationships with those customers, as well as expand their portfolios with new, similar customers.

Insurance companies are evolving into organizations that not only pay claims, but help customers prevent loss. They will aim to determine their prices based on more accurate risk prediction, specializing and gaining experience in emerging risk areas. For example, while autonomous vehicles may reduce the risk of accidents and the need for auto insurance, the necessity for insurance protection against cyber threats is growing. Similarly, the sharing economy continues to mature, with pay-as-you-use models as individuals share their homes and vehicles. The use of sensors and the corresponding possibilities for data collection are multiplying as the Internet of Things expands, which will eventually lead to the development of preventive services.

For the Turkish insurance industry, 2017 was a profitable year. According to data from the Insurance Association of Turkey (IAT), total premium production by the insurance industry rose 15% on a YoY basis, reaching TL 41.1 billion. In general, the industry remained cautious towards the motor insurance branch, while new products offered in non-motor branches, which play a significant role in increasing profitability, are expected to continue generating profit. In addition to fire and engineering insurance products, it is expected that DASK (Turkish Catastrophe Insurance Pool /TCIP) and TARSİM (Turkish Agricultural Insurance Pool) will continue to expand. To develop cross-selling opportunities, banks will offer their individual customers new products, particularly personal accident insurance products. Therefore, rapid growth is expected for this segment.





“ANYTHING IS
POSSIBLE IF YOU
WANT IT!”

ASSESSMENT OF OPERATIONS IN 2017

In 2017, Aksigorta grew faster than the industry, and increased its total market share as well as its market share in the Motor Third Party Liability segment.



Utilizing technology effectively across all areas and focusing on digitalization efforts, Aksigorta scored well above the industry average in the Turkish Digitization Index study conducted in 2017.

In 2017, Aksigorta launched the Initiative on the Discovery and Analysis of Big Data in Insurance together with the Big Data Behavioral Analytics and Visualization Laboratory (BAVLAB), co-founded by Sabancı University and the Massachusetts Institute of Technology (MIT).

Aksigorta launched yet another pioneering initiative in Turkey and the industry in 2017 with the Robot Transformation Project. Aiming to eliminate routine operations from employees' job descriptions and steer them toward more value-added activities, Aksigorta raises employee productivity and improves its service quality through the Robot Transformation Project.

Working around the clock, virtual workers are capable of performing more than 10 different operations, including policy generation and claims file creation, and delivering services up to eight times faster than human employees.

In 2017, Aksigorta efficiently launched additional new services, including the provision of MOD quotes through social media and messaging applications; virtual chat applications offering customers instant service support on digital channels; and mobile performance tracking applications for managers and agents.

In the aftermath of flash floods in Istanbul on July 18, Aksigorta received a total of 444 claim notices, with TL 5 million in damage costs per day. Of these notices, 391 came from Istanbul with TL 4 million in damage costs per day. Aksigorta worked diligently to compensate damages and losses as quickly as possible. Vehicles had been severely damaged during the flood and subsequent hail, and owners waited in long lines to get their insured vehicles repaired. Numerous claims were filed for dents in vehicles; because very few firms in Turkey can handle painless dent removal, Aksigorta worked together with foreign firms such as Autoking, RS, ALC and Automini.

Placing great importance on continuous improvement, Aksigorta aims to implement innovation methodology and build related capabilities across the organization, making them an integral part of the Company's culture.

In 2017, Aksigorta grew faster than the industry, and increased its total market share as well as its market share in the Motor Third Party Liability segment. Aksigorta considers 2017 a year of great progress and anticipates faster growth in the coming period while working towards its goal of becoming a US\$ 1 billion company.

MAIN DEVELOPMENTS IN 2017

Making rapid progress in information technology and digitalization, Aksigorta moved customer relationship management to the next level with its new CRM System.

Aksigorta's New CRM System

Making rapid progress in information technology and digitalization, Aksigorta moved customer relationship management to the next level with its new CRM system. The system enables the seamless transition from a product-focused to a customer-focused organization, instantly recognizing customers by their phone numbers or IVR keying, and offering them instant access to their information. In this way, customers are provided with all the support they need, more quickly and more easily. This new system allows an overview of all information regarding Aksigorta customers, including fraud issues, profitability, collections, open complaint files, years with Aksigorta, and purchased products. Thanks to its timeline structure, the CRM system can track the time, channel and topic of customer contact in chronological order; this enables an accurate assessment of each customer's outlook and needs, thus delivering an optimal experience for the individual customer at each and every touchpoint.

The Social CRM module monitors social media and blogs via keywords and runs a sentiment analysis of conversations through the panel. The email alert system instantly delivers all web and social media notifications regarding Aksigorta and submits social media messages to the CRM system. It can also recognize customers' social profiles.

Furthermore, the new CRM system provides access to services offered by business partners and their interactions with customers. The cloud-based system does not require installation; can be used remotely for work and to access information; and updates are performed automatically, allowing new features to be used immediately.

Empathy Building Event at Aksigorta

To further its vision of enhanced customer relationship building, Aksigorta initiated a series of internal communication activities to encourage employees to adopt and incorporate the new CRM system. Illustrating the concept of stepping out of darkness into visibility with regard to customer relationships, Aksigorta organized the Dialogue in Darkness event at the Turkcell Dialogue Museum. This event brought the metaphor to life, providing employees with real-life experience and helping them to build empathy.

Aksigorta Robot Transformation Project

Aksigorta launched the Robot Transformation Project, the first of its kind in the industry and Turkey, within the framework of its digitalization program. Within this project, virtual workers deliver services eight times faster compared to human employees. Working around the clock, virtual workers can carry out 10 different operations, including generating policies and creating claims files.

Robotic Process Automation (RPA) can perform rapid document analysis, read charts and e-mails, create web services and take necessary actions by partially or entirely automating repetitive, rule-based, manual human tasks. Currently, RPA is used for issuing MTPL and supplementary insurance policies for vehicles in customers' fleets; creating MOD claims files for fleets; and creating recourse and subrogation files. Virtual workers require fewer resources to perform repetitive tasks, thus Aksigorta plans to use them more actively in the claims, production, finance and collection departments in the future. Virtual workers can work, on average, six times more and 50% faster than their human counterparts. While human employees are capable of working efficiently for 1,440 hours per year (six hours a day, 240 days per year), virtual workers can work 365 days per year, 8,650 hours in total.

MAIN DEVELOPMENTS IN 2017

Aksigorta launched the Robot Transformation Project, a first of its kind in the industry and Turkey, within the framework of its digitalization program.

Information Transfer from Aksigorta to Southeast Asia

Aksigorta transferred expertise regarding the Robotic Process Automation (RPA) project to Etiqa, an insurance company based in Southeast Asia. The Company initiated the RPA project to reduce the number of its operational processes and to improve efficiency; Aksigorta has already automated more than 20 processes.

Aksigorta's RPA team delivered training sessions on identifying and defining processes, and the effective use of RPA program Blue Prism, at Etiqa's headquarters in Singapore. In addition to these training sessions, the team also demonstrated how to automate the process of creating claims files. Usually requiring an employee to work on two separate systems in a 20-minute process, the virtual worker was able to complete this process in just three minutes. The team also provided technical support on how to perform two different operational processes with a virtual worker.

The New Era of Transportation Insurance

Aksigorta launched the Transportation Certificate Program in line with its customer-centric and digitalization strategy. Thanks to this program, all Aksigorta's distribution channels, and especially its agents, now deliver even faster and more efficient services to customers. The Company's distribution channels can create their transportation certificates via the portal <https://nakliyatsertifika.aksigorta.com.tr/> in just one minute, following the entry of all relevant information into the system. The program relieves the operational workload of distribution channels, enabling them to offer high quality, effective services to customers.

Prior to the launch of this system, it was necessary for policies to be issued for each individual shipment; these policies then passed through the hierarchy of authority or were prepared manually by distribution channels. Issuing individual policies

each time for large-volume shipments, especially for imports and exports, required an arduous approval process and tremendous effort. Additionally, customers bore a penalty risk if the policies failed to be issued in a timely manner. This certificate platform allows insurance policies to be issued swiftly, efficiently and seamlessly; as well, certificates created through the system, rather than manually, have a reduced error risk, thus preventing potential issues.

Priority Service for Aksigorta Policy Holders at Akçözüm Service Centers

In line with its focus on a customer-centric business model, Aksigorta introduced a new service for its MOD customers. Owners of passenger cars and light commercial vehicles who purchase MOD insurance policies from Aksigorta receive priority service at Akçözüm Service Centers in the case of damages. There are 63 centers in 44 cities across Turkey. Policy holders also enjoy additional benefits, including the provision of a replacement vehicle while their vehicle is being repaired. Furthermore, the first repairs made at Akçözüm Service Centers are eligible for no-claims bonus protection.





Aksigorta Brought Entrepreneurs Together at the Startup Challenge

Aksigorta and startup incubator Hackquarters jointly organized the Startup Challenge event, bringing together entrepreneurs who seek to make a difference in the future of the insurance industry. The aim of the event is to design digital insurance products and experiences for the future. The Startup Challenge focuses on innovative ideas that will transform the insurance industry, in areas such as Insurtech, Digital Health and New Technologies.

The 10 startup teams selected during the pre-selection stage participated in the Startup Challenge, held on December 6, presenting their ideas to the jury. The winner of the Aksigorta Startup Challenge was Vivoo, a biotech-based wellness application; the first runner-up was Drive Buddy, for safe driving support; and the second-runner up was the insurance solution Sigorta.io. The first prize was an Apple Macbook Pro; the second prize was a Samsung Galaxy Note 8; and the third prize was an Apple Watch. Additionally, all the finalists will participate in a three-month mentoring program provided by Hackquarters.

Turkey's Leading Company According to the Digitization Index Study

Aksigorta achieved a high score, well above the industry average, in the Digitization Index study. Conducted by Accenture Turkey via face-to-face interviews with 106 company managers, the Digitization Index Study provides valuable insights related to the digitization status of the Turkish economy's leading sectors. The Accenture Digitization Index assesses companies' digital capabilities in three dimensions: Digital Strategy; Digital Services; and Digital Enablement. Aksigorta's Digitization Index was calculated as 79% while the average scores for Turkey and for the industry stood at 61% and 66%, respectively.

In the Digital Strategy dimension, Aksigorta scored 88%, 15 points higher than the average score of 73% for Turkey and 10 points higher than the industry average of 78%. In the Digital Services dimension, Aksigorta scored 72%, 20 points higher than the average score of 52% for Turkey and 13 points higher than the industry average of 59%. In the Digital Enablement dimension, Aksigorta scored 86%, 17 points higher than the average score of 69% for Turkey and 15 points higher than the industry average of 71%.

Aksigorta, a leading company in the insurance industry and Turkey, will continue to offer the latest, most technologically advanced applications to its stakeholders.

Aksigorta Agencies Carry Their Offices in Their Pockets

"A World of Privileges", a mobile portal from Aksigorta created exclusively for agencies, makes life easier for the Company's agencies. Via this mobile application, agencies can instantly access any type of information they need, even when they are out of office, and thus stay constantly connected with Aksigorta.

Agencies can utilize this mobile application to track policy issuances, claims, renewal performance, commissions and targeted commissions from the field or office, via their phones. The application can be downloaded from the App Store or Google Play.

MAIN DEVELOPMENTS IN 2017

Aksigorta rolled out a new social media campaign, inspired by the motto “Think well, live well!”, which aims to highlight the need for insurance products in different situations, and raise awareness about insurance in general.



Superpowers at Aksigorta

Offering innovative insurance products tailored to different needs, Aksigorta rolled out a new social media campaign inspired by the motto “Think well, live well!” The campaign aims to highlight the need for insurance products in different situations and raise awareness about insurance in general. Launched on February 1 across social media channels, the campaign consists of light-hearted videos depicting scenarios that showcase the benefits of insurance. Under the themes “Don’t Worry About the Super Powers You Don’t Have” and “This Only Happens in The Movies”, characters in the

videos are portrayed as superheroes who confront everyday situations where the purchase of insurance would have been highly advantageous.

The Importance of Insurance in a Natural Disaster

Flash floods caused by heavy rains on July 18, 2017 resulted in around TL 150-200 million in insured damages, reminding individuals once again of the importance of insurance policies. Out of 21 million motor vehicles on the road, 15.2 million do not have MOD insurance. Even in Istanbul, where insurance penetration is high, half of all motor vehicles are not insured.

While 95% of the vehicles damaged during the event had flood insurance coverage, houses and workplaces - the two insurance branches with the lowest penetration rate - suffered the worst damage. Due to low insurance penetration, small businesses, in particular, suffered heavy losses. In the aftermath of the flood, Aksigorta worked diligently to compensate damages and losses as quickly as possible. Although the demand for insurance elevated following the flood, the trend was short lived, and insurance renewal rates declined as the deluge and its subsequent destruction receded from the collective memory of citizens.

Young Talents at Aksigorta

Aksigorta completed the 5th edition of the Young Talent Program, launched in 2012. The program aims to present insurance as a profession, attract young talent to the industry, and offer young people a work experience before finishing school. At the end of the program, participants presented projects related to “Digitalization in the Insurance Industry” to Aksigorta’s senior managers. The members of the winning team were offered the opportunity to visit the Headquarters of Ageas, Sabancı Holding’s partner in Aksigorta, in Belgium.

Participants in the Young Talent Program, who work part-time at Aksigorta during their senior year at university, can gain professional experience as they work on their projects. At the end of their third year at university, students undergo a selection process, after which they are placed in various departments of Aksigorta. Then, for one year, they work on innovative projects that support the Company’s strategies; projects that successfully sustain Aksigorta’s goals and strategy are implemented.

In 2017, 2,515 students applied to the 6th edition of the program, and 12 students were selected. To date, Aksigorta has offered 91 university students the opportunity to gain experience through the Young Talent Program, which not only contributes to the development of young people, but also attracts fresh new talent to Aksigorta.

Aksigorta Remembered Children on April 23

Members of the Good Works Club, established by Aksigorta employees to carry out social responsibility projects, visited the Mehmet Akif and Şehit Askeri Çoban Elementary Schools in Ümraniye on April 23 to celebrate National Sovereignty and Children’s Day. Employees gave children backpacks, school supplies and Turkish flags, and spent a pleasant day with the children.

In addition, Aksigorta organized a drawing contest titled The World in the Future, for employees’ children to celebrate April 23 National Sovereignty and Children’s Day. All pictures were

uploaded to Aksigorta’s internal communication platform, BizBize, to select the contest winners. The first prize was a trip to Vialand Theme Park; the second prize was a trip to Kidzania; and the third prize was a trip to Sealife, where contest winners spent an enjoyable day with their families.

Aksigorta’s Earthquake Simulator Now Serving at the ITU Science Center

Aksigorta’s Earthquake Simulator, which helped thousands of children aged 7-14 receive earthquake training, is now being used at Istanbul Technical University’s Science Center to train more children. The earthquake simulator was developed entirely by Turkish engineers with the support of the late Sakıp Sabancı, and it is a rare example of its kind in the world. The simulator retains the records of the magnitudes recorded for earthquakes in Bingöl, Erzincan, Bursa, Güzelyalı, Izmir and Gemlik, and simulates the effects of those earthquakes. Within the framework of the training program developed jointly by Aksigorta and ITU Science Center, children receive training, through earthquake simulations, on what to do before, during and after an earthquake.

Good Works Bazaar by Aksigorta

Members of the Good Works Club, established by Aksigorta employees to carry out social responsibility projects, organized a charity bazaar to raise money for charitable activities. With the enthusiastic support of Head Office employees and Regional Directorates, the bazaar drew significant interest, and Aksigorta employees were eager to contribute to the Club’s social responsibility projects by purchasing various products. The People with Disabilities Foundation also set up a Smiling Store booth to sell organic products at the bazaar.

Blood Donations from Aksigorta

As part of its social and corporate responsibility efforts, Aksigorta mobilized its employees to draw attention to the importance of donating blood and giving for life. The event, which highlighted the fact that thousands of injured or sick people die every year due to lack of blood supplies, took place on April 19 in collaboration with the Turkish Red Crescent and with participation by Aksigorta employees.

Aksigorta Offers Discounts on MOD Insurance for Good Credit Scores

Aksigorta achieved yet another first in the insurance industry, in accordance with its customer-centric business strategy. Under a partnership with Findeks, Aksigorta will apply 2-15% discount on MOD insurance policies for its individual customers who share their credit scores with the Company.

MAIN DEVELOPMENTS IN 2017

Established in 2008 by Aksigorta employees with an amateur spirit and a love for theater, the Ekmek Arası Drama Club took to the stage with a new play titled “Kuyruklu Yıldız Altında (Under the Comet)”.

The discounts will apply only to passenger cars and pickup trucks, owned by individual customers. Aksigorta customers may obtain their credit reports free of charge from the Findeks web site, using reference numbers provided by Findeks.

CarrefourSA Extended Warranty Package

Offered under a partnership by Aksigorta and CarrefourSA, the “CarrefourSA Extended Warranty Package” provides an extended one- to three-year warranty on electronics and white goods purchased from CarrefourSA. In addition, Aksigorta provides protection against damages such as accidental breakage, contact with liquids, or burglary at no extra charge during the first year. The extended coverage begins immediately after the manufacturer’s warranty ends.

Aksigorta Offers a Fast, Convenient Way to Submit Claims Documents

Aksigorta customers are now able to submit their claims documents via WhatsApp, in addition to other means such as mail, courier, or e-mail. Launched in line with Aksigorta’s customer-centric business strategy, this practice has been initially implemented for non-motor branches such as home, workplace, fire, and engineering insurance. Policyholders may photograph their claims documents and send them to the number 0534 980 40 21. Policyholders can continue to track their files and perform other transactions through the Call Center (4442727), the Aksigorta web site, or BenimAksigortam (benimaksigortam.aksigorta.com.tr). In the coming period, Aksigorta plans to introduce the WhatsApp application in the motor branch as well.

A New Play from Aksigorta’s Ekmek Arası Drama Club

Established in 2008 by Aksigorta employees with an amateur spirit and a love for theater, the Ekmek Arası Drama Club took to the stage with a new play titled “Kuyruklu Yıldız Altında (Under the Comet)”. Adapted into a stage play by Güner Sümer from Hüseyin Rahmi Gürpınar’s novels Kuyruklu Yıldız Altında Bir İzdivaç and Kaynanam Kudurdu, the play was performed at the Hacı Ömer Sabancı Conference Hall at Sabancı Center on Tuesday, November 21, and at CKM Caddebostan Cultural Center on Thursday, November 30. To date, the Club has staged numerous plays for the public at no charge, including “Düdükçülerle Fırçacıların Savaşı,” “Ay Işığında Şamata,” “Cimri,” “Karmakarışık,” and “Necati Bey’i Arıyorum”.

Aksigorta’s Agency Trips Continue

Aksigorta rewarded its agencies, who successfully achieved their goals, with a trip to the United States and to Mexico from April 8-15. Seventy-five agencies participated in the eight-day trip, hosted by Uğur Gülen, Aksigorta General Manager, Tolga Okan Tezbaşaran, Assistant General Manager - Retail Sales and Marketing, and Soner Akkaya, Assistant General Manager - Claims, visiting Cancun, a popular holiday destination with beautiful beaches on Mexico’s Yucatan Peninsula, and Miami, known as the ‘Cruise Capital of the World’.

Aksigorta Hosted Aklease in London

Aksigorta rewarded Aklease for its superior performance during the insurance sales campaign, which ran from August to December 2016, with a three-day trip to London. Akbank teams, who contributed to the success of the campaign, also joined the trip, which was hosted by Fahri Altıngöz, Assistant General Manager - Corporate Relations, Reinsurance and Corporate Sales. During the trip, Aksigorta shared its 2017 projections for the insurance industry. The trip was a pleasant gathering outside of work for the Aklease and Aksigorta teams.

HUMAN RESOURCES AT AKSIGORTA

In line with its strategic goals, Aksigorta aims to attract and develop new talent, help them realize their high potential, and strengthen their commitment to the Company.

A leading company that strives for continuous development, with its trust, dynamism and customer-oriented service approach, Aksigorta's most valuable asset is its employees enabling it in order to be successful in the insurance sector.

In accordance with its core values, which are success, people, respect and solution orientation, the Company supports its employees with HR systems aimed at achieving employee engagement, cooperation and continuous improvement; and develops HR practices that enable employees to realize their potential.

Talent Management

In line with its strategic goals, Aksigorta aims to attract and develop new talent, help them realize their high potential, and strengthen their commitment to the Company.

The Aksigorta Human Resources Department ensures that the right people are placed in the right positions through competency-based interviews, personality inventories, aptitude testing, and development center practices during the recruitment process. After the hiring process, talent groups identified for different positions participate in various programs such as Young Talent and LiderİM. Through these programs, and other practices such as providing internal career opportunities, mentoring and coaching, Aksigorta aims to cultivate leaders within its own ranks and develop its human resources in the most productive manner possible.

Performance Management

Aksigorta's employees, together with their managers, determine their areas of competence for enhancement, as well as their own business targets aligned with the Company's strategies and priorities, within the framework of Aksigorta's performance management system, "Success Path". During the year, each employee and their managers undergo an interim evaluation based on these goals. At the end of the year, a general evaluation is performed and the results of the evaluation play a key role in determining the employee's need for training, career opportunities, bonuses and their salaries.

Compensation

Aksigorta extends a competitive salary policy to its employees compared to the sector. In addition to annual pay rises based on performance, there is a continuous improvement invested benefits such as unique bonus systems based on different staff, job valuations, private pensions, life insurance and personal accident insurance, meal and transportation.

HUMAN RESOURCES AT AKSIGORTA

Aksigorta Academy

The Aksigorta Academy was founded with a mission to train employees to adapt to changing customer needs and expectations, and to ensure continuous growth by making a difference in their business. In line with the Company's vision and mission, Aksigorta Academy focuses on employee development by offering several programs such as "Leadership," "Development," and "Sales and Talent Management," along with the E-Academy, aimed to reach a wider audience.

The Aksigorta Academy aims to bring its employees together on various platforms in order to support their development, focusing on improving their managerial, technical and personal knowledge and talents and assisting to find out their potential

Development Programs make use of development methods such as classroom training, e-learning, seminar/ conference, experience sharing meetings and project works.

Internal Communication

Aksigorta uses internal communication channels to listen to its employees, understand their needs, and share important developments about the Company. The Aksigorta Academy informs employees on the Company's goals, strategies, performance and results. The BizBize portal, launched in 2017, helped enhance internal communications and information sharing related to special events and other meetings.

Aksigorta encourages socialization and work-life balance among its employees, as well as participation in arts and sports activities, through its Good Life Clubs. These activities include theater plays, sports clubs and various tournaments.



SOCIAL RESPONSIBILITY ACTIVITIES

“The Good Deeds Club”, established by Aksigorta employees to carry out social responsibility projects, continued its activities in 2017.



“The Good Deeds Club”, established by Aksigorta employees to carry out social responsibility projects, continued its activities in 2017. During the year, members of the Aksigorta Good Deeds Club:

- visited the Mehmet Akif and Şehit Askeri Çoban Elementary Schools in Ümraniye on April 23 National Sovereignty and Children’s Day, gave children backpacks, school supplies and Turkish flags, and gave t-shirts to teachers;
- organized a charity bazaar with contributions from Regional Directorates and Head Office employees;
- planted the Good Deeds grove, and distributed seed cards to employees as gifts;
- paid for the surgery of a cat hit by a car;

- distributed Ramadan packages to people in need living in neighborhoods around the Company’s offices;
- donated clothes, sanitary pads, cleaning supplies and toys for children to İlk Adım Women’s Shelter;
- placed a statue of Mustafa Kemal Atatürk and a plaque with the inscription “Happy is the one who says ‘I am a Turk’” at Kahramanmaraş Yunus Emre Secondary School, and donated school supplies, planners, A4-size paper and story books to the same school;
- provided clothing items (socks, slippers, underwear, etc.) to people living at Darülaceze;
- donated various supplies (wet and dry pet food, cat litter, syringes, bandages, etc.) to Yedikule Animal Shelter.

Aksigorta’s Earthquake Simulator, which helped thousands of children aged 7-14 receive earthquake training, is now being used at Istanbul Technical University’s Science Center to train more children. The earthquake simulator was developed entirely by Turkish engineers with the support of the late Sakıp Sabancı, and it is a rare example of its kind in the world. The simulator retains the records of the magnitudes recorded for earthquakes in Bingöl, Erzincan, Bursa, Güzelyalı, İzmir and Gemlik, and simulates the effects of those earthquakes to teach children what to do before, during and after an earthquake.





“FOCUS ON
GOALS, NOT
OBSTACLES...”

BOARD OF DIRECTORS



Haluk Dinçer

Chairman of the Board of Directors
(Since 29 July 2011)

Haluk Dinçer became President of the Insurance Group of Sabancı Holding in June 2016. Prior to this, Mr. Dinçer served as President of the Retail and Insurance Group between 2011 and 2016, President of the Retail Group between 2007 and 2011, President of the Retail and Food Group between 2004 and 2007, and President of the Food Group between 2002 and 2004. Since coming to Sabancı in 1995, Mr. Dinçer has held several leadership positions in automotive, food and retail businesses. Haluk Dinçer is a member of the Brookings International Advisory Council. Mr. Dinçer is also an Executive Committee Member of B20 Turkey. Previously, Haluk Dinçer was the President of TUSİAD – Turkish Industry & Business Association, and acted as the Chairman of DEİK / Turkish-American Business Council for three consecutive terms. Mr. Dinçer earned a B.S. degree in Mechanical Engineering in 1985 and an M.B.A. in 1988, both from the University of Michigan. Haluk Dinçer is married and has two children.



Filip Coremans

Vice Chairman of the Board of Directors

(Since 20 February 2017)

Filip Coremans has been active in the insurance industry for more than 25 years. At Ageas, Mr. Coremans held various senior management positions, with a focus in Asia. He served as Executive Director and CFO of Ageas operations in Malaysia, was CFO of IDBI Federal Life insurance company in India, and regional CFO/CRO of Ageas Asia overseeing the finance, investment, risk and actuarial domains for the Asia region. He also served as non-executive director on the Boards of Ageas operations in China, India, Hong Kong and Thailand. Since July 2014, Mr. Coremans has been serving on Ageas Group's Executive Committee as Chief Risk Officer, with responsibility for Compliance, Risk, Human Resources and IT.



Steven Georges Leon Braekeveldt

Board Member

(Since 29 July 2011)

Steven Braekeveldt had been in various international management functions before serving as Assistant General Manager at ING America and Mexico in 2001. He studied Economics at Catholic University in Belgium and then got his master's degree in Law in France and Belgium. He served on the Board of Directors of Fortis Insurance between 2006 and 2009. He has been serving as CEO of Ageas Continental Europe since 2009. He is married and has three children.



Hayri Çulhacı

Board Member

(Since 31 July 2010)

Hayri Çulhacı graduated from the Faculty of Political Sciences at Ankara University and received his MBA at Northeastern University in the USA. Appointed as the Assistant General Manager at Akbank in 1990, Mr. Çulhacı served as an Assistant General Manager responsible for Corporate Communication, Investor Relations and Strategy, Consultant for the Chairman of Board of Directors, and an Executive Director at the Board of Directors, respectively. Before working in the private sector, Mr. Çulhacı served as an Account Expert and Department Chief at the Ministry of Finance. He is currently a member of the Board of Directors and chairman of the Audit Committee and Risk Committee at Akbank. Hayri Çulhacı is also a member of the Board of Trustees of the Sabancı Foundation and a member of the Board of Directors at AvivaSA.



Meral Kurdaş

Board Member

(Since 5 January 2017)

Meral Kurdaş graduated from Boğaziçi University, Department of Business Administration in 1985; she earned her Executive MBA at Manchester Business School and her Executive MIS at Boğaziçi University in 2001. She started her career in 1985 as a management trainee at Interbank and held various positions at the same bank. Between 1994 and 1997, she worked at Garanti Yatırım as Assistant General Manager of Marketing and Private Banking. From 1997 to 2002, she was Head of Corporate Marketing at Yapı Kredi Bank. Ms. Kurdaş served as General Manager at Ak Pension between 2002 and 2007. Following the October 31, 2007 merger of Ak Pension and Aviva Life and Pension, she worked as General Manager of AvivaSA until 2017. Since January 2017, Ms. Kurdaş has served as Sabancı Holding Human Resource Group President.



İsmail Aydın Günter

Independent Board Member

(Since 27 March 2015)

Joined Akbank T.A.Ş. as Member of the Board of Directors on the 27th of March 2014. İsmail Aydın Günter founded his own consulting firm in 1994 after assuming various duties in Sabancı Holding. Between 1974-1994 he was the Head of Financial Affairs and Financing Department. Since 1998, he assumed various duties as member of the board of directors. Before joining the Group, İsmail Aydın Günter worked for the Ministry of Finance as Public Accountant. İsmail Aydın Günter graduated from Ankara University Faculty of Political Science.

BOARD OF DIRECTORS



Emin Hakan Eminsoy

Independent Member of the Board of Directors

(Since 20 March 2015)

Hakan Eminsoy started his professional career in 1985 at the Istanbul Office of Arthur Andersen and Company, then continued to work at the London Office. Between 1989-2002, he assumed duties as an executive and member of the board of directors at different levels in Finansbank Group Companies. He joined Oyak Group after serving as General Manager in Fiba Bank between 2000-2002. Between 2002-2009, he worked as Member of the Board of Directors and General Manager in many Group companies, including Oyak Bank. After resigning from his position as General Manager of ING Bank Turkey in 2009, he founded Sardes Factoring in 2010 where he still is the Chairman of the Board of Directors. Moreover, Hakan Eminsoy is a Member of the Board of Directors in Erdemir Iron and Steel Factories and assumes duties as consultant in AON Turkey Office. He graduated from the Business Administration Department of Boğaziçi University. Hakan Eminsoy is married and has one child.



Uğur Gülen

Board Member and General Manager

(Since 1 May 2009)

Uğur Gülen obtained undergraduate and master's degrees from the Department of Industrial Engineering at Middle East Technical University. He began his career in 1991 and worked in various positions at Interbank, Denizbank, Ak Internet and MNG Bank. During 2004-2009, he served at AK Emeklilik A.Ş. ve AvivaSA Emeklilik ve Hayat A.Ş. as the Assistant General Manager. He has been assigned as the General Manager and a Board member at Aksigorta since May 2009.

BOARD OF AUDITORS

The Audit Committee, which is responsible for assisting the Board of Directors in its audit and supervision activities, is in charge of the operations and capability of the internal systems and the accounting and reporting systems.

Emin Hakan Eminsoy

Chairman of the Audit Committee
(Independent Member of the Board of Directors)

İsmail Aydın Günter

Member
(Independent Member of the Board of Directors)

CORPORATE GOVERNANCE COMMITTEE

Corporate Governance Committee

The Corporate Governance Committee was established to fulfill the duties and responsibilities of the Board of Directors in a sound manner. Corporate governance is a management process at Aksigorta A.Ş. which is based on ethical values, is responsible toward internal and external parties, is aware of risk, is transparent and responsible for its resolutions, protecting the interests of the stakeholders, targeting sustainable success in a manner complying with the Corporate Governance Principles established by the Capital Markets Board.

The objective of the Corporate Governance Committee is to make recommendations to the Board of Directors of Aksigorta A.Ş. for the purpose of ensuring compliance of the corporate governance principles of Aksigorta A.Ş. with the Corporate Governance Principles established by the Capital Markets Board and with any other internationally recognized corporate governance principles the Committee also makes recommendations for the purpose of introduction and implementation of such principles, monitors compliance of the Company with such principles and carries out improvement efforts in these areas.

The duties of the Nomination Committee, the Early Detection of Risk Committee and the Remuneration Committee are also carried out by the Corporate Governance Committee.

İsmail Aydın Günter

Chairman of the Corporate Governance Committee

Meral Kurdaş

Member

Stefan Georges Leon Braekeveldt

Member

Osman Akkoca

Member

Early Detection of Risk Committee

The Committee was formed by the Board of Directors to detect any kind of strategic, operational, financial risk which may endanger the existence, development and continuation of Aksigorta A.Ş., and to apply necessary measurements, corrective actions and risk management.

İsmail Aydın Günter

Chairman of the Early Detection of Risk Committee

Steven Georges Leon Braekeveldt

Member

EXECUTIVE BOARD



Uğur Gülen

Board Member and General Manager

(Since 1 May 2009)

Uğur Gülen obtained undergraduate and master's degrees from the Department of Industrial Engineering at Middle East Technical University. He began his career in 1991 and worked in various positions at Interbank, Denizbank, Ak Internet and MNG Bank. During 2004-2009, he served at AK Emeklilik A.Ş. ve AvivaSA Emeklilik ve Hayat A.Ş. as the Assistant General Manager. He has been assigned as the General Manager and a Board member at Aksigorta since May 2009.



Rauf Orkun Gücük

Assistant General Manager - Underwriting

(Since 29 June 2015)

Rauf Orkun Gücük started his professional career as Pricing and Product Manager in Los Angeles - Zurich Financial Services between 1998 - 2000. Under the structure of the same group, he worked as Project Director between 2000 - 2001, Group Director of Strategic Marketing Department between 2001 -2005 and E-Trade Director between 2005 -2008. Later, he worked as Assistant General Manager in charge of Zurich Insurance Technical Management between 2008 -2013. Since 2013, he is the Technical Assistant General Manager of Groupama Insurance. Graduating from Bilkent University Department of Business Administration in 1996, Mr. Rauf Orkun Gücük, attended the MBA program at Wake Forest University between 1996 - 1998.



Osman Akkoca

Assistant General Manager - Financial Affairs

(Since 1 January 2017)

Osman Akkoca graduated from Istanbul Technical University, Department of Business Engineering. He began his professional career as an assistant inspector at Sumerbank in 1999. After holding various management positions between 2003 and 2005, he worked as Inspector at Avivasa from 2005 to 2007. Mr. Akkoca joined Aksigorta in 2007. He worked as Assistant Manager of Internal Control and Compliance during 2007 and 2010; as Risk Manager in 2010-2011, and as Financial Control Manager from 2011 to 2017. Since January 2017, Mr. Akkoca has served as Chief Financial Officer (CFO) of Aksigorta.



Fahri Altingöz

Assistant General Manager - Corporate Relations, Reinsurance and Corporate Sales

(Since 1 December 2005)

Mr. Fahri Altingöz holds a graduate degree from Middle East Technical University, Department of Statistics. Mr. Altingöz worked as the Founding General Manager of TEB (Zurich) Insurance Company, between 1997-2005. In 2005, Mr. Altingöz rejoined Aksigorta Insurance Company and worked as Assistant General Manager responsible for claims and recovery; corporate, marketing, health insurances, risk management and reinsurance respectively. Mr. Altingöz is currently working as the Assistant General Manager responsible for corporate sales, corporate relations, corporate legal and reinsurance. Since 2002, he has been the chairman of Insurance Practitioners Association. Since 2009, he has been the board member of Agricultural Insurance Pool (TARSIM). Currently, he has been member of International Investors Association of Turkey Insurance and Pension Working Group (YASED) and member of the insurance working group of Turkish Industry and Business Association (TUSIAD).



Ayşegül Gürkale
Assistant General Manager -
Human Resource

(Since 1 August 2017)

Ayşegül Gürkale graduated from Marmara University, Department of Economics in 1999. She began her professional career in 1999 as a management trainee in the Commercial Banking Marketing Department at Pamukbank. In 2003, she joined Garanti Pension and Life, where she served as Product Development Specialist in 2003-2005, Regional Performance Monitoring Manager in 2005-2007, Planning Manager in 2007-2008, and Regional Manager in 2008-2013. In her last role at Garanti Pension and Life, she served as Director of Human Resources, Organization, Purchasing and Administrative Affairs from 2013-2017.



Metin Demirel
Assistant General Manager -
Information Technologies and
Digital

(Since 12 January 2015)

Metin Demirel started his professional career at Akbank in 1992. After 1996, he continued his career in America. He first worked at Sulzer Medica Intermedics company as Senior System Analyst. Then, he worked as a Consultant for Oracle. Between 2004 - 2006, he directed his own company Midsoft Inc. Mr. Demirel returned to Turkey in June 2006, and started working for Tofaş as Financial and Commercial Practices Manager. Lastly, he worked as Director in charge of Zürich Insurance Information Technologies Management. Graduating from Boğaziçi University Computer Engineering Department in 1992, Mr. Metin Demirel attended the Executive MBA program at Koç University.



Tolga Okan Tezbaşaran
Assistant General Manager -
Retail Sales and Marketing

(Since 1 November 2016)

Tolga Okan Tezbaşaran graduated from Dokuz Eylül University, Department of Industrial Engineering in 1993. He began his professional career at Halk Yaşam Sigorta, and also served as Regional Manager and Group President at Yapı Kredi Sigorta. In 2011, Mr. Tezbaşaran joined Zurich Sigorta, where he served as Assistant General Manager responsible for Individual and Small Enterprise Segment and as a Board Member. Mr. Tezbaşaran has served as Assistant General Manager of Bancasurance and Health since November 2016; he was promoted to Assistant General Manager of Retail Sales and Marketing on April 1, 2017.



Soner Akkaya
Assistant General Manager -
Claims Customer Experience

(Since 1 January 2017)

Soner Akkaya graduated from Yıldız Technical University, Department of Civil Engineering. He worked as an auditor at Interbank from 1998-2002, and later as Assistant Manager at Tekfenbank. From 2005 to 2011, he worked as Audit Manager at Sabancı Holding. After serving for six years, from 2011 to 2017, as Head of Internal Audit at Aksigorta, Mr. Akkaya was appointed as Assistant General Manager of Claims Customer Experience on January 1, 2017.

CORPORATE GOVERNANCE PRINCIPLES REPORT

Aksigorta adopts four main principles of Corporate Governance which are transparency, fairness, responsibility and accountability. Aksigorta (Company) implements all mandatory principles of CMB Corporate Governance Principles. However, some non-mandatory principles could not be fully complied due to the difficulties in implementation practice of these principles, ongoing debates on some of these principles, some mismatching between the market conditions and these principles. We are pursuing the developments on these issues and following compliance opportunities. In 2017, we disclosed all useful information to shareholders, investors and analysts for their investment decisions with transparent, consistent and timely manner via Investor Relations announcements on corporate web site, Public Disclosure Platform, Investor meetings and conferences to keep the continuous and effective communication with the investors and the analysts. Also, we were complied with all regulation on this subject.

Despite CMP principle recommends not to participate in more than one committee for a board member, some of our board members involved in more than one committee due to both benefit their global and local experiences in related areas and to fit the required qualifications for the committee members.

Aksigorta will care to be in compliance with the principles and follow the recent developments in the legislation and the market practices.

Aksigorta is sensitive on social responsibility; we care about regulations on environment, consumers, public health and keep our ethics. We support and respect to international human rights.

SECTION I - SHAREHOLDERS

1.1. Investor Relations Department

Their names, titles, tasks and charters of the managers and employees who are involved in investor relations in Aksigorta task are listed as below:

Osman Akkoca, CFO (CMB Charter Level 3, Corporate Governance Rating Charter)

Elif Horasan, Financial Control Department Manager, Investor Relations Head

Yasin Alp Aluç, Investor Relations Manager

Activities of Investor Relations team are as listed as below:

- releasing the investor relations presentation in which the investors could get summary information about Company's performance, strategies and the market,
- arranging conference calls at the end of each quarter to share the financial results of the Company,
- meeting with the investors in domestic and foreign conferences, roadshow organizations, one to one meetings to share the Company performance,
- respond to investors' questions and info requests which are received via phone, e-mail or one to one meeting,
- coordinating the investor information on the official web site,
- coordinating the statement of annual report and quarterly activity reports,
- publishing the financial announcement calendar of the Company,
- planning the annual activities of investor relations,
- coordinating the annual General Assembly Meeting,
- stating the compliance report for CMB Corporate Governance Principles,
- reviewing the research report about the Company,
- reporting the performance of the Company stock

Investor Relations team held face to face talks with institutional investors 12 times at the head office of the Company, 25 times at domestic conferences, 20 times at abroad conferences and 42 times on conference calls totaling 99 times in 2017 to share information about the Company and the insurance industry and to respond their questions.

Investor relations team report to Corporate Governance Committee each quarter about their activities.

1.2. Right to Obtain Information

Any information concerning the shareholders and investors, which has been already disclosed to public, is published on the official web site of the Company. Contact information of investor relations team is also available on official web site for using shareholders' and investors' rights to receive information. Requests of the shareholders and investors for information of any kind which is not in nature of a trade secret and which has been already disclosed to public are considered and fulfilled by the Investor Relations team carefully and unerringly in a manner to reflect the whole truth in a short time. They are invited via e-mail and by the announcement on the official web site for the conference calls at each quarter, who wants to follow the company closely and send an e-mail address.

The Articles of Association of the Company does not govern appointment of a special auditor as a right. No request in this regard was received from the shareholders in 2017.

1.3. General Assembly Meeting

One annual General Assembly Meeting was held in 2017. General Meeting was held on March 21th 2017 Tuesday at 14:00 at the address of Istanbul, Beşiktaş, 4. Levent, 34330, Sabanci Center, Sadika Ana 1 Meeting Hall. Attendees of the General Meeting represented 89.82% of the total shares. There were no attendees from the press or any other stake holders other than shareholders. The shareholders didn't use their right to ask questions or propose new agenda item during the General Meeting.

Board of Directors had invited the shareholders to the General Meeting as explained in the Commercial Code, CMB Communiques and Articles of Association. The decision of Board of Directors for holding the General Meeting was publicly disclosed on PDP (Public Disclosure Platform) and Central Registry Office. At least three weeks before, General Meeting invitation and information letter was disclosed on the official web site for the shareholders' and investors' information. The annual report also containing the audited financial statements of 2016 was submitted at the Head Office and on the official web site of the Company for the inspection of the shareholders, at least three weeks before General Meeting. It was possible for shareholders to attend the General Meeting both physically in the meeting hall and electronically on EGKS (Electronic General Meeting System).

In the General Meeting; Board of Directors' Annual Report, Auditor's report and Financial Statements were reviewed and discussed, members of the Board of Directors and Auditors were released regarding their activities in 2016, Board's proposal to not distribute dividend was approved, board member replacement was approved, brief information about the donations in 2016 was released and donation limits of the Company for the year 2017 was determined, Board's proposal for auditor election in 2017 was approved, permission granted to the Chairman and members of the Board of Directors to execute the transactions noted in Articles 395 and 396 of Commercial Code.

CORPORATE GOVERNANCE PRINCIPLES REPORT

No material transaction that could cause conflict of interest, no transaction similar to the business scope of the company or subsidiaries on behalf of themselves or third parties, no shareholding relation as unlimited responsible partner within another company which have similar business, was informed within the shareholders who control the management of the company, board members and executive managers of the company, their spouses and their second-degree relatives by blood or by marriage. Other than those, no transaction in business scope of the company was reported by the people who have right to access internal information on behalf of themselves or third parties.

Material decisions as referred in the Commercial Code are submitted to the approval of the shareholders during the General Meeting. Including the minutes of the General Meeting, all related document is published on Company's official web site, Public Disclosure Platform and Central Registry System.

1.4. Voting Right

The Articles of Association do not provide for privileged voting rights and each share has single voting right.

Electronic General Meeting System is available and power of attorney form which needs notary approval is available on our corporate web site and in our headquarters for the use of shareholders to attend the General Meeting or authorization of representative. Thus, the shareholders who are registered in the Central Registry Office and have the right to attend the General Meeting or their representatives who are holding the power of attorney attend the General Meeting by themselves or attend the Electronic General Meeting System using the secured electronic sign. Aksigorta cares about providing fair opportunities for the shareholders to attend the General Meeting with easiest and the cheapest way.

1.5. Minority Rights

There isn't any regulation in the Articles of Association regarding the minority rights.

Aksigorta cares about the minority rights as regulated in Commercial Code and CMB communiques and no complaint or critic is received in 2017 for that case.

There isn't a representative of the minority shareholders in the Board of Directors appointed by the General Meeting. However, there are two independent Board members, to represent equally all shareholders, stakeholders and especially minority shareholders.

1.6. Dividend Receiving Right

There isn't any privilege for shareholders receiving dividend from the Company. The dividend policy was discussed and approved the shareholders in General Meeting in 2014. The Dividend Policy of Aksigorta is disclosed on the official web site for the information of all stakeholders.

We did not distribute dividend in 2017 due to period loss.

1.7. Transfer of Shares

There is no statement in the Articles of Association which restricts the transfer of shares. However, pursuant to the Communiqué about the Principles of Establishment and Operating of Insurance and Reinsurance Companies, direct or indirect acquisition of shares which will result in owning of ten percent, twenty percent, thirty percent, thirty three percent or fifty percent or more of the capital of an insurance company and a share transfer by which the rate of shares owned by one shareholder reaches or decreases below any of the aforesaid rates are subject to permission of the Undersecretaries of Treasury of the Prime Ministry of Turkey.

SECTION II – PUBLIC DISCLOSURE AND TRANSPARENCY

2.1. Official Web Site

The Company has the official web site at the following address: www.aksigorta.com.tr Information for the shareholders and the investors is available under the “Investor Relations” heading on the official web site both in Turkish and in English. Under this heading, there are several pieces of information such as;

- Summary information about the company, mission, vision and values,
- Trade Registration Details,
- Shareholding Structure,
- Privileged Shares,
- Articles of Association,
- Members of Board of Directors,
- Board Committees,
- Company Management,
- Independent Auditor,
- Public Disclosure Policy,
- Dividend Policy,
- Remuneration Policy,
- Code of Ethics,
- Corporate Governance Principles Report,
- Financial Statements,
- Annual Reports,
- Financial Announcement Calendar,
- Related Party Transaction Report,
- General Assembly Meeting Documents and Related Information,
- Material Event Disclosures,
- Press Releases,
- Investor Relations Team Contact Information,
- Frequently Asked Questions,

2.2. Annual Report

Our Company’s Annual Report is released in accordance with statutory periods set out in regulations and corporate governance principles and disclosed.

Annual Report, is approved by the Board of Directors and disclosed by the same time with Financial Statements unless the Board of Directors decide a different disclosure time with a separate declaration of responsibility. Annual reports are disclosed on the Company’s official website.

SECTION III – STAKEHOLDERS

3.1. Informing the Stakeholders

Aksigorta informs stakeholders within the as it is described in Disclosure Policy.

Disclosure Policy, Dividend Policy, Remuneration Policy and Code of Business Ethics of the Company are available on the official web site for all stakeholders.

Employees of the Company are informed through meetings, seminars and training courses and with information sent via the portal application and the Internet in their fields of specialty and on the issues, they are involved in general. Our distribution channels are informed about the practices and procedures of the Company through announcements made by means of circulars published on the web site of the Company at www.aksigorta.com.tr under the page of “Special to Agents”, as well as traditional and regional agent meetings, preliminary and technical training sessions and via electronic mails periodically.

As being the Joint Venture of Sabancı and Ageas Insurance who are operating globally, Aksigorta respects and cares about laws and contracts. Company totally cares about the payment of rights and receivables of the employees from sign date to the resign date. Stakeholders could directly contact to the Board Committees or the Ethic Rule Consultant by filling out the communication form on the official web site, in case Company has any operation or transaction which is contrary to laws or ethics.

CORPORATE GOVERNANCE PRINCIPLES REPORT

3.2. Participation of Stakeholders in the Management of the Company

Participation of the employees in the management is ensured through periodic meetings. The executive meeting is attended by executives from the regional offices and the departments. Meetings held at the departments tend to support the executive meetings. In addition, information about the practices, policies and targets is transmitted to all employees in groups and views of the employees are received through information exchange meetings, so that their participation and contribution needed for efficient management of the Company is ensured. Annual performance assessment meetings are held with the employees. In the meetings, the employees are given feedback about their performance and the opportunity to express their views and expectations. Through the regional agency meetings, developments in the insurance industry and the changing competition environment are shared with the agents. In these meetings, through the practice of Free Platform, the agents who come together with local and central executive units express their current problems. In this way, Aksigorta receives feedback about the current policies and considers the views of the agents in the establishment of the strategies of the Company.

3.3. Human Resources Policy

Human resources policies of the Company are managed in accordance with the vision, mission and values of the Company. To achieve the targets of the Company, an organizational planning congruent with the strategies of the Company and working with employees who know the values of the Company and behave in accordance with these values are fundamental.

By means of internal promotion, target-oriented efficient performance management, development activities meeting the long-term development needs and social clubs and events, the Company aims at raising the motivation and productivity of the employees.

Behaviors expected from the employees in accordance with the vision, mission and values have been communicated under the name of "Catalogue of Competencies" to the employees of the Company. Just like the targets, the competencies, too, are a part of the annual performance assessment. By means of 360 degrees' assessment, behavior-based interviews and central development and assessment applications, strengths and development areas of the employees are identified, and the development programs of the Company are established in line with this. Carrying out the relations with the employees is one of the primary responsibilities of the executives. The executives are closely concerned with the problems of their subordinates and follow their development opportunities.

Creating and maintaining a fair working environment is one of the basic codes of ethics in Aksigorta. In 2017, there is no complaint from employees about discrimination in Aksigorta.

Including performance and rewarding rules, all Human Resources policies and practices are announced to all employees and they are all available for the employees on the company portal application.

3.4. Customer and Supplier Relations

Aksigorta always keeps customer satisfaction and focuses on providing quality insurance service being a strong, reputable, and reliable company in the market in accordance with its vision, mission and corporate values. By this principle, Aksigorta stated Customer Relations Policy and disclosed it on the official web site to receive complaints from customers and suppliers, to improve the quality standards higher levels, to provide quality insurance service and to differentiate in the market. Our principles stated in our Customer Relations Policy are:

Transparency

Customers and suppliers of Aksigorta could deliver their complaints, requests and questions in accurate, complete, understandable and easy way any time they want. All our communication channels are open to our customers and suppliers.

Accessibility

Customers and suppliers of Aksigorta could connect to the company via Call Center numbered 444 27 27 or all other communication channels for their complaints, requests and questions.

Responsiveness

Customers and suppliers of Aksigorta could find solutions in a short time with the privileges of the Call Center for their complaints, requests and questions.

Objectivity

Complaints, requests and questions of customers and suppliers of Aksigorta are evaluated in an unbiased and fair manner.

Fee

No fee is charged for the evaluation and the solution of their complaints, requests and questions of customers and suppliers of Aksigorta.

Privacy

Security of personal data is extremely important since the establishment of Aksigorta. Therefore, entrusted personal data of customers and suppliers in our company is always kept confidential.

Customer Focus

Effective, realistic and applicable solutions are presented to the customers and suppliers of Aksigorta who we believe always deserve the best and their requests are met and their rights are protected.

Accountability

Complaints, requests and questions of customers and suppliers of Aksigorta are recorded and our decisions are explained with the reasons to provide them more quality insurance service.

Continuous Improvement

As being one of the most powerful companies in the market, Aksigorta continues making investments and improves all insurance services offered to provide more quality insurance service and give the right consultancy to its customers and suppliers.

Fast and Efficient Solution

Aksigorta creates innovations in the market; to provide fast and efficient solutions to its customers and suppliers aligned with their needs.

Profession

Aksigorta provides the best quality insurance service to its customers and suppliers with an expert call center team.

3.5. Ethical Rules and Social Responsibility

At the Company, code of business ethics has been established and published. The employees are informed about the business ethic rules at the very beginning of their job, and refreshment training on business ethics is provided regularly every year. There is an Ethic Rule Consultant within the organization of the Company, and all stakeholders can apply to him about their recommendations, complaints and questions involving the ethical rules.

The fact that risk and insurance awareness is at very low level indicates that it is necessary to raise the awareness of the public about the insurance products in the first instance to develop the insurance industry. In all corporate social responsibility activities and all events conducted, Aksigorta focuses on raising the risk and insurance awareness in all segments of the society, primarily among children and women, against fatalistic mentality of the Turkish people. For Aksigorta, which has targeted to add plus value to the society by realizing many awareness rising and education projects since the very date of its establishment, Social Responsibility is one of the most important constituents of the corporate culture.

In cooperation with AKUT, the Search and Rescue Society, which is one of the most efficient non-governmental organizations of Turkey in the field of natural disasters and search and rescue operations, Aksigorta launched in 2010 the project called "Hayata Devam Türkiye" [Keep Living Turkey] which is a traveling educational project comprising Turkey's first 3G-Force Earthquake Simulator which travels all over Turkey with the aim of creating and raising awareness of natural disasters. The project, which aims at creating and raising the awareness of Turkish people about the insurance and has been planned to last 5 years, was completed the fifth and the last step in 2014. The project

CORPORATE GOVERNANCE PRINCIPLES REPORT

“Keep Living Turkey” visited 52 provinces and 174 sub-provinces and met 5.4 million people in five years. During this valuable project; 60 thousand kilometers were driven, 700 thousand students were educated, 1 million 400 thousand people were informed with the simultaneous studies on the social media.

With “Keep Living Turkey” project, Aksigorta received the Gold Award in International - General category of International CSR Excellence Award in 2014. Prior to this award Aksigorta won; the best project prize in the Corporate Responsibility -Education category under which 18 projects competed under the organization of Altın Pusula Ödülleri 2011 [Golden Compass Awards] held by Türkiye Halkla İlişkiler Derneği [Turkey Public Relations Society], market’s most prestigious award Gold SABRE in 2013, the “Bronze Stevie” award in the category of corporate social responsibility in Stevie International Business Awards in 2013, all with “Keep Living Turkey” project.

Apart from the project “Keep Living Turkey”, another project of Aksigorta is YADEM, the Fire and Earthquake Education Center. YADEM, which has been built with the support of the late Sakıp Sabancı entirely with the Turkish technology and which is a rare example of its kind in the world, was established in 1996, before the Marmara Earthquake in 1999. In the center, which has the “best” quality according to the level of technology in those years, the fire and earthquake simulators built on advanced technology are introduced to the children as a first application of its kind. Aksigorta donated YADEM, where 15,000 children at age 7-14 receive training by means of simulations each year, to the Science Center of Şişli Municipality in 2006 to offer the services of the center to a wider public. After the termination of Science Center of Şişli Municipality in 2015 YADEM was donated to Science Center of İstanbul Technical University.

While carrying its long-standing past to future, Aksigorta believes that its responsibility is great. Thinking that the priority is to realize sustainable projects which will cultivate risk awareness in education and society, Aksigorta has placed its current projects in this field, the essence of which is education, on a long-term platform. Aksigorta will continue to realize different projects which will contribute to upbringing of generations with sound awareness about natural disasters and insurance.

SECTION IV - BOARD OF DIRECTORS

4.1. Functions of the Board

Aksigorta Board of Directors; monitor the compliance of the company activities with the legislation, Articles of Association, internal regulations and the policies, represent and chair the company with strategic decisions while considering the risk, growth and returns of the Company and the long-term targets of the Company.

Board of Aksigorta defines the Company’s strategic objectives, determines the human and financial resources the Company will need and oversees the management’s performance. The Board of Directors supervises the compliance of the Company’s activities with applicable legislation and the Company’s Articles of Association, internal regulations and policies.

The Board of Directors executes its activities in a transparent, accountable, fair and responsible manner. The Board of Directors plays an active role in maintaining effective communications between the Company and its shareholders and in obviating and resolving potential conflicts.

4.2. Operating Principles of the Board of Directors

Operating principles of the Board are stated in the Articles of Association.

The Board of Directors meets as often as they could perform their duties effectively, they execute their activities in transparent, accountable, fair and responsible manner, while they also consider the long-term targets and interests of the Company.

4.3. Structure of the Board

Board of Aksigorta is composed of eight members in accordance with the Articles of Association. CEO is a member of the Board of Directors. Board members are elected for three years at most. However, Board members should be re-elected whose mission time is expired.

The duties, authorizations and responsibilities of the Board of Directors are subject to the principles stated in Commercial Code, Insurance Law and Articles of Association.

Minimum qualifications required in Board members are not stated in the Articles of Association. However, minimum qualifications required in Board members are defined in Insurance Law.

Two members of Board of Directors are independent members who are selected in accordance with the Corporate Governance Principles of CMB and Corporate Governance legislation. Independent Board members signed their independence declaration. During the reporting period, there is no condition which interrupts the independency.

Members of the Board of Directors of the Company, with the breakdown in executive and non-executive and the breakdown in dependent and independent are as follows:

Haluk Dinçer, Chairman, Non-executive Member
 Filip Coremans, Deputy Chairman, Non-executive Member
 Hayri Çulhacı, Non-executive Member
 Stefan Georges Leon Braekeveldt, Non-executive Member
 Meral Kurdaş, Non-executive Member
 Emin Hakan Eminsoy, Independent Member, Non-executive Member
 İsmail Aydın Günter, Independent Member, Non-executive Member
 Uğur Gülen, Executive Member and CEO

Resumes of Board members are available on the official web site and in the annual report. Intra group and out group tasks of the Board members are underlined in their resumes.

Board members of the company, spend sufficient time to the Company's business. The Board of Directors did not set a rule or restriction for the board members for undertaking other duties or tasks outside the company, except spending sufficient time for Aksigorta business. Members' responsibilities outside the company are underlined in their resumes.

In the Board of Directors, we have one female member. The Board of Directors did not set a target rate for female members.

CORPORATE GOVERNANCE PRINCIPLES REPORT

4.4. Structure of Board Meetings

Board members elect a Chairman among the members to chair the Board meetings and a deputy Chairman to substitute him. Chairman of the Board determines the agenda of the Board meeting in consultation with other members of the Board and Chief Executive Officer. The established agenda and the contents of the issues in the agenda are sent by the General Manager to the Members of the Board of Directors 1 week before the meeting to enable them to make the necessary examinations and works. Agenda items of the Board meetings are discussed clearly and with every aspect. Chairman of the Board shows best effort to ensure the effective participation of the executive and non-executive Board members in the Board meetings.

Timing and the agenda of the Board meetings are organized by the Chairman or the Deputy Chairman. The Board of Directors convenes upon the call of the Chairman and the Deputy Chairman whenever necessary. It's essential to convene the Board of Directors at least four times a year. Board of Directors may also approve on paper a member's recommendation about a certain matter unless one of them requests physical meeting.

Board of Directors had totally 17 meetings in 2017; 4 times face to face meetings, 13 times by written approvals as released in Commercial Code and Articles of Association. Attendance in person of the members without an excuse at the meetings of the Board of Directors held in 2017 was ensured. Board of Directors' meetings and decision quorums are subject to the provisions of Turkish Commercial Code.

Each board member has single and equal vote right in the board meetings. Board of Directors' decisions are approved with consensus and aligned with Corporate Governance Principles. There were no additional queries about the agenda items from the Board members so no matter was materialized. At the meetings held in 2017, no different opinion against the resolutions taken was expressed by the Members of the Board of Directors and all the decisions were written consent.

In 2017 none of the Board members trade with the Company and compete with the Company in the same business.

4.5. Board Committees

Board of Directors benefits from committee studies for carrying out its responsibilities and running its duties. Committee decisions are presented as recommendations to the Board of Directors, and the Board takes the final decision. The committees of the Board of Directors are as follows:

Audit Committee

The Audit Committee, which is responsible for assisting the Board of Directors in its audit and supervision activities, oversees operation and adequacy of the internal systems and the accounting and reporting systems. The committee had 5 meetings in 2017.

Members:

Emin Hakan Eminsoy - Chairman (Independent Member of the Board)

İsmail Aydın Günter - Member (Independent Member of the Board)

Corporate Governance Committee

The Corporate Governance Committee has been established with the aim of performance of the duties and responsibilities of the Board of Directors in a sound manner. The Corporate Governance is a governance process of Aksigorta A.Ş. targeting a sustainable success based on ethical rules, responsible toward internal and external parties, having risk awareness, being transparent and responsible in its decisions, observing the interest of its stakeholders in compliance with the Corporate Governance Principles established by the Capital Market Board. Objective of the Corporate Governance Committee is to propose recommendations to the Board of Directors with a view to ensuring compliance of the corporate governance principles of Aksigorta A.Ş. with the Corporate Governance Principles established by the Capital Market Board and other internationally recognized corporate governance principles, ensuring implementation of these principles and monitoring the compliance of the Company with these principles and carrying out improvement works on such matters. Committee had 4 meetings in 2017.

Members:

İsmail Aydın Günter - Chairman (Independent Member of the Board)

Meral Kurdaş, Member (Board Member)

Stefan Georges Leon Braekeveldt, Member (Board Member)

Osman Akkoca, Member (CFO)

Duties of the Nomination Committee and the Remuneration Committee are carried out by the Corporate Governance Committee as well.

Early Detection of Risk Committee

It conducts works for the purposes of early detection of risks which may endanger existence, growth and continuation of the Company, implementation of the necessary measures and remedies taken against the detected risks and management of the risk. The Committee evaluates the situation, points out to the dangers, if any, and indicates the remedies in the report to the Board of Directors. The report is sent to the auditor as well. It reviews the risk management systems at least once a year. Committee had 6 meetings in 2017.

Members:

İsmail Aydın Günter - Chairman

(Independent Member of the Board)

Stefan Georges Leon BRAEKEVELDT - Member
(Board Member)

It is sensitively cared about the Board Members not to take part in more than one committee. To both benefit their global and local experiences in related areas and to fit the required qualifications for the committee members; Independent Board Member Mr. İsmail Aydın Günter is involved in 3 committees and Board Member Mr. Stefan Georges Leon Braekeveldt is involved in 2 committees.

4.6. Financial Rights of the Board Members and Executive Directors

The remuneration policy is approved by the General Assembly at the meeting on 2012 May 30th and it is available on the official web site of the company.

There is no Board Member or C-level Manager, having payable or credit account, receiving bail or collateral, either for themselves or on behalf of third parties.





“INSURANCE
THAT ADDS
VALUE TO LIFE”

INFORMATION ABOUT TRANSACTIONS THE COMPANY ENTERS INTO WITH MEMBERS OF ITS OWN RISK GROUP

Under article 199 of the Turkish Commercial Code (Statute 6102), which went into force on 1 July 2012, the Board of Directors of Aksigorta A.Ş. is required, within three months of the end of its fiscal year, to draw up a report about any dealings the Company had with its controlling shareholder or with any affiliates of its controlling shareholder during the fiscal year just ended and to include the conclusions of that report in its annual report. The required statements about Aksigorta A.Ş.'s related-party transactions are presented in footnote 45 to the financial statements.

The conclusion reached in the report dated 12.02.2018 prepared by the Board of Directors of Aksigorta A.Ş. is, to the best of the Board's knowledge of the circumstances and conditions at the time that a transaction took place or a measure was taken or refrained from, in each and every transaction which Aksigorta A.Ş. entered into with its controlling shareholder or with any of the affiliates of its controlling shareholder during 2017, that an appropriate mutual performance was achieved, that there were no measures taken or refrained from which might have caused the company to suffer a loss, and that there were no such transactions or measures whose consequences need to be offset.

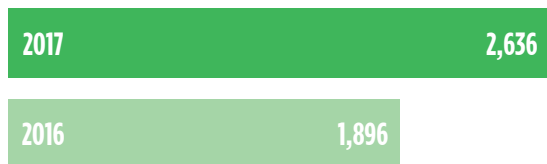
FINANCIAL INFORMATION AND RISK MANAGEMENT

Financial Position, Profitability and Solvency

With a solid financial structure that included TL 629 million in shareholders' equity at end-2017, Aksigorta is one of the leading companies in the Turkish insurance sector.

Continuing to grow upon sustainable profitability, Aksigorta completed the year with TL 127 million of profit.

PREMIUM PRODUCTION (TL MILLION)



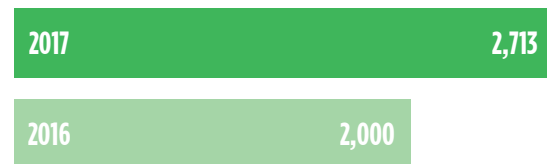
SHAREHOLDERS' EQUITY (TL MILLION)



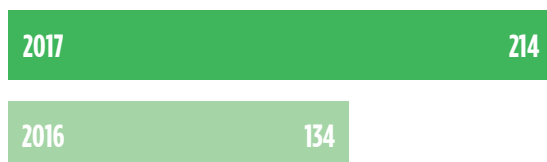
NET PROFIT (TL MILLION)



TOTAL ASSETS (TL MILLION)



TECHNICAL PROFIT (TECHNICAL PART BALANCE)



FINANCIAL INFORMATION AND RISK MANAGEMENT

RETENTION RATIO (NON-LIFE) (%)



TECHNICAL PROFIT (TECHNICAL PART BALANCE)/WRITTEN PREMIUMS (%)



WRITTEN PREMIUMS/SHAREHOLDERS' EQUITY (%)



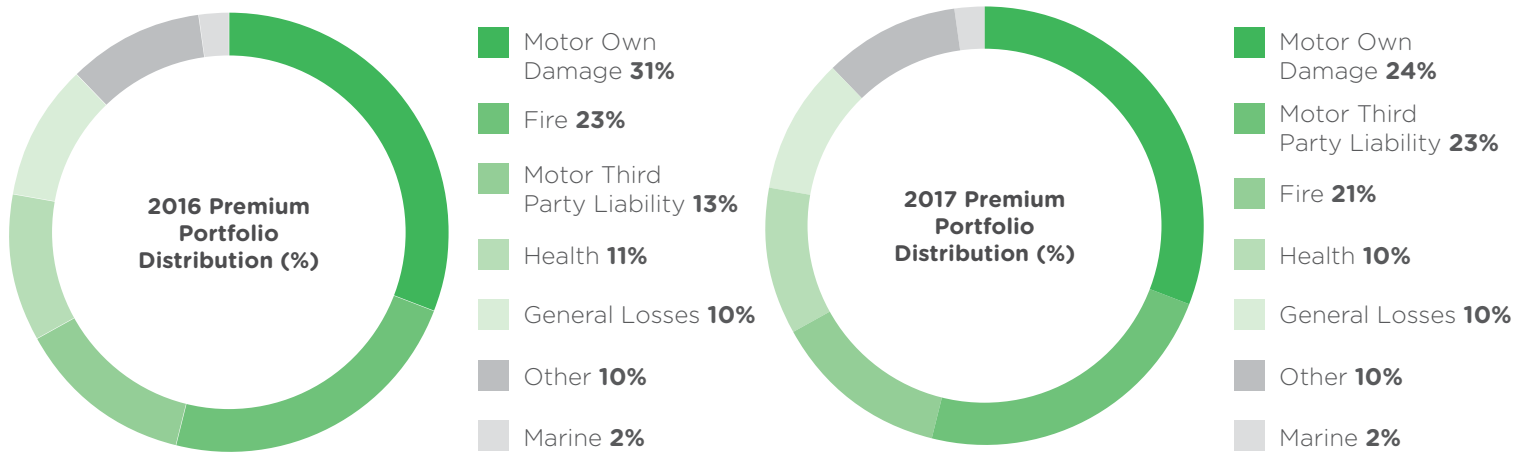
NET PROFIT/WRITTEN PREMIUMS (%)



In 2017, the Company reached to TL 2,636 million premium production. A breakdown of premiums by business line during the most recent two years is shown below.

Breakdown of Premiums by Business Line

(TL thousand)	Premiums Written			Distribution (%)	
	2016	2017	Change 16/17 (%)	2016	2017
Fire	442,890	551,331	24	23	21
Marine	31,416	48,225	54	2	2
Motor Own Damage	590,852	641,095	9	31	24
Motor Third Party Liability	246,021	615,464	150	13	23
Other	184,492	266,338	44	10	10
General Losses	181,321	254,447	40	10	10
Health	218,566	258,675	18	12	10
Total	1,895,559	2,635,576	39	100	100



As of end-2017, 59% of generated premiums (amounting to TL 1,557 million in value) were retained by the Company.

The charts below show the amounts and relative percentages of produced premiums that were retained by the Company during the most recent two years, broken down by business line.

(TL thousand)	Retained Premiums		Retention Ratio (%)	
	2016	2017	2016	2017
Fire	134,778	150,707	30	27
Marine	18,118	20,988	58	44
Motor Own Damage	589,982	639,853	100	100
Motor Third Party Liability	226,054	487,011	92	79
Other	75,185	86,007	41	32
General Losses	67,765	85,899	37	34
Health	54,705	86,820	25	34
Total	1,166,587	1,557,285	62	59

FINANCIAL INFORMATION AND RISK MANAGEMENT

Retention Ratio (%)

FIRE



OTHER



MARINE



GENERAL LOSSES



MOTOR OWN DAMAGE



HEALTH



MOTOR THIRD PARTY LIABILITY



TOTAL



As of end-2017, Aksigorta retained TL 1,282 million in premiums which it had earned in the non-life branch while the Company's share of incurred non-life claims amounted to TL 842 million. As of the same date, the ratio of incurred non-life claims to earned premiums (net) was 66%. The charts below show the amounts and relative percentages of the Company's incurred claims and earned premiums during the most recent two years, broken down by business line:

(TL Thousand)	Claims Incurred (Net)		Earned Premiums (Net)		Claims Incurred/ Earned Premiums (Net) (%)	
	2016	2017	2016	2017	2016	2017
Fire	64,238	63,294	135,909	141,131	47	45
Marine	8,436	4,989	18,057	20,066	47	25
Motor Own Damage	384,132	500,330	521,956	601,472	74	83
Motor Third Party Liability	168,244	223,955	161,730	291,773	104	77
Other	32,033	26,865	117,985	82,291	27	33
General Losses	12,315	19,134	25,810	74,444	48	26
Health	42,786	3,636	94,697	71,370	45	5
Non-Life Total	712,183	842,203	1,076,143	1,282,546	66	66

Claims Incurred/Earned Premiums (Net) (%)

FIRE



MOTOR OWN DAMAGE



MARINE



MOTOR THIRD PARTY LIABILITY



FINANCIAL INFORMATION AND RISK MANAGEMENT

Claims Incurred/Earned Premiums (Net) (%)

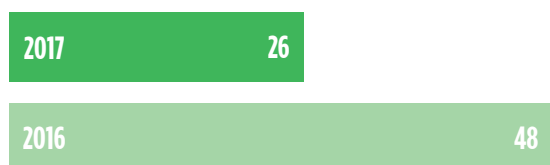
OTHER



HEALTH



GENERAL LOSSES



TECHNICAL PROFIT BALANCE

At end-2017, Aksigorta showed a total technical profit amounting to TL 214 million. The charts below show the amounts and relative percentages of the Company's technical profit during the most recent two years, broken down by business line.

General Technical Profit Balance

(TL Thousand)	2016	2017
Fire	31,767	28,411
Marine	7,958	13,292
Motor Own Damage	30,545	-42,912
Motor Third Party Liability	-17,532	90,194
Other	64,544	80,966
General Losses	8,004	10,969
Health	6,103	33,365
Total	131,390	214,285

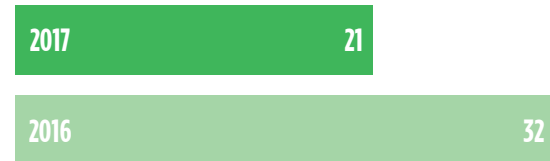
General Technical Profit Balance/Written Premiums (%) (Non-life)

	2016	2017
Fire	7	5
Marine	25	28
Motor Own Damage	5	-7
Motor Third Party Liability	-7	15
Other	32	21
General Losses	8	14
Health	3	13
Total	7	8

FIRE



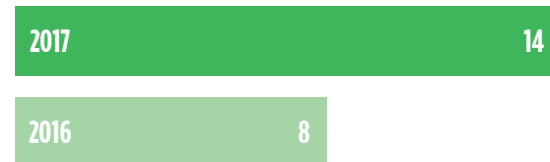
OTHER



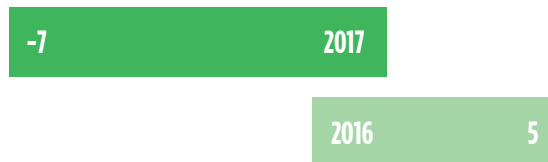
MARINE



GENERAL LOSSES



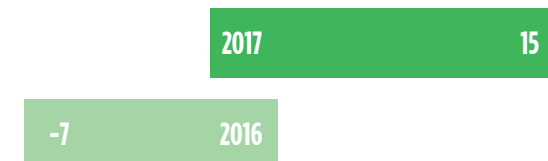
MOTOR OWN DAMAGE



HEALTH



MOTOR THIRD PARTY LIABILITY



TOTAL



FINANCIAL INFORMATION AND RISK MANAGEMENT

In 2017, Aksigorta earned TL 282 million in investment income in addition to the earnings generated by its insurance business activities. The Company's investment income during the most recent two years is shown below.

Investment Income (TL Thousand)	2016	2017	Change (%)
Foreign Exchange Gain	77,270	111,807	45
Income from Financial Investment	102,646	140,319	37
Real Estate Income	0	0	0
Income from Derivatives	5,154	30,329	488
Other Investment Income	0	0	0
Total	185,070	282,455	53

Based on all of these technical and financial results, Aksigorta booked profit before tax of TL 127 million. The Company's shareholders' equity amounted to TL 629 million at end-2017. The breakdown of shareholders' equity items during the most recent two years is shown below:

Shareholders' Equity (TL Million)	2016	2017	Change (%)
Paid in Capital	306	306	0
Nominal Capital	306	306	0
Profit and Capital Reserves	185	110	-41
Previous Years Income	82	86	5
Net Profit of the Period	57	127	122
Total Shareholders' Equity	630	629	0

At end-2017, Aksigorta's principal investments amounted to TL 521 million in value. Developments in the Company's investments during the most recent two years are shown below:

Investments (TL Thousand)	2016	2017	Change (%)
Financial Assets and Investments with Risks on Policyholders	866,439	519,507	-40
Affiliates	-	-	-
Properties	1,093	1,061	-3
Total Investments	867,532	520,569	-43

The Company's equity shares and their book values are shown below.

Equity	Share (%)	Value (Thousand TL) 2017 Year-end
Merter BV	25	0

SUMMARY FINANCIAL INDICATORS

FINANCIAL INDICATORS (TL MILLION)	2016	2017
Gross Written Premiums	1,896	2,636
Claims Paid	712	842
Technical Profit	134	214
Profit Before Tax	57	167
Net Income	57	127
Paid in Capital	306	306
Shareholders' Equity	494	629
Total Assets	2,000	2,713
CAPITAL SOLVENCY RATIOS	2016	2017
Gross Written Premiums/Shareholders' Equity	384%	419%
Shareholders' Equity/Total Assets	25%	23%
Solvency Ratio	115%	139%
OPERATIONAL RATIOS (NON-LIFE)	2016	2017
Retention Ratio	62%	59%
Loss Ratio	66%	66%
Combined Ratio (Net)	98%	97%
PROFITABILITY RATIOS	2016	2017
Technical Results/Gross Written Premiums	7%	8%
Profit Before Tax/Gross Written Premiums	3%	6%
Net Income/Gross Written Premiums	3%	5%
Return on Equity (ROE)	14%	23%

QUALITY

Aksigorta established the quality assurance system and obtained the BS EN ISO 9001:1994 Quality Standard Certificate from BVQI (Bureau Veritas Quality International) in 1998. Aksigorta continues to provide quality service to its clients, business partners, stakeholders and employees, still holds the BS EN ISO 9001:2008 Quality Management Systems certification.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Pursuant to Article 4 of the Regulation on the Internal Systems of Insurance, Reinsurance and Pension Companies issued as per Article 4 of the Insurance Law no. 5684, insurance and reinsurance companies are required to establish an effective internal control system, including internal audit and risk management, in order to regularly control and audit the compliance of all their business and operations with insurance legislation and other relevant legislation, internal regulations of the company and its management strategy and policies, and to detect and prevent mistakes, fraud and unlawfulness.

According to the legislation, Internal Control, Risk and Compliance Department was established.

Internal Control

The internal control system is in place to ensure that the company's assets are protected; that its activities are conducted in accordance with the requirements of laws and regulations, with company policies and procedures, and with established insurance industry practices and in such a way as to be both effective and productive; and that the accounting and financial reporting system is secure, coherent, and capable of providing timely access to information.

Each business unit is individually responsible for the transactions which they are authorized to perform while the Internal Control Unit is responsible for overseeing the fulfillment of such responsibilities. The unit also coordinates activities that are essential to the fulfillment of business units' responsibilities. In order to perform an efficient internal control throughout the company, processes and their control points are identified and followed up through a proactive internal control system.

The Internal Control Unit conducts activities according to the approved Internal Control Plan. In 2017, Internal Control Unit worked through in order to maintain the internal control system. Besides, internal control activities have continued and the efficiency of unit/process controls have been evaluated. The actions that are taken to offset risks and deficiencies in controls are efficiently monitored by the Internal Control Unit.

The Internal Control, Risk and Compliance Department is responsible for ensuring all processes, business flows and policies are orderly and up-to-date.

Risk Management

The Risk Management Unit was created to identify, quantify, monitor, and control all the risks to which the company is exposed. As a 2nd line of defense, the unit ensures that every unit's risks are managed in coordination with other company units for which they may be matters of concern. The Risk Management Unit is also responsible for overseeing business continuity, information security, and capital adequacy. In addition, the key risks that are identified together with business units are monitored closely, and the actions are reported to the Early Detection of Risk Committee and Aksigorta's Risk Committee.

The Early Detection of Risk Committee was set up in accordance with the valid Corporate Governance Principles of the Capital Markets Board (CMB) and 378th article of Turkish Commercial Code numbered 6102. The Committee has been founded upon the resolution of the Board of Directors of Aksigorta A.Ş. dated 26/07/2013 to be assigned and authorized. The committee gathers regularly to take necessary precautions and solutions and manage all kinds of strategic, operational, financial and other risks that may endanger existence, development and continuation of Aksigorta A.Ş. in advance. The Committee consists of at least one member, appointed by the Board, excluding the Chairman appointed by the Board of Directors. The members are preferably selected among the nonexecutive members of Board of Directors.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Aksigorta's Risk Committee consists of senior management members who are authorized to make decisions about establishing and approving the risk appetite, risk policies and action plans.

Information Regarding the Risk Management Policies

The objective of the risk management system is to define, measure, monitor and control the exposure to risks, through the policies, implementing procedures and limits established to monitor, manage under control and alter, if necessary, the risk and return structure in the future cash flows of Aksigorta AŞ that are determined in Risk Management Policy.

The Risk Management Unit was established to identify, quantify, manage, report, and monitor any risks that might affect the company's future cash flows and operations. This is explained in Aksigorta Risk Management Policy which aims to safeguard and manage the capital structure efficiently by integrating risk management culture and risk awareness to all functions and processes.

Aksigorta Risk Taxonomy

Aksigorta's risk profile is classified below:

- Insurance Risks
- Financial Risks
- Operational Risks
- Strategic Risks

Insurance Risks

Insurance risks results from miscalculated premium charges, inaccurate cost and cancellation assumptions at the underwriting phase and fluctuations in the amounts and timings of claims. For a non-life insurance company, the major insurance risk is being unable to meet expected claims by collected premiums. Therefore, effective risk management is crucial in the Company's success.

Aksigorta has established the required systems in order to manage the company's core business risks effectively. The Company classifies its insurance risks below:

- Underwriting Risk
- Catastrophic Events and Reinsurance Related Risks
- Pricing Risk

Financial Risks

The assets in the company's portfolio are exposed to risks that arise from movements that occur in financial markets. These are defined as financial risks and they are classified as follows:

- Market Risks (interest rate, liquidity, investment, foreign exchange risk)
- Credit Default Risk

The company determines its free and blocked asset investment policy at the beginning of every year. Limits are set in line with this policy and these limits are approved by the Board of Directors. Stress tests are applied according to different scenarios and whenever significant risks are identified, management is notified of them along with suggested remedies. Compliance to the predefined limits and limit excesses are monitored monthly and limit excesses, along with the reasons are reported.

Credit default risk implies the possibility of loss due to failure of the third parties such as policyholders, agents or other intermediaries, reinsurers, and other parties to partially or totally fulfill their obligations to the company.

In order to ensure effective management of the credit risks; early detection of the possible risks is essential. For this reason, premium collection ratio, agency production performance and also credit ratings of banks and/or reinsurers that have been determined by international rating agencies are also considered as early warning indicators and monitored closely.

Operational Risks

Operational Risk is defined as insufficient or failed processes, IT infrastructure, employee or management faults, fraud, occupational accidents, external factors, management and business environment factors that are effected the Company reaching it goals.

Operational risks are among the risks which a company must identify, measure, and manage as part of its overall risk management activities. Therefore, controls are developed in order to mitigate the exposed risks. Although controls are developed with the relevant units, controls are monitored by Internal Control, Risk and Compliance Department.

Strategic Risks

Strategic risks arise from Aksigorta's strategy-planning, corporate governance activities and operating areas that might have an impact on the company's ability to carry out its existing business plans and/or to achieve its growth and value-creation targets. Strategic risks are identified, quantified, and managed by senior management and the Risk Management Unit. In addition, each unit is performed its own controls. Strategic risks are classified as follow;

- Strategy and Planning Risk
- Regulation Risk
- Reputation Risk
- Economic Environment Risk
- Competition Risk
- Sector Risk
- Product Management Risk
- Country Risk
- Channel and Business Mix Risk
- Concentration Risk

The Risk Management Unit was established to manage possible risk exposures and continued to perform its functions in 2017. Aksigorta deals with its risks through a comprehensive and systematic assessment process within the framework of the risk management system. Risks are measured and analyzed both quantitatively and qualitatively to identify causes of the risks and prioritizing them. For key risks, risk appetite and limits are identified to determine the amount of risk that the company is willing accept.

The risks that were prioritized due to the impact and probability scale has been followed throughout the year and the risk levels have been decreased by necessary actions undertaken with relevant units. Risk management activities and Aksigorta's critical risks were presented periodically to senior management and the Early Detection of Risk Committee.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The reports that were prepared by the Risk Management Unit in 2017:

- “The Risk Report” that presents all risks that can affect the Company’s overall position and its goals
- Key Risk Report
- Incident Report
- Early Detection of Risk Committee Presentation
- Compliance Risk Report

External threats such as natural disasters, fire, sabotage, war or terrorist attacks can disrupt business activities and cause outages. In order to prevent from the disruption or reduce the affects and recover the business activities, a Business Continuity Management plan is in place and is the responsibility of the Risk Management Unit. The Business Continuity Management plan covers the Business Continuity Plan, Emergency Plan, Information Technology Continuity Plan, and Crisis Management. The plans are updated and tested regularly.

The company is sufficiently prepared for possible developments in this area so as to continue creating value for its shareholders in 2018 by managing its risks effectively.

Compliance

The Compliance Unit conducts its activities under the Internal Control, Risk and Compliance Department in order to comply with insurance-related and other laws and regulations that the company is subject to. The unit is primarily responsible for ensuring the compliance with all related Laws and regulations. Announcing new/ amended laws and regulations to company, determining and monitoring actions that need to be taken in order to comply with these laws and regulations are also under the Compliance Unit’s responsibility.

The Compliance Unit is also responsible from developing and implementing a risk based program to ensure the Company’s compliance with the requirements of anti-money-laundering laws, regulations, and administrative provisions; conducting activities required by such a compliance program; and communicating and coordinating activities as necessary with the Financial Crimes Investigation Board (MASAK). The Compliance Unit is responsible for raising awareness throughout the company and all distribution channels about Anti-Money Laundering/Combating the Financing of Terrorism by providing trainings, and also informing the Financial Crimes Investigation Board about suspicious transactions

IMPORTANT REGULATION CHANGES OF THE YEAR 2017

The Circular on Premiums of Motor Third Party Liability Insurance dated 10.04.2017 and numbered 2017/1

As of 12.04.2017 and within approval of the Undersecretariat of Treasury, price cap practices have been introduced for Motor Third Party Liability insurance premiums.

Amendment in Regulation on Tariff Implementation Principles for Motor Vehicles Compulsory Third Party Liability Insurance dated 03.05.2017

As of 12.04.2017, MTPL Insurance Pool was established for risky vehicle groups. Premiums and claims related to the MTPL policies covered by the pool is distributed among the insurance companies within the framework of the principles of Turkish Motor Vehicle Bureau. Accordingly, 50% of the pool is distributed equally to the insurance companies those having license in MTPL and remaining 50% of the pool is distributed in proportion with the MTPL market shares of these companies.

Notification on Medical Malpractice Compulsory Liability Insurance dated 06.09.2017 and numbered 2017/4

Insurance Pool was established for Medical Malpractice Insurance and it is effective as of 01.07.2017. Premiums and claims related to those policies covered by the pool will be distributed among the insurance companies. Accordingly, 50% of the pool is distributed equally to the insurance companies and remaining 50% of the pool is distributed in proportion with the Medical Malpractice market shares of these companies.

Amendment on Circular on Discount on Net Cash Flows arising Provisions for Outstanding Claims dated 15.09.2017 and numbered 2017/7

Insurance companies has been allowed to discount the net cash flows to be generated by the provision for outstanding claims calculated in accordance with the insurance legislation with the Circular on the Discount of Net Cash Flows arising provisions for Outstanding Claims numbered 2016/22. By the amendment on the mentioned circular, discounting has been obliged for General Liability and Motor Vehicles Liability branches.

Amendment in Regulation on Measurement and Assessment of Capital Requirements of Insurance and Reinsurance companies and Pension Companies dated 11.02.2017 and numbered 30121

The excessive premium increase risk was omitted from the calculation of capital requirement in the second method (risk-based capital).

INTERNAL AUDIT ACTIVITIES

In our Company, internal audit activities are conducted by the Internal Audit Department reporting directly to the Board of Directors and it is organized to be independent in terms of administration. Although the ultimate responsibility lies with the Board of Directors, two non-executive members of the Board of Directors were elected and appointed as independent members of the Audit Committee. The Internal Audit Department reports to the Audit Committee. Additionally, in Board meetings there is a permanent agenda item concerning internal audit results and audit reports are put on the agenda by the Audit Committee.

The internal audit activities of 2017 were realized by the Internal Audit Department consisting of one Head of Internal Audit, one Division Manager, one Unit Manager and four Internal Auditors, in accordance with the "2017 Annual Audit Plan" approved by the Board of Directors. Within the context of the annual audit plan, auditing of 15 business processes were completed and the results were submitted in the form of a report to the Audit Committee.

The actions taken by the Company managers in connection with the internal control deficiencies observed within the framework of Audit Reports were subsequently followed up and the adequacy of the actions were questioned by monitoring their effect on the risk level and the results were reported to the Audit Committee.

DIVIDEND POLICY

AKSİGORTA ANONİM ŞİRKETİ BOARD OF DIRECTORS RESOLUTION

DATE OF MEETING: 12.02.2018

NUMBER DECISION: 15

ATTENDANTS OF THE MEETING

- Haluk DİNÇER
- Filip Andre L. COREMANS
- Hayri ÇULHACI
- Stefan Georges Leon BRAEKEVELDT
- İsmail Aydın GÜNTER
- Emin Hakan EMİNSOY
- Uğur GÜLEN

AGENDA:

Determination of use of profit of the year 2017

RESOLUTION

It has been recognized that there is a "Net Period Profit" of TL 126,986,683 on the Financial Statements prepared in accordance with Capital Market Board's Accounting Standards and Generally Accepted Accounting Principles and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (PwC) for the period of 01.01.2017-31.12.2017.

Board has decided to propose and ask for the approval of our shareholders at the Ordinary General Assembly Meeting which will take place on 14 March 2018 for the following:

Dividend distribution out of the net distributable period income of TL 120,637,349, after allocating the legal reserves from the net profit of the period of TL 126,986,683 as following;

First Dividend to shareholders	TL 15,300,000.00
Second Dividend to shareholders	TL 94,860,000.00
Total Gross Dividend	TL 110,160,000.00
Second legal reserves	TL 9,486,000.00
Extraordinary reserves	TL 991,348.85

TL 4,714,112 of previous year losses to be netted off against the previous year profits in full;

Thus, to distribute a total gross dividend of TL 110,160,000 in cash to shareholders holding a total equity of TL 306,000,000, corresponding to 36% ratio, and to charge 15% of withholding tax on the dividend income, and to make the dividend payments starting from the date 16 March 2018.

Chairman
Haluk DİNÇER

Vice Chairman
Filip Andre L. COREMANS

Board Member
Hayri ÇULHACI

Board Member
Stefan Georges Leon BRAEKEVELDT

Independent Board Member
İsmail Aydın GÜNTER

Independent Board Member
Emin Hakan EMİNSOY

Board Member, General Manager
Uğur GÜLEN

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the Board of Directors of Aksigorta A.Ş.

Auditor's Report on the Board of Directors' Annual Report

1. We have audited the annual report of Aksigorta A.Ş. (the "Company") for the period ended 31 December 2017.

Board of Directors' responsibility for the Annual Report

2. The Company's management is responsible for the fair preparation of the annual report and its consistency with the financial statements in accordance with Article 514 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") and for such internal control as management determines is necessary to enable the preparation of the annual report.

Independent Auditor's Responsibility

3. Our responsibility is to express an opinion on the Company's annual report based on the independent audit conducted pursuant to Article 397 of TCC and the Communiqué, whether or not the financial information included in this annual report is consistent with the Company's financial statements that are subject to independent auditor's report dated 12 February 2018 and presented fairly.

Our independent audit was conducted in accordance with Independent Auditing Standards that are part of the Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial information in the annual report is fairly presented and consistent with the financial statements.

An independent audit requires applying audit procedures to obtain audit evidence on the historical financial information. The procedures selected depend on the professional judgement of the independent auditor.

We believe that the independent audit evidences we have obtained during our independent audit, are sufficient and appropriate to provide a basis for our opinion.

Opinion

4. Based on our opinion, the financial information in the annual report of Board of Directors of Aksigorta A.Ş. is consistent with the audited financial statements and presented fairly, in all material respects.

Other Responsibilities Arising From Regulatory Requirements

5. Pursuant to subparagraph 3 of Article 402 of the TCC No. 6102, within the context of ISA 570 "Going Concern", we have not encountered any significant issue which we are required to be reported with regard to the inability of Aksigorta A.Ş. to continue its operations for the foreseeable future.

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

ORIGINALLY ISSUED IN TURKISH



Adnan Akan, SMMM
Partner

Istanbul, 12 February 2018

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

AKSIGORTA ANONİM ŐİRKETİ

**FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017
TOGETHER WITH
THE INDEPENDENT AUDITOR'S REPORT**



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Aksigorta A.Ş.

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Aksigorta A.Ş. (the "Company") which comprise the balance sheet as at 31 December 2017 and the income statement, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements and a summary of significant accounting policies and financial statement notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with accounting and financial reporting regulations enforced by insurance legislation and Turkish Accounting Standards ("TAS") for the matters not regulated by insurance legislation "Regulation on Insurance Accounting and Financial Reporting Principles".

2. Basis for Opinion

Our audit was conducted in accordance with the regulations on the principles on auditing as set out in the insurance legislation and the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.



3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p>Estimation of claims incurred but not reported</p> <p>As explained in Notes 2 and 4, the Company has accounted for the net incurred but not reported claims provision amounting to TL 270.953.801 as of 31 December 2017.</p> <p>Abovementioned provision is calculated according to the best estimation methods determined within the opinion of the Company's actuary in accordance with "Circular on Outstanding Claim Provisions" dated 5 December 2014 and numbered 2014/16 published by the Undersecretariat of the Treasury. The reason we focus on this area during our audit is the significance of the incurred but not reported claims provision for the financial statements and the significant actuarial judgments and estimates required by the nature of provision in the financial statements.</p>	<p>We tested the design and operational effectiveness of the key controls implemented by the Company's management in relation to the ultimate claims used in the calculation of incurred but not reported claims provision. We tested the mathematical accuracy of the calculation of incurred but not reported claims for selected branches. We assessed the methods and assumptions used by branch in association with our own actuary experts by inquiring with the Company's management and actuary of the Company. In addition, for selected branches, we made an estimation of the reasonable ranges for the incurred but not reported claims provision and compared them with the Company's records.</p> <p>We checked the adequacy and accuracy of the disclosures in the financial statements related to such provisions.</p>



<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p data-bbox="274 487 839 672"><i>Discounting of Net Cash Flows Arising From Outstanding Claims Provision and Restatement of Prior Period Financial Statements prepared as of 31 December 2016</i></p> <p data-bbox="274 725 872 1176">As explained in Note 2, The Company has rediscounted the cash flows arising from outstanding claims provision as of 31 December 2017 and 2016 that are calculated and accounted according to insurance legislation for the general liability and motor third party liability branches by calculating them in accordance with Communiqué No. 2017/7 amending Communiqué on Deducting Net Cash Flows Arising from Outstanding Claims No. 2016/22 dated 10 June 2016, published by the Undersecretariat of the Treasury on 15 September 2017.</p> <p data-bbox="274 1229 872 1414">The Company recognized TL 131.991.307 as of 31 December 2017 and TL 113.814.284 as of 31 December 2016 and considered the discounting of outstanding claims provision as an accounting policy change as stated in the related communiqué.</p> <p data-bbox="274 1467 877 1799">The reason why we are particularly focused on this subject is that the financial statements as of 31 December 2016, which constitute the opening balances of the financial statements for period 1 January - 31 December 2017 in our independent audit, have been restated because the transaction is considered as accounting policy change and the significance of the amount of discounting for the financial statements.</p>	<p data-bbox="910 487 1488 830">We tested the discounting calculations made by the Company for the general liability and motor third party liability branches on 31 December 2016 and 31 December 2017 by using the recalculation method. We checked the adjustment entries that the Company reflected to its financial statements to restate the prior period financial statements as of 31 December 2016 due to the discounting.</p> <p data-bbox="910 883 1463 1062">We checked the adequacy and accuracy of the disclosures related to the restatement of the financial statements and the restatement of the Company's notes in the accompanying restated financial statements.</p>



4. Other matter

The financial statements of the Company as of 31 December 2016 were audited by another firm whose report, dated 13 February 2017, expressed an unmodified opinion on those statements.

5. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulation on Insurance Accounting and Financial Reporting Principles and TAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

6. Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with the regulations on the principles on auditing as set out in the insurance legislation and SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an independent audit conducted in accordance with the regulations on the principles on auditing as set out in the insurance legislation SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 12 February 2018.

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

ORIGINALLY ISSUED IN TURKISH

Adnan Akan, SMMM
Partner

Istanbul, 12 February 2018


**CONVENIENCE TRANSLATION OF THE COMPANY'S REPRESENTATION ON THE
FINANCIAL STATEMENT PREPARED AS AT 31 DECEMBER 2017**

We confirm that the accompanying financial statements and notes to these financial statements as of 31 December 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.

Istanbul, 12 February 2018


Osman AKKOCA
Chief Financial Officer


Uğur GÜLEN
Chief Executive Officer


Halil KOLBAŞI
Actuary
Licence No: 72


Seza Danınmış ÖZGÜR
Accounting Manager

Aksigorta Anonim Şirketi
Poligon Cad. Boyaka 2 Sitesi No: 8, Kule: 1, Kat: 0-6 Ümraniye
34771 İstanbul/TR T: +90 (216) 280 88 88 F: +90 (216) 280 88 00
Mersis No: 0035-0003-0220-0016

AKSIGORTA A.Ş.**THE FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2017**

CONTENTS	PAGE
BALANCE SHEETS.....	80 - 84
STATEMENTS OF INCOME	85 - 86
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY.....	87 - 88
STATEMENTS OF CASH FLOWS	89
NOTES TO THE FINANCIAL STATEMENTS	90 - 164
APPENDIX I - STATEMENTS OF PROFIT DISTRIBUTION.....	165

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF
31 DECEMBER 2017 AND 2016

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

DETAILED BALANCE SHEET			
ASSETS			
I- CURRENT ASSETS	Note	Audited	Audited Restated (*)
		Current Period (31/12/2017)	Previous Period (31/12/2016)
A- Cash and Cash Equivalents		1,352,046,487	481,198,544
1- Cash		-	-
2- Cheques Received		-	-
3- Banks	14	966,463,093	270,379,281
4- Cheques Given and Payment Orders (-)		-	-
5- Receivables From Credit Cards with Bank Guarantee Due Less Than Three Months	14	385,583,394	210,819,263
6- Other Cash and Cash Equivalents		-	-
B- Financial Assets and Investments with Risks on Policy Holders	11.1	519,507,242	866,438,586
1- Financial Assets Available for Sale	11.1	516,992,828	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	2,514,414	2,530,185
7- Equity Shares		-	-
8- Impairment in Value of Financial Assets (-)	11.1	-	-
C- Receivables From Main Operations	12.1	526,616,819	408,177,426
1- Receivables From Insurance Operations	12.1	527,911,415	406,968,916
2- Provision for Receivables From Insurance Operations (-)	12.1	(7,785,096)	(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	101,471,349	87,090,411
10- Provisions for Doubtful Receivables From Main Operations (-)	12.1	(95,011,803)	(79,116,740)
D- Due from Related Parties		124,226	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		124,226	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		16,815,829	8,229,918
1- Leasing Receivables		-	-
2- Unearned Leasing Interest Income (-)		-	-
3- Deposits and Guarantees Given		506,405	416,937
4- Other Receivables	47	16,309,424	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	208,011,485	151,665,564
1- Deferred Commission Expenses	17	197,757,608	148,889,525
2- Accrued Interest and Rent Income		-	-
3- Income Accruals		14,447	91,000
4- Other Prepaid Expenses	47	10,239,430	2,685,039
G- Other Current Assets	4.2.2	4,157,514	11,962,076
1- Inventories		22	22
2- Prepaid Taxes and Funds		4,056,588	11,855,334
3- Deferred Tax Assets		-	-
4- Business Advances		9,548	20,864
5- Advances Given to Personnel		91,356	85,856
6- Stock Count Differences		-	-
7- Other Current Assets		-	-
8- Provision for Other Current Assets (-)		-	-
I- Total Current Assets		2,627,279,602	1,927,774,251

(*) Explained in Note 2.1.1.

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

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF
31 DECEMBER 2017 AND 2016

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

DETAILED BALANCE SHEET			
ASSETS			
II- NON CURRENT ASSETS	Note	Audited	Audited Restated (*)
		Current Period (31/12/2017)	Previous Period (31/12/2016)
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	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 (-)	11.4	(30,116,653)	(30,116,653)
E- Tangible Fixed Assets		26,277,477	28,081,958
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	23,605,872	21,816,976
6- Vehicles		-	-
7- Other Tangible Assets (Including Leasehold Improvements)	6	21,412,252	20,331,354
8- Leased Tangible Fixed Assets	6	351,395	351,395
9- Accumulated Depreciation (-)	6, 7	(20,770,737)	(16,096,462)
10- Advances Paid for Tangible Fixed Assets (Including Construction in Progresses)		-	-
F- Intangible Fixed Assets		46,544,719	41,176,250
1- Rights	8	87,041,349	69,825,964
2- Goodwill		-	-
3- Establishment Costs		-	-
4- Research and Development Expenses		-	-
6- Other Intangible Assets		-	-
7- Accumulated Amortizations (-)	8	(43,097,276)	(30,227,061)
8- Advances Regarding Intangible Assets	8	2,600,646	1,577,347
G- Prepaid Expenses and Income Accruals		2,963,592	207,203
1- Deferred Commission Expenses		-	-
2- Accrued Interest and Rent Income		-	-
3- Other Prepaid Expenses	47	2,963,592	207,203
H- Other Non-current Assets		9,702,374	2,869,378
1- Effective Foreign Currency Accounts		-	-
2- Foreign Currency Accounts		-	-
3- Inventories		-	-
4- Prepaid Taxes and Funds		-	-
5- Deferred Tax Assets	35	9,702,374	2,869,378
6- Other Non-current Assets		-	-
7- Other Non-current Assets Amortization (-)		-	-
8- Provision for Other Non-current Assets (-)		-	-
II- Total Non-current Assets		85,488,162	72,334,789
TOTAL ASSETS (I+II)		2,712,767,764	2,000,109,040

(*) Explained in Note 2.1.1.

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

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF
31 DECEMBER 2017 AND 2016**

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

DETAILED BALANCE SHEET			
LIABILITIES			
III- SHORT TERM LIABILITIES	Note	Audited	Audited Restated (*)
		Current Period (31/12/2017)	Previous Period (31/12/2016)
A- Borrowings		-	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	-	30,031,438
B- Payables From Main Operations		308,244,281	168,866,177
1- Payables Due to Insurance Operations	19.1	308,244,281	168,866,177
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		184,121	118,461
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		182,978	117,318
6- Due to Other Related Parties		-	-
D- Other Payables	19.1	76,722,322	44,423,842
1- Deposits and Guarantees Received		-	-
2- Due to SSI regarding Treatment Expenses	19.1	24,110,925	4,268,447
3- Other Payables	19.1	52,611,397	40,155,395
4- Discount on Other Payables (-)		-	-
E- Insurance Technical Reserves		1,464,403,244	1,086,510,069
1- Unearned Premiums Reserve - Net	20	883,931,028	609,668,379
2- Unexpired Risk Reserves - Net	20	476,121	-
3- Mathematical Reserves - Net		-	-
4- Outstanding Claims Reserve - Net	4.1, 20	579,989,028	476,838,233
5- Provision for Bonus and Discounts - Net	20	7,067	3,457
6- Other Technical Reserves - Net		-	-
F- Taxes and Other Liabilities and Relevant Provisions		40,735,458	17,877,553
1- Taxes and Dues Payable		30,129,723	16,343,481
2- Social Security Premiums Payable	23.1	1,879,776	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	40,115,659	-
6- Prepaid Taxes and Other Liabilities on Period Profit (-)	35	(31,394,677)	-
7- Provisions for Other Taxes and Liabilities		-	-
G- Provisions for Other Risks		36,798,073	36,839,062
1- Provision for Employment Termination Benefits		-	-
2- Pension Fund Deficit Provision		-	-
3- Provisions for Costs	19.1, 23.4	36,798,073	36,839,062
H- Deferred Income and Expense Accruals	19.1	78,231,263	53,979,313
1- Deferred Commission Income	19.1	78,231,263	53,979,313
2- Expense Accruals		-	-
3- Other Deferred Income		-	-
I- Other Short Term Liabilities		-	235
1- Deferred Tax Liability		-	-
2- Inventory Count Differences		-	-
3- Other Short Term Liabilities		-	235
III - Total Short Term Liabilities		2,005,318,762	1,438,646,150

(*) Explained in Note 2.1.1.

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

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF
31 DECEMBER 2017 AND 2016**

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

DETAILED BALANCE SHEET			
LIABILITIES			
IV- LONG TERM LIABILITIES	Note	Audited	Audited Restated (*)
		Current Period (31/12/2017)	Previous Period (31/12/2016)
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		72,173,503	61,232,504
1- Unearned Premiums Reserve - Net		-	-
2- Unexpired Risk Reserves - Net		-	-
3- Mathematical Reserves - Net	17,2, 20	1,609,127	1,526,588
4- Outstanding Claims Reserve - Net		-	-
5- Provision for Bonus and Discounts - Net		-	-
6- Other Technical Reserves - Net	20	70,564,376	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		6,172,934	6,335,367
1- Provision for Employment Termination Benefits	22	6,172,934	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		78,346,437	67,567,871

(*) Explained in Note 2.1.1.

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

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE BALANCE SHEETS AS OF
31 DECEMBER 2017 AND 2016

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

DETAILED BALANCE SHEET			
SHAREHOLDERS' EQUITY			
V- SHAREHOLDERS' EQUITY	Note	Audited	Audited Restated (*)
		Current Period (31/12/2017)	Previous Period (31/12/2016)
A- Paid in Capital		306,000,000	306,000,000
1- (Nominal) Capital	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		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	15	95,377,201	95,377,201
4- Translation Reserves		-	-
5- Other Capital Reserves		-	-
C- Profit Reserves		14,388,214	89,231,523
1- Legal Reserves	15	-	83,064,172
2- Statutory Reserves		62	62
3- Extraordinary Reserves		26,666	26,666
4- Special Funds (Reserves)	15, 22, 34.5	14,375,956	13,343,668
5- Revaluation of Financial Assets	11.6, 16.1	(14,470)	(7,203,045)
6- Other Profit Reserves		-	-
D- Previous Years' Profits		91,064,579	82,077,293
1- Previous Years' Profits		91,064,579	82,077,293
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	37	126,986,683	57,154,562
1- Net Profit of the Period		126,986,683	57,154,562
2- Net Loss of the Period (-)		-	-
3- Net Income not subject to distribution		-	-
Total Shareholders' Equity		629,102,565	493,895,019
Total Liabilities and Shareholders' Equity (III+IV+V)		2,712,767,764	2,000,109,040

(*) Explained in Note 2.1.1.

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

DETAILED INCOMESTATEMENT			
E-TECHNICAL PART	Note	Audited	Audited Restated (*)
		Current Period 01/01/2017-31/12/2017	Previous Period 01/01/2016-31/12/2016
A- Non-Life Technical Income		1,472,449,380	1,213,641,205
1- Earned Premiums (Net of Reinsurer Share)		1,282,546,312	1,076,143,304
1.1 - Written Premiums (Net of Reinsurer Share)	24	1,557,265,083	1,166,586,770
1.1.1 - Gross Written Premiums (+)	24	2,635,576,300	1,895,558,578
1.1.2 - Ceded Premiums to Reinsurers (-)	17,16, 24	(1,028,326,681)	(709,573,405)
1.1.3 - Ceded Premiums to SSI (-)	17,16, 24	(49,964,536)	(19,398,403)
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)		(274,262,650)	(104,272,701)
1.2.1 - Unearned Premiums Reserve (-)	20	(476,380,178)	(164,456,866)
1.2.2 - Reinsurance Share of Unearned Premiums Reserve (+)	17,16, 20	177,297,871	52,382,089
1.2.3 - SSI of Unearned Premiums Reserve (+)	17,16, 20	24,819,657	7,802,076
1.3- Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)		(476,121)	13,829,235
1.3.1 - Unexpired Risks Reserve (-)	20	(15,546,916)	20,114,249
1.3.2 - Reinsurance Share of Unexpired Risks Reserve (+)	17,16, 20	15,070,795	(6,285,014)
2- Investment Income Transferred from Non-Technical Part		174,547,280	114,366,772
3- Other Technical Income (Net of Reinsurer Share)		3,821,688	3,376,718
3.1 - Gross Other Technical Income (+)		3,821,688	3,376,718
3.2 - Reinsurance Share of Other Technical Income (-)		-	-
4- Accrued Subrogation and Salvage Income (+)		11,534,100	19,754,411
B- Non-Life Technical Expense (-)		(1,258,164,832)	(1,082,251,532)
1- Total Claims (Net of Reinsurer Share)		(842,202,661)	(712,182,856)
1.1- Claims Paid (Net of Reinsurer Share)		(738,834,031)	(658,211,656)
1.1.1 - Gross Claims Paid (-)		(1,067,310,322)	(861,382,170)
1.1.2 - Reinsurance Share of Claims Paid (+)	17,16	328,476,291	203,170,514
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	(103,368,630)	(53,971,200)
1.2.1 - Outstanding Claims Reserve (-)		(513,885,322)	(276,695,592)
1.2.2 - Reinsurance Share of Outstanding Claims Reserve (+)	17,16	410,516,692	222,724,392
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	20	(3,610)	1,196,543
2.1 - Bonus and Discount Reserve (-)	20	(1,179,272)	(518,909)
2.2 - Reinsurance Share of Bonus and Discount Reserve (+)	17,16, 20	(1,182,882)	1,715,452
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	20	(10,858,460)	(11,094,203)
4- Operating Expenses (-)	32	(354,554,216)	(307,052,324)
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 (-)	47	(50,545,885)	(53,118,692)
6.1 - Gross Other Technical Expenses (-)	47	(50,545,885)	(53,118,692)
6.2 - Reinsurance Share of Other Technical Expenses (+)		-	-
C- Non Life Technical Net Profit (A-B)		214,284,548	131,389,673
D- Life Technical Income		146,972	157,641
1- Earned Premiums (Net of Reinsurer Share)		6,000	7,621
1.1 - Written Premiums (Net of Reinsurer Share)	24	6,000	7,480
1.1.1 - Gross Written Premiums (+)		6,000	7,480
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 Reinsurer Share (+)	17,16	-	141
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		140,972	150,020
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		(334,325)	2,521,779
1- Total Claims (Net of Reinsurer Share)		(251,786)	2,201,957
1.1- Claims Paid (Net of Reinsurer Share)		(469,621)	(1,077,124)
1.1.1 - Gross Claims Paid Reinsurer Share (+)		(469,621)	(1,077,124)
1.2- Changes in Outstanding Claims Provisions (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	29	217,835	3,279,081
1.2.1 - Outstanding Claims Reserve (-)		217,835	3,279,081
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) (+/-)		(82,539)	383,696
3.1- Mathematical Reserves (-)		(82,539)	383,907
3.1.1 - Actuarial Mathematical Reserve (-)		(74,285)	338,300
3.1.2 - Profit Share Reserve (Reserves for Life Insurance Policies Including Investment Risk) (-)		(8,254)	45,607
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	-	(63,874)
6- Investment Expenses (-)		-	-
7- Unrealized Losses from Investments (-)		-	-
8- Investment Income Transferred to Non- Technical Part (-)		-	-
F- Life Technical Profit (D-E)		(187,353)	2,679,420
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- Withholding 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)			

(*) Explained in Note 2.1.1.

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

AKSİGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENT OF INCOME
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016**

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

DETAILED INCOMESTATEMENT			
II-NON TECHNICAL PART	Note	Audited	
		Current Period	
		01/01/2017-31/12/2017	Audited Restated (*) Previous Period 01/01/2016-31/12/2016
C- Non Life Technical Profit (A-B)		214,284,548	131,389,673
F- Life Technical Profit (D-E)		(187,353)	2,679,420
I- Individual Retirement Technical Profit (G-H)		-	-
J- Total Technical Profit (C+F+I)		214,097,195	134,069,093
K- Investment Income		282,454,993	185,070,492
1- Income From Financial Investment	26	96,831,379	85,986,105
2- Income from Sales of Financial Investments	26	13,858,813	3,730,405
3- Revaluation of Financial Investments	26	29,629,048	12,929,687
4- Foreign Exchange Gains	36	111,807,006	77,269,832
5- Income from Affiliates		-	-
6- Income from Subsidiaries and Joint Ventures		-	-
7- Income Received from Land and Building	26	-	-
8- Income from Derivatives	13	30,328,747	5,154,463
9- Other Investments		-	-
10- Investment Income transferred from Life Technical Part		-	-
L- Investment Expenses (-)		(300,529,706)	(198,760,576)
1- Investment Management Expenses (including interest) (-)		-	-
2- Valuation Allowance of Investments (-)		-	-
3- Losses On Sales of Investments (-)	26	(5,188,146)	(521,260)
4- Investment Income Transferred to Life Technical Part (-)		(174,547,280)	(114,366,772)
5- Losses from Derivatives (-)		-	-
6- Foreign Exchange Losses (-)	36	(102,833,841)	(70,182,459)
7- Depreciation Expenses (-)	5, 6, 8	(17,960,439)	(13,690,085)
8- Other Investment Expenses (-)		-	-
M- Other Income and Expenses (+/-)	47	(28,920,140)	(63,224,447)
1- Provisions Account (+/-)	47	(32,383,804)	(28,295,599)
2- Discount account (+/-)	47	-	-
3- Mandatory Earthquake Insurance Account (+/-)	47	723,867	499,332
4- Inflation Adjustment Account (+/-)		-	-
5- Deferred Tax Asset Accounts (+/-)	35	8,888,211	(14,317,319)
6- Deferred Tax Expense Accounts (-)		-	-
7- Other Income and Revenues	47	392,086	748,524
8- Other Expense and Losses (-)	47	(6,540,500)	(21,856,902)
9- Prior Period Income	47	-	-
10- Prior Period Losses (-)		-	(2,483)
N- Net Profit / (Loss)	37	126,986,683	57,154,562
1- Profit / (Loss) Before Tax		167,102,342	57,154,562
2- Corporate Tax Liability Provision (-)	35	(40,115,659)	-
3- Net Profit (Loss)		126,986,683	57,154,562
4- Inflation Adjustment Account		-	-

(*) Explained in Note 2.1.1.

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

Statement of Changes in Equity - 1 January - 31 December 2017

CURRENT PERIOD	Capital	Equity Shares Owned by the Company (1)	Revaluation of Financial Assets	Inflation Adjustment on Capital	Translation Reserves	Legal Reserves ("2")	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 (***)	-	-	-	-	-	-	-	-	8,987,286	82,064,142	91,051,428
III - Current Balance (I + II) (01/01/2017)	306,000,000	-	(7,203,045)	-	-	83,064,172	62	108,747,535	57,154,562	(53,868,267)	493,895,019
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)	-	-	7,188,575	-	-	-	-	-	-	-	7,188,575
E- Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F- Other income / (expenses)	-	-	-	-	-	-	-	1,032,288	-	-	1,032,288
G- Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H- Period net profit (Note 37)	-	-	-	-	-	-	-	-	126,986,683	-	126,986,683
I- Dividend distributed	-	-	-	-	-	-	-	-	-	-	-
J- Transfer	-	-	-	-	-	(83,064,172)	-	-	(57,154,562)	140,218,734	-
II- Closing Balance (31/12/2017) (I+A+B+C+D+E+F+G+H+I+J)	306,000,000	-	(14,470)	-	-	62	109,779,823	126,986,683	126,986,683	86,350,467	629,102,545

(*) Details of equity accounts are explained in Note 15.

(**) The statutory reserves amounting to TL-83,064,172 in the fiscal year ended 31 December 2016 has been deducted from previous years' losses by the decision of General Assembly dated 21 March 2017.

(***) Explained in Note 2.1.1.

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

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016**

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

Statement of Changes in Equity - 1 January - 31 December 2016

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 (**)	-	-	-	-	-	-	-	-	-	82,064,142	82,064,142
III - Current Balance (I + II) (01/01/2016)	306,000,000	-	(5,945,992)	-	-	83,064,172	62	101,453,876	(135,945,560)	82,077,293	430,703,851
A - Capital increase (A1 + A2)	-	-	-	-	-	-	-	-	-	-	-
I - 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)	-	-	(1,257,053)	-	-	-	-	-	-	-	(1,257,053)
E - Translation reserves	-	-	-	-	-	-	-	-	-	-	-
F - Other income / (expenses)	-	-	-	-	-	-	-	7,293,659	-	-	7,293,659
G - Inflation adjustment differences	-	-	-	-	-	-	-	-	-	-	-
H - Period net profit (Note 37)	-	-	-	-	-	-	-	-	57,154,562	-	57,154,562
I - Dividend distributed	-	-	-	-	-	-	-	-	-	-	-
J - Transfer	-	-	-	-	-	-	-	-	135,945,560	(135,945,560)	-
II - Closing Balance (31/12/2016) (I+A+B+C+D+E+F+G+H+I+J)	306,000,000	-	(7,203,045)	-	-	83,064,172	62	108,747,535	57,154,562	(53,866,267)	493,895,019

(*) Details of equity accounts are explained in Note 15.

(**) Explained in Note 2.1.1.

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

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE CASH FLOWS
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016**

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

CASH FLOW STATEMENT	Note	Audited 31/12/2017	Audited 31/12/2016
A. CASH FLOWS FROM THE OPERATING ACTIVITIES			
1. Cash inflows from the insurance operations		1,859,641,735	1,299,088,958
2. Cash inflows from the reinsurance operations		-	-
3. Cash inflows from the pension operations		-	-
4. Cash outflows due to the insurance operations (-)		(1,414,616,130)	(1,267,801,599)
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)		445,025,605	31,287,359
8. Interest payments (-)		-	-
9. Income tax payments (-)		(35,451,265)	(11,855,334)
10. Other cash inflows		12,863,378	3,533,804
11. Other cash outflows (-)		(23,555,569)	(20,508,145)
12. Net cash generated from the operating activities		398,882,149	2,457,684
B. CASH FLOWS FROM THE INVESTING ACTIVITIES			
1. Sale of tangible assets		-	108,286
2. Purchase of tangible assets (-)		(21,728,313)	(5,704,267)
3. Acquisition of financial assets (-)		(438,214,883)	(668,138,140)
4. Sale of financial assets		786,744,266	339,356,103
5. Interest received		138,381,119	109,231,315
6. Dividends received		-	-
7. Other cash inflows		-	-
8. Other cash outflows (-)		-	(2,826,917)
9. Net cash generated from the investing activities		465,182,189	(227,973,620)
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		4,361,775	7,087,373
E. Net increase/(decrease) in cash and cash equivalents (A12+B9+C7+D)		868,426,113	(218,428,563)
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	1,200,503,027	332,076,914

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

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 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 ‘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. As of 31 December 2017, the Company has 2403 authorized agencies (31 December 2016: 2366).

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 - December 31, 2017	January 1 - December 31, 2016
Top executive	8	8
Manager and assistant manager	95	103
Specialist/Executives	518	493
Total	621	604

1.6 Remuneration and fringe benefits provided to top management

For the year ended 31 December 2017, wages and similar benefits provided to the senior management including chairman, members of the board of the directors, general manager, general coordinator, and deputy general managers amounted to TL 5.637.631 (31 December 2016: TL 5.218.318).

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

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

Within the framework of the Undersecretariat for the Treasury of the Prime Minister's Office of Republic of Turkey ("Undersecretariat for the Treasury") Circular relating to Procedures and Principles for Keys used in Financial Statements prepared in the scope of Uniform Chart of Accounts for Insurance No. 2008/1, dated January 4, 2008, revenues generated by the Company through investment of assets that provide non-life technical provisions were transferred from the non-technical division to technical division.

Other investment revenues were classified under the non-technical division. While distributing to sub-branches the operating expenses transferred to technical division, the last three-year weighted average of number of policies generated in the current period, the premium amount written as gross and number of claims were taken into account.

1.8 Stand-alone or consolidated financial statements

The accompanying financial statements comprise the stand-alone financial statements as of December 31, 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 December 31, 2017 are approved and authorized for issuance as of February 12, 2018 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.

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.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 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 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) and announcement of new account codes in the Insurance Account Plan dated December 27, 2011 and numbered 2011/14. 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.

Financial statements has been prepared in TL, based on cost basis, subject to inflation adjustment until 31 December 2004 except for financial assets designated at fair value.

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. The Company does not have any subsidiaries to be consoled in this direction.

The Company accounts and recognizes its insurance technical provisions in its not consolidated financial statements as of December 31, 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 Oficial Gazzette dated July 17, 2012 numbered 28356 effective and the regulations issued for insurance and reinsurance companies by the Undersecretariat of Treasury ("Treasury").

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.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 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)**

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".

Comparative information on the presentation of the financial statements in the current period is classified as necessary.

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 December 31, 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.

b. Comparative Information and Restatement of Prior Period Financial Statements

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

The receivable amounting to TL 45.084.762 classified under "Payables from Insurance Operations" in the balance sheet for the accounting period of 31 December 2016 is classified under "Receivables from Insurance Operations".

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 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)
c. Technical Reserves
Unearned Premium Reserve

An unearned premium reserve is calculated on a daily basis for all policies in force as of the balance sheet date for unearned portions of premiums written. For marine policies with an uncertain end date, unearned premium reserve is calculated as 50% of the premiums written in the last three months. 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. Commissions paid for written premium and commissions received from ceded premium that hit future months and future income statements are accounted in prepaid expenses and prepaid expenses for future years respectively in balance sheet, net in operating expenses. According to the Technical Reserves Regulation, foreign exchange selling rates declared in the Official Gazette of the CBRT on the date of accrual of the relevant premium are taken into account in the account of the unearned premiums related to the insurance contracts, which are indexed to beverages, if no foreign exchange rate is specified in the insurance contract (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.

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.

Within the framework of "the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2016/22 and dated June 10, 2016 and within the framework of "the amendment to the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2017/7 and dated September 15, 2017 published by Treasury, The Company has revised retrospectively the calculation of outstanding claims provision and ongoing risk provision that it has applied after discounting.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 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)**

As of December 31, 2017, Unexpired Risk Reserve is calculated in accordance with the Circular 2016/37 for Financial Losses, Motor Liability and General Liability branches and net Unexpired Risk Reserve of TL 456.506 for General Liability branch has been reflected in the financial statements. As a result of the calculations made with the old method, there is no provision liability obligation in Motor Liability, Financial Liability and General Liability branches. As of December 31, 2017, a net provision amounting to TL 15.269 for Water Crafts, TL 4.446 for Air Crafts, a total of TL 476.121 net provision is calculated (December, 31 2016: None) (Note 20).

Unexpired Risk Reserve is calculated in accordance with the Circular 2016/37 for Financial Losses, Motor Liability and General Liability branches and no corresponding provision liability arises as a result of calculation. If the calculation was made using the old method, 32.377.318 TL will be calculated in the Motor Liability branch and 2.399.816 TL in the General Liability branch.

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 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.

In accordance with Technical Reserve Regulation and "Circular on Regarding to Statements Related to Accounting of Claim Files in a Lawsuit, Actuarial Chain Ladder Method and Recovery and Salvage Income" dated January 14, 2011 numbered 2011/1, outstanding claim reserves are made according to calculated average amounts in accordance with the methods determined by Treasury as of July 1, 2012 for cases with uncertain amounts. Furthermore, outstanding claim reserves are updated according to experts' reports received from courts and stated amounts according to lawsuit judgements.

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.

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").

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 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 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	December 31, 2017			December 31, 2016		
	Applied Method	Gross Additional Reserve	Net Additional Reserve	Applied Method	Gross Additional Reserve	Net Additional Reserve
Motor Liability	Frequency/Severity/Standard	264,561,317	264,561,317	Bornhuetter-Ferguson/Standard	205,882,912	205,882,912
General Liability	Standard Chain/Loss Ratio	63,187,111	24,715,804	Standard Chain	67,267,574	32,453,580
Marine	Bornhuetter-Ferguson	14,244,613	232,438	Bornhuetter-Ferguson	1,027,047	390,832
Credit	Standard Chain	8,453,691	346,676	Standard Chain	43,658	2,134
Air Crafts	Standard Chain	986,635	74,780	Standard Chain	35,500	-
Fire and Natural Disaster	Bornhuetter-Ferguson	778,518	(155,896)	Bornhuetter-Ferguson	7,076,603	293,902
Health	Standard Chain	589,327	197,459	Standard Chain	333,420	(79,491)
Legal Protection	Standard Chain	509,889	141,919	Standard Chain	53,445	53,445
Air Crafts Liability	Standard Chain	403,593	(35,712)	Standard Chain	189,546	69
Indemnity	Standard Chain	260,063	103,141	Standard Chain	1,132,880	25,569
Water Crafts	Standard Chain	91,999	2	Standard Chain	489,018	105,498
Financial Losses	Standard Chain	90,295	39	Standard Chain	350,616	(243,367)
Accident	Bornhuetter-Ferguson	67,073	3,354	Bornhuetter-Ferguson	505,760	430,620
General Losses	Bornhuetter-Ferguson	61,875	61,875	Bornhuetter-Ferguson	7,701,380	381,716
Motor own damage	Standard Chain	(19,293,395)	(19,293,395)	Bornhuetter-Ferguson	(10,502,218)	(10,502,218)
Total		334,992,604	270,953,801		281,587,141	229,195,201

In accordance with Undersecretariat of Treasury's Circular numbered 2011/18; in the calculation of the IBNR compensation payments that are made by the method of actuarial chain ladder method of Compulsory Traffic, Compulsory Road Transportation Financial Responsibility and Bus Compulsory Seat Personal Accident branches, the treatment costs, outstanding claims and recovered salvage, deferred salvage and similar incomes are excluded.

Pursuant to the regulation published by the Undersecretariat of Treasury in Official Gazette dated July 11, 2017 and numbered 30121, all the data about the paid indemnities, outstanding claims and recovered salvage, deferred salvage and similar incomes related Compulsory Traffic Policies that are assigned to "Risky Insured Pool" ("Pool") are excluded in the calculation of the incurred but not reported compensation amounts.

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.

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 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)**

As of December 31, 2017, Outstanding Claim Provision discount is calculated as TL 131.991.307 for General Liability and Motor Liability branches within the framework of "the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2016/22 and dated June 10, 2016 and within the framework of "the amendment to the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" published by Treasury (December 31, 2017: TL 113.814.284). The discount calculation was made considering the development of the claims paid. In this calculation, the distribution of the payments of material and bodily damages for the Motor Vehicle Branch has been evaluated separately. As of December 31, 2017, the net outstanding claims provisions of the Company are presented below before and after the discount. The Company has not applied discounts in outstanding compensation provisions in the branches other than the Motor Liability and General Liability branches, where discounting is mandatory.

Branch	Net Outstanding Claim Provision		Discount Amount	Net Discounted Outstanding Claim Provision
	Before Discount			
Motor Third Party Liability	481,097,879		104,488,518	376,609,361
General Liability	90,334,960		27,502,789	62,832,171
Total	571,432,839		131,991,307	439,441,532

While determining the amount of IBNR, the company actuary has determined the threshold values for major damages with plot analysis starting from 2015, whereas it was calculated by Box-Plot method, which is permitted only by the Undersecretariat of Treasury in the Compulsory Traffic branch before 2014/16 Circle, in order to work with a more homogenous dataset. Files exceeding the threshold value determined by this method are considered as major damage. Since the damage progress of these files is separate from the other files, IBNR amounts have been determined and added to the provisions by a separate calculation for these files. Threshold values determined by December 31, 2017 are total number of files subject to calculation, number of files determined as major damage and their shares in total files are as follows;

BRANCH	31 December 2017				31 December 2016			
	Threshold	# of Major Claim Files	Total Number of Claim Files	% of Elimination	Threshold	# of Major Claim Files	Total Number of Claim Files	% of Elimination
General Liability	200,000	359	23,511	1.5%	200,000	225	25,531	0.88%
General Losses	999,999	50	145,058	0.0%	999,999	38	134,016	0.03%
Transportation	499,999	45	54,501	0.1%	499,999	36	52,561	0.07%
Fire and Natural Disaster	999,999	135	204,355	0.1%	999,999	117	173,697	0.07%
Accident	299,999	16	6,204	0.3%	299,999	16	5,852	0.27%
Suretyship	149,999	41	7,393	0.6%	149,999	34	7,047	0.48%
Financial Losses	50,000	35	26,527	0.1%	50,000	32	22,808	0.14%

In the branches where major damages are determined, gross and net additional provision amounts that are separately made for these files and added to Outstanding Claim Provisions are shown in the following table.

Branch	Gross Additional Amount	Net IBNR
Financial Losses	1,039,728	104,510
General Liability	8,075,255	2,195,610
General Losses	7,882,100	67,453
Facultative Public Liability	1,269,415	1,269,415
Accident	77,089	12,772
Transportation	506,756	75,907
Fire and Natural Disaster	16,440,359	1,652,382

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 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 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 December 31, 2017, the Company has not deducted any claim amount from equalization reserve for 2011 earthquake.

The Company has calculated TL 70.564.376 (December 31, 2016: TL 59,705,916) of equalization reserve as of December 31, 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).

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.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 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)**

Accordingly, accrued receivables from salvage and subrogation and doubtful receivables provision for salvage and subrogation as of December 31, 2017 are TL 23.391.049 (December 31, 2016: TL 26,122,486) and TL 4.271.096 (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:

	December 31, 2017					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Motor Own Damage	169,169,066	(572)	169,168,494	21,714,472	-	21,714,472
Motor Crafts Liability	4,315,726	(2,150)	4,313,576	597,075	(7,565)	589,510
Fire and Natural Disaster	2,776,860	(523,522)	2,253,338	1,050,612	(164,321)	886,291
Transportation	2,024,039	(687,680)	1,336,359	116,809	(8,947)	107,862
General Liability	494,864	(8,856)	486,008	9,345	(5,093)	4,252
General Losses	176,389	(87,555)	88,834	3,610	(1,805)	1,805
Water Crafts	49,491	(33,950)	15,541	-	-	-
Suretyship	22,392	(11,477)	10,915	180,745	(93,888)	86,857
Accident	21,020	-	21,020	-	-	-
Legal Protection	11,193	-	11,193	-	-	-
	179,061,040	(1,355,762)	177,705,278	23,672,668	(281,619)	23,391,049

	December 31, 2016					
	Collection			Accrual		
	Gross	Reinsurance share	Net	Gross	Reinsurance share	Net
Motor Own Damage	145,845,053	(11,197)	145,833,856	24,613,450	(518)	24,612,932
Motor Crafts Liability	2,425,986	(467)	2,425,518	282,985	-	282,985
Fire and Natural Disaster	2,855,634	(913,833)	1,941,802	497,505	(60,457)	437,048
Transportation	1,593,204	(574,269)	1,018,934	1,060,031	(315,160)	744,871
General Liability	27,130	(11,323)	15,806	-	-	-
General Losses	282,667	(201,109)	81,558	6,340	(3,621)	2,719
Water Crafts	3,775	(2,265)	1,510	42,297	(29,608)	12,689
Accident	-	-	-	17,343	-	17,343
Voluntary Financial Liability	93,160	-	93,160	11,900	-	11,900
Fidelity Guarantee	2,524	(1,262)	1,262	-	-	-
	153,129,132	(1,715,725)	151,413,407	26,531,851	(409,365)	26,122,486

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 December 31, 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 22,779,936 (December 31, 2016: TL 21,758,316), 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 7,785,096 (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 72,231,867 (December 31, 2016: TL 57,358,424) and it has been accounted in “Provision for doubtful receivables from main operations” account (Note 12).

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 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)****g. Earnings per Share**

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

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

h. Subsequent Events

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

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

i. Provisions, Contingent Liabilities and Assets

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

The amount 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

Within the framework of "the Amendment to the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2017/7 and dated September 15, 2017 published by Treasury, the Company has discounted its net cash flows related to outstanding claim reserve generated from General Liability and Motor Liability branches according to the framework of "the Circular on Discount of Net Cash Flows Related to Outstanding Claim Reserve" numbered 2016/22 and dated June 10, 2016. As stated in the Circular No. 2016/22, the Company has considered the discounting of the provision for outstanding claims as a change in accounting policy.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 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 effects of amendments to the accounting policies of discounted outstanding claim on the financial statements prepared as of 31 December 2016 and 2015 are shown in the following tables.

	December 31, 2015		
	Previous Reporting	Revision Effect	Revised
Outstanding Claim Provision - Net	(526,216,475)	100,055,275	(426,161,200)
Unexpired Risk Reserve - Net	(16,354,138)	2,524,903	(13,829,235)
Deferred Tax	39,211,885	(20,516,035)	18,695,850
Retained Earnings	13,151	82,064,142	82,077,293
Total Equity	348,639,709	82,064,142	430,703,851

	December 31, 2016		
	Previous Reporting	Revision Effect	Revised
Outstanding Claim Provision - Net	(590,652,518)	113,814,285	(476,838,233)
Unexpired Risk Reserve - Net	25,632,235	(22,762,857)	2,869,378
Deferred Tax	48,167,276	8,987,286	57,154,562
Retained Earnings	13,151	82,064,142	82,077,293
Total Equity	402,843,591	91,051,428	493,895,019

	December 31, 2016		
	Previous Reporting	Revision Effect	Revised
Changes in Outstanding Claim Provisions (Net of Reinsurer share and reserves carried forward) (+/-)	(67,730,210)	13,759,010	(53,971,200)
Changes in Unexpired Risk Provisions (Net of Reinsurer share and reserves carried forward) (+/-)	16,354,138	2,524,903	13,829,235
Deferred Tax Account	(12,070,498)	(2,246,821)	(14,317,319)
Net Profit	48,167,276	8,987,286	57,154,562

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.

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 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 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 prestated in Corporate Tax Law or the amount is kept in equity for 5 years.

According to Turkish tax legislation, financial losses on the returns can be offset against period income for up to 5 years. However, financial losses can not be offset against previous years' profits. There is no such application for the reconciliation of payable taxes with the tax authority. Corporate tax returns are submitted to the related tax office by the 25th day of the 4th month following the month when the accounting period ends. In tax reviews authorized bodies can review the accounting records for the past five years and if errors are detected, tax amounts may change due to tax assessment.

In accordance with Tax Law No.5024 "Law Related to Changes in Tax Procedural Law, Income Tax Law and Corporate Tax Law" published in the Official Gazette on 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.

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Law on the Amendment of Some Tax Acts and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 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)**

As of December 31, 2017, the Company has booked the deferred tax assets in amounting to TL 9.702.374 (December 31, 2016: TL 2.869.378). 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.

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**a) Standards, amendments and interpretations applicable as at 31 December 2017:**

- **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 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. It also clarify certain other aspects of accounting for deferred tax assets.

AKSİGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017

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

2 Summary of the Accounting Policies (Continued)

a) Standards, amendments and interpretations applicable as at 31 December 2017 (Continued):

- **Annual improvements 2014-2016**, effective from annual periods beginning on or after 1 January 2017:

- 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. This amendment clarifies that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information.

b) Standards, amendments and interpretations effective after 1 January 2018:

- **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 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance from annual periods beginning on or after 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.

- **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.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

2 Summary of the Accounting Policies (Continued)**c) Standards, amendments and interpretations effective after 1 January 2018 (Continued):**

- **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.
- **Annual improvements 2014-2016;** effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:
 - 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,
 - IAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.
- **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.
- **Amendment to IFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2019. This amendment confirms that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.
- **Amendment to IAS 28, 'Investments in associates and joint venture';** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.
- **IFRS 16, 'Leases';** effective from annual periods beginning on or after 1 January 2019, 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.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

2 Summary of the Accounting Policies (Continued)**c) Standards, amendments and interpretations effective after 1 January 2018 (Continued):**

- **IFRIC 23, 'Uncertainty over income tax treatments'**; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

Company will evaluate the influences of changes above to their operations and implement these changes as of expiry date. Research about the effects of implementation of standards and comments above to the Company's financial statements for the upcoming period is still proceeding.

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, 2017 (December 31, 2016: 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 December 31, 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.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

2 Summary of the Accounting Policies (Continued)**2.5 Foreign Currency Translation (Continued)**

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.

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:

	Useful Life
Properties	40 - 50 years
Furniture and fixtures	10 years
Leasehold Improvements	5 - 10 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.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

2 Summary of the Accounting Policies (Continued)**2.7 Investment Properties (Continued)**

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.

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 (December 31, 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 December 31, 2017, the Company has no financial assets at fair value through profit and loss (December 31, 2016: None).

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

2 Summary of the Accounting Policies (Continued)**2.9 Financial Assets (Continued)***Effective interest method*

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

Available-for-sale financial assets

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

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.

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

(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 December 31, 2017, the Company has no derivative financial instruments. (December 31, 2016: None).

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 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:

	December 31, 2017		December 31, 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.

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

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

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

(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 - December 31, 2017 accounting period as TL 49.964.536 (January 1 - December 31, 2016: TL 19.398.403) and unearned premium reserve amounting to TL 24.819.657, (January 1 - December 30, 2016: TL 7.802.076) for the period ended as of January 1 - December 31, 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.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

2. Summary of the Accounting Policies (Continued)**2.15 Insurance and Investment Contracts (Continued)***Premium ceded to Turkish Motor Insurers' Bureau*

The Pool of Higher Risk Policies ("The Pool") was established by Undersecretariat of Treasury in accordance with "the Regulation Regarding Change in the Regulation on Tariff Application Principals of Motor Liability Insurance" issued on the Official Gazette dated July 11, 2017 and numbered 30121 for the vehicle groups and/or steps what have high damage frequency valid for written motor liability policies after April 12, 2017. In accordance with the Higher Risk Policies Operating Principals that is effectuated with aforementioned regulation, Turkey Motor Insurance Bureau ("TMIB") makes two-step calculations premiums and claims of motor liability policies which are subject to the Pool. Hereunder, 50% of premiums and claims is apportioned between insurance companies equally and the other 50% is apportioned according to insurance companies' share of motor liability premiums in last 3 years.

In accordance with the Higher Risk Policies Operating Principals issued by TMIB on August 15, 2017; 76% of total premiums net of deductions to be received from the insured, on policies issued after July 11, 2017 which are subject to the Pool, will be ceded to the Pool.

The Company has recorded the amounts of premiums, claims and commissions paid to the Pool under the regulation and taken over from the Pool within the scope of the Company's share, taking into account the monthly receipts finalized by the TMTB as of 31 December 2017. As at 31 December 2017, the Company accounted TL 77.632.200 premium ceded to the Pool and TL 3.915.269 paid claim; TL 34.697.411 premium which is reported as Company share from the pool, TL 3.545.082 claims paid, TL 6.585 recourse and TL 31.124 salvage are accounted in accordance with the related legislation.

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).

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

2. Summary of the Accounting Policies (Continued)**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 if it is virtually certain that reimbursement will be received and the reimbursement can be reliably estimated.

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

2.21 Accounting for revenues***Written Premium and Commission***

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

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

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.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

2. Summary of the Accounting Policies (Continued)**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 December 31, 2017, the Company has paid in advance in amounting to TL 9.496.411 of which TL 6.703.349 is short-term and TL 2.793.061 is long-term. As at December 31, 2017, amount of TL 54.022.476 (USD 14.322.351), the maturity of outstanding operational lease liability is between December 1, 2017 - May 5, 2024 (December 31, 2016: TL 57,567,247).

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.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

2. Summary of the Accounting Policies (Continued)**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 December 31, 2017 the Company has booked the hedging transaction under "Special funds" account item under equity (Note 34.5).

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 December 31, 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.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

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

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

	December 31, 2017		December 31, 2016	
	USD / TL	EUR / TL	USD / TL	EUR / TL
Buying rate	3.7719	4.5155	3.5192	3.7099
Selling rate	3.7843	4.5305	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.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

(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

2017		2016	
Reinsurance Company	Standard & Poors Rating	Reinsurance Company	Standard & Poors Rating
Allianz Risk Transfer	AA-	Allianz Risk Transfer	AA-
Amlin Re	A	Amlin Re	A
Arab Re	-	Arab Re	-
ARIG	-	ARIG	-
Asia Capital	A-	Asia Capital	A-
XLCatlin Re	A+	XLCatlin Re	A+
China Re	A	China Re	A+
Covea	A+	Covea	A+
Everest Re	A+	Everest Re	A+
GIC	-	GIC	-
Hannover Re	AA-	Hannover Re	AA-
QBE	A+	QBE	A+
Korean Re	A	Korean Re	A
Malaysian Re	-	Malaysian Re	-
Mapfre Re	A	Mapfre Re	A
Milli Re	tr AA-	Milli Re	tr AA
Odyssey Re	A-	Odyssey Re	A-
Scor	AA-	Scor	AA-
Sompo Japan	A+	Sompo Japan	A+
Toa Re	A+	Toa Re	A+
Trust Re	A-	Trust Re	A-
VIG	A+	VIG	A+
Coface	Fitch: AA-	Coface	AA-

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 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 (*)	December 31, 2017			December 31, 2016		
	Gross Total Claims Liability	Reinsurance		Gross Total Claims Liability	Reinsurance	
		Share of Total Claims Liability	Net Total Claims Liability		Share of Total Claims Liability	Net Total Claims Liability
Fire and Natural Disaster	447,245,055	(422,119,739)	25,125,316	97,879,453	(66,177,537)	31,701,916
Motor Crafts Liability	379,599,718	(2,990,355)	376,609,363	313,191,788	(285,224)	312,906,564
General Liability	181,910,171	(119,910,498)	61,999,673	115,792,218	(67,069,714)	48,722,504
General Losses	173,000,569	(164,472,937)	8,527,632	79,690,231	(72,850,029)	6,840,202
Motor Own Damage	90,144,601	(180)	90,144,421	58,738,628	(150)	58,738,478
Fidelity Guarantee	74,152,709	(72,523,921)	1,628,788	184,142,066	(182,782,285)	1,359,781
Transportation	22,103,955	(16,639,724)	5,464,231	16,412,609	(10,892,286)	5,520,323
Air Crafts	10,351,099	(10,346,571)	4,528	426,142	(426,142)	
Health	9,798,669	(6,830,502)	2,968,167	6,901,914	(3,176,058)	3,725,856
Financial Losses	8,404,120	(4,313,119)	4,091,001	7,746,411	(4,164,000)	3,582,411
Water Crafts	4,296,013	(3,132,264)	1,163,749	3,782,708	(3,069,835)	712,873
Accident	3,429,520	- 1,564,577	1,864,943	3,875,735	(1,425,675)	2,450,060
Credit	675,253	(660,356)	14,897	1,040,157	(988,198)	51,959
Life	198,138		198,138	415,974		415,974
Legal Protection	184,144	-	184,144	109,264	-	109,264
Air Crafts Liability	106,835	- 106,796	39	1,787,785	- 1,787,716	69
Total	1,405,600,569	(825,611,539)	579,989,030	891,933,082	(415,094,849)	476,838,233

(*) 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)

	December 31, 2017				December 31, 2016			
	Effect on Current Period (Net)	Reinsurance Share of Total Claims			Gross Total Claims Liability	Reinsurance Share of Total Claims		
		Gross Total Claims Liability	of Total Claims Liability	Net Total Claims Liability		Gross Total Claims Liability	of Total Claims Liability	Net Total Claims Liability
Unpaid Claims	(61,610,030)	1,070,409,825	(761,572,738)	308,837,087	609,929,963	(362,702,906)	247,227,057	
Claim Provisions (*)	(41,758,600)	334,992,604	(64,038,803)	270,953,801	281,587,144	(52,391,943)	229,195,201	
Non-life Total	(103,368,630)	1,405,402,429	(825,611,541)	579,790,888	891,517,107	(415,094,849)	476,422,258	
Life	217,835	198,140	-	198,140	415,975	-	415,975	
Grand Total	(103,150,795)	1,405,600,569	(825,611,541)	579,989,028	891,933,082	(415,094,849)	476,838,233	

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

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

4. Insurance and Financial Risk Management (Continued)**4.1.2.3 Comparison of incurred claims with past estimations (claims development process)***Outstanding Claim Reserve:*

	31 December 2017			31 December 2016		
	Reinsurance			Reinsurance		
	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
Beginning of the period - January 1	753,155,571	(392,099,143)	361,056,428	495,935,877	(176,315,716)	319,620,161
Opened in the period	1,570,060,992	(751,454,995)	818,605,997	1,118,601,864	(418,975,027)	699,626,837
Paid from current period (-)	(853,848,258)	262,781,033	(591,067,225)	(689,105,736)	162,536,411	(526,569,325)
Paid from previous periods (-)	(213,462,064)	65,695,258	(147,766,806)	(172,276,434)	40,634,103	(131,642,331)
Period end reported claims	1,255,906,241	(815,077,847)	440,828,394	753,155,571	(392,120,229)	361,035,342
Life	198,140	-	198,140	415,975	-	415,975
Reported claims discount effect	(185,026,795)	53,035,488	(131,991,307)	(143,225,608)	29,411,323	(113,814,285)
IBNR	334,992,604	(64,038,803)	270,953,801	281,587,144	(52,391,943)	229,195,201
	1,406,070,190	(826,081,162)	579,989,028	891,933,082	(415,100,849)	476,832,233

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 December 31, 2017:

December 31, 2017								
Accident period	1/1/2011 12/31/2011	1/1/2012 12/31/2012	1/1/2013 12/31/2013	1/1/2014 12/31/2014	1/1/2015 12/31/2015	1/1/2016 12/31/2016	1/1/2017 12/31/2017	Gross Claim
Claim realized in the accident period	642,284,589	805,349,551	673,019,738	838,172,102	841,913,192	930,621,837	1,366,238,878	6,097,599,887
1 year later	161,696,125	202,475,497	160,181,399	239,937,131	216,699,946	420,934,178	-	1,401,924,275
2 years later	88,508,996	63,973,821	84,819,582	144,014,862	126,303,760	-	-	507,621,020
3 years later	49,873,092	54,371,949	67,301,174	120,606,234	-	-	-	292,152,448
4 years later	52,872,654	51,998,685	65,886,722	-	-	-	-	170,758,061
5 years later	29,563,327	47,498,241	-	-	-	-	-	77,061,568
6 years later	26,569,822	-	-	-	-	-	-	26,569,822
Total Gross Claims								8,573,687,082

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

December 31, 2016								
Accident period	1/1/2010 12/31/2010	1/1/2011 12/31/2011	1/1/2012 12/31/2012	1/1/2013 12/31/2013	1/1/2014 12/31/2014	1/1/2015 12/31/2015	1/1/2016 12/31/2016	Gross Claim
Claim realized in the accident period	555,694,384	634,051,538	693,452,027	624,090,406	760,056,595	771,642,343	847,986,517	4,886,973,810
1 year later	103,944,373	112,189,455	131,738,805	127,264,137	199,718,204	158,715,410	-	833,570,384
2 years later	25,098,825	27,281,155	51,536,314	59,767,897	117,345,789	-	-	281,029,980
3 years later	17,795,019	26,033,526	49,196,174	50,115,945	-	-	-	143,140,664
4 years later	20,054,559	27,002,496	45,649,066	-	-	-	-	92,706,121
5 years later	23,496,088	26,651,745	-	-	-	-	-	50,147,833
6 years later	21,942,048	-	-	-	-	-	-	21,942,048
Total Gross Claims								6,309,510,840

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

4. Insurance and Financial Risk Management (Continued)**4.2 Financial Risk****4.2.1 Capital risk management and capital requirement**

The Company's main purpose in capital management is to maintain its 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 December 31, 2017 as of publication date of financial statements. The minimum required capital of the company as of 31 December, 2016, calculated within the framework of the regulation on capital adequacy measurement is TL 501.881.859. 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 197.923.266 from the minimum capital required as of 31 December 2016. The Company management believes that, as of December 31, 2017, the necessary capital adequacy has been provided for the interim period 1 January – 31 December 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 December 31, 2017 and December 31, 2016 are presented in details in Note 12.4.

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

4. Insurance and Financial Risk Management (Continued)**4.2.2 Financial risk factors (Continued)***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.

	December 31, 2017		December 31, 2016	
	USD Effect	EUR Effect	USD Effect	EUR Effect
Profit / Loss Increase	4,298,257	2,393,348	5,809,105	539,385
Profit / Loss (Decrease)	(4,298,257)	(2,393,348)	(5,809,105)	(539,385)

Interest rate risk

	December 31, 2017	December 31, 2016
Total	Effect on profit and profit reserves	
Market interest rate increase / (decrease)	TL	
+%1	(2,227,928)	(4,344,704)
-%1	2,797,224	5,529,428
Financial assets available for sale	Effect on profit and profit reserves	
Market interest rate increase / (decrease)	TL	
+%1	(2,208,261)	(4,306,165)
-%1	2,776,393	5,477,462
+%1 Financial Assets with Risks on Policy Holders	(19,667)	(38,539)
-%1 Financial Assets with Risks on Policy Holders	20,831	51,966

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.

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 December 31, 2017.

	December 31, 2017	December 31, 2016
Total	Effect on Financial assets available for sale	
Price increase / (decrease)	TL	
+%10	51,699,283	86,390,840
-%10	(51,699,283)	(86,390,840)

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

4. Insurance and Financial Risk Management (Continued)**4.2.2 Financial risk factors (Continued)***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 December 31, 2017, the Company has presented its receivables from insurance operations and guarantees received and provision for doubtful receivables in Note 12.1.

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

December 31, 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	480,433,483	856,650,464	-	-	-	14,962,540	1,352,046,487
Financial Assets Available for Sale	5,441,840	5,261,658	72,340,849	175,656,024	24,969,289	233,323,169	516,992,828
Investments with Risks on Policy Holders	-	-	-	2,514,414	-	-	2,514,414
Receivables From Main Operations	100,695,396	159,738,668	248,514,321	17,668,434	-	-	526,616,819
Due from Related Parties	-	-	124,226	-	-	-	124,226
Other Receivables	-	-	16,815,829	-	-	-	16,815,829
Prepaid Expenses and Income Accruals	27,770,878	47,256,775	132,983,832	-	-	-	208,011,485
Other Current Assets	100,926	-	4,056,588	-	-	-	4,157,514
Tangible Fixed Assets	-	-	-	-	-	26,277,477	26,277,477
Intangible Fixed Assets	-	-	-	-	-	46,544,719	46,544,719
Prepaid Expenses and Income Accruals (Long Terms)	-	-	-	2,963,592	-	-	2,963,592
Other Non-current Assets	-	-	-	-	-	9,702,374	9,702,374
Total Assets	614,442,523	1,068,907,565	474,835,645	198,802,464	24,969,289	330,810,279	2,712,767,764
Payables From Main Operations	165,433,869	26,598,932	117,691,961	(1,480,480)	-	-	308,244,281
Due to Related Parties	182,978	-	1,143	-	-	-	184,121
Other Payables	-	76,722,322	-	-	-	-	76,722,322
Insurance Technical Reserves	290,312,759	318,586,178	708,891,278	120,039,566	26,573,463	-	1,464,403,244
Taxes and Other Liabilities and Provisions	-	40,735,458	-	-	-	-	40,735,458
Cost Expense Provisions	-	-	36,798,073	-	-	-	36,798,073
Prepaid Income and Expense Accruals	6,424,855	12,507,423	59,298,985	-	-	-	78,231,263
Long Term Insurance Technical Reserves	-	-	-	1,609,127	70,564,376	-	72,173,503
Provisions for Other Risks	-	-	-	-	-	6,172,934	6,172,934
Shareholders' Equity	-	-	-	-	-	629,102,565	629,102,565
Total Liabilities and Shareholders' Equity	462,354,461	475,150,313	922,681,440	120,168,213	97,137,839	635,275,499	2,712,767,764
Liquidity Surplus / (Deficit)	152,088,062	593,757,252	(447,845,795)	78,634,252	(72,168,550)	(304,465,220)	-

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

4. Insurance and Financial Risk Management (Continued)*Liquidity risk table (Continued)*

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	-	-	-	-	-	-	-
Investments with Risks on Policy Holders	-	-	-	2,530,185	-	-	2,530,185
Receivables From Main Operations	115,408,195	148,066,729	177,856,607	-	-	-	441,331,531
Due from Related Parties	-	-	102,137	-	-	-	102,137
Other Receivables	-	8,229,918	-	-	-	-	8,229,918
Prepaid Expenses and Income 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	-	-	-	-	-	-	-
Tangible Fixed Assets	-	-	-	-	-	28,081,958	28,081,958
Intangible Fixed Assets	-	-	-	-	-	41,176,250	41,176,250
Prepaid Expenses and Income Accruals (Long Terms)	-	-	-	207,203	-	-	207,203
Other Non-current Assets	-	-	-	-	-	2,869,378	2,869,378
Total Assets	656,725,297	524,679,024	330,944,705	145,479,114	74,677,041	300,757,964	2,033,263,145
Payables From Main Operations	-	30,031,438	-	-	-	-	30,031,438
Due to Related Parties	-	-	202,020,282	-	-	-	202,020,282
Other Payables	117,318	-	1,143	-	-	-	118,461
Insurance Technical Reserves	-	44,424,077	-	-	-	-	44,424,077
Taxes and Other Liabilities and Provisions	333,205,204	288,015,540	391,229,697	52,974,372	21,085,256	-	1,086,510,069
Cost Expense Provisions	-	17,877,553	-	-	-	-	17,877,553
Prepaid Income and Expense Accruals	-	-	36,839,062	-	-	-	36,839,062
Long Term Insurance Technical 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	-	-	-	-	-	493,895,019	493,895,019
Total Liabilities and Shareholders' Equity	340,898,833	393,247,673	663,594,121	54,500,960	80,791,172	500,230,386	2,033,263,145
Liquidity Surplus / (Deficit)	315,826,464	131,431,351	(332,649,416)	90,978,154	(6,114,131)	(199,472,422)	-

Categories of Financial Assets:

Current Financial Assets	December 31, 2017		December 31, 2016	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets Available for Sale	516,992,828	516,992,828	863,908,401	863,908,401
Financial Investments with Risks on Policy Holders	2,514,414	2,514,414	2,530,185	2,530,185
Impairment Provision for Affiliates	-	-	-	-
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	519,507,242	519,507,242	866,438,586	866,438,586

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

4. Insurance and Financial Risk Management (Continued)**4.2.2 Financial risk factors (Continued)***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 December 31, 2017, the Company has presented its receivables from insurance operations and guarantees received and provision for doubtful receivables in Note 12.1.

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

December 31, 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	480,433,483	856,650,464	-	-	-	14,962,540	1,352,046,487
Financial Assets Available for Sale	5,441,840	5,261,658	72,340,849	175,656,024	24,969,289	233,323,169	516,992,828
Investments with Risks on Policy Holders	-	-	-	2,514,414	-	-	2,514,414
Receivables From Main Operations	100,695,396	159,738,668	248,514,321	17,668,434	-	-	526,616,819
Due from Related Parties	-	-	124,226	-	-	-	124,226
Other Receivables	-	-	16,815,829	-	-	-	16,815,829
Prepaid Expenses and Income Accruals	27,770,878	47,256,775	132,983,832	-	-	-	208,011,485
Other Current Assets	100,926	-	4,056,588	-	-	-	4,157,514
Tangible Fixed Assets	-	-	-	-	-	26,277,477	26,277,477
Intangible Fixed Assets	-	-	-	-	-	46,544,719	46,544,719
Prepaid Expenses and Income Accruals (Long Terms)	-	-	-	2,963,592	-	-	2,963,592
Other Non-current Assets	-	-	-	-	-	9,702,374	9,702,374
Total Assets	614,442,523	1,068,907,565	474,835,645	198,802,464	24,969,289	330,810,279	2,712,767,764
Payables From Main Operations	165,433,869	26,598,932	117,691,961	(1,480,480)	-	-	308,244,281
Due to Related Parties	182,978	-	1,143	-	-	-	184,121
Other Payables	-	76,722,322	-	-	-	-	76,722,322
Insurance Technical Reserves	290,312,759	318,586,178	708,891,278	120,039,566	26,573,463	-	1,464,403,244
Taxes and Other Liabilities and Provisions	-	40,735,458	-	-	-	-	40,735,458
Cost Expense Provisions	-	-	36,798,073	-	-	-	36,798,073
Prepaid Income and Expense Accruals	6,424,855	12,507,423	59,298,985	-	-	-	78,231,263
Long Term Insurance Technical Reserves	-	-	-	1,609,127	70,564,376	-	72,173,503
Provisions for Other Risks	-	-	-	-	-	6,172,934	6,172,934
Shareholders' Equity	-	-	-	-	-	629,102,565	629,102,565
Total Liabilities and Shareholders' Equity	462,354,461	475,150,313	922,681,440	120,168,213	97,137,839	635,275,499	2,712,767,764
Liquidity Surplus / (Deficit)	152,088,062	593,757,252	(447,845,795)	78,634,252	(72,168,550)	(304,465,220)	-

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

4. Insurance and Financial Risk Management (Continued)**4.2.2 Financial risk factors (Continued)****Financial assets:**

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

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

Financial liabilities:

It is anticipated that fair value of monetary liabilities will 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 “TFRS 8 - Operating Segments” is disclosed in this part.

Numerical limits in “TFRS 8 - Operating Segments” is also considered as well as management reporting in the determination of operating segments. Premium production and net technical income of different operating segments are grouped separately.

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.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 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 December 31, 2017:

	Fire	Transportation	Motor Own Damage	Motor Crafts Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life Undistributed	Total
TECHNICAL INCOME	164,571,214	23,277,298	637,931,456	365,916,998	169,606,215	24,110,043	36,117	87,000,039	146,972	1,472,596,352
1- Earned Premiums (Net of Reinsurer Share)	141,130,850	20,065,657	601,471,718	291,772,964	135,861,217	20,841,233	32,219	71,370,454	6,000	1,282,552,312
1.1 - Premiums (Net of Reinsurer Share)	150,707,332	20,987,726	639,853,415	487,011,116	145,325,624	26,549,017	30,831	86,820,022	6,000	1,557,291,083
1.2- Change in Unearned Premiums Reserve (Net of Reinsurers Shares and Reserves Carried Forward) (+/-)	(9,576,482)	(906,800)	(38,381,697)	(195,238,152)	(9,003,555)	(5,707,784)	1,388	(15,449,568)	-	(274,262,650)
1.3- Changes in Unexpected Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward)(+/-)	-	(15,269)	-	-	(460,852)	-	-	-	-	(476,121)
2- Investment Income transferred from Non-Technical Part	18,411,940	3,028,413	31,575,524	69,651,637	33,455,706	3,193,662	3,898	15,226,500	140,972	174,688,252
3- Other Technical Income (Net of Reinsurance Share)	-	-	3,386,688	-	-	-	-	435,000	-	3,821,688
4- Accrued Subrogation and Salvage Income (+)	5,028,424	183,228	1,497,526	4,492,397	289,292	75,148	-	(31,915)	-	11,534,100
TECHNICAL EXPENSES	(136,160,338)	(9,985,003)	(680,843,814)	(275,723,481)	(88,640,242)	(13,349,393)	172,120	(63,634,681)	(334,325)	(1,258,499,157)
1- Total Claims (Net of Reinsurer Share)	(63,301,845)	(4,988,655)	(500,329,995)	(223,947,163)	(35,448,112)	(10,694,983)	144,047	(3,635,957)	(251,786)	(842,454,447)
1.1- Claims Paid (Net of Reinsurer Share)	(69,870,299)	(4,593,868)	(468,924,052)	(160,244,363)	(21,591,356)	(9,285,428)	(131,018)	(4,393,647)	(469,621)	(739,303,652)
1.2- Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	6,568,454	(394,785)	(31,405,943)	(63,702,800)	(14,056,756)	(1,409,555)	275,065	757,690	217,835	(103,150,795)
2- Changes in Bonus and Discount Reserve (Net of Reinsurer Share and Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward)(+/-) and Other Technical Expenses	(9,360,332)	(249)	(1,147,312)	-	(2,120)	(139,404)	-	-	-	(10,858,460)
4- Operating Expenses	(55,684,107)	(4,880,372)	(141,672,650)	(49,869,708)	(51,261,197)	(2,285,122)	60,804	(48,961,864)	-	(354,554,216)
4.1- Production Commissions (-)	(78,814,503)	(7,311,780)	(99,382,347)	(37,204,303)	(62,995,294)	(13,297,385)	(6,655,130)	(57,036,340)	-	(362,697,082)
4.2- Reinsurance Commissions (+)	53,499,616	4,594,277	140	2,767,299	25,200,087	15,350,723	7,352,072	26,751,483	-	135,515,697
4.3- General Administrative Expenses	(30,369,220)	(2,162,869)	(42,290,443)	(15,432,704)	(13,465,990)	(4,338,460)	(636,138)	(18,677,007)	-	(127,372,831)
4.4- Other Operating Expenses	-	-	-	-	-	-	-	-	-	-
5- Changes in Mathematical Reserves (+/-)	(7,814,054)	(114,237)	(37,693,857)	(1,906,610)	(1,717,650)	(229,886)	(32,731)	(1,036,860)	(82,539)	(50,545,885)
6- Other Technical Expenses (Net of Reinsurer Share) (-)	28,410,876	13,292,295	(42,912,358)	90,193,517	80,965,973	10,760,650	208,237	33,365,358	(187,353)	214,097,195
Financial income	-	-	-	-	-	-	-	-	282,454,993	282,454,993
Depreciation expense	-	-	-	-	-	-	-	-	(17,960,439)	(17,960,439)
Provisions account	-	-	-	-	-	-	-	-	(32,383,804)	(32,383,804)
Tax expenses	-	-	-	-	-	-	-	-	(40,115,659)	(40,115,659)
Financial expenses	-	-	-	-	-	-	-	-	(282,569,267)	(282,569,267)
Other	-	-	-	-	-	-	-	-	3,463,664	3,463,664
Net Profit/(Loss)	28,410,876	13,292,295	(42,912,358)	90,193,517	80,965,973	10,760,650	208,237	33,365,358	(187,353)	126,986,685

* The commission income and expenditures, which are followed in the non-technical part of the agricultural insurances, are shown in the footnote 5, Technical expense section.

AKSIGORTA A.Ş.

CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 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 December 31, 2016:

	Fire and Natural Disaster	Transportation	Motor Own Damage	Land Vehicles Liability (Compulsory Traffic)	Other Accident	Engineering	Agriculture	Health	Life Undistributed	Total
TECHNICAL INCOME										
1- Earned Premiums (Net of Reinsurer Share)	161,889,848	21,330,045	573,751,472	183,868,396	138,701,527	21,569,398	6,830,757	105,699,763	157,640	1,213,798,846
1.1 - Premiums (Net of Reinsurer Share)	135,908,990	18,056,549	521,956,020	161,729,558	117,985,472	18,984,264	6,825,540	94,696,911	7,621	1,076,150,925
1.1 - Premiums (Net of Reinsurer Share)	134,778,189	18,117,804	589,981,760	226,054,299	122,932,942	19,684,212	332,658	54,704,906	7,480	1,166,594,250
1.2 - Change in Unearned Premiums Reserve (Net of Reinsurer Shares and Reserves Carried Forward) (+/-)	1,130,801	(61,255)	(68,025,740)	(76,638,313)	(6,643,133)	(699,948)	6,492,882	39,992,005	141	(104,272,560)
1.3 - Changes in Unexpired Risks Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	-	-	-	12,313,572	1,515,663	-	-	-	-	13,829,235
2- Investment Income transferred from Non-Technical Part	16,726,358	2,031,422	43,149,003	19,556,636	20,566,993	2,401,693	5,217	9,929,451	150,019	114,516,792
3- Other Technical Income (Net of Reinsurer Share)	-	-	2,303,642	(52)	(273)	-	-	1,073,401	-	3,376,718
4- Accrued Subrogation and Salvage Income (+)	9,254,500	1,242,074	6,342,807	2,582,254	149,335	183,441	-	-	-	19,754,411
	(130,122,697)	(13,371,629)	(543,206,348)	(201,400,178)	(74,157,160)	(13,857,532)	(6,538,791)	(99,597,196)	2,521,778	(1,079,729,753)
1- Total Claims (Net of Reinsurer Share)	(64,237,597)	(8,435,672)	(384,131,927)	(168,243,580)	(32,032,812)	(7,852,630)	(4,462,472)	(42,786,164)	2,201,956	(709,980,898)
1.1 - Claims Paid (Net of Reinsurer Share)	(55,464,171)	(7,324,175)	(360,716,523)	(141,572,953)	(16,456,525)	(6,923,207)	(5,549,376)	(64,204,724)	(1,077,126)	(659,288,780)
1.2 - Changes in Outstanding Claims Reserve (Net of Reinsurer Share and Reserves Carried Forward) (+/-)	(8,773,426)	(1,111,497)	(23,415,404)	(26,670,627)	(15,576,287)	(929,423)	1,086,904	21,418,560	3,279,082	(50,692,118)
2- Changes in Bonus and Discount Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-) and Other Technical Expenses	-	-	-	-	(3,457)	-	-	1,200,000	-	1,196,543
3- Changes in Other Technical Reserves (Net of Reinsurer Share and Reserves Carried Forward) (+/-) and Other Technical Expenses	(9,995,895)	(2,004)	(856,945)	-	(118,060)	(121,299)	-	-	-	(11,094,203)
4- Operating Expenses	(49,480,014)	(4,806,206)	(124,708,040)	(32,157,683)	(40,406,034)	(5,619,784)	(2,028,745)	(47,845,818)	(63,874)	(307,116,198)
4.1 - Production Commissions (-)	(66,712,244)	(5,498,788)	(90,841,049)	(19,724,526)	(50,673,005)	(13,066,642)	(6,666,534)	(42,403,923)	-	(295,586,711)
4.2 - Reinsurance Commissions (+)	43,469,047	2,608,754	500	4,954	21,775,341	11,608,014	5,363,440	17,087,299	-	101,917,349
4.3 - General Administrative Expenses	(26,236,817)	(1,916,172)	(33,867,491)	(12,438,111)	(11,508,370)	(4,161,156)	(725,651)	(22,529,194)	(63,874)	(113,446,836)
4.4 - Other Operating Expenses	-	-	-	-	-	-	-	-	-	-
5- Changes in Mathematical Reserves (+/-)	(6,409,191)	(127,747)	(33,509,456)	(998,915)	(1,596,797)	(263,819)	-	-	383,696	(38,928,848)
6- Other Technical Expenses (Net of Reinsurer Share) (-)	31,767,151	7,958,416	30,545,124	(17,531,782)	64,544,367	7,711,866	291,966	6,102,567	2,679,418	57,154,562
Investment income	-	-	-	-	-	-	-	-	185,070,492	185,070,492
Depreciation expense	-	-	-	-	-	-	-	-	(13,690,085)	(13,690,085)
Provisions account	-	-	-	-	-	-	-	-	(28,295,599)	(28,295,599)
Tax expense	-	-	-	-	-	-	-	-	-	-
Financial expenses	-	-	-	-	-	-	-	-	(185,070,491)	(185,070,491)
Other	-	-	-	-	-	-	-	-	(34,928,848)	(34,928,848)
Net Profit/(Loss)	31,767,151	7,958,416	30,545,124	(17,531,782)	64,544,367	7,711,866	291,966	6,102,567	2,679,418	(76,914,531)

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

6. Tangible Assets**December 31, 2017**

<u>Cost Value</u>	Owner Occupied Properties	Vehicles	Furnitures and	Other Tangible	Advances for Tangible Assets	Total
			Leased Tangible Assets	Assets (Including Leasehold Improvements)		
1 January	1,598,569	-	22,168,371	20,331,354	-	44,098,294
Additions	-	-	2,080,127	1,409,502	-	3,489,629
Disposals	-	-	(291,231)	(328,604)	-	(619,835)
December 31	1,598,569	-	23,957,267	21,412,252	-	46,968,088
<u>Accumulated Depreciation</u>						
1 January	(505,122)	-	(10,064,184)	(5,527,156)	-	(16,096,462)
Charge for the Period	(32,067)	-	(2,843,781)	(2,214,376)	-	(5,090,224)
Disposals	-	-	255,019	160,930	-	415,949
September 30	(537,189)	-	(12,652,946)	(7,580,602)	-	(20,770,737)
Net Book Value as of December 31	1,061,380	-	11,304,321	13,831,650	-	26,197,351

December 31, 2016

<u>Cost Value</u>	Owner Occupied Properties	Vehicles	Furnitures and	Other Tangible	Advances for Tangible Assets	Total
			Leased Tangible Assets	Assets (Including Leasehold Improvements)		
January 1	1,598,569	-	16,861,760	20,034,606	7,376	38,502,311
Additions	-	-	5,391,601	312,667	-	5,704,267
Transfers	-	-	(84,990)	(15,919)	(7,376)	(108,285)
December 31	1,598,569	-	22,168,371	20,331,354	-	44,098,294
<u>Accumulated Depreciation</u>						
January 1	(473,056)	-	(8,077,954)	(3,411,984)	-	(11,962,994)
Charge for the Period	(32,066)	-	(2,056,911)	(2,131,092)	-	(4,220,069)
Disposals	-	-	70,681	15,920	-	86,601
September 30	(505,122)	-	(10,064,184)	(5,527,156)	-	(16,096,462)
Net Book Value as of December 31	1,093,447	-	12,104,187	14,804,198	-	28,001,832

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

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

7. Investment Properties**December 31, 2017**

<u>Cost Value</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
1 January	80,126	0	80,126
Disposals	-	-	-
Transfers	-	-	-
December 31	80,126	-	80,126

Accumulated Depreciation

1 January	-	-	-
Charge for the Period	-	-	-
Disposals	-	-	-
December 31	-	-	-
Net Book Value as of December 31	80,126	-	80,126

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

December 31, 2016

<u>Cost Value</u>	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
January 1	80,126	-	80,126
Additions	-	-	-
Disposals	-	-	-
December 31	80,126	-	80,126

Accumulated Depreciation

January 1	-	-	-
Charge for the Period	-	-	-
Disposals	-	-	-
December 31	-	-	-
Net Book Value as of December 31	80,126	-	80,126

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

8. Intangible Assets**December 31, 2017**

<u>Cost Value</u>	Advances for Intangible Assets (*)	Rights	Total
1 January	1,577,347	69,825,964	71,403,311
Additions	1,023,299	17,215,385	18,238,684
December 31	2,600,646	87,041,349	89,641,995
<u>Accumulated Amortization</u>			
1 January	-	(30,227,061)	(30,227,061)
Charge for the Period	-	(12,870,215)	(12,870,215)
December 31	-	(43,097,276)	(43,097,276)
Net Book Value as of December 31	2,600,646	43,944,073	46,544,719

December 31, 2016

<u>Cost Value</u>	Advances for Intangible Assets (*)	Rights	Total
1 January	2,666,428	52,085,155	54,751,583
Additions	826,917	15,918,090	16,745,007
Disposals	(93,279)	-	(93,279)
Transfer	(1,822,719)	1,822,719	-
December 31	1,577,347	69,825,964	71,403,311
<u>Accumulated Amortization</u>			
1 January	-	(20,757,045)	(20,757,045)
Charge for the Period	-	(9,470,016)	(9,470,016)
Disposals	-	-	-
December 31	-	(30,227,061)	(30,227,061)
Net Book Value as of December 31	1,577,347	39,598,903	41,176,250

(*) 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 December 31, 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.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

(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 December 31, 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

	December 31, 2017	December 31, 2016
Financial Assets Available for Sale	516,992,828	863,908,401
Financial Investments with Risks on Policy Holders	2,514,414	2,530,185
Impairment Provision for Affiliates		
Total	519,507,242	866,438,586

Financial Assets Available for Sale

Financial Assets Available for Sale

	December 31, 2017			December 31, 2016		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	189,348,522	232,976,958	232,976,958	189,073,620	210,381,106	210,381,106
Private sector bond	217,089,791	226,548,745	226,548,745	157,224,003	159,914,268	159,914,268
Investment fund	58,976,694	57,120,310	57,120,310	88,642,117	84,045,498	84,045,498
Eurobond	736	604	604	414,615,001	409,346,640	409,346,640
Equity Shares (Unlisted)	346,211	-	346,211	220,889	-	220,889
Total	465,761,954	516,646,617	516,992,828	849,775,630	863,687,512	863,908,401

Financial Investments with Risks on Policy Holders

	December 31, 2017			December 31, 2016		
	Cost Value TL	Fair Value TL	Book Value TL	Cost Value TL	Fair Value TL	Book Value TL
Government Bonds	2,495,766	2,514,414	2,514,414	2,530,185	2,530,185	2,530,185

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

11. Financial Assets (Continued)**11.1 Subcategories of Financial Assets (Continued)**

The breakdown of the shares classified as available-for-sale financial assets is as follows:

December 31, 2017

Equity Shares	Participation Rate (%)	Cost Value TL	Fair Value TL	Book Value TL
Tarsim Tarım Sigortaları Havuz İşletmesi A.Ş.	4.35	346,211	-	346,211
Unlisted		346,211	-	346,211
Total		346,211	-	346,211

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 December 31, 2017 and December 31, 2016.

As of December 31, 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).

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.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

11. Financial Assets (Continued)**11.4 Fair value of securities and long-term financial assets that are carried at cost in the balance sheet and cost of securities and long-term financial assets that are carried at fair value in the balance sheet (Continued):**

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

Affiliates

	December 31, 2017			December 31, 2016		
	Participation	Cost Value	Book Value	Participation	Cost Value	Book Value
	Rate %	TL	TL	Rate %	TL	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	0		30,116,653	0

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**

	December 31, 2017	December 31, 2016	December 31, 2015
Financial Assets Available for Sale	(18,088)	(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.

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.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

12. Receivables and Payables**12.1 Details of the Company's receivables**

	December 31, 2017	December 31, 2016
Receivables from insurance operations		
Receivables from agencies	331,720,383	234,952,898
Bank Guaranteed Credit Card Receivables More than Three Months	144,680,195	121,606,950
Receivables from reinsurance companies	27,938,691	24,149,747
Receivables for salvage and claim recovery - net (Note 2.1.1)	23,391,049	26,122,486
Receivables from insurance operations	527,730,318	406,832,081
Other receivables	181,097	136,835
Cash deposited for insurance and reinsurance companies	30,954	30,954
Receivables from insurance and reinsurance companies	212,051	167,789
Claim recovery receivables under legal follow-up	72,231,867	57,358,424
Doubtful receivables from main operations	29,239,482	29,731,987
Receivables from main operations	101,471,349	87,090,411
Provision for due from insurance operations (-) (*)	(7,785,096)	(6,796,115)
Provision for doubtful receivables from main operations (-) (**)	(22,779,936)	(21,758,316)
Provision for net claim recovery receivables under legal follow-up (-) (**)	(72,231,867)	(57,358,424)
Total provision amount for doubtful receivables	(102,796,899)	(85,912,855)
Receivables from main operations - net	526,616,819	408,177,426

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

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

Aging of receivables from insurance operations is as follows:

	December 31, 2017	December 31, 2016
0-90 days	5,070,652	1,088,533
90+	33,158,476	4,526,069
Not due receivables	489,713,241	401,385,268
Total	527,942,369	406,999,870

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

Type of Guarantee	December 31, 2017		December 31, 2016	
	Receivables	Doubtful Receivables	Receivables	Doubtful Receivables
Letters of Guarantee	60,311,241	2,754,202	60,440,861	3,702,202
Real Estate Pledges	37,308,334	-	36,580,915	5,000
Government Bonds and Equity	464,359	-	466,859	-
Other	240,487	-	162,616	-
Total	98,324,421	2,754,202	97,651,251	3,707,202

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

12. Receivables and Payables (Continued)**12.1 Details of the Company's Receivables (Continued)**

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:

	2017	2016
Opening Balance, 1 January	(79,116,740)	(60,060,677)
Charge for the Period	(21,180,281)	(22,403,924)
Collections	5,285,218	3,347,861
Closing Balance, december 31	(95,011,803)	(79,116,740)

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 December 31, 2017, the Company has liabilities amounting to TL 1,143 to shareholders (December 31, 2016: TL 1,143).

12.3 Total pledges and other guarantees received for receivables amount

Total amount of pledges and other guarantees received for receivables amounts to TL 98.324.421 as of December 31, 2017 (December 31, 2016: TL 97.651.251).

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 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 (Continued) :****December 31, 2017**

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	6,135,494	3.7719	23,142,469
EUR	1,420,773	4.5155	6,415,499
GBP	92,357	5.0803	469,200
CHF	95,190	3.8548	366,938
			<u>3,152</u>
Total			<u>30,397,258</u>

Stocks and Bonds	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	15,141,844	3.7719	57,113,520
			<u>57,113,520</u>

Receivables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	45,975,362	3.7719	173,414,468
EUR	10,498,749	4.5155	47,407,101
GBP	93,403	5.0803	474,515
CHF	14,379	3.8548	55,428
Other			37,491
Total			<u>221,389,003</u>

Outstanding Claims Reserve	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(6,355,551)	3.7719	(23,972,502)
EUR	(897,954)	4.5155	(4,054,712)
Other			(3,438)
Total			<u>(28,030,652)</u>

Payables from Insurance Operations	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(35,179,329)	3.7719	(132,692,911)
EUR	(5,721,273)	4.5155	(25,834,408)
Other			(1,349,223)
Total			<u>(159,876,542)</u>

Off-balance sheet liabilities

Financial risk protection	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	(14,322,351)	3.7719	(54,022,476)
			<u>(54,022,476)</u>

Net Foreign Currency Position			<u>66,970,111</u>
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AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 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 (Continued) :****December 31, 2016**

Banks (Foreign Currency)	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	7,685,137	3.7719	27,045,534
EUR	1,146,085	4.5155	4,251,861
GBP	109,075	5.0803	471,084
CHF	55,429	3.8548	190,975
Other			2,832
			31,962,286

Stocks and Bonds	Amount in Foreign Currency	Exchange Rate	Amount (TL)
USD	23,881,989	3.5192	84,045,496
			84,045,496

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			104,420,829

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)
Financial risk protection			
USD	16,358,049	3.5192	57,567,247
			57,567,247

Net Foreign Currency Position	33,368,955
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AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

13. Derivative Financial Instruments

During the period between January 1 - December 31, 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 30.328.747 (January 1 - December 31 2016: TL 5.154.463).

14. Cash and Cash Equivalents

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash at Banks	966,463,093	270,379,281
Time Deposit	951,500,553	252,350,898
Demand Deposit	14,962,540	18,028,383
Bank Guaranteed Credit Card Receivables with Maturities less than three months	385,583,394	210,819,263
Total	1,352,046,487	481,198,544
Interest Accrual on Cash and Cash Equivalents	(3,036,758)	(257,966)
Blocked Deposits (*)	148,506,702	148,863,664
Cash Flow Based Grand Total	1,200,503,027	322,076,914

(*) Details of blocked deposits in the company's treasury are given in footnote 17.1.

The details of interest rates received from time deposits as of December 31, 2017 are as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
	<u>Annual Interest Rate</u>	<u>Annual Interest Rate</u>
	<u>(%)</u>	<u>(%)</u>
TL	7,75 - 15,95	4,50 - 13,95
USD	0,10 - 4,40	0,10 - 3,40
EUR	0,10 - 1,75	0,10 - 1,85

As of 31 December 2017, the maturities of TL deposits vary between 2 January 2018 and 23 March 2018.

As of 31 December 2016, the maturities of TL deposits are between 4 January 2017 and 12 February 2017; while the currency of foreign exchange deposits varies between 4 January 2017 and 8 January 2017.

As of 31 December 2017, there are no reverse repo transactions accounted for as cash and cash equivalents (31 December 2016: TL 30.031.438).

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

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 December 31, 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**Legal Reserve**

Information on movements of legal reserves is disclosed in the equity capital change table.

Special Funds	December 31, 2017	December 31, 2016
Hedge	(17,618,783)	(16,816,074)
Actuarial (gain)/loss	3,242,827	3,472,406
Total	(14,375,956)	(13,343,668)

Gains from sale of fixed asset

75% of TL 127,169,601 of total gains from the sale of real estates, namely TL 95,377,201, which was obtained through the sale of real estate in Bursa and Istanbul in 2009, sale of real estate in İzmir in 2010, sale of Adapazarı Karaaptiler land and participation shares in 2011, sale of real estate in İzmir Tepecik in 2011, sale of real estate in Istanbul Fındıklı and Ankara in 2013, and sale of real estate in Ankara, Çanakkale and İzmir in 2014, has been decided not to be distributed in the related accounting periods but to be followed under special funds account pursuant to the Article 5-1/3 of the Corporate Tax Law and in accordance with the Tax Legislation, Capital Markets Legislation and other related financial legislation.

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 0.01 each).

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

None (December 31, 2016: None).

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

15. Share Capital (Continued)**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	
	December 31, 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

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 “Communiqué 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.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

(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**

	December 31, 2017 Increase / (Decrease)	December 31, 2016 Increase / (Decrease)
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	7,188,575	(1,257,053)
End of the Period	(14,470)	(7,203,045)

In accordance with changes regarding "TAS 19 – Employee Benefits" effective as of January 1, 2013, actuarial loss amounting to TL 4.053.535 (Deferred tax effect: TL 810,707), (31 December 2016: 4,340,507 TL, Deferred tax effect: TL 868,102) resulting from retirement pay liability calculation has been accounted to "Other Reserves and Retained Earnings" under equity.

As of December 31, 2017, effect of hedge accounting amount of TL 22.023.479 (Deferred tax effect: TL 4.404.696), (December 31, 2016: TL 21,020,093 deferred tax effect: TL 4.204.019) 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

	December 31, 2017 Increase / (Decrease)	December 31, 2016 Increase / (Decrease)
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	7,188,575	(1,257,053)
End of the Period	(14,470)	(7,203,045)

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

Disclosed in note 34.5.

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

16. Other Provisions and Capital Component of Discretionary Participation (Continued)**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	December 31, 2017		December 31, 2016	
	Amount to be Provided TL	Current Blockage TL	Amount to be Provided TL	Current Blockage TL
Life	1,752,502	2,514,027	4,821,877	4,824,827
Government Bonds		2,514,027		4,824,827
Time Deposit		-		-
Non-Life	143,688,634	148,506,702	118,491,138	148,863,664
Time Deposit		148,506,702		148,863,664
Total	145,441,136	151,020,729	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.

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

	2017 Mathematical Reserves		2016 Mathematical Reserves	
	Unit	TL	Unit	TL
Beginning of the Period, 1 January	251	1,526,588	385	1,910,496
Participations in the Current Period	-	-	-	-
Leavings in the Current Period	(56)	82,539	(134)	(383,907)
End of Period, December 31	195	1,609,127	251	1,526,588

Mathematical reserves amounting to TL 1.448.214 (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 160.912,70 (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).

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

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

Branch	December 31, 2017	2016
Motor Crafts Liability	13,878,960,700,217	3,472,376,461,753
Fire and Natural Disaster	617,946,854,752	601,059,056,615
General Losses	296,542,475,228	274,658,721,235
Transportation	121,720,256,160	96,056,450,959
Accident	46,045,029,467	41,991,066,578
Financial Losses	74,207,920,751	71,708,086,469
General Liability	92,779,648,466	59,441,123,508
Air Crafts Liability	26,982,150,652	19,844,166,047
Motor Own Damage	60,499,452,006	42,134,056,334
Health	15,408,442,900	11,939,385,616
Legal Protection	10,990,444,901	10,535,177,757
Air Crafts	2,612,647,022	1,412,713,829
Credit	937,307,090	1,720,654,700
Water Crafts	1,353,710,516	967,578,422
Fidelity Guarantee	961,083,936	672,292,627
Life	-	200,000
Total	15,247,948,124,064	4,706,517,192,449

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).

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

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- December 31, 2017 Profit Share Distribution (%)	January 1- December 31, 2016 Profit Share Distribution (%)
TL (Life Insurance)	9.00	9.00

17.15 Explanation of information that describes amounts arose from insurance agreements

None (December 31, 2016: None).

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

(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 contracts recognized when the insurer is a ceding company:**

Reinsurance Assets

	December 31, 2017	December 31, 2016
Receivables from Reinsurance Companies	825,611,539	415,094,849
Cash Deposited For Insurance & Reinsurance Companies	587,846,797	385,729,268
Reinsurance Share of Unearned Premiums Reserve	73,534,993	42,700,763
Reinsurance Share of Outstanding Claims Reserve	27,938,691	24,149,747
Reinsurance Share of Unexpired Risks Reserve	15,070,795	(6,285,014)
Reinsurance Share of Equalization Reserve	30,954	30,954
Total	1,530,033,769	861,420,567

Reinsurance Liabilities

	December 31, 2017	December 31, 2016
Payables to Insurance and Reinsurance Companies	308,244,281	168,866,186
Deferred Commissions Income	78,231,263	53,979,313
Total	386,475,544	222,845,499

Income / Expense on Reinsurance Agreements

	January 1- december 31, 2017	January 1- december 31, 2016
Premiums Ceded to Reinsurers (-)	410,516,692	233,792,355
Commissions Received	202,117,528	60,184,165
Reinsurance Share of Unearned Premiums Reserve	328,476,291	203,170,514
Reinsurance Share of Unexpired Risks Reserve	135,515,697	101,917,349
Reinsurance Share of Outstanding Claims Reserve	15,070,795	(6,285,014)
Reinsurance Share of Claims Paid	(1,078,291,217)	(728,971,808)
Total	13,405,786	(136,192,439)

Branch	December 31, 2017			December 31, 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	(400,623,270)	400,905,986	68,451,531	(308,111,998)	54,055,374	41,878,328
Health	(171,856,227)	9,709,844	129,212,768	(163,861,187)	55,631,346	84,164,385
General Losses	(168,548,834)	110,368,578	46,984,778	(113,556,289)	(27,262,151)	49,179,596
Motor Crafts Liability	(128,452,509)	87,338,412	3,926,591	(19,967,097)	5,915,066	12,219
General Liability	(75,628,559)	67,771,597	10,566,020	(46,449,139)	36,135,265	7,600,704
Financial Losses	(56,611,750)	18,563,887	1,748,012	(29,151,327)	986	783,463
Transportation	(23,453,742)	7,973,580	7,578,790	(11,115,909)	6,633,320	7,609,362
Accident	(20,311,748)	10,865,917	1,078,153	(12,917,413)	3,173,895	814,602
Fidelity Guarantee	(11,229,981)	(108,285,019)	54,477,763	(3,640,486)	149,342,088	1,045,012
Air Crafts Liability	(9,517,648)	(1,429,982)	274,084	(7,153,942)	(1,954,064)	1,744,927
Air Crafts	(3,904,072)	23,212,149	2,012,878	(4,208,415)	(841,380)	1,046,216
Water Crafts	(3,783,221)	752,795	1,263,946	(2,181,963)	1,018,643	3,799,991
Credit	(1,914,294)	(675,392)	901,487	(3,406,990)	(3,200,364)	3,502,450
Motor Own Damage	(1,241,836)	(463,664)	(510)	(869,944)	1,232	(10,741)
Support	(1,213,526)	(86,555)	-	(2,379,709)	(310,261)	-
Life	-	-	-	-	(211)	-
Total	(1,078,291,217)	626,522,133	328,476,291	(728,971,808)	278,338,784	203,170,514

(*) According to note 2.15, 49.964.536 TL (December 31,2016: 19.398.402,56)ceded premium amount includes premiums that ceded to Social Security Institution in the branch of Motor Third Party Liability as of 12/31/2017.

(**) 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.

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

17. Insurance Liabilities and Reinsurance Assets**17.17 Comparison of incurred claims with past estimations**

Disclosed in Note 4.1.2.3.

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

Disclosed in note 4.1.2.4.

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

	2017	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, 1 January	222,845,499	861,420,567
Net Change for the Year	163,630,045	668,613,202
End of the Period, 31 December	386,475,544	1,530,033,769
	2016	
	Insurance Payables	Reinsurance Assets
Beginning of the Period, 1 January	184,588,823	569,530,946
Net Change for the Year	38,256,676	298,159,551
End of the Period, 31 December	222,845,499	867,690,497

18. Investment Contract Liabilities

Disclosed in Note 17.3.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Payables to insurance and reinsurance companies	308,244,281	168,866,177
Payables from Insurance Operations	308,244,281	168,866,177
Payables to contracted enterprises	24,947,212	21,395,892
Payables to Turkish Catastrophe Insurance Pool	15,121,193	10,538,496
Payables to suppliers	8,522,694	6,010,520
Turkish Catastrophe Insurance Pool Payables to agencies	714,749	684,897
Other	3,305,549	1,525,590
Other Payables	52,611,397	40,155,395
Payables to SSI regarding medical expenses	24,110,925	4,268,447
Deferred commission income	78,231,263	53,979,313
Expense accruals	36,798,073	36,839,062
Other	-	-
Deferred Income and Expense Accruals	115,029,336	90,818,375
Total Short Term Liabilities	499,995,939	337,262,499
Total Trade and Other Payables, Deferred Income	499,995,939	337,262,499

19.2 Related Parties

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

20. Payables

	December 31, 2017	December 31, 2016
Insurance Technical Reserves		
Unearned Premiums Reserve- Net (*)	883,931,028	609,668,379
Unexpired Risks Reserve- Net	579,989,028	476,838,233
Outstanding Claims Reserve-Net	70,564,376	59,705,916
Bonuses and rebates reserve-Net	1,609,127	1,526,588
Mathematical Reserves-Net	476,121	0
Equalization Reserve-Net	7,067	3,457
Total	1,536,576,747	1,147,742,573

(*) While calculating the income statement effect of the provisions for unearned premiums, TL 49.612,36 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 December 31, 2017 which is TL 35.362.065,76 (December 31, 2016: TL 10,542,408).

AKSIGORTA A.Ş.

**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

20. Payables (Continued)

The movement of technical reserves are as follows:

Unearned Premium Reserve:

	December 31, 2017			December 31, 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 Change	476,380,178	(202,117,528)	274,262,649	164,456,866	(60,184,165)	99,001,042
End of the Period, December 31	1,471,777,825	(587,846,796)	883,931,028	995,397,788	(380,457,750)	609,668,379

Unexpired Risk Reserve:

	December 31, 2017			December 31, 2016		
	Gross	Reinsurance Share	Net	Gross	Reinsurance Share	Net
Beginning of the Period, January 1	-	-	-	20,114,249	(6,285,014)	13,829,235
Net Change	15,546,916	(15,070,795)	476,121	(20,114,249)	6,285,014	(13,829,235)
End of the Period, December 31	15,546,916	(15,070,795)	476,121	-	-	-

Equalization Reserve:

	December 31, 2017			December 31, 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	41,692,690	(30,834,230)	10,858,460	31,841,510	(20,747,307)	11,094,203
End of the Period, December 31	144,099,369	(73,534,993)	70,564,376	102,406,679	(42,700,763)	59,705,916

Provision for bonus and discount:

	December 31, 2017			December 31, 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	(1,179,272)	1,182,882	3,610	518,909	1,715,452	(1,196,543)
End of the Period, December 31	539,637	(532,570)	7,067	1,718,909	1,715,452	3,457

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.

Within the scope of the "Law on the Amendment of Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated December 5, 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. For severance indemnity provision and marketable securities valuation difference, 20% is used. The Company's deferred income tax amounts are disclosed in footnote 35

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

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 publication in the Official Gazette no: 26479 on March 31, 2007.

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

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

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

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:

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

22. Retirement and Welfare Liabilities (Continued)**Retirement Pay Provisions (Continued):**

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 December 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 December 31, 2017, the provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 11.92% (December 31, 2016: %8.53) and a discount rate of 10.90% (December 31, 2016: 10.71%), resulting in a real interest rate of 3% (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.

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:

In accordance with changes regarding “TAS 19 - Employee Benefits” effective as of January 1, 2013, actuarial loss amounting to TL 4.053.535 (Deferred tax effect: TL 810.707) resulting from retirement pay liability calculation has been accounted to extraordinary reserves under equity.

As the maximum liability is updated semi annually, as of December 31, 2017, the maximum amount of TL 5.001,76 effective from January 1, 2018 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	1,278,953	1,569,790
Actuarial Gain/Loss	(286,973)	(340,047)
Retirement Payments (-)	(1,154,413)	(1,368,546)
End of the Period,	6,172,934	6,335,367

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

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
Beginning of the Period, January 1	904,395	1,529,095	1,070,851	1,440,387
Movements in the Current Period	688,184	20,382,565	(154,261)	88,708
Payments in the Current Period	(275,277)	(20,031,884)	(12,195)	-
End of the Period,	1,317,302	1,879,776	904,395	1,529,095

23.2 Total Amount of Non-liability Commitments

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

	December 31, 2017		December 31, 2016	
	Amount in Original Currency	Amount (TL)	Amount in Original Currency	Amount (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		1,848,155		1,456,494
	TL	1,848,155	1,456,494	1,456,494
	USD	-	-	-
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		2,413,405		2,021,744

Other CPM’s given by the Company is zero in proportion to the Company’s equity (December 31, 2016: None).

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

23. Other Liabilities and Expense Accruals (Continued)**23.3 Provisions, Contingents Assets and Liabilities**

Contingent Liabilities	December 31, 2017	December 31, 2016
Outstanding Claims under Litigation	352,548,626	304,205,081
Guarantee fund provision	1,767,737	1,772,953
Business Cases Provision	1,317,302	904,395
Total	355,633,665	306,882,429

	December 31, 2017	December 31, 2016
Subrogation Receivable Litigations, Gross	96,509,691	78,684,489
Trade Receivable Litigations and Executions	4,123,647	3,347,861
Total	100,633,338	82,032,350

(*) Outstanding claims provision consists of net receivables, interest and expenses & agency fees in the amount of TL 215.624.573, TL 69.595.615 and TL 67.328.438 respectively.

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.

23.4 Provision for Expense Accruals

	December 31, 2017	December 31, 2016
Commission provision	13,551,374	12,708,520
Expense provision	7,412,366	7,460,556
Unused vacation provision	5,767,191	2,041,410
Performance premium provision	3,312,410	9,678,975
Guarantee fund provision	1,767,737	1,772,953
Business Cases Provision	1,317,302	904,395
Other	3,669,693	2,272,253
Total	23,246,699	24,130,542

(*) Commission provision to be distributed to the agency, bank and institutional channels for the current period.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

24. Net Insurance Premium Revenue

	January 1 - December 31, 2017		
	Gross	Reinsurance share	Net
Motor Own Damage	641,095,251	(1,241,836)	639,853,415
Motor Crafts Liability(*)	615,463,625	(128,452,509)	487,011,116
Health	551,330,600	(171,856,227)	379,474,373
Fire and Natural Disaster	258,676,248	(400,623,269)	(141,947,021)
General Losses	254,447,444	(168,548,834)	85,898,610
Accident	95,846,388	(20,314,888)	75,531,500
General Liability	92,966,730	(75,625,419)	17,341,311
Financial Losses	43,568,056	(56,611,750)	(13,043,694)
Transportation	42,645,397	(23,453,742)	19,191,655
Water Crafts	12,829,556	(3,783,221)	9,046,335
Assistance	9,520,639	(1,213,527)	8,307,112
Air Crafts Liability	5,579,293	(9,517,648)	(3,938,355)
Fidelity Guarantee	4,368,483	(11,229,981)	(6,861,498)
Credit	3,904,920	(1,914,294)	1,990,626
Air Crafts	2,015,046	(3,904,072)	(1,889,026)
Legal Protection	1,318,624	-	1,318,624
Total - Non-life branches	2,635,576,300	(1,078,291,217)	1,557,285,083
Written premium - Life branch	6,000	-	6,000
Total	2,635,582,300	(1,078,291,217)	1,557,291,083

	January 1 - December 31, 2016		
	Gross	Reinsurance share	Net
Motor Own Damage	590,851,704	(869,944)	589,981,760
Motor Crafts Liability(*)	246,021,394	(19,967,096)	226,054,298
Health	218,566,094	(163,861,186)	54,704,908
Fire and Natural Disaster	442,890,185	(308,111,997)	134,778,188
General Losses	181,321,188	(113,556,288)	67,764,900
Accident	33,470,468	(12,919,174)	20,551,294
General Liability	65,784,950	(46,447,383)	19,337,567
Financial Losses	58,807,780	(29,151,326)	29,656,454
Transportation	27,819,733	(11,115,908)	16,703,825
Water Crafts	3,595,943	(2,181,963)	1,413,980
Assistance	2,535,191	(2,379,709)	155,482
Air Crafts Liability	7,155,479	(7,153,942)	1,537
Fidelity Guarantee	4,585,736	(3,640,486)	945,250
Credit	3,586,305	(3,406,990)	179,315
Air Crafts	4,208,932	(4,208,416)	516
Legal Protection	4,357,496	-	4,357,496
Total - Non-life branches	1,895,558,578	(728,971,808)	1,166,586,770
Written premium - Life branch	7,480	-	7,480
Total	1,895,566,058	(728,971,808)	1,166,594,250

* Reinsurance share of land vehicles liability branch amounting to TL 49.964.536 (31 December,2017: TL 19.398.403) includes premiums to be ceded to SSI.

25. Fee Income

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

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

26. Investment Income/(Expense)

	January 1- December 31, 2017	January 1- December 31, 2016
Realized Investment Income / Expenses		
Term deposit	72,441,744	73,882,785
Investment Fund	21,704,811	13,426,320
Private Sector Bonds	12,249,750	3,266,974
Government Bond	5,097,418	1,911,135
Eurobonds	3,217,798	577,789
Treasury bond	(4,021,330)	(8,863,374)
Repo	(5,188,145)	4,993,621
Total	105,502,046	89,195,250
Unrealized Investment Income / Expenses		
Investment Fund	21,215,340	11,208,322
Private Sector Bonds	5,994,903	567,861
Term deposit	2,793,156	(554,659)
Government Bond	213,330	(126,397)
Treasury bond	(95,948)	95,948
Repo	(140,972)	(93,190)
Eurobonds	(350,761)	1,831,802
Total	29,629,048	12,929,687
Investment Income/Expense, Net	135,131,094	102,124,937

27. Net Accrual Income on Financial Assets

	January 1- December 31, 2017	January 1- December 31, 2016
Financial Assets Available for Sale		
Valuation differences recognized under shareholders' equity	(14,470)	(7,203,043)
Total	(14,470)	(7,203,043)

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 30.131.143 as of December 31, 2017 (January 1 - December 31, 2016: TL 16,660,092).

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

29. Insurance Rights and Demands

	January 1- December 31, 2017	January 1- December 31, 2016
Outstanding Claims Reserve Expenses		
Motor Crafts Liability	(63,702,804)	(26,670,630)
Fire and Natural Disaster	6,561,514	(8,773,422)
Motor Own Damage	(31,405,943)	(23,415,405)
General Liability	(13,257,310)	(14,333,466)
General Losses	(1,653,017)	(1,062,075)
Transportation	56,091	(943,814)
Water Crafts	(450,876)	(167,683)
Fidelity Guarantee	(253,915)	(325,089)
Financial Losses	(508,591)	645,845
Legal Protection	(74,879)	(23,088)
Air Crafts	(4,528)	(4)
Air Crafts Liability	30	254
Credit	17,203	133,564
Accident	550,705	(454,747)
Health	757,690	21,418,560
Total Non-life	(103,368,630)	(53,971,200)
Life	217,835	3,279,081
Total (*)	(103,150,795)	(50,692,119)

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

30. Investment Agreement Types

None (December 31, 2016: None).

31. Mandatory Other Expenses

Types of expenses are disclosed in Note 32.

32. Expese Types

	January 1- December 31, 2017	January 1- December 31, 2016
Production Commissions (-)	(362,697,082)	(295,586,711)
Employee Wages and Expenses (-) (*)	(75,829,468)	(67,871,300)
Information Technology Expenses (-)	(12,881,357)	(13,109,821)
Rent Expenses (-)	(9,712,100)	(8,546,734)
Meeting and Training Expenses (-)	(5,226,925)	(3,696,162)
Outsourcing Service Expenses (-)	(5,222,990)	(2,160,787)
Transportation Expenses (-)	(4,759,529)	(4,126,314)
Social Relief Expenses (-)	(3,695,946)	(3,688,606)
Advertisement Expenses (-)	(2,886,405)	(3,018,736)
Repair and Maintenance Expenses (-)	(2,459,355)	(2,500,167)
Communication Expenses (-)	(1,387,774)	(1,331,651)
Reinsurance Commissions (+)	135,515,697	101,917,349
Other (-)	(3,310,982)	(3,332,684)
Total	(354,554,216)	(307,052,324)

(*) 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.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

33. Employee Wages and Expenses

	January 1- December 31, 2017	January 1- December 31, 2016
Salary and Bonus Payments	(61,945,775)	(56,399,883)
Insurance Payments	(10,130,654)	(8,547,062)
Other Payments	(7,448,985)	(6,612,960)
Total (Note 32)	(79,525,414)	(71,559,906)

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**

Deposit amount	Currency Type	Exchange rate at the beginning of the period	Exchange rate at the end of the period	Hedging cash flow
14,322,351	USD	2.2342	3.7719	(22,023,479)

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 December 31, 2017 effect of hedge accounting amount of TL 17.618.783 has been recognized in the "Special Funds (Reserves)" account item under equity (Note 15).

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 15.141.843,53 Eurobond.

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

None (December 31, 2016: None).

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

35. Corporate Tax

	December 31, 2017	December 31, 2016
<u>Current Tax Liability</u>		
Corporate Tax Liability Provision on Period Profit	40,115,659	-
Prepaid Taxes and Other Liabilities on Period Profit (-)	(31,394,677)	-
	<u>8,720,982</u>	<u>-</u>
<u>Tax (Expense) / Income is Formed by the Items Below:</u>	January 1- December 31, 2017	January 1- December 31, 2016
Current Tax Income / (Expense)	(40,115,659)	-
Deferred Tax Income / (Expense) due to Temporary Differences	8,888,211	(14,317,319)
Total Tax Income / (Expense)	(31,227,448)	(14,317,319)
<u>Deferred Tax</u>	2017	2016
Recognized in the Shareholders' Equity:		
Valuation of Financial Assets Available for Sale	3,618	1,800,761
Hedge Effect	(4,404,696)	(4,204,019)
Actuarial Gain/Loss Effect	810,707	868,102
Total	<u>(3,590,371)</u>	<u>(1,535,156)</u>

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. Within the scope of the "Law on the Amendment of Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated December 5, 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%.

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Law on the Amendment of Some Tax Acts and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards. The tax rate used in the calculation of deferred tax assets and liabilities is 22% excluding the retirement pay provision. For severance indemnity provision and marketable securities valuation difference, 20% is used.

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

	December 31, 2017	December 31, 2017- Revised	December 31, 2016	December 31, 2016- Revised
<u>Deferred Tax Assets / (Liabilities)</u>				
Provision for impairment	30,116,653	30,116,655	6,625,664	6,023,331
Expense reserves	3,572,557	8,933,595	785,963	1,786,719
Performance premium provision	7,412,366	7,460,555	1,630,721	1,492,111
Balancing Equivalent	6,623,717	5,476,410	1,457,218	1,095,282
Outright Discount	-	(113,814,285)	-	(22,762,857)
Provision for employment termination benefits	6,172,935	6,335,367	1,234,587	1,267,073
Provision for doubtful receivables	3,514,000	1,906,000	773,080	381,200
Unused vacation allowance	1,317,302	904,395	289,806	180,879
Marketable securities valuation difference	18,090	9,003,805	3,618	1,800,761
Ongoing Risks	476,121	-	104,747	-
Investment Fund Valuation Impact	3,609	-	794	-
Bonus and Discounts	(4,573,879)	(624,495)	(1,006,253)	(124,899)
Tangible and intangible assets economic life differences	(9,849,203)	(6,504,665)	(2,166,825)	(1,300,933)
Financial Loss	-	65,153,555	-	13,030,711
Other	(139,753)	-	(30,746)	-
Deferred Tax Assets / (Liabilities)	44,664,515	14,346,890	9,702,374	2,869,378

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

35. Corporate Tax (Continued)

Corporation tax reconciliation is as below:

Confirmation of Tax Provision	2017	2016
Income Before Tax	158,214,131	71,471,881
Tax Calculated: 20%	(31,642,826)	(14,294,376)
Effect of Additions	(41,172,606)	(20,187,153)
Effect of Allowances	19,475,023	16,739,893
Fiscal Expense	(53,340,409)	(17,741,636)
Deducted past year losses	13,224,750	17,741,636
Corporate Tax Liability Provision on Period Profit	(40,115,659)	-

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

	2017	2016
Loss before tax	158,214,131	71,471,881
Calculated tax revenue: %20	(31,642,826)	(14,294,376)
Disallowable expenses	769,473	-
Term Tax Payment	(354,095)	(22,943)
Total Tax Expense	(31,227,448)	(14,317,319)

36. Net Foreign Exchange Gain/Loss

	January 1- December 31, 2017	January 1- December 31, 2016
Recognized in Profit / Loss:		
Foreign Exchange Income	111,807,006	77,269,832
Foreign Exchange Expense	(102,833,841)	(70,182,459)
	8,973,165	7,087,373

37. Earnings per Share

	2017	2016
Number of Equity Shares Outstanding Beginning Period, 1 January	30,600,000,000	30,600,000,000
Number of Equity Shares Issued in Cash	-	-
Number of Equity Shares Outstanding End of Period, December 31	30,600,000,000	30,600,000,000
Weighted Average Number of Outstanding Shares (Unit of 1; 0,01 TL)	30,600,000,000	30,600,000,000
Net Profit for the Period / (Loss) (TL)	86,501,836	20,362,421
Earnings / (Loss) per Share (TL)	0.283	0.067

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

38. Dividends per share

Pursuant to the decision taken in the Company's Ordinary General Meeting held on March 21, 2017, the Company did not distribute profit to its shareholders since there was no distributable profit as per the financial statements as of December 2016.

39. Cash Generated from the Operations

Cash Generated from Operations is presented in the Cash Flow Statement.

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).

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 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 "Receiveable from Insurance Operations" line of financial statements.

Related Party Receivables / (Payables)

	December 31, 2017	December 31, 2016
Shareholders	41,157,345	12,456,988
Related Parties	37,671	19,958
Total	41,195,016	12,476,946

Premium production

	January 1- December 31, 2017	January 1- December 31, 2016
Shareholders	163,873,621	150,567,543
Related Parties	3,186,378	2,637,764
Total	167,059,999	153,205,307

Claims Paid

	January 1- December 31, 2017	January 1- December 31, 2016
Shareholders	63,513,075	9,548,521
Related Parties	154	969
Total	63,513,229	9,549,490

Interest Income Received from Related Part

	January 1- December 31, 2017	January 1- December 31, 2016
Related Parties	55,466,309	43,782,837
Total	55,466,309	43,782,837

Bank Deposit

	December 31, 2017	December 31, 2016
Related Parties	455,146,116	574,281,361
Total	455,146,116	574,281,361

Private Sector Bonds

	December 31, 2017	December 31, 2016
Related Parties	45,670,100	15,294,313
Total	45,670,100	15,294,313

Investment Funds

	December 31, 2017	December 31, 2016
Related Parties	232,967,097	158,252,836
Total	232,967,097	158,252,836

AKSIGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

46. Subsequent Events

As of June 24, 2014, Tax Inspection Board of T.C. Ministry of Finance has launched a limited tax investigation related to the Banking and Insurance Transaction Tax for the years 2009, 2010, 2011 and 2012 and as a consequence of the tax inspection, tax of TL 1,8 million and tax penalty of TL 2,8 million for the year 2009, tax of TL 2 million and tax penalty of TL 3 million for the year 2010, tax of TL 3 million and tax penalty of TL 4,6 million for the year 2011 and tax of TL 4,3 million and tax penalty of TL 6,4 million for the year 2012 and in total tax and tax penalty of 27,9 million related to Banking Insurance Transaction Tax were imposed to the Company. The Company has not booked any provision in the financial statements since it believes that its practice is in compliance with the regulations. On January 16, 2015, the Company filed a reconciliation request for the year 2009 and on February 20, 2015 filed a reconciliation request for the years 2010, 2011 and 2012 to the Large Taxpayers Office Commission of Reconciliation. On January 17, 2018 Large Taxpayers Office Commission of Reconciliation informed the Company that the reconciliation request in relation to the tax penalty as mentioned in Note 32 for the years 2009, 2010, 2011 and 2012 was accepted. The reconciliation meeting will take place on February 15, 2018. The Company does not expect any material impact on its financials in result of this occurrence.

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	December 31, 2017	December 31, 2016
Receivables from Tarm Sigortalari A.Ş.	11,024,553	2,964,383
Other Receivables	1,610,009	1,434,861
Receivables from Agencies due to DASK Premiums	3,674,862	3,413,737
Total	16,309,424	7,812,981

Other Short Term Payables	December 31, 2017	December 31, 2016
Payables to Turkish Catastrophe Insurance Pool	24,947,212	21,395,892
Payables to contracted enterprises	8,522,694	6,010,520
Payables to suppliers	15,121,193	10,538,496
Turkish Catastrophe Insurance Pool Payables to agencies	714,749	684,897
Other	3,305,549	1,525,590
Total	52,611,397	40,155,395

Other Prepaid Expenses	December 31, 2017	December 31, 2016
Prepaid Expenses (*)	10,239,430	2,685,039
Total	10,239,430	2,685,039

Other Prepaid Expenses (Long Term)	December 31, 2017	December 31, 2016
Prepaid Expenses	2,963,592	207,203
Total	2,963,592	207,203

* The amount of TL 6.703.348 (December 31, 2016: TL 2.332.210) prepaid expenses and the amount of TL 2.793.061 (December 31, 2016: None) prepaid expenses for future years have arisen from operational leases of the Company.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017**

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

47. Other (Continued)

Assistance services under other technical expenses in the income statement, amounting to TL 50.545.885 (December 31, 2017: TL 53.118.692), consist of deferral of these amounts and technical expenses of these services.

Income and Profit / Expenses and Losses from Other and Extraordinary Activities	January 1- December 31, 2017	January 1- December 31, 2016
Provisions Account (+/-)	(32,383,804)	(28,295,599)
Provisions for doubtful receivable	(15,723,304)	(13,509,667)
Retirement pay provision	(6,985,000)	-
Donation	(5,767,192)	(2,041,410)
Portfolio Management	(1,489,626)	(1,932,960)
Unused vacation provision	(1,278,953)	(1,569,790)
Guarantee Fund Provision	(688,184)	(154,261)
Provisions for other expenses	(451,545)	(9,087,511)
Compulsory earthquake insurance account (+/-)	723,867	499,332
Deferred tax asset account (+/-)	8,888,211	(14,317,319)
Other income and profits	392,086	748,524
Other	392,086	748,524
Other expenses and losses (-)	(6,540,500)	(21,856,902)
Non-tax-deductible expenses	(3,036,841)	(2,815,607)
Bank Expenses	(1,207,559)	(2,482,187)
Certificate of Insolvency	(468,909)	(488,453)
Expense on property sale	(863,028)	(648,661)
Other	-	(2,483)
Total	(28,920,140)	(63,224,447)

(*) Donations to be paid to Hacı Ömer Sabancı Foundation.

AKSİGORTA A.Ş.**CONVENIENCE TRANSLATION OF THE STATEMENT OF PROFIT
DISTRIBUTION AS OF 31 DECEMBER 2017 AND 2016**

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

AKSİGORTA ANONİM ŞİRKETİ			
Profit Distribution Statement			
	Note	Audited Current Period (01/01/2017 - 31/12/2017)	Audited Current Period (01/01/2016 - 31/12/2016)
I. Distribution of profit for the period		-	-
1.1. Profit for the period		167,102,342	48,167,276
1.2. Taxes payable and legal liabilities		(40,115,659)	-
1.2.1. Corporation tax (Income tax)		(40,115,659)	-
1.2.2. Income tax deduction		-	-
1.2.3. Other taxes and legal liabilities		-	-
A. Net profit for the period (1.1 - 1.2)		126,986,683	48,167,276
1.3. Previous years' losses (-)		86,350,467	(135,945,560)
1.4. First legal reserve		6,349,334	-
1.5. Legal reserves kept in the company (-)		-	-
B. Net distributable Profit for the period [(a - (1.3 + 1.4 + 1.5)]		120,637,349	-
1.6. First dividend to shareholders (-)		15,300,000	-
1.6.1. To common shareholders		15,300,000	-
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 (-)		94,860,000	-
1.10.1. To common shareholders		94,860,000	-
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 (-)		9,486,000	-
1.12. Statutory reserves (-)		-	-
1.13. Extraordinary reserves		991,349	-
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		0.36	-
3.2. To common shareholders (%)		-	-
3.3. To preferred shareholders		-	-
3.4. To preferred shareholders (%)		-	-
IV. Dividends per share		-	-
4.1. To common shareholders		110,160,000	-
4.2. To common shareholders (%)		-	-
4.3. To preferred shareholders		-	-
4.4. To preferred shareholders (%)		-	-

(*) As of 31 December 2016 the profit distribution table has been prepared according to the General Assembly held on 21 March 2017.

CONTACT

GENERAL DIRECTORATE

Poligon Cad. Buyaka 2 Sitesi, No: 8
Kule:1, Kat: 0-6 34771
Ümraniye/İstanbul
Tel: +90 216 280 88 88
Fax: +90 216 280 88 00
E-mail: bilgi@aksigorta.com.tr

REGIONAL DIRECTORATE

ÇUKUROVA AND CENTRAL ANATOLIA

Sabancı İş Merkezi Atatürk Bulvarı,
Dört yolağı
Kat: 5 No: 3 01060 Adana
Tel: +90 322 355 78 00 (5 lines-pbx)
Fax: +90 322 363 09 38

MEDITERRANEAN AND SOUTH AEGEAN

Yenigün Mah. 1047 Sok. Midtown İş Merkezi
A Blok Kat: 3 D: 13- 14
Muratpaşa/Antalya
Tel: +90 242 245 59 00 (pbx)
Fax: +90 242 248 14 49

ANKARA REGIONAL DIRECTORATE

Beştepe Mah. Dumlupınar Bulvarı No: 6
Armada İş Merkezi A Blok Kat: 13 No: 19
06520 Yenimahalle/Ankara
Tel: +90 312 582 50 00
Fax: +90 312 231 28 21

MARMARA AND WESTERN BLACK SEA

Oduluk Mah. Akpınar Cad. No: 5
Green White Plaza Kat: 4 No: 11
Nilüfer/Bursa
Tel: +90 224 275 30 00
Fax: +90 224 224 15 82

İZMİR AND NORTH AEGEAN

Akdeniz Mah. Akdeniz Cad. No: 14 701/702
Türk Eğitim Vakfı Binası Sadullah Hamit
Bırsel İş Merkezi
Konak/İzmir
Tel: +90 232 455 85 00
Fax: +90 232 402 37 00

İSTANBUL / EUROPE

Büyükdere Cad. Pekintaş İş Merkezi No: 32
Kat: 8
Mecidiyeköy/Şişli/İstanbul
Tel: +90 212 393 43 03
Fax: +90 212 211 28 38

İSTANBUL / THRACE

Ali Rıza Gürcan Caddesi Haldun Taner Sok.
Alpaslan İş Merkezi B Blok Kat: 3 No: 27/9
Merter/Güngören/İstanbul
Tel: +90 212 463 68 00
Fax: +90 212 465 78 99

İSTANBUL / ANATOLIAN

19 Mayıs Mah. İnönü Cad. No: 83
Seylan İş Merkezi Kat: 7 Daire: 8
34736 Kozyatağı/Kadıköy/İstanbul
Tel: +90 216 665 75 00
Fax: +90 216 463 14 82

İSTANBUL CORPORATE SALES GROUP DIRECTORATE

Poligon Cad. Buyaka 2 Sitesi
No: 8 Kule: 1, Kat: 0-6
34771 Ümraniye/İstanbul
Tel: +90 216 280 88 88
Fax: +90 216 280 88 00

EASTERN ANATOLIA AND EASTERN BLACK SEA

Gazipaşa Mah. Yavuz Sultan Bulvarı
No: 149
AKS Grup Plaza Kat: 4
Ortahisar/Trabzon
Tel: +90 462 223 62 63
Fax: +90 462 223 32 77-78

SOUTHERN EAST AND CENTRAL ANATOLIAN

İncilipınar Mahallesi Muammer Aksoy
Bulvarı
No: 11 Elit İş Merkezi 5. Kat No: 8
Şehitkamil/Gaziantep
Tel 1: +90 342 215 24 12
Tel 2: +90 342 280 81 95
Fax: +90 342 215 21 37

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AKSigorta
Hizmet Merkezi
444 27 27

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